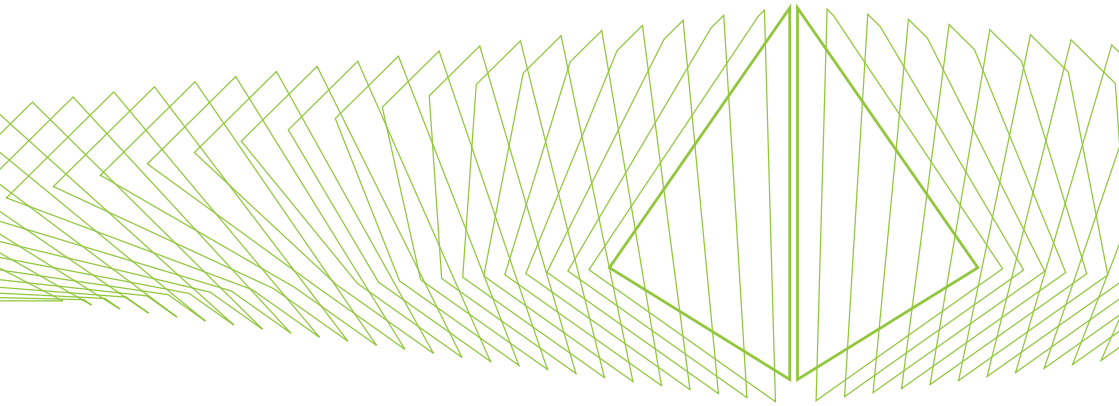


# Business Review, Summary Financial Statement and Notice of Annual General Meeting 2009



## History Of Savings Account Variable Interest Rates 2009

### Accounts Currently Available

Account	Balance	1 Feb 2009 %AER	2 Mar 2009 %AER	2 Apr 2009 %AER	12 Oct 2009 %AER
Pyramid Share / Air Ambulance	>£1	0.10	0.10	0.10	0.10
	>£500	0.25	0.10	0.10	0.10
	>£5,000	0.35	0.10	0.10	0.10
	>£10,000	0.50	0.25	0.10	0.10
	>£25,000	0.75	0.50	0.25	0.25
Pyramid 90	>£1	0.50	0.25	0.10	0.10
	>£10,000	0.65	0.40	0.15	0.15
	>£25,000	0.90	0.65	0.25	0.25
	>£50,000	1.15	0.90	0.50	0.50
	>£100,000	1.40	1.15	0.75	0.75
Performance Bond 1 Year	>£2,000	2.00	1.75	1.50	1.50
Performance Bond 2 Year	>£2,000	2.25	2.00	1.75	1.75
Performance Bond 3 Year	>£2,000	2.50	2.25	2.00	2.00
Instant Access Cash ISA	>£1	2.50	2.25	2.00	2.00
Pyramid Max	>£1	2.00	1.75	1.50	1.50
Humphrey	>£1	2.00	1.75	1.50	1.50
Charities / Clubs	>£10	0.25	0.10	0.10	0.10
	>£10,000	0.75	0.50	0.10	0.10
	>£25,000	1.00	0.75	0.25	0.25
Solicitors Account	>£500	0.25	0.10	0.10	0.10
	>£5,000	0.35	0.10	0.10	0.10
	>£10,000	0.50	0.25	0.10	0.10
	>£25,000	0.75	0.50	0.25	0.25
	>£100,000	1.25	1.00	0.60	0.60
No Instruction Holding A/C	>£1	1.75	0.75	0.35	0.35
50 Plus Postal (Excluding bonus)	>£500	N/A	N/A	N/A	2.00

### Closed Issues

Account	Balance	1 Feb 2009 %AER	2 Mar 2009 %AER	2 Apr 2009 %AER	12 Oct 2009 %AER
Ordinary Share & Paid Up Share Rate	>£1	0.10	0.10	0.10	0.10
	>£500	0.25	0.10	0.10	0.10
	>£5,000	0.35	0.10	0.10	0.10
	>£10,000	0.50	0.25	0.10	0.10
	>£25,000	0.75	0.50	0.25	0.25
Pyramid Bonus (Excluding 0.5% bonus)	>£1,000	0.10	0.10	0.10	0.10
	>£10,000	0.25	0.10	0.10	0.10
	>£25,000	0.50	0.25	0.10	0.10
	>£50,000	0.75	0.50	0.10	0.10
	>£100,000	1.00	0.75	0.35	0.35
Overseas	>£10	0.25	0.10	0.10	0.10
	>£10,000	0.75	0.50	0.10	0.10
	>£20,000	1.00	0.75	0.25	0.25
Instant Access Cash ISA (ex-TESSA Only ISA)	>£10	2.50	2.25	2.00	2.00
Instant Access Cash ISA (ex-Loyalty TESSA Only ISA)	>£10	2.75	2.50	2.25	2.25
Regular Saver (5 Year)	>£10	0.50	0.25	0.10	0.10

# Contents

---

Business Review	4 - 7
Corporate Governance Report	8 - 10
Directors' Remuneration Report	11 - 12
Summary Financial Statement	13 - 14
Independent Auditors' Statement	15
Notice of Annual General Meeting	16 - 18
Notes	19

“We enter 2010 as a financially robust, community based building society committed to our traditional values and remain very optimistic that Leek United will continue to serve the interest of its members for many years to come.”



### Our success derives from a balanced range of business activities but primarily from our core residential mortgage products and savings accounts.

My first year as chairman of Leek United has been set against arguably the most challenging period in the history of the world’s financial systems.

Against such a volatile environment I am pleased to report that your society has produced a strong financial performance.

Our success derives from a balanced range of business activities, but primarily from our core residential mortgage products and savings accounts.

Funding is a very important factor of a well balanced and sustainable business. At Leek United 92% of funding is via retail deposits. Wholesale funding of 8% is one of the lowest levels in the sector.

This strong funding position has enabled us to deliver mortgage and savings products competitively priced with safety and security for our members.

Increasing capital strength by demonstrating strong underlying profitability has been our chosen strategy over the last few years and I am pleased to report continued improvements in 2009. Retained profits provide the foundation to absorb the ever-increasing costs of running a successful business, ensuring we keep pace with appropriate advances in technology and the significant rising cost of regulation.

Inevitably the recession and the depressed housing market have reduced our mortgage lending in recent years with a resulting reduction in our mortgage and group assets. However we did increase our lending in 2009 to £60m (2008 £44m) and we are well placed to capitalise as and when the market shows signs of recovery.

#### FSCS Levy

Last year my predecessor outlined the substantial amount required to support claims in respect of the Financial Services Compensation Scheme. The FSCS has borrowed many billions of pounds from the Treasury to meet its liabilities. This is due to the failure of financial institutions whose business models were based on high risk strategies. We remain concerned that the contributions that we have to make to the scheme are based on the value of our retail deposits held and therefore organisations that are highly dependent on wholesale money markets and posing the greatest risk pay proportionally less into the scheme. This is a most detrimental financial burden on prudently operated businesses such as ourselves.

#### Regulation

The failure of Northern Rock in late 2007 was the starting point for the current financial crisis. The move of Bradford & Bingley into public ownership and the part nationalisation of Royal Bank of Scotland, HBOS and Lloyds TSB serve to enforce the scale and gravity of the situation.



It was inevitable that the Financial Services Authority would respond with new and enhanced supervision and regulatory intervention.

One of the key changes recently announced is in relation to levels of liquidity, which will be implemented over the next four years. The intended outcome is to promote a robust financial system, better consumer protection and improved market confidence. The costs involved for a prudent low risk organisation are considerable and whilst we support the intended outcomes, the risk of disproportionate regulation is considerable.

The society's strong performance in 2009 could not have been achieved without the dedication and loyalty of our staff, who are the very essence of Leek United and, on behalf of the board, I would like to thank everyone for the superb contribution they have made.

I would like to take this opportunity of welcoming Peter Kerns to the board. Peter was co-opted to the board in December 2009 and will be standing for election at our AGM in April. He is a highly experienced and motivated commercial solicitor and manager with exposure to a wide range of commercial and regulatory issues.

Whilst welcoming Peter, we must also say goodbye to another board member, David Stevens. David joined Leek United as a non-executive director in September 1998 and has served on the Audit & Risk (as chair) and Information Technology Committees. On behalf of the board and staff we wish David every success for the future.

I will also take this opportunity to thank you, our members, for the continued loyalty and support that you have shown in these challenging times.

Looking ahead to 2010, a general election is imminent and key decisions regarding the huge budget deficit will influence the economic outlook for the UK over the next few years. However, any recovery will be slow with the full extent of this severe recession taking a long time to unravel.

We enter 2010 as a financially robust, community based building society committed to our traditional values and remain very optimistic that Leek United will continue to serve the interest of its members for many years to come.

## **P Marriott**

Chairman

24 February 2010

# Review of the year

Group profit before tax and FSCS levy      **£4.2m**  
Group reserves      **£47.37m**



“Our results demonstrate a strong financial performance during a period of unprecedented financial turmoil.”

## Overview

The first quarter of 2009 was dominated by a succession of interest rate cuts which reduced the Bank of England base rate to 0.5%, the lowest rate for over 300 years. The UK has endured a long and deep recession which led to extraordinary increases in government borrowings being required to prevent the economy from collapsing completely. It was not until the final quarter of the year that the UK officially came out of recession and even then only recording a very marginal positive position.

Operating in a very volatile financial market place with rising unemployment, record low interest rates and a depressed housing market certainly presents many challenges.

Given this financial backdrop, I am pleased to report that 2009 has been another successful year for Leek United. Our results demonstrate a strong financial performance during a period of unprecedented financial turmoil.

## Group Financial Performance

Group profit before tax and FSCS levy - £4.2m (2008: £3.2m)  
Profit after tax - £2.75m (2008: £1.5m)  
Group assets - £735m (2008: £754m)  
Group reserves - £47.37m (2008: £45.75m)  
Management expenses ratio - 0.80% (2008: 0.78%)  
All of our other key financial ratios including liquidity, gross capital, free capital and profit to mean assets have increased during the year to complete a robust financial performance.

## Mortgage Lending

I am pleased to report that we were able to increase our gross mortgage lending in 2009 to £60m (2008: £44m). This was achieved without any compromise on quality and reflects an improving housing market with small price rises supported by historically low interest rates.

Reported increases in house prices during 2009 have not been able to lift the general consensus that the housing market remains depressed. Such price increases are more a result of continued low levels of sales and a widespread shortage of properties.

We are pleased and extremely proud to report that the society has sustained no mortgage losses during the year, an achievement which is testimony to a prudent lending policy adopted over many years. Our traditional individual case underwriting and a focus towards high quality low loan to value mortgage applications, continues to prove its value during the current economic downturn.

We have no exposure to sub-prime lending or new build city centre flats and we ceased lending on commercial properties in 2003. So whilst in the past we may have appeared to be overly cautious, we have simply remained true to the values of a traditional building society by providing mortgages primarily on residential property and ensuring a responsible lending approach to ascertain affordability.

Only one property was taken into possession during the year and under 0.27% of our borrowers were three months or more in arrears, one of the lowest figures in the financial sector. Fair treatment for

borrowers experiencing financial difficulties is crucial at this particularly difficult period in the economic cycle. We will continue to offer support and forbearance to borrowers' individual circumstances with the aim of achieving a positive solution which is in everyone's best interests.

## **Savings**

Competition for retail savings has been very intense throughout 2009. The effective closure of the wholesale money markets, which has been the traditional means of funding for the main banks, resulted in banks requiring funding from other sources. After receiving massive taxpayer financial support, and in some cases carrying explicit government guarantees, banks were able to offer commercially unsustainable interest rates. The building society sector has subsequently experienced a reduction in savings balances with the main beneficiaries being the part-nationalised banks.

The society has reported a reduction in retail balances during the year but due to our very modest wholesale funding levels, we have been able to successfully balance the differing requirements of our savers and borrowers.

## **Financial Services Compensation Scheme (FSCS) Levy**

We are required to pay interest on loans from the Treasury to the FSCS which were used primarily to bail out the Bradford & Bingley and three Icelandic Banks. Last year we provided £682,000 and we are providing a further £320,000 this year. Whilst we support the need to provide a compensation scheme, we do believe that the disproportionate and unfair method of calculating this levy in relation to building societies, needs to be changed.

Compulsory costs of this magnitude have a significant impact on the setting of interest rates available to our members and do not reflect the low risk business model that we operate.

## **Our people and the community we serve**

I am extremely proud of the professionalism, dedication and motivation of our staff. Providing members with excellent service in a caring and efficient manner, is a key foundation of our society. I continue to receive many reports from members detailing their genuine appreciation of the service provided by our staff. The last few years have been particularly challenging but the collective resolve of our people and their passion for the business, has remained constant.

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

As a result of increased voting at our 2009 Annual General Meeting, we were able to assist two very worthwhile local charities, the Donna Louise Trust and the Douglas Macmillan Hospice. We will once again be supporting these outstanding organisations in 2010.

I would also like to pay tribute to David Stevens, who will retire from the society's board at the forthcoming AGM. David joined the board in 1998 after a very successful career at the Bank of England and Building Societies Commission. David has served the board with great integrity and commitment over the last 12 years. I would like to thank him for his excellent contribution to the success of the society and wish him a long and happy retirement.

## **Outlook**

2010 looks set to be a very challenging environment for consumers and businesses alike. The long slow recovery from such a deep recession will, inevitably, continue to place great strains on key areas such as housing and employment.

Financial markets remain fragile and susceptible to any deterioration or fallback in the global economy. Against this backdrop, a cautious and controlled management approach is appropriate. At Leek United, providing financial security and maintaining the trust of our members will always be our paramount objective.

The true values of a traditional local building society have proven robust during this unprecedented period, and so we continue to look forward, confident with the knowledge that our sustainable business model will continue to provide security for our members.

Leek United is in good shape and we continue with our mission to provide excellent service and value to our members, which differentiates us from our competitors.

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

## **K Wilson**

Chief Executive  
24 February 2010

# 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 2009, the board consisted of six non-executive and two executive directors. Eric Hodgkinson retired as chairman on 22 April 2009 and was succeeded as chairman by Paul Marriott. Peter Kerns was appointed as a non-executive director in December 2009. At the end of 2009 the board therefore 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. 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 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, 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 2009 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 11. The committee is comprised entirely of non-executive directors and committee membership at 31 December 2009 was as follows:

D J Lyons (chair)  
P Marriott  
J Washington



The **Board Nominations Committee** leads the process for board appointments, ensuring a thorough search and selection process based on their evaluation of the balance of skills, knowledge and experience required on the board. All non-executive board vacancies are advertised in the press/media with a regional or national scope as appropriate. The committee also acts in the nomination of new board appointments. At 31 December 2009 the committee comprised:

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

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

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

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

# Business Review

## Attendance at Board and Board sub-committee meetings - 2009

	Board	IT	Remuneration	Audit & Risk	Assets & Liabilities	Nominations
E W Hodkinson (to 22/4/09)	3 (3)	-	-	-	1 (1)	1 (1)
P Marriott	12 (12)	1 (1)	3 (3)	5 (5)	4 (4)	3 (3)
K Wilson	12 (12)	3 (3)	-	-	4 (4)	3 (3)
K Griffiths	12 (12)	3 (3)	-	-	4 (4)	-
P W Kerns (from 21/12/09)	1 (1)	-	-	-	-	-
D J Lyons	10 (12)	-	3 (3)	-	4 (4)	3 (3)
P A Stanyer	12 (12)	1 (2)	-	5 (5)	-	-
D A W Stevens	11 (12)	2 (3)	-	5 (5)	-	-
J Washington	12 (12)	3 (3)	3 (3)	5 (5)	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. 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

**P Marriott**  
**Chairman**  
**24 February 2010**



# Directors' Remuneration Report

The society's Remuneration Committee is composed solely of non-executive directors. P Marriott, D J Lyons and J Washington served on the committee during 2009.

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.

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

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

The 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 Report (continued)

## Directors' Remuneration Report (Continued)

The table below summarises directors' pay and benefits for the year ended 31 December 2009:-

	2009	2009	2009	2008
	Salary/ Fees £000's	Other Benefits £000's	Total £000's	Total £000's
<b>Non-Executive directors</b>				
E W Hodkinson (Chairman to 22/4/09)	9	-	9	28
P Marriott (Chairman from 22/4/09)	28	-	28	23
P W Kerns (from to 21/12/09)	1	-	1	-
D J Lyons	23	1	24	20
P A Stanyer (from 19/12/08)	19	-	19	1
D A W Stevens	22	2	24	23
J Washington	19	-	19	19
<b>Executive directors</b>				
K Wilson	148	24	172	158
B Rimmer (to 31/7/08)	-	-	-	123
K Griffiths (from 3/11/08)	100	9	109	18
	<u>369</u>	<u>36</u>	<u>405</u>	<u>413</u>

## 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

24 February 2010

# Summary Financial Statement

## For the year ended 31 December 2009

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 7 April 2010.

Approved by the board of directors on 24 February 2010.

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

## Summary Directors' Report

### Financial Performance

#### Total Assets

The total assets of the group at the end of 2009 were £735.3m, a decrease of £18.7m in the year.

#### Profit and Capital

The profit after tax of £2.75m was transferred to the general reserve. Gross capital amounted to £47.37m at 31 December 2009.

### Management Expenses

The management expenses ratio was 0.80% for 2009 (2008: 0.78%).

### Liquid Assets

Liquid assets, in the form of cash securities, amounted to £163.1m, representing 23.90% of shares and borrowings.

### Mortgages

The total amount outstanding on mortgages at the end of the year was £568.6m.

### Shares and Deposits

Investors' and depositors' balances at 31 December 2009 totalled £682.5m, a decrease during the year of £21m.

### Interest Rates

The residential mortgage base rate was reduced from 5.99% to 5.49% on 1 February 2009, from 5.49% to 5.29% on 1 March 2009 and from 5.29% to 5.19% on 1 April 2009.

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



# Summary Statement

## Financial Performance

Group Results for the Year	2009 £000's	2008 £000's
Net interest receivable	8,777	7,430
Other income and charges	1,560	2,109
Administrative expenses	(5,930)	(6,051)
Net finance charge on pension scheme	(137)	(74)
Provision for bad and doubtful debts	(91)	(235)
Financial Services Compensation Scheme Levy	(320)	(682)
Profit for the year before taxation	3,859	2,497
Taxation	(1,107)	(983)
Profit for the year	2,752	1,514

### Financial position at the end of the year

Assets	2009 £000's	2008 £000's
Liquid assets	163,118	166,921
Mortgages	568,606	583,450
Fixed and other assets	3,597	3,638
<b>Total assets</b>	<b>735,321</b>	<b>754,009</b>
<b>Liabilities</b>		
Shares	616,316	635,115
Borrowings	66,148	68,398
Other liabilities	2,325	2,063
Net pension liabilities	3,164	2,681
General reserve	46,255	44,639
Revaluation reserve	1,113	1,113
<b>Total liabilities</b>	<b>735,321</b>	<b>754,009</b>

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

	2009 %	2008 %
1. Gross capital as a percentage of shares and borrowings	6.94	6.50
2. Liquid assets as a percentage of shares and borrowings	23.90	23.73
3. Profit for the year as a percentage of mean total assets	0.37	0.19
4. Management expenses as a percentage of mean total assets	0.80	0.78

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

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

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

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

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

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

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



## Independent Auditors' Statement on the Summary Financial Statement

Independent Auditors' statement to the members and depositors of Leek United Building Society. We have examined the summary financial statement of Leek United Building Society set out on pages 13 and 14.

### Respective Responsibilities of Directors and Auditors

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

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Business review, Summary Financial Statement and Notice of Annual General Meeting 2009 document with the full Annual Accounts, the Annual Business Statement and the Directors' Report, and its compliance with the relevant requirements of section 76 of the Building Societies Act 1986 and the regulations made thereunder.

We also read the other information published with the Business review, Summary Financial Statement and Notice of Annual General Meeting 2009 document 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, Director's Remuneration Report and Notice of Annual General Meeting.

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

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

### Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Leek United Building Society for the year ended 31 December 2009 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

24 February 2010

# Notice of Annual General Meeting

Notice is given that the one hundred and forty-seventh Annual General Meeting of the members of Leek United Building Society will be held on 21 April 2010 at Leek Cricket Club, Highfield, Macclesfield Road, Leek, Staffordshire, ST13 8SG at 12 noon for the following purposes:-

1. To receive the Annual Report and Accounts for the year ended 31 December 2009.
2. To re-appoint PricewaterhouseCoopers LLP as auditors.
3. To approve the Directors' Remuneration Report.
4. To consider and, if thought fit, to elect or re-elect the following directors:
  - (a) To elect Peter Kerns
  - (b) To re-elect Paul Marriott
  - (c) To re-elect Kevin Wilson
5. To transact any other business permitted by the Rules of the Society.

**By order of the board**  
**K WILSON**  
Secretary  
March 2010

**Remember you can vote online at [www.leekunited.co.uk/agm](http://www.leekunited.co.uk/agm)**



# Directors Seeking Election or Re-Election



**Peter Kerns**  
Age 56

Peter is a highly experienced and motivated commercial solicitor and manager with exposure to a wide range of commercial and regulatory issues.

Following a period in private practice, Peter has worked at financial institutions and undertaken a variety of projects and held posts ranging from legal adviser and assistant secretary to director of legal and regulatory services.

Peter has participated in a number of industry wide working groups and provided training, or made presentations, to in-house and public seminars on a variety of topics.

Peter is married with two children.



**Paul Marriott**  
Age 57

Paul Marriott has been a non-executive director of the society since 1994, serving as vice-chairman since 1999 before taking over the role of chairman in 2009.

A qualified chartered accountant, Paul is experienced in all aspects of that profession and is a senior director of local accountancy firm, Fearn's Marriott Ltd, which was established in September 1992. He was previously a partner with KPMG.

Paul plays an active role in the community and is involved with several local charities.

Paul is a member of the Assets and Liabilities, Audit and Risk, Remuneration and Board Nomination Committees.

# Directors Seeking Election or Re-Election (continued)



**Kevin Wilson**  
Age 51

Kevin Wilson joined the society in 1994 after a successful career in sales management in the banking and financial services sector.

His initial responsibilities at Leek United included the development of our highly successful financial advice service.

Kevin joined the board as sales director in 1998 with responsibility for the financial advice service, marketing, general insurance and our branch network.

In 2005 he was appointed to the role of chief executive. Kevin has led the society through a period of unprecedented change in the financial services industry.

Kevin lives locally and is fully committed to the future of Leek United as an independent local mutual building society.

Kevin is a member of the Assets and Liabilities, Information Technology and Nominations Committees.

## Performance Appraisal

The performance of each director has been the subject of a formal and rigorous evaluation by the board.

The board considers that each director is independent in character and judgement and continues to demonstrate a high level of skill and commitment in their contribution to the work of the board.

**P Marriott**  
Chairman

**D J Lyons**  
Senior Independent  
Director

March 2010

## Notes

1. These Notes form part of the Notice of the Meeting.
2. A member entitled to attend the Meeting and vote may appoint a proxy to attend and vote on his or her behalf. You may appoint the Chairman of the Meeting or anyone else as your proxy, and your proxy does not have to be a member of the society. Your proxy may vote for you at the Meeting but only on a poll. A poll is a formal vote which may take place after an initial vote by a show of hands. Your proxy may not speak at the Meeting, except to demand or to join in demanding a poll.
3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on the proxy form.
4. The voting date is the date of the Meeting, if voting in person, and 19 April 2010 if using the enclosed form.
5. In order to attend and vote at the Meeting, or appoint a proxy, you must qualify as either a shareholding member or a borrowing member.

## Shareholding Members

- (a) To qualify as a shareholding member, you must -
  - (i) if you are an individual, be at least 18 years old on 21 April 2010; and
  - (ii) have held shares to the value of not less than £100 at midnight at the end of 31 December 2009; and
  - (iii) not have ceased to hold a share or shares at any time between midnight at the end of 31 December 2009 and the voting date; and
  - (iv) hold a share or shares on the voting date.
- (b) Where the shares are held jointly by two or more persons, only the first named in the records of the society, in respect of those shares, can have any voting rights.

## Borrowing Members

- (a) To qualify as a borrowing member, you must -
    - (i) be at least 18 years old on 21 April 2010; and
    - (ii) have owed the society not less than £100 in respect of a mortgage debt at midnight at the end of 31 December 2009; and
    - (iii) owe the society not less than £100 in respect of a mortgage debt on the voting date.
  - (b) Where a mortgage debt is owed jointly by two or more persons, only the first named in the records of the society, in respect of that mortgage, can have any voting rights.
6. In addition, you can vote only once as a member, irrespective of -
    - (a) the number of accounts you hold and whether you hold accounts in different capacities (for example, on your own behalf and as a trustee); and
    - (b) whether you qualify to vote as both a shareholding member and a borrowing member.
  7. Members attending the Meeting will be requested to produce their passbooks or other evidence of membership in order to obtain admission. If you are appointing a proxy, other than the Chairman of the Meeting, to attend the Meeting and vote on your behalf, please ensure that your proxy brings an appropriate form of identification to the Meeting.

## Online Voting

To use this facility, please go to [www.leekunited.co.uk/agm](http://www.leekunited.co.uk/agm) and click on the link, which will redirect you to a secure voting site administered by Howsons Electoral Services who are independent scrutineers. You will need your user ID and password and these can be found on the enclosed proxy voting form.

Online voting is available 24 hours a day until midnight on 19 April 2010.

**Remember you can vote online at [www.leekunited.co.uk/agm](http://www.leekunited.co.uk/agm)**

<b>Registered Principal Office</b>	50 St. Edward Street Leek, Staffs. ST13 5DL
<b>Registered No.</b>	323B
<b>Directors</b>	K Griffiths BSc (Econ), FCA P W Kerns D J Lyons MSI P Marriott FCA P A Stanyer FCA, FIMI, AInstIB D A W Stevens 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, ACMI B Gronneberg M Williams D Wilson
<b>Bankers</b>	HSBC Alliance & Leicester
<b>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.

50 St Edward Street, Leek  
Staffordshire ST13 5DL  
T: 01538 384151 F: 01538 399179  
DX: 16354 LEEK  
E: [finance@leekunited.co.uk](mailto:finance@leekunited.co.uk)  
W: [www.leekunited.co.uk](http://www.leekunited.co.uk)

