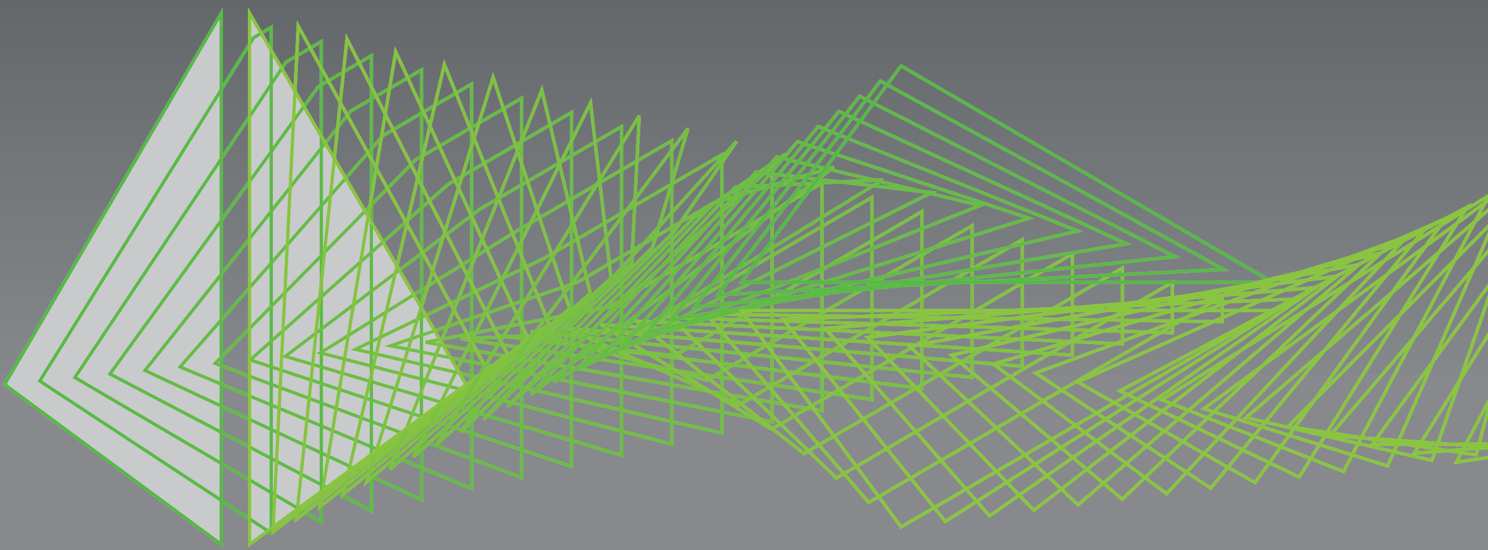

REPORT AND ACCOUNTS

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Leek United
BUILDING SOCIETY

The *friendlier* face of finance

Contents

Member of the Building Societies Association.
Authorised and regulated by the Financial Services Authority.

Established 1863

Registered Principal Office: 50 St.Edward Street, Leek, Staffs. ST13 5DL

Telephone: 01538 384151 Fax: 01538 399179
E-mail: finance@leekunited.co.uk Internet: www.leekunited.co.uk

Registered Number 323B

Leek United
BUILDING SOCIETY

Directors and Officers

Keith Griffiths

Eric Hodkinson

Derek Lyons

Paul Marriott

Philip Stanyer

David Stevens

Jim Washington

Kevin Wilson

DIRECTORS	K Griffiths BSc (Econ), FCA; E W Hodkinson; D J Lyons MSI; P Marriott FCA; P A Stanyer FCA, FIMI, A Inst IB; D A W Stevens; J Washington ACIB; K Wilson
CHAIRMAN	E W Hodkinson
CHIEF EXECUTIVE	K Wilson
FINANCE DIRECTOR	K Griffiths BSc (Econ), FCA
INTERNAL AUDITOR	I Boston
BANKERS	HSBC plc; Girobank plc
AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors

Chairman's Statement

"Leek United remains a strong, independent and profitable building society that retains the trust and confidence of its members."

Despite unprecedented events in global financial markets and the subsequent economic downturn, the society has achieved a robust set of results in 2008.

In a year when several major banks suffered catastrophic losses only to be rescued by Government, Leek United remains a strong, independent and profitable building society that retains the trust and confidence of its members.

Our continued success owes much to the sustainable business model that is a modern, mutual building society and our core activities will remain the provision of residential mortgage products and savings accounts that offer long-term value. We will, of course, continue to provide a range of insurance and financial planning products that enhance member benefits and we plan to increase the extent to which our members can access and operate savings accounts 'on-line' should they wish to.

However, we will diversify and extend our product offering only if it is in the interests of both the society and its members and in areas where we have appropriate levels of skill and expertise.

In anticipation of deteriorating economic conditions, we took prompt action in 2008 to ensure the effects on the society were minimised. Such action has enabled the society to utilise our own retail savings deposits to fund our mortgage lending as well as reducing our operating costs and cutting our management expenses ratio down to 0.78%.

We have also increased our liquidity from 20.63% in 2007 to 23.73% in 2008.

These timely, prudent measures not only demonstrate our vigilance and flexibility, they leave us well placed to face future challenges as the recession deepens.

Having said that, no business is immune to the market forces that prevail in these challenging times and it is likely that, as unemployment rises, we could see an increase in repossessions in the future. However, Leek United is committed to supporting its borrowers wherever possible during this difficult period with repossession a last resort.

Leek United BUILDING SOCIETY

The society retains a quality mortgage book with no exposure to sub prime lending, extremely low arrears levels and, once again, no mortgage losses during 2008.

As a mutual building society, our objective is not profit for profit's sake. A financially robust business that benefits our members is our overriding aim and we will not pursue unsustainable mortgage business, or offer unrealistic rates to savers, purely to enhance the balance sheet. A reduction in our total assets and a more modest profit during 2008 is, therefore, an acceptable consequence rather than a concern in the current business climate.

The society, along with all other building societies, incurred unforeseen and unavoidable charges as part of their commitment to the Financial Services Compensation Scheme to provide compensation to depositors in failed institutions such as Bradford and Bingley and Icelandic banks. Whilst Leek United is happy to honour such obligations, the charge relating to the levy in 2008 is not insubstantial at £682,000 and further charges will inevitably arise in 2009.

Several reductions in bank rate occurred during the year with rates currently at record low levels and widely predicted to drop further over the coming months. Much has been documented in the media regarding the failure of many lenders to reflect these reductions in their own rates. Our position at Leek United is clear. We will continue to set interest rates, to take into account the needs of our borrowers and savers alike, at levels that protect the integrity of our business.

The economic outlook continues to be as challenging as it is uncertain. However, we will continue to be as proactive and flexible as necessary to maintain a strong and compliant business during these difficult times

I retire from the Board following the AGM but I know your society will be in safe and experienced hands under the stewardship of vice chairman, Paul Marriott who will become chairman, subject to his re-election by members at our AGM. During the year, the Board has been further strengthened by the appointment of Keith Griffiths as an executive director and Philip Stanyer as a non-executive director. Both were co-opted onto the Board following a wide ranging and rigorous selection process culminating in their appointment at the end of last year. Keith and Philip bring valuable skills to the Board and offer themselves for election at our forthcoming AGM.

> 'The society retains a quality mortgage book with no exposure to sub prime lending, extremely low arrears levels and ,once again, no mortgage losses during 2008.'

May I take this opportunity to thank all my Board colleagues for their support and good counsel during my time as Chairman. I would like also to thank members for their support and understanding, particularly during the recent global financial uncertainty. Finally, it would be remiss of me not to recognise the superb contribution of our staff, both at Head Office and throughout our branch network.

I am proud and delighted to have served Leek United over many years and it is with great pride that I leave it strong, secure and well placed to continue to support our members going forward.

E W Hodkinson
Chairman
25 February 2009

Chief Executive's Report

"Leek United, with its sustainable business model and strong financial position, is well placed to look to the future with a confidence and a certainty that will continue to serve our members' best interests."

Group profit before tax and FSCS charge **£3.2m**

Group management expenses ratio reduced to **0.78%**

Group reserves **£45.75m**

Overview

The financial year commences in a climate of global economic and financial uncertainty on an unprecedented scale.

The decision of the tripartite authorities to involve the Financial Services Compensation Scheme (FSCS) in the bail out of Bradford and Bingley, followed by three Icelandic Banks has resulted in building societies being called upon to pay a significant and disproportionate share of the cost of bailing out failed institutions in the banking sector.

Recession is now a reality in most of the world's major economies but against a backdrop of low interest rates and rising unemployment, Leek United remains a strong and competitive building society, committed to independence and mutuality, trusted by its membership and well placed to push forward in an increasingly challenging market place.

Given this environment, I am delighted to report that 2008 was a year of prudent consolidation, as well as considerable success, for the society.

Group Financial Performance

In a challenging year, I am pleased to announce that we were able to strengthen all of our key capital ratios.

Group pre-tax profit was a creditable £3.2m before taking into account the FSCS levy. Our total group assets, although reducing during the year to £754m, were maintained at levels in excess of the 2006 figure.

Our ongoing objective to improve the efficiency of our business and contain costs has never been more important, so a further reduction in our management expenses ratio to 0.78% was especially pleasing. This being the fifth consecutive year of reductions to this figure.

Mortgage Lending

Volatile money markets, plummeting house prices and the withdrawal of both mortgage products and funding by many lenders, were just some of the issues faced by borrowers in a traumatic year for the housing market.

Leek United
BUILDING SOCIETY

This, and the failure of several former building societies and major banks, was greeted by a mixture of incredulity and alarm by consumers and industry insiders alike.

Against this backdrop, Leek United continued with its policy of prudent and responsible lending in 2008. Following two years of record mortgage lending it was appropriate that a period of planned consolidation was implemented in 2008 and this decision was further endorsed by the problems in the wholesale money markets. Our wholesale funding has been reduced from 20% at 31 December 2007 to just 9% at the end of 2008; one of the lowest ratios in the industry. A platform of enhanced liquidity and reduced wholesale funding allowed the society to lend at appropriate levels whilst ensuring common sense and affordability were prime considerations for our members.

Gross mortgage lending of £44m in 2008 is consistent with our prudent low risk approach to the current deteriorating housing market. We are very proud of our responsible lending approach and the subsequent quality of our mortgage book which is borne out by extremely low arrears levels and the absence of any mortgage losses for a fifth consecutive year.

The impact of current market conditions has resulted in four properties in possession and whereas this is extremely low by industry standards, the likelihood of this figure increasing during the current year is strong, given the economic outlook.

The society will continue to liaise closely with borrowers and be alert to, as well as sympathetic with, those members who may experience difficulties meeting their mortgage repayments.

Savings

Without doubt, Leek United, along with the mutual sector in general, has increasingly been seen as a trusted and safe haven for savings, with our shares balances increasing by £39.4m to £635.1m. This is particularly satisfying given recent and sustained reductions in the Bank of England base rate and the inevitable knock-on effect for savings rates. It is rewarding to note that members recognise the benefits of long term value in our savings products.

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

Towards the end of the year the society introduced its first 'affinity account' in conjunction with the County Air Ambulance Trust. The Air Ambulance Account gives our savers the opportunity to help save lives whilst saving for their own future at no cost to themselves. Leek United has long supported this worthwhile charity whose geographical area of operation mirrors that of our branch network.

Our people and the community we serve

Our staff remain one of our greatest strengths and I am proud of how they continue to perform with passion and dedication. Their knowledge, professionalism and commitment to customer service remains the bedrock of our success at Leek United.

We have continued to support our local communities from both our head office in Leek and our branch network. Our activities and fund raising efforts have helped assist a variety of causes including special needs centres and hospitals as well as sporting organisations such as gymnastics, cricket, rugby and football clubs. We have also assisted non-government funded organisations such as the Donna Louise Trust, The Douglas Macmillan Hospice and The County Air Ambulance Trust.

I would also like to pay tribute to Eric Hodkinson who will retire from the society's Board at the forthcoming AGM. Eric joined the society's Board in 1993 and became Chairman in 1999. His career as a solicitor has provided the society with valuable knowledge and experience in his time as a director and Chairman. Eric has always demonstrated total commitment and loyalty to the society.

On behalf of all directors, staff and members, I thank Eric for his outstanding contribution to the society and wish him a long and happy retirement.

Outlook

It seems certain that 2009 will continue to be as challenging as 2008.

Financial markets look set to remain volatile with the continued shortfall in liquidity restricting the appetite for lending. All the economic indicators suggest recession to continue for at least the majority of 2009 with unemployment continuing to rise and the housing market remaining stagnant at best.

All of these issues are likely to have a degree of influence on our financial performance over the coming year.

However, as I highlighted in my introduction, Leek United, with its sustainable business model and strong financial position, is well placed to look to the future with a confidence and a certainty that will serve our members' best interests.

I trust, therefore, that our members will continue to be part of, and benefit from, a successful and forward thinking building society that remains committed to its traditional values and mutual origins.

K Wilson
Chief Executive
25 February 2009

Directors' Report

The directors have pleasure in submitting the 146th Annual Report and Accounts for the year ended 31 December 2008.

BUSINESS OBJECTIVES AND ACTIVITIES

The society's primary objective is the provision of mortgage finance mainly for the purchase and improvement of residential property. The funding of this finance is achieved mainly through the society's range of personal savings accounts.

REVIEW OF THE YEAR

The directors are satisfied with the society's performance during the year. The key developments are described in the Chairman's statement on pages 4 and 5 and the Chief Executive's report on pages 6 and 7.

The society's business review is contained within the key performance indicators and the principal risks and uncertainties set out below.

KEY PERFORMANCE INDICATORS

The following key performance indicators track the progress we made in 2008:

Total Assets

Definition total assets is the value of all the assets held as set out in the group balance sheet.

The total assets of the group at the end of 2008 were £754m (2007: £799.7m), a decrease of £45.7m (2007: Increase £58.3m) in the year, representing a reduction of 5.72% (2007: Growth 7.86%).

Pre-tax Profit

Definition pre-tax profit is the surplus achieved on trading activity in the financial period before tax.

The pre-tax profit was £2.5m in 2008 (2007: £4.2m)

Management Expenses Ratio

Definition the ratio is the aggregate of administrative expenses and depreciation as a percentage of the average total assets in the year.

The management expenses ratio was 0.78% for 2008 (2007: 0.87%)

Gross Capital

Definition gross capital is the sum of the general reserve, and the revaluation reserve, as shown in the balance sheet.

Gross capital amounted to £45.75m at 31 December 2008 (2007: £44.2m).

The ratio of gross capital as a percentage of total shares and borrowings was 6.50% at 31 December 2008 (2007: 5.89%) and the ratio of free capital as a percentage of total shares and borrowings was 6.21% (2007: 5.57%).

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Liquid Assets

Definition liquid assets represent the total of cash in hand, loans and advances to credit institutions and debt securities.

Liquid assets, in the form of cash and securities, amounted to £166.9m (2007: £154.8m), representing 23.73% (2007: 20.63%) of shares and borrowings.

The amount of liquidity repayable on demand is £50.3m (2007: £36.6m).

Gross Lending

Definition gross lending is the total value of all mortgage advances made in the financial year.

Gross lending was £44m (2007: £172m).

Arrears

Definition the number of mortgage accounts on which there is an amount of arrears which exceeds 2.5% of the mortgage balance. This number is expressed as a percentage of total mortgage accounts.

Arrears greater than 2.5% as at 31 December 2008 – 0.29% (2007: 0.31%).

Shares and Deposits

Definition shares and deposits represent the total amount owed by the society to shareholding members and depositors in respect of their account balances.

Investors' and depositors' balances at 31 December 2008 totalled £703.5m (2007: £750.4m), a decrease during the year of £46.9m (2007: Increase £55.5m).

Loans and Advances to Customers

The total amount outstanding on mortgages at the end of the year was £583.4m (2007: £641.2m). At 31 December 2008 there was 1 (2007: 2) mortgage account which was twelve months or more in arrears. The total amount of these arrears was £5,170 (2007: £25,718).

PRINCIPAL RISKS AND UNCERTAINTIES

General

The board deploys the Audit and Risk Committee (a board sub-committee) and the Risk Management Committee (an executive management committee) to oversee a risk management process which is embedded in the society and which identifies the key risks facing the business. It reviews reports submitted by those committees on how those risks are being managed. On a day to day basis, authority is delegated to management to establish, operate and monitor the risk management systems.

The Audit and Risk Committee's role with respect to risk management is to assure the board that risks are being managed in accordance with policy and within the limits of the board's stated risk appetite. The Risk Management Committee's main responsibility is to assess the management of operational risk across the group. Operational responsibility for market, liquidity and wholesale counterparties credit risk is delegated to the Assets and Liabilities Committee (a board sub-committee) and responsibility for mortgage lending risk to the Lending Committee (a committee made up of executive directors).

As a building society, our principal business is the production and distribution of financial products and, in particular, mortgages and deposit-based savings accounts. Regulated investment products are supplied by the group via our subsidiary Leek United Financial Services Limited. The group uses wholesale financial instruments in the management of its balance sheet, investing funds held as liquidity and raising wholesale funding. We also make use of instruments in the wholesale market to manage our interest rate risk and this entails the use of derivative financial instruments. The derivatives are used solely for this purpose and are not used for trading activity or for speculative purposes.

Our risk management activity focuses on four principal risk areas:

Directors' Report (continued)

Credit Risk

Credit risk is the risk that our retail customers or counterparties in the wholesale markets fail to meet their obligations as they fall due. Credit risk in relation to retail customers is governed by limits contained in our board-approved Lending Policy. Exposure to wholesale counterparty risk is controlled within limits set in policies and procedures agreed by the board with oversight delegated to the Assets and Liabilities Committee. The Assets and Liabilities Committee ensures that appropriate credit limits are established for individual counterparties, sectors, countries and types of financial instrument. Minimum credit ratings are applied where appropriate.

Market Risk

Market risk that the society is exposed to is the risk that income arising from the group's assets and/or liabilities varies as a result of changes in interest rates. We manage this risk on a continuing basis, operating to limits set by the board and using on and off balance sheet instruments as described above. The Assets and Liabilities Committee regularly review, manage and control the balance sheet exposures of the society.

Liquidity Risk

Liquidity risk is the risk that we fail to maintain sufficient liquidity to deal with cash flow fluctuations which can arise as a result of our contractual obligations to saving and borrowing members and other wholesale funding counterparties. We manage this risk by ensuring that an appropriate level of liquid assets is maintained using wholesale funding facilities and taking account of the planned and controlled expansion of the business. A significant proportion of the society's liquidity is held at call or in the form of debt securities which are capable of being sold at short notice. Stress tests are undertaken to measure the society's ability to meet adverse cash flows on a regular basis.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for the identification and management of these risks rests with all managers in each business area and they have a direct reporting line to the Risk Management Committee.

DIRECTORS

The following persons served as directors of the society during the year:
Keith Griffiths (Finance Director from 3 November 2008)
Eric Hodkinson (Chairman)
Derek Lyons (Non Executive Director)
Paul Marriott (Vice-Chairman)
Barbara Rimmer (Finance Director to 31 July 2008)
Philip Stanyer (Non-Executive Director from 19 December 2008)
David Stevens (Non Executive Director)
Jim Washington (Non Executive Director)
Kevin Wilson (Chief Executive)

STAFF AND AGENTS

The directors wish to acknowledge the contribution made by all staff to the society's success in 2008. Their enthusiasm and dedication to our objective of exceptional customer service will ensure continued success in the years ahead.

During the financial year the society has maintained and developed systems for the provision of information to employees. In addition, meetings, team briefings, circulars, newsletters and the society's intranet ensure employees are aware of the society's performance and objectives and the business environment in which it operates. It is the society's policy to afford access to training, career development and promotion opportunities equally to all employees regardless of their age, ethnic origin, creed, gender, marital status, disability, sexual orientation and religion or belief. Should employees become disabled, it is the society's policy to continue their employment where possible with appropriate training and redeployment.

We also wish to thank the society's agents and many other business associates for their continued support.

INTEREST RATES

The residential mortgage base rate was reduced from 7.74% to 7.49% on 1 January 2008, from 7.49% to 7.24% on 1 March 2008, from 7.24% to 7.09% on 1 May 2008, from 7.09% to 6.89% on 1 November 2008 and from 6.89% to 5.99% on 1 December 2008. The mortgage rate was reduced on 1 February 2009 from 5.99% to 5.49%.

All variable interest rates on investment accounts were adjusted as a consequence of these changes.

CREDITOR PAYMENT POLICY

For all trade creditors it is the society's policy to agree the terms of payment at the start of trading with that supplier and to pay in accordance with its contractual and other legal obligations. It is our policy to pay invoices within 15 days (2007: 15).

CHARITABLE DONATIONS

The society made charitable donations of £1,895 (2007: £1,210) during the year.

There were no donations for political purposes.

TREATING CUSTOMERS FAIRLY

The society has always strived to ensure the fair treatment of its customers in every way, and as part of its continuing commitment to that principle has completed an extensive exercise in promoting and developing a cultural model which will continue to support that aim. This involves continually reviewing procedures, measuring performance and listening to customers concerns and complaints, and then taking action to put things right quickly if we fall below our high standards.

PROVISION OF INFORMATION TO AUDITORS

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the society’s auditors are unaware; and
- each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the society’s auditors are aware of that information.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the society will be proposed at the Annual General Meeting.

POST BALANCE SHEET EVENTS

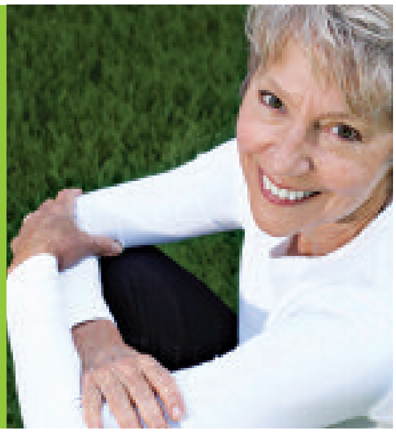
The directors consider that there have been no events since the year end that have an important effect on the position of the society.

On behalf of the board of directors

E W Hodkinson
Chairman
25 February 2009

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 2008, the board consisted of five non-executive and two executive directors. Barbara Rimmer resigned as Finance Director in July 2008. Keith Griffiths was appointed Finance Director in November 2008. Philip Stanyer was appointed as a non-executive director in December 2008. At the end of 2008 the board consisted of six non-executive and two executive directors.

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 Combined Code on Corporate Governance. 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 Combined 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. All directors are 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. 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 Combined 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, Paul Marriott, 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.

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The **Audit and Risk Committee** receives reports from the society's Internal Auditor 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 2008 the committee comprised the following non-executive directors:

D A W Stevens (Chair)
P Marriott
P A Stanyer
J Washington

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 14. The committee is comprised entirely of non-executive directors and committee membership at 31 December 2008 was as follows:-

E W Hodkinson (Chair)
D J Lyons
P Marriott

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 2008 the committee comprised:

E W Hodkinson (Chair)
D J Lyons
P Marriott
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. At 31 December 2008 the committee comprised:

K Wilson (Chair)
K Griffiths
E W Hodkinson
D J Lyons
P Marriott
J Washington

Information Technology Committee approves and monitors major IT projects. At 31 December 2008 the committee comprised:

P Marriott (Chair)
D A W Stevens
J Washington
K Wilson

Attendance at Board and Board sub-committee meetings - 2008

	Board	IT	Remuneration	Audit & Risk	Assets & Liabilities	Nominations
E W Hodkinson	12 (12)	-	3 (3)	-	5 (5)	5 (5)
P Marriott	12 (12)	3 (3)	2 (3)	4 (4)	4 (5)	5 (5)
K Wilson	12 (12)	3 (3)	-	-	5 (5)	5 (5)
K Griffiths (From 3/11/08)	2 (2)	-	-	-	1 (1)	-
D J Lyons	12 (12)	-	3 (3)	-	5 (5)	5 (5)
P A Stanyer (From 19/12/08)	1 (1)	-	-	-	-	-
D A W Stevens	12 (12)	3 (3)	-	4 (4)	-	-
J Washington	12 (12)	3 (3)	-	3 (4)	5 (5)	-
B Rimmer (Resigned 31/7/08)	4 (7)	1 (2)	-	-	2 (3)	-

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

Relations with members

The views of new and existing members are sought by individual questionnaires during the year. Members' 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.

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 Chairmen of all of the committees are therefore available to answer questions raised by members.

On behalf of the board of directors

E W Hodkinson
Chairman
25 February 2009

Directors' Remuneration Report

The society's Remuneration Committee is composed solely of non-executive directors. E W Hodkinson, P Marriott and D J Lyons served on the committee during 2008.

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 Combined Code on Corporate Governance and so 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 comparative 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. Executive directors participated in a society-wide bonus scheme in 2008. This non-contractual scheme enabled individuals to earn a bonus of up to £500 subject to achievement of specific corporate and personal targets and time apportioned from date of appointment.

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 benefit pension scheme, the society also contributes into a personal pension scheme.

The Finance Director who was appointed in November 2008 is a member of the defined contribution stakeholder pension scheme.

The Combined 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.

Directors' Remuneration

The table in note 5 summarises directors' pay and benefits for the year ended 31 December 2008.

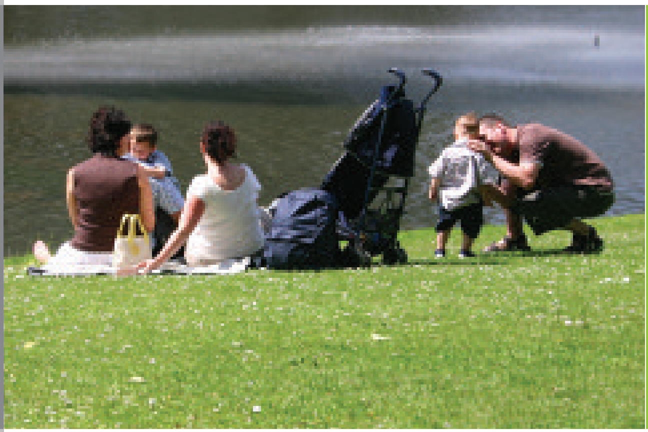
Member Consultation

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

E W Hodkinson
Chair of the Remuneration Committee
25 February 2009

Leek United
BUILDING SOCIETY

Directors' Responsibilities



Directors' Responsibilities for Preparing the Annual Accounts

The following statement, which should be read in conjunction with the statement of the respective responsibilities of directors and auditors on page 16, is made by the directors to explain their responsibilities in relation to the preparation of the annual accounts, annual business statement and directors' report.

The directors are required by the Building Societies Act 1986 (the Act) to prepare, for each financial year, annual accounts which give a true and fair view:

- of the state of the affairs of the society and of the group as at the end of the financial year;
- of the income and expenditure of the society and of the group for the financial year;

In preparing these 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 accounts;
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the society will continue in business.

In addition to the 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 society and its connected undertakings:

- keep accounting records in accordance with the Building Societies Act 1986, and
- take 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 safeguarding the assets of the society and group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the society's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

Having fully considered the financial strengths of the society and the current financial market, the directors are satisfied that the society has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

E W Hodkinson
Chairman
25 February 2009

Independent Auditors' Report to the Members of Leek United Building Society

We have audited the Group and Society Annual Accounts of Leek United Building Society for the year ended 31 December 2008 which comprise the Group and Society Income and Expenditure Accounts, the Group and Society Balance Sheets, the Group and Society Statements of Total Recognised Gains and Losses, the Group Cash Flow Statement, and the related notes. These Annual Accounts have been prepared under the accounting policies set out therein.

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

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for the preparation of the Annual Report, including the Annual Accounts, the Annual Business Statement and the Directors' Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Annual Accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for, and only for, the Society's Members as a body in accordance with Section 78 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 report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Annual Accounts give a true and fair view and whether the Annual Accounts have been properly prepared in accordance with the Building Societies Act 1986 and regulations made under it. We also report to you our opinion as to whether certain information included within the Annual Business Statement gives a true representation of the matters in respect of which it is given, whether the information given in the Directors' Report is consistent with the accounting records and the Annual Accounts, and whether the Annual Business Statement and the Directors' Report have been prepared in accordance with the applicable requirements of the Building Societies Act 1986 and regulations made under it.

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Annual Accounts. The other information comprises only the Chairman's Statement, Chief Executive's Report, Corporate Governance Report and Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Annual Accounts, the Annual Business Statement or the Directors' Report. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

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

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

Opinion

In our opinion:-

(a) the Annual Accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Society's affairs at 31 December 2008 and of the Group's and the Society's Income and Expenditure and the Group's Cash Flows for the year then ended;

(b) the information given in the Annual Business Statement (other than the information upon which we are not required to report) gives us a true representation of the matters in respect of which it is given;

(c) the information given in the Directors' Report is consistent with the accounting records and the Annual Accounts; and

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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
25 February 2009

Leek United
BUILDING SOCIETY

Income and Expenditure Accounts for the year ended 31 December 2008

	Notes	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Interest receivable and similar income	2	43,392	45,704	43,367	45,672
Interest payable and similar charges	3	(35,962)	(35,957)	(35,962)	(35,957)
Net interest receivable		7,430	9,747	7,405	9,715
Income from investments	4	-	-	300	300
Fees and commissions receivable		2,093	2,502	1,365	1,800
Fees and commissions payable		(184)	(443)	(184)	(443)
Other operating income		17	15	17	15
Total income		9,356	11,821	8,903	11,387
Administrative expenses	5	(5,760)	(6,423)	(5,509)	(6,232)
Depreciation	13	(291)	(300)	(281)	(290)
Other operating charges	6	183	(532)	183	(532)
Net finance charge on pension scheme	26	(74)	(188)	(74)	(188)
Operating profit before provisions		3,414	4,378	3,222	4,145
Provisions for bad and doubtful debts	7	(235)	(191)	(235)	(191)
Provisions for contingent liabilities and commitments - FSCS Levy	24	(682)	-	(682)	-
Profit on ordinary activities before tax		2,497	4,187	2,305	3,954
Tax on profit on ordinary activities	8	(983)	(1,213)	(842)	(1,056)
Profit for the financial year	23	1,514	2,974	1,463	2,898

The above results are all derived from continuing operations.
The notes on pages 21 to 37 form part of these accounts.

There is no material difference in the current or previous year between the results above and the results which would have been reported on an unmodified historical cost basis.

Statement of total recognised gains and losses for the year ended 31 December 2008

	Notes	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Profit for the financial year		1,514	2,974	1,463	2,898
Actuarial gain recognised in pension scheme	26	79	3,938	79	3,938
Taxation relating to actuarial gain		(22)	(1,103)	(22)	(1,103)
Total recognised gains and losses relating to the year		1,571	5,809	1,520	5,733

Balance Sheets

Balance sheets at 31 December 2008

ASSETS	Notes	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Liquid assets:					
Cash in hand and balances with the Bank of England		812	821	812	821
Loans and advances to credit institutions	9	90,131	35,858	89,893	35,720
Debt securities	10	75,978	118,128	75,978	118,128
Loans and advances to customers:					
Loans fully secured on residential property	11	582,008	639,259	581,217	638,305
Loans fully secured on land	11	1,442	2,009	1,442	2,009
Investments in subsidiary undertakings	12	-	-	696	824
Tangible fixed assets	13	2,956	3,012	2,945	2,983
Other assets	14	551	331	544	331
Prepayments and accrued income	15	131	331	131	331
Total assets		754,009	799,749	753,658	799,452

Leek United
BUILDING SOCIETY

Balance sheets at 31 December 2008

LIABILITIES AND RESERVES	Notes	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Shares	16	635,115	595,704	635,115	595,704
Amounts owed to credit institutions	17	22,415	59,553	22,415	59,553
Amounts owed to other customers	18	45,983	95,189	45,983	95,189
Other liabilities	19	908	1,204	1,269	1,568
Accruals and deferred income	20	451	477	384	410
Provisions for liabilities and charges	21	704	364	704	364
Net pension liability	26	2,681	3,077	2,681	3,077
Revaluation reserve	22	1,113	1,113	1,113	1,113
General reserve	23	44,639	43,068	43,994	42,474
Total liabilities and reserves		754,009	799,749	753,658	799,452

The notes on pages 21 to 37 form part of these accounts.

These accounts were approved by the board of directors on 25 February 2009 and were signed on its behalf by:

E W Hodkinson Chairman

P Marriott Vice-Chairman

K Wilson Chief Executive

Group Cash Flow Statement

Group cash flow statement for the year ended 31 December 2008

	2008 £000's	2007 £000's
Net cash inflow/(outflow) from operating activities (see below)	(27,613)	19,658
Taxation paid	(891)	(915)
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(243)	(216)
Sale of tangible fixed assets	13	44
Purchase of investment securities	(1,544,261)	(480,345)
Maturities and disposals of investment securities	1,586,759	472,746
Increase in cash	13,764	10,972

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

	2008 £000's	2007 £000's
Profit on ordinary activities before tax	2,497	4,187
(Increase)/Decrease in prepayments and accrued income	(648)	177
(Decrease)/Increase in accruals and deferred income	(26)	109
Provisions for bad and doubtful debts	250	200
Increase/(Decrease) in provision for liabilities and charges	340	(36)
Depreciation	291	300
Profit on disposal of tangible fixed assets	(5)	(12)
Pension contributions in excess of charge	(939)	(548)
Net cash inflow from trading activities	1,760	4,377
Decrease/(Increase) in loans and advances to customers	57,568	(43,435)
Increase in shares	39,411	64,265
Decrease in amounts owed to credit institutions and other customers	(86,344)	(8,745)
(Increase)/Decrease in loans and advances to credit institutions	(40,000)	3,100
Decrease in other assets	15	136
Increase/(Decrease) in other liabilities	(23)	(40)
Net cash (outflow)/inflow from operating activities	(27,613)	19,658

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

	1 January 2008 £000's	Movement in year £000's	31 December 2008 £000's
Cash in hand	821	(9)	812
Loans and advances to credit institutions - repayable on demand (note 9)	35,749	13,773	49,522
	36,570	13,764	50,334

Notes to the Accounts at 31 December 2008

1 Principal accounting policies

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom and with the Building Societies (Accounts and Related Provisions) Regulations 1998. The accounts comply with relevant British Bankers Association Statements Of Recommended Accounting Practices in all material respects. A summary of the more significant accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include land and buildings at valuation. This valuation was performed under the transitional rules of FRS15, consequently land and buildings have been included at their 31 December 1999 revalued amount.

Basis of consolidation

The group accounts include the results, cashflows and balance sheets of the society and its subsidiaries.

Taxation

The tax charge is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is provided using the full provision method in accordance with FRS19 "Deferred Tax".

Deferred tax is provided at the appropriate future rate on a non-discounted basis, on all timing differences between the recognition of gains and losses in the accounts and their recognition in the tax computation.

Fixed Assets and Depreciation

Tangible fixed assets are stated at cost with the exception of freehold land and buildings which are stated at their previously revalued amount and no further revaluations will be undertaken. Freehold buildings are depreciated on a straight-line basis over 50 years. Freehold land is not depreciated. Depreciation of leasehold premises is provided on a straight-line basis over the period of the lease (to the extent that it does not exceed the estimated useful economic life). Equipment, fixtures and fittings are depreciated on a straight-line basis over their estimated useful lives of between three and fifteen years.

Liquid assets

Liquid assets are stated at cost to the society together with accrued interest to the balance sheet date. At the date of purchase the cost is adjusted where relevant to exclude accrued interest and a similar adjustment is also made on realisation. Premiums and discounts arising on the purchase of liquid assets are amortised on a straight-line basis over the period to maturity.

Incentives to borrowers

Mortgage incentives, other than interest discounts, are charged to the income and expenditure account in the year in which the costs are incurred, and are shown as other operating charges. Interest discounts reduce interest receivable over the period of the relevant discounted rate.

Broker fees

Introductory fees paid to brokers in respect of mortgages are charged to fees and commissions payable in the year in which the costs are incurred.

Fees and commissions receivable

Fees and commissions receivable includes the following:

- sales commissions receivable in the year net of clawback of any commissions repayable.
- mortgage fees which are accounted for on a received basis.

Notes to the Accounts at 31 December 2008

Losses on loans and advances

Provision is made for all incurred losses on loans and advances based upon an appraisal.

Specific provisions are made against mortgage loans on a case by case basis to cover anticipated losses in respect of all accounts that are 2.5% or more in arrears and where a probable loss has been identified. Anticipated losses on such accounts are calculated as the difference between the current achievable market value of the security, based on current valuations of the property performed by qualified surveyors, and the outstanding loan balance, after making appropriate allowance for costs of repossession and sale and any amounts recoverable under external loss insurance.

General provisions are made to reflect the probability that other loans may also be impaired at the balance sheet date, with the result that the amount outstanding may not be recoverable in full. The provision is based upon the society's experience, current economic trends and consistency with industry levels.

Interest Recognition

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 interest is considered irrecoverable. Such interest is credited to the suspended interest account.

Pension costs

Pension benefits are provided by an externally funded final salary (defined benefit) scheme administered by Jardine Lloyd Thompson. Contributions to the scheme are determined by a qualified actuary on the basis of a triennial valuation using the projected unit method, and are charged to the income and expenditure account over the periods benefiting from the employees' services. The charge to the income and expenditure account over the financial year in relation to the defined benefit scheme is shown in note 26. The society also provides a defined contribution stakeholder pension scheme. Contributions payable to the scheme are charged to the income and expenditure account in the period to which they relate.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The society has adopted the changes to FRS17 'Retirement Benefits'. As a result of this quoted securities held as plan assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect on the figures in previous years is not material.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality sterling bonds of comparable term to the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited each year to reserves and shown in the statement of recognised income and expense. Past service costs are recognised immediately in income.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

Derivatives

The criteria required for an instrument to be classified as a hedge are that the transaction must be reasonably expected to match or eliminate a significant proportion of the risk inherent in the assets, liabilities, other positions or cash flows being hedged. This results from potential movements in interest rates and market indices. Adequate evidence of the intention to hedge and linkage with the underlying risk inherent in the assets, liabilities, other positions or cash flows being hedged must be established at the outset of the transactions.

All interest rate related derivative contracts are accounted for on a consistent basis with the underlying assets, liabilities and positions. The group hedges its interest rate exposures on a portfolio basis. Amounts accrued on hedging contracts and instruments are included within accruals or prepayments as appropriate.

Notes to the Accounts at 31 December 2008

2 Interest receivable and similar income

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
On loans fully secured on residential property	34,035	36,598	33,972	36,519
Other loans	119	178	119	178
Other loans to subsidiary undertakings	-	-	43	53
On debt securities - interest and other income	6,067	6,494	6,067	6,494
On other liquid assets - interest and other income	2,594	1,375	2,589	1,369
Net income on financial instruments	577	1,059	577	1,059
	43,392	45,704	43,367	45,672

3 Interest payable and similar charges

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
On shares held by individuals	29,331	27,818	29,331	27,818
On deposits and other borrowings	6,617	8,112	6,617	8,112
Net cost on financial instruments	14	27	14	27
	35,962	35,957	35,962	35,957

4 Income from investments

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Dividends from shares in subsidiaries	-	-	300	300

5 Administrative expenses

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Staff costs:				
Wages and salaries	2,711	2,963	2,528	2,815
Social security costs	229	247	214	232
Other pension costs	304	620	272	603
	3,244	3,830	3,014	3,650
Other expenses:				
Remuneration of auditors:				
audit services – statutory audit	62	60	62	60
other services – audit of subsidiaries	12	9	-	-
other services – audit of pension scheme	7	7	7	7
other services – regulatory review	-	6	-	-
Other	2,435	2,511	2,426	2,515
	5,760	6,423	5,509	6,232

Notes to the Accounts at 31 December 2008

5 Administrative expenses (continued)

The average number of persons (including executive directors) employed during the year was:	Group 2008 Number	Group 2007 Number	Society 2008 Number	Society 2007 Number
(i) At principal office:				
Full-time staff	51	67	45	63
Part-time staff	17	17	17	17
(ii) At branch offices:				
Full-time staff	46	40	46	40
Part-time staff	19	26	19	26

Directors' loans and transactions.

A register of loans and transactions with directors and connected persons is maintained, and is available for inspection by members at the society's principal office up to and including 22 April 2009 and at the Annual General Meeting. The total loans outstanding at 31 December 2008, in respect of 5 (2007: 6) persons, amounted to £763,743 (2007: £1,011,232).

There is no disclosure in respect of directors' investment accounts because of the overriding duty of confidentiality with regard to customers' affairs.

Analysis of Directors' remuneration

	2008					2007				
	Salary/ Fees £000's	Benefits £000's	Increase in accrued pension £000's	Pensions £000's	Total £000's	Salary/ Fees £000's	Benefits £000's	Increase in accrued pension £000's	Pensions £000's	Total £000's
Non Executive directors										
E W Hodkinson (Chairman)	28	-	-	-	28	27	-	-	-	27
D J Lyons	19	1	-	-	20	18	-	-	-	18
P Marriott	23	-	-	-	23	23	-	-	-	23
B Rimmer (to 13 May 2007)	-	-	-	-	-	7	-	-	-	7
P A Stanyer (from 19 Dec 2008)	1	-	-	-	1	-	-	-	-	-
D A W Stevens	21	2	-	-	23	20	-	-	-	20
J Washington	19	-	-	-	19	18	-	-	-	18
Executive directors										
K Wilson	138	8	4	8	158	133	8	3	8	152
B Rimmer (from 14 May 2007 to 31 July 2008)	110	1	-	12	123	57	4	-	7	68
K Griffiths (from 3 Nov 2008)	16	-	-	2	18	-	-	-	-	-
J B Stevenson (to 30 April 2007)	-	-	-	-	-	28	8	2	75	113
	375	12	4	22	413	331	20	5	90	446

6 Other operating charges

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Mortgage incentives	117	532	117	532
Release of regulated business provision (see note 21)	(300)	-	(300)	-
	(183)	532	(183)	532

7 Provisions for bad and doubtful debts

Group & Society

	Loans fully secured on residential property		
	Specific £000's	General £000's	Total £000's
At 1 January 2008	-	650	650
Charge for the year	-	250	250
At 31 December 2008	-	900	900

The (charge)/credit in the income and expenditure account is as follows:

	2008 £000's	2007 £000's
Amounts recovered in respect of loans previously written off	15	9
Increase in general provision for year (as above)	(250)	(200)
Income and expenditure account	(235)	(191)

The provisions as at 31 December 2008 have been deducted from loans fully secured on residential property in the balance sheet

8 Tax on profit on ordinary activities

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
(a) UK Corporation tax at 28.50% (2007: 30%):				
Current Tax	731	1,230	582	1,072
Adjustment in respect of prior year	(113)	16	(113)	16
Total current tax	618	1,246	469	1,088
UK Deferred tax at 28% (2007: 28%):				
Adjustment in respect of prior year	354	16	354	16
Deferred tax - current year	11	(49)	19	(48)
Total	983	1,213	842	1,056

The deferred tax adjustment in respect of the prior year of £354,000 primarily relates to the deferred tax in respect of the pension scheme deficit. The deferred tax in respect of the pension scheme deficit was overstated by £337,000 in the 2007 Report and Accounts.

Notes to the Accounts at 31 December 2008

8 Tax on profit on ordinary activities (continued)

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
(b) Factors affecting current tax charge in year:				
Profit on ordinary activities before tax	2,497	4,187	2,305	3,954
Tax on profit at UK standard rate of 28.5% (2007: 30%)	711	1,256	656	1,186
Effects of:				
Change in rate	1	(6)	1	(6)
Difference between depreciation and capital allowances together with other timing differences	(11)	(26)	(19)	(26)
Dividend from subsidiary	-	-	(85)	(90)
Expenses not deductible for tax purposes	29	8	29	8
Adjustment in respect of previous year	(113)	16	(113)	16
Small companies relief	1	(2)	-	-
	618	1,246	469	1,088

9 Loans and advances to credit institutions

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Maturity analysis:				
Repayable on demand	49,522	35,749	49,284	35,611
In not more than three months	40,000	-	40,000	-
	89,522	35,749	89,284	35,611
Accrued interest	609	109	609	109
	90,131	35,858	89,893	35,720

10 Debt securities

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Issued by public bodies	-	4,020	-	4,020
Issued by other borrowers	75,978	114,108	75,978	114,108
	75,978	118,128	75,978	118,128
Maturity analysis:				
In not more than one year	52,648	96,250	52,648	96,250
In more than one year	21,680	20,576	21,680	20,576
	74,328	116,826	74,328	116,826
Accrued interest	1,650	1,302	1,650	1,302
	75,978	118,128	75,978	118,128
Analysis of debt securities:				
Listed	-	4,020	-	4,020
Unlisted	75,978	114,108	75,978	114,108
	75,978	118,128	75,978	118,128
Market value of listed debt securities	-	4,035	-	4,035

10 Debt securities (continued)

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 of financial fixed assets during the year were as follows:

Group & Society	2008 £000's
At 1 January 2008	116,826
Additions	1,544,261
Maturities and disposals	(1,586,759)
At 31 December 2008	74,328

11 Loans and advances to customers

The maturity of loans fully secured on residential property and other loans fully secured on land, from the balance sheet date, is as follows:

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Repayable on demand	676	839	582	829
In not more than three months	3,996	3,829	3,993	3,825
In more than three months but not more than one year	13,880	13,566	13,837	13,436
In more than one year but not more than five years	91,386	89,079	91,204	88,864
In more than five years	474,412	534,605	473,943	534,010
	584,350	641,918	583,559	640,964
Provisions for bad and doubtful debts	(900)	(650)	(900)	(650)
	583,450	641,268	582,659	640,314

It should be noted that the above maturity analysis may not reflect actual experience of repayments since many mortgage loans are repaid early.

12 Investments in subsidiary undertakings

	2008 £000's	2007 £000's
Shares	2	2
Loans	694	822
	696	824

Leek United Home Loans Limited is a wholly owned direct subsidiary undertaking of the society. The society holds £100 of shares in the subsidiary. The company is registered in England and Wales. All shares are £1 ordinary shares. The principal activity of the subsidiary is the purchase and administration of mortgage portfolios. No director had a beneficial interest in any shares or debentures of the subsidiary undertaking.

Leek United Financial Services Limited is a wholly owned direct subsidiary undertaking of the society. The society holds £1,000 of shares in the subsidiary. The company is registered in England and Wales. All shares are £1 ordinary shares. The principal activity of the subsidiary is the provision of financial services. No director had a beneficial interest in any shares or debentures of the subsidiary undertaking.

The Mortgage Outlet Limited is a wholly owned direct subsidiary undertaking of the society. The society holds £1,000 of shares in the subsidiary. The company is registered in England and Wales. All shares are £1 ordinary shares. The principal activity of the subsidiary is the provision of mortgage broking services. No director had a beneficial interest in any shares or debentures of the subsidiary undertaking.

Notes to the Accounts at 31 December 2008

13 Tangible fixed assets

Group	Freehold land and buildings £000's	Equipment fixtures and fittings £000's	Totals £000's
Cost			
At 1 January 2008	2,583	4,698	7,281
Additions	-	243	243
Disposals	-	(231)	(231)
At 31 December 2008	2,583	4,710	7,293
Accumulated depreciation			
At 1 January 2008	307	3,962	4,269
Charge for the year	38	253	291
Disposals	-	(223)	(223)
At 31 December 2008	345	3,992	4,337
Net book value			
At 31 December 2008	2,238	718	2,956
At 31 December 2007	2,276	736	3,012

Society	Freehold land and buildings £000's	Equipment fixtures and fittings £000's	Totals £000's
Cost			
At 1 January 2008	2,583	4,656	7,239
Additions	-	256	256
Disposals	-	(234)	(234)
At 31 December 2008	2,583	4,678	7,261
Accumulated depreciation			
At 1 January 2008	307	3,949	4,256
Charge for the year	38	243	281
Disposals	-	(221)	(221)
At 31 December 2008	345	3,971	4,316
Net book value			
At 31 December 2008	2,238	707	2,945
At 31 December 2007	2,276	707	2,983

13 Tangible fixed assets (continued)

The net book value of land and buildings occupied by the society for its own activities is £2,238,000 (2007: £2,276,000).

From 31 December 2000, the society adopted the transitional arrangements under FRS15 to maintain the book value of fixed assets at their previously revalued amounts.

If land and buildings had not been revalued they would have been included at the following amount:

	2008 £000's	2007 £000's
Cost	1,624	1,624
Aggregate depreciation based on cost	(325)	(306)
	1,299	1,318

14 Other assets

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Deferred tax asset	493	258	486	259
Other	58	73	58	72
	551	331	544	331
The elements of deferred taxation are as follows:				
Difference between accumulated depreciation and capital allowances	44	60	43	61
General bad and doubtful debt provision	252	182	252	182
Other timing differences	197	16	191	16
	493	258	486	259
Deferred Taxation at 1 January 2008	258	225	259	227
Deferred tax charge	(365)	33	(373)	32
Movements in relation to pension scheme	600	-	600	-
At 31 December 2008	493	258	486	259

15 Prepayments and accrued income

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Accrued interest on off balance sheet instruments	3	131	3	131
Other	128	200	128	200
	131	331	131	331

16 Shares

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Held by individuals	635,115	595,704	635,115	595,704
In the ordinary course of business, shares are repayable from the balance sheet date as follows:				
Repayable on demand	409,315	395,805	409,315	395,805
In not more than three months	78,918	58,966	78,918	58,966
In more than three months but not more than one year	118,468	104,577	118,468	104,577
In more than one year but not more than five years	6,452	14,182	6,452	14,182
	613,153	573,530	613,153	573,530
Accrued interest	21,962	22,174	21,962	22,174
	635,115	595,704	635,115	595,704

Notes to the Accounts at 31 December 2008

17 Amounts owed to credit institutions

In the ordinary course of business, amounts owed to credit institutions are repayable from the balance sheet date as follows:

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
In not more than three months	18,000	34,350	18,000	34,350
In more than three months but not more than one year	4,000	23,950	4,000	23,950
	22,000	58,300	22,000	58,300
Accrued interest	415	1,253	415	1,253
	22,415	59,553	22,415	59,553

18 Amounts owed to other customers

In the ordinary course of business, amounts owed to other customers are repayable from the balance sheet date as follows:

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Repayable on demand	10,506	12,604	10,506	12,604
In not more than three months	20,977	42,561	20,977	42,561
In more than three months but not more than one year	13,318	38,017	13,318	38,017
	44,801	93,182	44,801	93,182
Accrued interest	1,182	2,007	1,182	2,007
	45,983	95,189	45,983	95,189

19 Other liabilities

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Amounts falling due within one year:				
Income tax	168	143	168	143
Corporation tax	468	741	394	660
Other taxation and social security costs	71	77	71	77
Amount due to subsidiary undertakings	-	-	435	445
Other creditors	201	243	201	243
	908	1,204	1,269	1,568

20 Accruals and deferred income

	Group 2008 £000's	Group 2007 £000's	Society 2008 £000's	Society 2007 £000's
Other	451	477	384	410

21 Provisions for liabilities and charges

Group & Society

	Regulated Business £000's	FSCS Levy £000's	Total £000's
At 1 January 2008	364	-	364
Amount (released)/charged during the year	(300)	682	382
Amount paid during the year	(42)	-	(42)
At 31 December 2008	22	682	704

This regulated business provision is to provide for potential claims against the group in respect of past sales and is expected to be utilised in the coming year. The Financial Services Compensation Scheme levy is explained in note 24.

22 Revaluation reserve

	Group £000's	Society £000's
At 1 January 2008 and 31 December 2008	1,113	1,113

The revaluation reserve arises because until 31 December 1999, the society revalued properties annually. From 31 December 2000, the society adopted the transitional arrangements under FRS15 to maintain the book value of fixed assets at their previously revalued amounts.

23 General reserve

	Group £000's	Society £000's
At 1 January 2008	43,068	42,474
Profit for the year	1,514	1,463
Actuarial gain	57	57
At 31 December 2008	44,639	43,994

24 Financial Services Compensation Scheme levy

The society has a liability and a contingent liability in respect of contributions to the Financial Services Compensation Scheme.

Based on its share of protected deposits, the Society, in common with all regulated UK deposit takers, pays levies to the Financial Services Compensation Scheme (FSCS) to enable the FSCS to meet claims against it. The FSCS levy consists of two parts – a management expenses levy and a compensation levy. The management expenses levy covers the costs of running the scheme and the compensation levy covers the amount of compensation the scheme pays, net of any recoveries it makes using the rights that have been assigned to it. In September 2008 a claim was triggered against the FSCS by the transfer of Bradford and Bingley plc's retail deposit business to Abbey National plc. In October 2008 a further claim was triggered against the FSCS by the transfer of Kaupthing Singer and Friedlander's (KSF) internet deposit business ('Kaupthing Edge') and Heritable Bank's (a subsidiary of Landsbanki hf) deposit business to ING Direct. The FSCS will also be liable to claims from depositors of Landsbanki hf (Icesave) and KSF whose balances have not been transferred to ING Direct, but are covered by the FSCS. In December 2008 a further claim arose relating to the default of London Scottish Bank plc.

We understand that the FSCS has met, or will meet, the claims by way of loans received from the Bank of England which has now been replaced by a loan from HM Treasury. The FSCS has, in turn, acquired the rights to the realisation of the assets of these banks. The FSCS is liable to pay interest on the loans from HM Treasury. The FSCS may have a further liability if there are insufficient funds available from the realisation of the assets of the banks to fully repay the respective HM Treasury loans.

As a result of notifications it has received from the Financial Services Authority, the Society has recognised in this year's accounts provisions for a levy of £268,000 for the scheme year 2008/09, which is calculated with reference to the Protected Deposits it held at 31 December 2007 and a levy of £414,000 for the scheme year 2009/10, which is calculated with reference to the Protected Deposits it held at 31 December 2008. The overall amount of the FSCS Levy reflected in the income and expenditure account is £682,000. Based on the Society's current market share it is estimated that the Society will be liable for a further levy totalling some £400,000 in the next financial year. At the date of signing these accounts there remains uncertainty over the amount provided given that the scheme year 2008/09 runs to 31 March 2009 and scheme year 2009/10 to 31 March 2010 and additional levies for these scheme years may be raised up to these dates. Management are of the view that it is not possible to reliably estimate amounts payable in scheme years 2010/11 onwards and therefore have not recognised an additional charge in the annual accounts for such amounts which are therefore treated as a contingent liability. The amounts above do not take account of any compensation levies which may arise from any ultimate payout on claims.

Notes to the Accounts at 31 December 2008

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 structure is reviewed regularly by the board, 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 (as amended by the Building Societies Acts 1997 and 2005), to reduce the risk of loss arising from changes in interest rates or other factors specified in the legislation. The group does not trade in derivatives or use them for speculative purposes.

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

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.

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

	Nominal principal amount 2008 £000's	Credit risk weighted amount 2008 £000's	Replacement Cost 2008 £000's	Nominal principal amount 2007 £000's	Credit risk weighted Amount 2007 £000's	Replacement cost 2007 £000's
Interest rate contracts maturing:						
In less than 1 year	20,000	-	-	32,750	-	138
Between 1 year and 5 years	30,000	30	-	50,000	50	402

Leek United BUILDING SOCIETY

25 Financial Instruments (continued)

Credit risk

This is explained on page 10.

Liquidity risk

This is explained on page 10.

Interest rate risk

The group is exposed to movements in interest rates, and manages this exposure on a continuous basis, within limits set by the board, using a combination of on and off balance sheet instruments. The interest rate sensitivity of the group at 31 December 2008 by reference to the next interest reset date was:

	Not more than three months £000's	More than three months but not more than six months £000's	More than six months but not more than one year £000's	More than one year but not more than five years £000's	Non interest bearing £000's	Total £000's
Assets						
Liquid assets	136,183	13,900	7,679	5,700	3,459	166,921
Loans fully secured on residential property and other loans	492,531	20,098	2,072	69,649	(900)	583,450
Tangible fixed assets	-	-	-	-	2,956	2,956
Other assets	-	-	-	-	682	682
Total assets	628,714	33,998	9,751	75,349	6,197	754,009
Liabilities						
Shares	502,315	24,755	86,083	-	21,962	635,115
Amounts owed to credit institutions and other customers	49,501	8,500	8,800	-	1,597	68,398
Other liabilities	-	-	-	-	2,063	2,063
Reserves	-	-	-	-	48,433	48,433
Total liabilities	551,816	33,255	94,883	-	74,055	754,009
Off balance sheet items	50,000	(20,000)	-	(30,000)	-	-
Interest rate sensitivity gap	126,898	(19,257)	(85,132)	45,349	(67,858)	-
Cumulative gap	126,898	107,641	22,509	67,858	-	-

Notes to the Accounts at 31 December 2008

25 Financial Instruments (continued)

The interest rate sensitivity of the group at 31 December 2007 was:

	Not more Than three months £000's	More than three months but not more than six months £000's	More than six months but not more than one year £000's	More than one year but not more than five years £000's	Non interest bearing £000's	Total £000's
Assets						
Liquid assets	106,497	3,800	27,541	12,970	3,999	154,807
Loans fully secured on residential property and other loans	517,690	34,049	17,628	72,551	(650)	641,268
Tangible fixed assets	-	-	-	-	3,012	3,012
Other assets	-	-	-	-	662	662
Total assets	624,187	37,849	45,169	85,521	7,023	799,749
Liabilities						
Shares	476,331	26,776	66,414	4,009	22,174	595,704
Amounts owed to credit institutions and other customers	90,032	31,500	29,950	-	3,260	154,742
Other liabilities	-	-	-	-	2,045	2,045
Reserves	-	-	-	-	47,258	47,258
Total liabilities	566,363	58,276	96,364	4,009	74,737	799,749
Off balance sheet items	77,750	(10,000)	(17,750)	(50,000)	-	-
Interest rate sensitivity gap	135,574	(30,427)	(68,945)	31,512	(67,714)	-
Cumulative gap	135,574	105,147	36,202	67,714	-	-

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 as at 31 December 2008. 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 bank deposits.

Assets/(liabilities)	2008 Book value £000's	2007 Book value £000's	2008 Fair value £000's	2007 Fair value £000's
On balance sheet instruments:				
Debt securities	75,978	118,128	75,836	118,144
Off balance sheet instruments:				
Interest rate contracts	3	131	(969)	408

Leek United BUILDING SOCIETY

25 Financial Instruments (continued)

Hedges

	Gains £000's	Losses £000's	Net gain/(loss) £000's
Unrecognised gains/(losses) on hedges at 1 January 2008	540	(132)	408
Of which recognised in the year to 31 December 2008	(138)	15	(123)
Gains before 31 December 2007 that were not recognised in the year to 31 December 2008	402	(117)	285
(Losses) arising in the year to 31 December 2008 that were not recognised in that year	(402)	(852)	(1,254)
Unrecognised gains/(losses) on hedges at 31 December 2008	-	(969)	(969)
Of which expected to be recognised in the year to 31 December 2009	-	(147)	(147)

Gains/(losses) recognised within the year to 31 December 2008 consist of maturing contracts.

Gains/(losses) arising during the year consist of new deals and any increase/(decrease) in the gain/(loss) for the year from that reported as at 31 December 2007.

The amount to be recognised in the year to 31 December 2009 relates to maturing contracts.

26 Pension scheme

The Society operates a defined benefit scheme in the UK. The scheme is closed to new entrants. As a consequence the current service cost calculated under the projected unit method can be expected to increase over time, as the average age of the membership increases. A full actuarial valuation was carried out at 25 April 2006 and updated, to take account of the requirements of FRS17, to 31 December 2008 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

Employer contributions are currently paid at the rate of 37.6% of pensionable pay plus £666,000 per annum. The contribution rate is to continue until reviewed following the triennial valuation of the scheme due as at 25 April 2009.

The Society provides a defined contribution stakeholder pension scheme for new employees and contributes 6% of earnings (and 10% - 12% of earnings in relation to the executive directors) to the Stakeholder pension scheme. The pension charge in respect of this scheme for the year is £40,000 (2007:£33,000)

The Society also paid £8,000 (2007: £8,000) into the Chief Executive's Personal Pension Plan.

Present values of scheme liabilities, fair value of assets and deficit

	2008 £000's	2007 £000's	2006 £000's
Fair value of scheme assets	14,226	16,304	14,485
Present value of scheme liabilities	17,949	21,045	23,712
Deficit in scheme	(3,723)	(4,741)	(9,227)
Liability to be recognised	(3,723)	(4,741)	(9,227)
Deferred tax	1,042	1,664	2,768
Net liability to be recognised	(2,681)	(3,077)	(6,459)

Notes to the Accounts at 31 December 2008

26 Pension scheme (continued)

Reconciliation of opening and closing balances of the present value of the scheme liabilities

	2008 £000's	2007 £000's
Scheme liabilities at start of period	21,045	23,712
Current service cost	256	495
Interest cost	1,222	1,183
Contributions by scheme participants	150	141
Actuarial gains	(4,349)	(4,104)
Benefits paid and death in service insurance premiums	(375)	(457)
Past service costs	-	75
Scheme liabilities at end of period	17,949	21,045

Reconciliation of opening and closing balances of the fair values of scheme assets

	2008 £000's	2007 £000's
Fair value of scheme assets at start of period	16,304	14,485
Expected return on scheme assets	1,148	995
Actuarial losses	(4,270)	(166)
Contributions by employer	1,269	1,306
Contributions by scheme participants	150	141
Benefits paid and death in service insurance premiums	(375)	(457)
Fair value of scheme assets at end of year	14,226	16,304

The actual return on the scheme assets over the period ended 31 December 2008 was −£3,122,000

Total expense recognised in profit and loss account

	2008 £000's	2007 £000's
Current service cost	256	495
Interest cost	1,222	1,183
Expected return on scheme assets	(1,148)	(995)
Past service cost	-	75
Total expense recognised in profit and loss	330	758

Total expense recognised in profit and loss account

	2008 £000's	2007 £000's
Difference between expected and actual return on scheme assets: Amount: loss	(4,270)	(166)
Experience gains and losses arising on the scheme liabilities: Amount: loss	(10)	(6)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: Amount: gain	4,359	4,110
Total amount recognised in statement of total recognised gains and losses: Amount: gain	79	3,938

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS17 is −£2,999,000.

26 Pension scheme (continued)

Assets

	2008 £000's	2007 £000's	2006 £000's
Equity	9,980	11,198	10,228
Bonds	3,976	4,876	4,257
Other	270	230	-
Total assets	14,226	16,304	14,485

None of the fair values of the assets shown above include any of the society's own financial instruments or any property occupied by, or other assets used by, the society.

Assumptions

	2008 % per annum	2007 % per annum	2006 % per annum
Inflation	3.10	3.25	3.00
Salary increases	4.35	4.50	4.25
Rate of discount	6.70	5.80	5.10
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.10	3.25	3.00
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.10	3.25	3.00
Allowance for commutation of pension for cash at retirement	None	None	None

The mortality assumptions adopted at 31 December 2008 imply the following life expectancies:

Male retiring at age 60 in 2008	26.8 years	(2007: 26.6 years)
Female retiring at age 60 in 2008	29.7 years	(2007: 29.5 years)
Male retiring at age 60 in 2028	27.9 years	(2007: 27.8 years)
Female retiring at age 60 in 2028	30.7 years	(2007: 30.7 years)

Expected long-term rates of return

The long-term expected rate of return on cash is determined by reference to bank base rates at the balance sheet dates. The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

The expected long-term rates of return applicable at the start of each period are as follows:

	2008 % per annum	2007 % per annum
Equity	7.50	7.50
Bonds	5.25	4.80
Other	5.50	-
Overall for scheme	6.80	6.71

Amounts for the current and previous four years

	2008 £000's	2007 £000's	2006 £000's	2005 £000's	2004 £000's
Fair value of scheme assets	14,226	16,304	14,485	12,467	9,743
Present value of scheme liabilities	17,949	21,045	23,712	21,688	17,637
Deficit in scheme	(3,723)	(4,741)	(9,227)	(9,221)	(7,894)
Experience adjustment on scheme assets	(4,270)	(166)	428	1,302	345
Experience adjustment on scheme liabilities	(10)	(6)	202	(103)	(205)

The best estimate of contributions to be paid by the employer to the scheme for the period beginning after 31 December 2008 is £1,250,000

Annual Business Statement

Annual Business Statement for the year ended 31 December 2008

	Ratio at 31.12.08 %	Statutory Limit %
Statutory Percentages		
Calculated in accordance with the Building Societies Act 1986 as amended by the Building Societies Acts 1997 and 2005.		
Lending limit	0.36	25.00
Funding limit	9.72	50.00

The lending limit measures the proportion of business assets not in the form of loans fully secured on residential property.

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

Business assets are the total assets of the group plus provisions for bad and doubtful debts, less fixed assets and liquid assets.

Loans fully secured on residential property is the amount of principal owing by borrowers and interest accrued not yet payable. This is the amount shown in the group balance sheet plus provisions for bad and doubtful debts.

Shares and borrowings represent the total of shares, amounts owed to credit institutions and amounts owed to other customers as shown in the group balance sheet.

The amount of shares held by individuals is shown in note 16 of the notes to the accounts.

	Ratio at 31.12.08 %	Ratio at 31.12.07 %
Other Percentages		
Gross capital as a percentage of shares and borrowings	6.50	5.89
Free capital as a percentage of shares and borrowings	6.21	5.57
Liquid assets as a percentage of shares and borrowings	23.73	20.63
Profit on ordinary activities after taxation as a percentage of mean total assets	0.19	0.39
Management expenses as a percentage of mean total assets	0.78	0.87

Gross capital represents the sum of the general reserve and the revaluation reserve as shown in the group balance sheet.

Free capital represents the sum of the general reserve, the revaluation reserve and general loss provisions less fixed assets.

Shares and borrowings represent the total of shares, amounts owed to credit institutions and amounts owed to other customers as shown in the group balance sheet.

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

Mean total assets is the average of the 2007 and 2008 total assets.

Management expenses represent the aggregate of administrative expenses and depreciation.

Annual Business Statement for the year ended 31 December 2008 (continued)

Information relating to directors as at 31 December 2008

Name Date of Birth	Occupation	Date of Appointment	Other Directorships
K Griffiths BSc(Econ), FCA 19/7/57	Building Society Finance Director	3/11/08	-
E W Hodkinson 22/6/44	Solicitor	1/12/93	Bowcock & Pursaill Trustees Ltd Bowcock & Pursaill Ltd Leek United Home Loans Ltd Leek United Financial Services Ltd The Mortgage Outlet Ltd
D J Lyons MSI 5/12/43	Financial Consultant	14/6/02	Help Investments Ltd.
P Marriott FCA 28/9/52	Chartered Accountant	14/4/94	Leek United Home Loans Ltd Leek United Financial Services Ltd The Mortgage Outlet Ltd
P A Stanyer FCA, FIMI, A Inst IB 21/9/49	Business Consultant	19/12/08	Planned Consultancy Ltd Derbyshire & Nottinghamshire Chamber of Commerce Nottinghamshire Chamber of Commerce
D A W Stevens 30/4/43	Retired Assistant Commissioner - Building Societies Commission	1/9/98	-
J Washington ACIB 26/5/50	Management Consultant	23/11/05	Aspire Housing Ltd First Portfolio Ltd
K Wilson 20/12/58	Building Society Chief Executive	1/10/98	Leek United Home Loans Ltd Leek United Financial Services Ltd The Mortgage Outlet Ltd

Documents may be served on the above named directors c/o Bowcock and Pursaill, P.O. Box No. 1, 54 St. Edward Street, Leek, Staffordshire ST13 5DJ.

K Wilson and K Griffiths have 12 months or less rolling service contracts. The non-executive directors do not have service contracts.

Information relating to other officers

Name	Occupation
R Bebington	Head of Risk and Compliance
I Boston	Internal Auditor
S Boulton PGDip Mgmt, ACMI	Head of Information Technology and Savings
J Foxall	Head of Retail Development
M Williams	Head of Lending and Insurance
D Wilson	Head of Human Resources

Leek United
BUILDING SOCIETY

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