



# Business Review and Summary Financial Statement 2012

## History of Savings Account Variable Interest Rates 2012

### Accounts Currently Available

Account		23 Jan 2012	1 Feb 2012	1 Dec 2012	2 Dec 2012
	Balance	%AER	%AER	%AER	%AER
Pyramid Share / Air Ambulance	>£1	0.10	0.10	0.10	0.10
	>£500	0.10	0.10	0.10	0.10
	>£5,000	0.10	0.10	0.10	0.10
	>£10,000	0.10	0.10	0.10	0.10
	>£25,000	0.25	0.25	0.25	0.25
Pyramid 90	>£1	0.10	0.10	0.10	0.10
	>£10,000	0.15	0.15	0.15	0.15
	>£25,000	0.25	0.25	0.25	0.25
	>£50,000	0.50	0.50	0.50	0.50
	>£100,000	0.75	0.75	0.75	0.75
Performance Bond 1 Year	>£2,000	1.50	1.50	1.50	1.50
Performance Bond 2 Year	>£2,000	1.75	1.75	1.75	1.75
Performance Bond 3 Year	>£2,000	2.00	2.00	2.00	2.00
Instant Access Cash ISA	>£1	2.00	2.00	2.00	2.00
Pyramid Max	>£1	1.50	1.50	1.50	1.50
Humphrey	>£1	1.51	1.51	1.51	1.51
Charities / Clubs	>£10	0.10	0.10	0.10	0.10
	>£10,000	0.10	0.10	0.10	0.10
	>£25,000	0.25	0.25	0.25	0.25
No Instruction Holdina A/C	>£1	0.35	0.35	0.35	0.35
Business Deposit Account	>£10,000	1.25	1.25	1.25	1.25
	>£50,000	1.50	1.50	1.50	1.50
	>£100,000	1.75	1.75	1.75	1.75
Junior Cash ISA	>£10	2.00	2.00	2.00	2.00
Homebuyers Regular Saver	>£50	N/A	3.00	3.00	3.00
Regular Savings (with bonus)	>£25	N/A	N/A	2.25	2.25
Regular Savings (excluding bonus)	>£25	N/A	N/A	1.75	1.75

### Closed Issues

Account		23 Jan 2012	1 Feb 2012	1 Dec 2012	2 Dec 2012
	Balance	%AER	%AER	%AER	%AER
Ordinary Share & Paid Up Share Rate	>£1	0.10	0.10	0.10	0.10
	>£500	0.10	0.10	0.10	0.10
	>£5,000	0.10	0.10	0.10	0.10
	>£10,000	0.10	0.10	0.10	0.10
	>£25,000	0.25	0.25	0.25	0.25
Pyramid Bonus (Excluding 0.5% bonus)	>£1,000	0.10	0.10	0.10	0.10
	>£10,000	0.10	0.10	0.10	0.10
	>£25,000	0.10	0.10	0.10	0.10
	>£50,000	0.10	0.10	0.10	0.10
	>£100,000	0.35	0.35	0.35	0.35
Overseas	>£10	0.10	0.10	0.10	0.10
	>£10,000	0.10	0.10	0.10	0.10
	>£20,000	0.25	0.25	0.25	0.25
Instant Access Cash ISA (ex-TESSA Only ISA)	>£10	2.00	2.00	2.00	2.00
Instant Access Cash ISA (ex-Loyalty TESSA Only ISA)	>£10	2.25	2.25	2.25	2.25
Regular Saver (5 Year)	>£10	0.10	0.10	0.10	0.10
Regular Savings (with bonus)	>£25	3.50	3.50	3.50	3.50
Regular Savings (excluding bonus)	>£25	3.00	3.00	3.00	3.00
50 Plus Postal (with bonus)	>£500	3.00	3.00	3.00	2.25
50 Plus Postal (excluding bonus)	>£500	2.50	2.50	2.50	1.75



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# Business Review



**I write this statement at the time that the society has already entered into its 150th anniversary year. Events have been planned to celebrate this milestone anniversary, which is a remarkable feat, given the rapidly changing face of financial institutions within the United Kingdom.**

The last twelve months have witnessed a static housing market, the failure of many businesses (both in the retail sector and elsewhere), high levels of unemployment and inflation and a continuation of historically low interest rates.

I am, however, pleased to report that the society's 2012 accounts show a most satisfactory level of profitability and that growth of over 3% has resulted in the balance sheet increasing to over £800 million for the first time.

As outlined in detail in the chief executive's report, the 2012 results have consolidated the society's position as the region's leading independent mutual building society.

The current strength of the building society movement was endorsed by an independent survey undertaken by the Building Societies Association in July 2012, which placed mutual building societies far ahead of their banking competitors in the mortgage and savings markets, on factors such as trust, complaint handling and customer satisfaction.

Towards the end of 2012, the society received an endorsement from the prestigious industry magazine Mortgage Finance Gazette, in that we were 'highly commended' in the 'Best Regional Building Society' category at its annual awards ceremony in London.

Demand for Leek United savings products has remained high, resulting in our retail share accounts achieving a level of £719.8m in 2012, compared to £694.5m in 2011. Savings rates across the sector have reduced very considerably over recent months, due to factors including the introduction of the Bank of England's 'Funding for Lending' scheme.

With effect from 1 April 2013, responsibility for United Kingdom Financial Services regulation will transfer from the FSA to the Bank of England, such that the regulation of prudential and conduct operations will be undertaken by two new organisations - the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

The board is aware of the extra regulatory burden this change will have on the society, but considers that it is well prepared to face any additional challenges that may lie ahead.

I have referred to the Financial Services Compensation Scheme (FSCS) levy in my previous reports and the fact that it affects the building society sector disproportionately to the risks involved. However, we now have to accept that this is an annual cost for our business, the amount of the contribution we paid for 2012 was £265,000, compared to £206,000 in 2011.



Donation made to enable children take part in outdoor activities at Hadley Learning Community in Telford



Leek First School, winners of Year 4 Leek United Schools Football Tournament



Helping 6th form students with their A level studies in Information and Communications Technology

The society’s business ethos has always been built, quite simply, on a commitment to delivering service excellence to our members, backed by a range of consistent, competitive financial products that provide value for money and peace of mind for customers. It is this straightforward philosophy that has won us our hard-earned reputation as a society with the interests of the individuals and communities we serve, firmly at its heart.

By providing a safe home for savings and a cautious approach to lending, we continue to operate a solid business model and both I and the rest of the board believe that the society’s future will continue to be that of an independent mutual building society.

It is with great sadness that I have to inform you that our previous chairman Eric Hodkinson passed away last September. We convey our deepest sympathies to Eric’s wife Christine and the family.

The board has been strengthened by the addition of a new non-executive director, Ann O’Connell, who was co-opted to the board in December 2012 following a rigorous selection process and will be standing for election at the AGM in April. She is highly experienced and brings a wealth of knowledge in accountancy, risk management, financial markets and strategic development matters.

Professor Mark Taylor was also co-opted to the board in December 2012 but, due to other commitments, has decided not to stand for election at the AGM and has resigned on 19 February 2013.

Following nineteen years service, I will be retiring from the board at the AGM in the knowledge that the society will be in safe hands under the leadership of the incoming chairman Peter Kerns (subject to re-election at the AGM) and vice-chairman Jim Washington. I would like to take this opportunity of thanking my board colleagues for their unstinting support during the time that I have been chairman of the society. I would also like to thank members for their continued support and understanding, particularly during these challenging economic conditions.

My sincere thanks go to both the staff and our skilled management team for their determination and commitment to the society at all times.

I am immensely proud to have served Leek United since 1994, firstly as a director and latterly as chairman and it is with great satisfaction that I leave the society strong, secure and well placed to serve our members going forward.

**Paul Marriott**

Chairman

25 February 2013

# Review of the year



Group profit before tax and FSCS levy	£3.4m
Group reserves	£53.7m
Group assets	£808.4m

## Overview

I am pleased to report to you in this – our 150th anniversary year – that our society enters 2013 in a very strong financial position. Over the last 12 months, we have maintained the momentum and strong sense of purpose that has characterised this society over its long, proud history.

The society's results, for the year ended 31 December 2012, underline our ability to achieve and maintain a consistently strong performance amidst the most challenging of economic environments.

Total assets have grown by 3.19%. Operating profit has remained strong at £3.44m and we have delivered our highest mortgage lending performance since 2007.

## Group Financial Performance

**Group profit before tax and FSCS levy - £3.44m (2011: £3.79m)**

**Profit after tax - £2.27m (2011: £2.48m)**

**Group assets - £808.4m (2011: £783.4m)**

**Group reserves - £53.69m (2011: £51.64m)**

**Management expenses ratio - 0.82% (2011: 0.83%)**

Our other key financial ratios including liquidity, gross capital and free capital complete a robust financial performance.

## Mortgage Lending

I am pleased to report a 5% increase in our overall mortgage balances during the year. Gross mortgage lending increased to £103m (2011: £93m), which is immensely satisfying, bearing in

mind the difficult market conditions that we experienced. This increase in lending has been achieved without any compromise in our prudent lending policy. Our ability to increase our mortgage lending demonstrates a robust financial position and a strong commitment to provide house funding for prospective purchasers.

The society's lending policy is governed by affordability and we will neither encourage, nor allow, anyone to borrow beyond their means. This has enabled the society to build and retain a high quality mortgage book with no exposure to subprime lending and one of the lowest levels of mortgage arrears within the sector.

During 2012, the first sign of an improving housing market became evident with continued increased demand for buy to let investment properties all across the UK.

Within the UK house market property prices proved remarkably resilient and the Bank of England's credit conditions survey has suggested that more money for home loans is becoming available.

The announcement by HM Treasury and the Bank of England of the 'Funding for Lending Scheme' (FLS) is a significant intervention to boost lending by banks and building societies. This funding, which is available at attractive rates, has already resulted in mortgage rates reducing dramatically. It is perhaps too early to determine the success of the FLS but its introduction to stimulate the UK housing market is welcomed. However, initiatives like the FLS must be considered within the context of the willingness of consumers to take on more debt, the state of their finances and general confidence in employment and the economic recovery.



Congleton branch helping local amateur dramatics group



Christmas donation to Leek Moorlands District Hospital

## Savings

Our retail share accounts balances increased during the year by £25m. Strong demand for our savings products in the continued very low interest rate environment is particularly pleasing. The introduction of the FLS has had an adverse effect on the rates of interest offered for retail savings. This trend of reducing interest rates is expected to continue throughout 2013 and is another blow to savers who have continued to be hit the hardest in this period of historically low interest rates.

We will continue to offer competitive products at rates which are sustainable providing a safe, secure and trusted home for our members' savings.

## The Community we serve

We have continued to play a prominent role in our local community by actively investing our time to assist and raise funds for local and national charities.

During the year a wide range of local organisations, including community groups, schools, hospitals and junior sporting clubs have benefited from the society's sponsorship.

In 2013, each of our twelve branches has chosen its own charity to whom it will dedicate its fund raising efforts during our 150th anniversary year.

## Our staff

Our results and achievements would not be possible without the outstanding commitment of our staff. Their dedication to providing the highest level of customer service is an invaluable asset. Exceptional customer service is our key business differentiator and we are fortunate to have a team who demonstrate genuine passion for the society and its members.

We have a strong commitment to develop our staff and assisting them in fulfilling their full potential.

The society provides a comprehensive induction programme for all new employees and, via our Academy and Leadership Development

programmes, we provide the culture and ethos for our staff to achieve long term personal development.

Everyone at the society was saddened at the news that our ex-chairman, Eric Hodgkinson, had passed away. Eric was a life-long member of the society and served on the board for 16 years. He was a great believer in the value of local building societies and contributed so much to the success of the society.

I would also like to pay tribute to our chairman, Paul Marriott, who will retire from the board at the forthcoming AGM. Paul has served the board with outstanding commitment and integrity over the last 19 years. I would like to thank Paul for his excellent contribution to the success of the Society and wish him a long and happy retirement.

## Outlook

Global economic uncertainty will present many challenges in 2013. Continued low interest rates and low consumer confidence will, inevitably, result in a long slow recovery in the markets in which we operate.

The board is, however, committed to the values of the traditional building society model which has proven so robust throughout this extended period of economic downturn.

We enter our 150th year in strong financial shape and look forward to another successful year demonstrating the values which have been a cornerstone of this society throughout its history.

Finally, my thanks to our members for their unflinching support and belief in their society. We look forward to celebrating our 150th year with them throughout 2013.

**Kevin Wilson**

Chief Executive

25 February 2013

# 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 2012, the board consisted of six non-executive and two executive directors. On 8 February 2012 Philip Stanyer resigned as a non-executive director. Ann O'Connell and Mark Taylor were appointed as non-executive directors on 19 December 2012. At the end of 2012 the board, therefore, consisted of seven non-executive and two executive directors. On 19 February 2013 Mark Taylor resigned as a non-executive director.

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

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

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

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

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

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

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



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

### Register of Candidates for Board Vacancies

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

### Board Committees

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

The **Audit and Risk Committee** receives reports from the society's internal auditor and external auditors and its remit includes matters relating to compliance with the Building Societies Act 1986 and the Financial Services and Markets Act 2000, the effectiveness of systems of control, risk management, Internal Capital Adequacy Assessment Process (ICAAP), external audit arrangements, annual report and accounts and all regulatory issues. It considers and recommends the appointment of internal and external auditors and monitors their effectiveness and independence. At 31 December 2012 the committee comprised the following non-executive directors:

J Washington (chair)  
 R T Goddard  
 P W Kerns  
 P Marriott

The **Remuneration Committee** considers and approves general policy on staff salaries and benefits, with particular reference to remuneration arrangements for senior management and executive and non-executive directors. The committee makes an annual report to members – this can be found on page 11. The committee is comprised entirely of non-executive directors and committee membership at 31 December 2012 was as follows:

D J Lyons (chair)  
 P Marriott  
 J Washington

The **Board Nominations Committee** leads the process for new 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. At 31 December 2012 the committee comprised:

P Marriott (chair)  
 P W Kerns  
 J Washington  
 K Wilson

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

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

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

# Corporate Governance Report

## Attendance at Board and Board sub-committee meetings - 2012

	Board	IT	Remuneration	Audit & Risk	Assets & Liabilities	Nominations
P Marriott	12 (12)	-	4 (4)	4 (4)	2 (3)	3 (3)
K Wilson	12 (12)	3 (3)	-	-	4 (4)	3 (3)
R T Goddard	12 (12)	-	-	3 (3)	4 (4)	-
K Griffiths	12 (12)	3 (3)	-	-	4 (4)	-
P W Kerns	11 (12)	3 (3)	-	4 (4)	4 (4)	2 (2)
D J Lyons	11 (12)	-	4 (4)	-	4 (4)	2 (2)
A O'Connell (from 19/12/12)	1 (1)	-	-	-	-	-
P A Stanyer (to 8/2/12)	1 (1)	-	-	-	-	-
M Taylor (from 19/12/12)	1 (1)	-	-	-	-	-
J Washington	12 (12)	3 (3)	4 (4)	4 (4)	4 (4)	3 (3)

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

## Relations with members

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

## Constructive use of the AGM

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

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



Helping University Hospital of North Staffordshire

On behalf of the board of directors

**P Marriott**

Chairman

25 February 2013



Christmas donation to University Hospital of North Staffordshire Pet Scanner Appeal

# Summary Directors’ Remuneration Report

**The society’s Remuneration Committee is composed solely of non-executive directors. D J Lyons, P Marriott and J Washington served on the committee during 2012.**

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

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

## Executive Directors

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

The chief executive is a member of the Leek United Building Society Pension and Assurance Scheme.

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

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

## Non-Executive Directors

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

# Summary Directors' Remuneration Report

## Directors' Remuneration

The table below summarises directors' pay and benefits for the year ended 31 December 2012:-

	2012 Salary/ Fees £000's	2012 Benefits £000's	2012 Sub Total £000's	2012 Pensions £000's	2012 Total £000's	2011 Total £000's
<b>Non-executive directors</b>						
P Marriott (Chairman)	31	-	31	-	31	30
R T Goddard (from 23/11/11)	21	-	21	-	21	2
P W Kerns	21	-	21	-	21	20
D J Lyons	26	1	27	-	27	26
A O'Connell (from 19/12/12)	1	-	1	-	1	-
P A Stanyer (to 8/2/12)	3	-	3	-	3	20
M Taylor (from 19/12/12)	1	-	1	-	1	-
J Washington	23	-	23	-	23	23
<b>Executive directors</b>						
K Wilson	175	11	186	-	186	183
K Griffiths	96	8	104	20	124	118
	<u>398</u>	<u>20</u>	<u>418</u>	<u>20</u>	<u>438</u>	<u>422</u>

Retirement benefits are accruing to one (2011: one) director under a defined benefit scheme. The increase in accrued pension for K Wilson was £3,000 (2011: £3,000).

## Member Consultation

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

D J Lyons  
Chair of the Remuneration Committee  
25 February 2013



Affinity Account Donation to the County Air Ambulance Trust



Attendance at  
Leek Show

# Summary Financial Statement

## For the year ended 31 December 2012

This financial statement is a summary of information in the audited annual accounts, the directors' report and annual business statement, all of which will be available to members and depositors free of charge on demand at every office of Leek United Building Society from 10 April 2013.

Approved by the board of directors on 25 February 2013.

P Marriott	Chairman
K Wilson	Chief Executive
K Griffiths	Finance Director

## Summary Directors' Report

### Financial Performance

#### Total Assets

The total assets of the group at the end of 2012 were £808.4m, an increase of £25.0m in the year.

#### Profit and Capital

The profit after tax of £2.27m was transferred to the general reserve. Gross capital amounted to £53.69m at 31 December 2012.

### Management Expenses

The management expenses ratio was 0.82% for 2012 (2011: 0.83%).

### Liquid Assets

Liquid assets, in the form of cash securities, amounted to £184.9m, representing 24.61% of shares and borrowings.

### Mortgages

The total amount outstanding on mortgages at the end of the year was £620.0m.

### Shares and Deposits

Investors' and depositors' balances at 31 December 2012 totalled £751.2m, an increase during the year of £23.5m.

### Interest Rates

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

# Summary Statement

## Group Results for the Year

	2012 £000's	2011 £000's
Net interest receivable	8,466	8,772
Other income and charges	1,255	1,226
Administrative expenses	(6,538)	(6,400)
Net finance credit on pension scheme	113	194
Provision for bad and doubtful debts	146	1
Financial Services Compensation Scheme Levy	(301)	(313)
Profit for the year before taxation	3,141	3,480
Taxation	(871)	(998)
Profit for the year	2,270	2,482

## Financial position at the end of the year

	2012 £000's	2011 £000's
<b>Assets</b>		
Liquid assets	184,876	189,161
Mortgages	620,026	590,529
Fixed and other assets	3,473	3,686
<b>Total assets</b>	<b>808,375</b>	<b>783,376</b>
<b>Liabilities</b>		
Shares	719,818	694,514
Borrowings	31,424	33,212
Other liabilities	1,962	1,973
Net pension liabilities	1,479	2,037
General reserve	52,579	50,527
Revaluation reserve	1,113	1,113
<b>Total liabilities</b>	<b>808,375</b>	<b>783,376</b>

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

	2012 %	2011 %
1. Gross capital as a percentage of shares and borrowings	7.15	7.10
2. Liquid assets as a percentage of shares and borrowings	24.61	25.99
3. Profit for the year as a percentage of mean total assets	0.29	0.32
4. Management expenses as a percentage of mean total assets	0.82	0.83

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

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

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

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

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

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

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

# Independent Auditors' Statement on the Summary Financial Statement

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

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

### Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Business Review and Summary Financial Statement in accordance with applicable United Kingdom law.

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

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

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

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

### Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Leek United Building Society for the year ended 31 December 2012 and complies with the applicable requirements of section 76 of the Building Societies Act 1986, and the regulations made thereunder.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

25 February 2013

<b>Registered Principal Office</b>	50 St. Edward Street Leek, Staffs. ST13 5DL
<b>Registered No.</b>	323B
<b>Directors</b>	R T Goddard MA, FCA K Griffiths BSc (Econ), FCA P W Kerns D J Lyons MCISI P Marriott FCA A O'Connell BSc (Mgm), ACMA, MCT M P Taylor MA, MSc, Phd, MBA, DSc (Resigned 19 February 2013) J Washington ACIB K Wilson
<b>Chairman</b>	P Marriott FCA
<b>Chief Executive</b>	K Wilson
<b>Finance Director</b>	K Griffiths BSc (Econ), FCA
<b>Internal Auditor</b>	I Boston
<b>Other Officers</b>	R Bebington S Boulton PGDip Mgmt, MCMi B Gronneberg M Williams D Wilson ACIPD
<b>Bankers</b>	HSBC Santander
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 101 Barbirolli Square Lower Mosley Street Manchester M2 3PW.

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

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