Report & Accounts 2012

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

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Registered Number 323B

Directors and Officers


Paul Marriott


Peter Kerns


Kevin Wilson

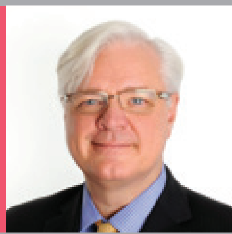

Keith Griffiths


Jim Washington


Derek Lyons


Richard Goddard


Ann O'Connell


Mark Taylor

DIRECTORS	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
CHAIRMAN	P Marriott FCA
CHIEF EXECUTIVE	K Wilson
FINANCE DIRECTOR	K Griffiths BSc (Econ), FCA
INTERNAL AUDITOR	I Boston
BANKERS	HSBC Santander
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 101 Barbirolli Square Lower Mosley Street Manchester M2 3PW

Chairman's Statement

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.

Staff who have completed 20 or more year's service with Leek United

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.

Leek United
BUILDING SOCIETY

Taking part in Macmillan Cancer Support's 'Biggest Coffee Morning' event

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

Chief Executive's Report

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.

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.

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

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.

Affinity Account Donation to the County Air Ambulance Trust

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 Hodkinson, 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 unfailing 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

Directors' Report

The directors have pleasure in submitting the 150th Annual Report and Accounts for the year ended 31 December 2012.

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 predominantly through the society's range of personal savings accounts.

BUSINESS REVIEW

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 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 in the following section.

KEY PERFORMANCE INDICATORS

The society uses various performance indicators to monitor its progress. The key performance indicators are as follows:-

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 2012 were £808.4m (2011: £783.4m), an increase of £25.0m (3.19%).

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 £3.14m in 2012 (2011: £3.48m)

Management Expenses Ratio

Definition the management expenses 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 0.82% for 2012 (2011: 0.83%)

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 £53.69m at 31 December 2012 (2011: £51.64m).

The ratio of gross capital as a percentage of total shares and borrowings was 7.15% at 31 December 2012 (2011: 7.10%) and the ratio of free capital as a percentage of total shares and borrowings was 6.93% (2011: 6.88%). Free capital is the general reserve, revaluation reserve and general loss provisions less fixed assets.

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 £184.9m (2011: £189.2m), representing 24.61% (2011: 25.99%) of shares and borrowings.

The amount of liquidity repayable on demand is £94.3m (2011: £56.9m).

Our charity golf day raised funds for Help for Heroes

Gross Lending

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

Gross lending was £103.4m (2011: £92.7m).

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 2012 – 26 accounts representing 0.09% of balances (2011: 27 accounts – 0.16%).

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 2012 totalled £751.2m (2011: £727.7m), an increase during the year of £23.5m (2011: Increase £17.8m).

Loans and Advances to Customers

The total amount outstanding on mortgages at the end of the year was £620.0m (2011: £590.5m). At 31 December 2012 there were 3 (2011: 2) mortgage accounts which were twelve months or more in arrears. The total amount of these arrears was £8,573 (2011: £2,493).

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 and senior managers).

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.

AGM donation to Donna Louise Trust

Directors' Report (continued)

Our risk management activity focuses on four principal risk areas:

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 is the risk that income/expense arising from the group's assets and/or liabilities varies as a result of changes in interest rates. We manage this risk, which includes basis 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 reviews, manages and controls 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.

AGM donation to Douglas Macmillan charity

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:

Richard Goddard (Non-executive Director)
Keith Griffiths (Finance Director)
Peter Kerns (Non-executive Director)
Derek Lyons (Vice-Chairman)
Paul Marriott (Chairman)
Ann O'Connell (Non-executive Director) (from 19 December 2012)
Philip Stanyer (Non-executive Director) (Resigned 8 February 2012)
Mark Taylor (Non-executive Director) (from 19 December 2012 – resigned 19 February 2013)
Jim Washington (Non-executive Director)
Kevin Wilson (Chief Executive)

No director had any beneficial interest in the shares or debentures of any of the subsidiary undertakings.

STAFF AND AGENTS

The directors wish to acknowledge the contribution made by all staff to the society's success in 2012. 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 5.19% throughout the year.

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 (2011: 15).

CHARITABLE DONATIONS

The society made charitable donations of £1,923 (2011: £2,633) during the year.

There were no donations for political purposes.

TREATING CUSTOMERS FAIRLY

Historically 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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the society's auditors are aware of that information.

INDEPENDENT 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

P Marriott
Chairman
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 non-executive directors 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 circumstances 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 14. 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. At 31 December 2012 the committee comprised:

K Wilson (chair)
R T Goddard
K Griffiths
P W Kerns
D J Lyons
P Marriott
J Washington

Information Technology Committee approves and monitors major IT projects. At 31 December 2012 the committee comprised:

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

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 the 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.

On behalf of the board of directors

P Marriott
Chairman
25 February 2013

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.

Directors' Remuneration

The table in note 5 to the Annual Accounts summarises directors' pay and benefits for the year ended 31 December 2012.

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

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 strength 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.

P Marriott
Chairman
25 February 2013

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 2012 which comprise the Group and Society Income and Expenditure Accounts, the Group and Society Statements of Total Recognised Gains and Losses, the Group and Society Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Director's Responsibilities Statement set out on page 15, the directors are responsible for the preparation of annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report, including the opinions, 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 these opinions, 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.

Scope of the audit of the annual accounts

An audit involves obtaining evidence about the amounts and disclosures in the annual accounts sufficient to give reasonable assurance that the annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the annual accounts. In addition, we read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on annual accounts

In our opinion 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 as at 31 December 2012 and of the Group's and the Society's income and expenditure and the Group's cash flows for the year then ended; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

Opinion on other matters prescribed by the Building Societies Act 1986

In our opinion:

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the Directors' Report for the financial year for which the annual accounts are prepared is consistent with the accounting records and the annual accounts; and
- the information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Building Societies Act 1986 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Society; or
- the Group and the Society annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

Heather Varley (Senior Statutory Auditor)
for and behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

25 February 2013

Income and Expenditure Accounts

Income and Expenditure Accounts for the year ended 31 December 2012

	Note	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Interest receivable and similar income	2	24,240	23,273	24,231	23,260
Interest payable and similar charges	3	(15,774)	(14,501)	(15,774)	(14,501)
Net interest receivable		8,466	8,772	8,457	8,759
Income from investments	4	-	-	400	400
Fees and commissions receivable		1,830	1,745	1,247	1,175
Fees and commissions payable		(370)	(362)	(370)	(362)
Other operating income		7	7	7	7
Total income		9,933	10,162	9,741	9,979
Administrative expenses	5	(6,260)	(6,092)	(6,028)	(5,888)
Depreciation	13	(278)	(308)	(266)	(297)
Other operating charges	6	(212)	(164)	(212)	(164)
Net finance credit on pension scheme	26	113	194	113	194
Operating profit before provisions		3,296	3,792	3,348	3,824
Provisions for bad and doubtful debts	7	146	1	146	1
Provisions for contingent liabilities and commitments - FSCS Levy	24	(301)	(313)	(301)	(313)
Profit on ordinary activities before tax		3,141	3,480	3,193	3,512
Tax on profit on ordinary activities	8	(871)	(998)	(788)	(903)
Profit for the financial year	23	2,270	2,482	2,405	2,609

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 2012

	Note	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Profit for the financial year		2,270	2,482	2,405	2,609
Actuarial (loss) recognised in pension scheme	26	(283)	(2,045)	(283)	(2,045)
Taxation relating to actuarial loss		65	511	65	511
Total recognised gains and losses relating to the year		2,052	948	2,187	1,075

Balance Sheets

Balance sheets as at 31 December 2012

ASSETS	Note	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Liquid assets:					
Cash in hand and balances with the Bank of England		62,762	21,218	62,762	21,218
Loans and advances to credit institutions	9	36,703	45,857	36,674	45,820
Debt securities	10	85,411	122,086	85,411	122,086
Loans and advances to customers:					
Loans fully secured on residential property	11	619,329	589,571	619,173	589,365
Loans fully secured on land	11	697	958	697	958
Investments in subsidiary undertakings	12	-	-	24	24
Tangible fixed assets	13	2,641	2,795	2,618	2,760
Other assets	14	504	578	503	578
Prepayments and accrued income	15	328	313	328	313
Total assets		808,375	783,376	808,190	783,122

Balance Sheets

Balance sheets as at 31 December 2012

LIABILITIES	Note	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Shares	16	719,818	694,514	719,818	694,514
Amounts owed to credit institutions	17	8,081	5,028	8,081	5,028
Amounts owed to other customers	18	23,343	28,184	23,343	28,184
Other liabilities	19	496	540	800	906
Accruals and deferred income	20	530	551	467	492
Provisions for liabilities and charges	21	936	882	936	882
Net pension liability	26	1,479	2,037	1,479	2,037
Revaluation reserve	22	1,113	1,113	1,113	1,113
General reserve	23	52,579	50,527	52,153	49,966
Total liabilities		808,375	783,376	808,190	783,122

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

These accounts were approved by the board of directors on 25 February 2013 and were signed on its behalf by:

P Marriott Chairman

K Wilson Chief Executive

K Griffiths Finance Director

Group Cash Flow Statement

Group cash flow statement for the year ended 31 December 2012

	2012 £000's	2011 £000's
Net cash inflow/(outflow) from operating activities (see below)	1,335	(13,513)
Taxation paid	(560)	(625)
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(127)	(334)
Sale of tangible fixed assets	-	22
Purchase of investment securities	(76,674)	(126,915)
Maturities and disposals of investment securities	113,460	156,361
Increase in cash	37,434	14,996

Reconciliation of operating profit to net cash inflow from operating activities

	2012 £000's	2011 £000's
Profit on ordinary activities before tax	3,141	3,480
Increase in prepayments and accrued income	(82)	(331)
Decrease in accruals and deferred income	(21)	(18)
Provisions for bad and doubtful debts	(140)	7
Increase in provisions for liabilities and charges	54	111
Depreciation	278	308
Loss/(profit) on disposal of tangible fixed assets	4	(22)
Pension contributions in excess of charge	(1,078)	(1,148)
Net cash inflow from trading activities	2,156	2,387
Increase in loans and advances to customers	(29,357)	(23,702)
Increase/(Decrease) in shares	25,304	(1,210)
(Decrease)/Increase in amounts owed to credit institutions and other customers	(1,788)	19,058
Decrease/(Increase) in loans and advances to credit institutions	5,000	(10,000)
Decrease in other assets	1	1
Increase/(Decrease) in other liabilities	19	(47)
Net cash inflow/(outflow) from operating activities	1,335	(13,513)

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

	1 January 2012 £000's	Movement in year £000's	31 December 2012 £000's
Cash in hand and balances with the Bank of England	21,218	41,544	62,762
Loans and advances to credit institutions - repayable on demand (note 9)	35,688	(4,110)	31,578
	56,906	37,434	94,340

Notes to the Accounts at 31 December 2012

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 on a going concern basis 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 recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

Fixed Assets and Depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation 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. 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 less any impairment. 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 from financial services and general insurance.
- mortgage fees.

Notes to the Accounts at 31 December 2012

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 in arrears or on concessions 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 and an assessment of current economic trends and risk within the mortgage portfolio.

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. Quoted securities held as plan assets in the defined benefit pension scheme are valued at bid price.

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 total recognised gains and losses. 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.

Leek United BUILDING SOCIETY

Notes to the Accounts at 31 December 2012

2 Interest receivable and similar income

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
On loans fully secured on residential property	22,349	21,619	22,340	21,606
Other loans	43	53	43	53
On debt securities - interest and other income	2,021	2,006	2,021	2,006
On other liquid assets - interest and other income	650	484	650	484
Net expense on financial instruments	(823)	(889)	(823)	(889)
	24,240	23,273	24,231	23,260

3 Interest payable and similar charges

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
On shares held by individuals	15,340	14,224	15,340	14,224
On deposits and other borrowings	434	277	434	277
	15,774	14,501	15,774	14,501

4 Income from investments

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Dividends from shares in subsidiaries	-	-	400	400

5 Administrative expenses

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Staff costs:				
Wages and salaries	3,051	2,945	2,868	2,783
Social security costs	267	254	249	238
Other pension costs	412	404	401	394
	3,730	3,603	3,518	3,415
Other expenses:				
Remuneration of auditors:				
audit services – statutory audit	58	56	58	56
other services – audit of subsidiaries	8	8	-	-
other services	56	7	56	7
Other	2,408	2,418	2,396	2,410
	6,260	6,092	6,028	5,888

Notes to the Accounts at 31 December 2012

5 Administrative expenses (continued)

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

	Group 2012 Number	Group 2011 Number	Society 2012 Number	Society 2011 Number
(i) At principal office:				
Full-time staff	53	53	49	49
Part-time staff	18	19	18	19
(ii) At branch offices:				
Full-time staff	44	46	44	46
Part-time staff	23	20	23	20

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 24 April 2013 and at the Annual General Meeting. The total loans outstanding at 31 December 2012, in respect of 3 (2011: 3) persons, amounted to £358,423 (2011: £427,286).

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

	2012					2011				
	Salary/ Fees £000's	Benefits £000's	Sub Total £000's	Pensions £000's	Total £000's	Salary/ Fees £000's	Benefits £000's	Sub Total £000's	Pensions £000's	Total £000's
Non-executive directors										
P Marriott	31	-	31	-	31	30	-	30	-	30
R T Goddard (from 23/11/11)	21	-	21	-	21	2	-	2	-	2
P W Kerns	21	-	21	-	21	20	-	20	-	20
D J Lyons	26	1	27	-	27	25	1	26	-	26
A O'Connell (from 19/12/12)	1	-	1	-	1	-	-	-	-	-
P A Stanyer (to 8/2/12)	3	-	3	-	3	20	-	20	-	20
M Taylor (from 19/12/12)	1	-	1	-	1	-	-	-	-	-
J Washington	23	-	23	-	23	23	-	23	-	23
Executive directors										
K Wilson	175	11	186	-	186	160	11	171	12	183
K Griffiths	96	8	104	20	124	98	1	99	19	118
	398	20	418	20	438	378	13	391	31	422

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).

6 Other operating charges

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Mortgage incentives	195	156	195	156
Regulated business provision (see note 21)	17	8	17	8
	212	164	212	164

Notes to the Accounts at 31 December 2012

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 2012	89	1,200	1,289
Amounts utilised	-	-	-
Charge/(Credit) for the year	60	(200)	(140)
At 31 December 2012	149	1,000	1,149

The charge in the income and expenditure account is as follows:	2012 £000's	2011 £000's
(Credit)/Charge for the year	(140)	7
Amounts recovered in respect of loans previously written off	(6)	(8)
Income and expenditure account	(146)	(1)

The provisions as at 31 December 2012 have been deducted from loans fully secured on residential property in the balance sheet.

8 Tax on profit on ordinary activities

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
(a) UK Corporation tax at 24.5% (2011: 26.5%):				
Current Tax	496	653	412	558
UK Deferred tax at 23% (2011: 25%):				
Deferred tax - current year (see note 14)	375	345	376	345
Total	871	998	788	903
The tax assessed for the year is lower (2011: lower) than the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below.				
(b) Factors affecting current tax charge in year:				
Profit on ordinary activities before tax	3,141	3,480	3,193	3,512
Tax on profit at UK standard rate of 24.5% (2011: 26.5%)	770	922	782	931
Effects of:				
Difference between depreciation and capital allowances together with other timing differences	(375)	(345)	(376)	(345)
Dividend from subsidiary	-	-	(98)	(106)
Expenses not deductible for tax purposes	14	18	14	18
Adjustment re: prior year	11	-	11	-
Impact of change in rate - deferred tax	79	60	79	60
Small companies relief	(3)	(2)	-	-
Current tax charge	496	653	412	558

As a result of the change in the UK main corporation tax rate from 24% to 23% which was substantively enacted in July 2012 and will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured. A further reduction to the UK corporation tax rate to 21% from 1 April 2014 has been announced. The change has not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements.

Notes to the Accounts at 31 December 2012

9 Loans and advances to credit institutions

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Maturity analysis:				
Repayable on demand	31,578	35,688	31,549	35,651
In more than three months but not more than one year	5,000	10,000	5,000	10,000
	36,578	45,688	36,549	45,651
Accrued interest	125	169	125	169
	36,703	45,857	36,674	45,820

10 Debt securities

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Issued by public bodies	15,011	20,025	15,011	20,025
Issued by other borrowers	70,400	102,061	70,400	102,061
	85,411	122,086	85,411	122,086
Maturity analysis:				
In not more than one year	49,500	79,460	49,500	79,460
In more than one year	35,029	41,855	35,029	41,855
	84,529	121,315	84,529	121,315
Accrued interest	882	771	882	771
	85,411	122,086	85,411	122,086
Analysis of debt securities:				
Unlisted	85,411	122,086	85,411	122,086
Debt securities held as financial fixed assets:				
Maturity value	84,000	120,900	84,000	120,900
Unamortised premium	529	415	529	415
	84,529	121,315	84,529	121,315
Accrued interest	882	771	882	771
	85,411	122,086	85,411	122,086

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	2012 £000's
At 1 January 2012	121,315
Additions	76,674
Maturities and disposals	(113,460)
At 31 December 2012	84,529

Notes to the Accounts at 31 December 2012

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 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Repayable on demand	859	843	859	828
In not more than three months	4,569	4,338	4,569	4,337
In more than three months but not more than one year	16,357	15,955	16,357	15,951
In more than one year but not more than five years	109,948	102,526	109,887	102,472
In more than five years	489,442	468,156	489,347	468,024
	621,175	591,818	621,019	591,612
Provisions for bad and doubtful debts	(1,149)	(1,289)	(1,149)	(1,289)
	620,026	590,529	619,870	590,323

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

	Society 2012 £000's	Society 2011 £000's
Shares	2	2
Loans	22	22
	24	24

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 was the provision of mortgage broking services. No director had a beneficial interest in any shares or debentures of the subsidiary undertaking. The company ceased trading on 31 December 2009. From 1 January 2010 the company has been dormant.

Notes to the Accounts at 31 December 2012

13 Tangible fixed assets

Group	Freehold land and buildings £000's	Equipment fixtures and fittings £000's	Totals £000's
Cost			
At 1 January 2012	2,583	4,980	7,563
Additions	-	127	127
Disposals	-	(204)	(204)
At 31 December 2012	2,583	4,903	7,486
Accumulated depreciation			
At 1 January 2012	460	4,308	4,768
Charge for the year	38	240	278
Disposals	-	(201)	(201)
At 31 December 2012	498	4,347	4,845
Net book value			
At 31 December 2012	2,085	556	2,641
At 31 December 2011	2,123	672	2,795

Society	Freehold land and buildings £000's	Equipment fixtures and fittings £000's	Totals £000's
Cost			
At 1 January 2012	2,583	4,932	7,515
Additions	-	127	127
Disposals	-	(204)	(204)
At 31 December 2012	2,583	4,855	7,438
Accumulated depreciation			
At 1 January 2012	460	4,295	4,755
Charge for the year	38	228	266
Disposals	-	(201)	(201)
At 31 December 2012	498	4,322	4,820
Net book value			
At 31 December 2012	2,085	533	2,618
At 31 December 2011	2,123	637	2,760

Notes to the Accounts at 31 December 2012

13 Tangible fixed assets (continued)

The net book value of land and buildings occupied by the society for its own activities is £2,085,000 (2011: £2,123,000).

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:

	2012 £000's	2011 £000's
Cost	1,624	1,624
Aggregate depreciation based on cost	(401)	(382)
	1,223	1,242

14 Other assets

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Deferred tax asset	455	528	454	528
Other	49	50	49	50
	504	578	503	578
The elements of deferred taxation are as follows:				
Difference between accumulated depreciation and capital allowances	20	14	19	14
General bad and doubtful debt provision	230	300	230	300
Other timing differences	205	214	205	214
	455	528	454	528
Deferred Taxation at 1 January 2012	528	549	528	549
Deferred tax charge	(375)	(345)	(376)	(345)
Movements in relation to pension scheme	302	324	302	324
At 31 December 2012	455	528	454	528

15 Prepayments and accrued income

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Other	328	313	328	313

16 Shares

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Held by individuals	719,818	694,514	719,818	694,514
In the ordinary course of business, shares are repayable from the balance sheet date as follows:				
Repayable on demand	471,655	475,681	471,655	475,681
In not more than three months	49,194	42,760	49,194	42,760
In more than three months but not more than one year	71,345	74,246	71,345	74,246
In more than one year but not more than five years	117,852	92,165	117,852	92,165
	710,046	684,852	710,046	684,852
Accrued interest	9,772	9,662	9,772	9,662
	719,818	694,514	719,818	694,514

Notes to the Accounts at 31 December 2012

17 Amounts owed to credit institutions

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
In the ordinary course of business, amounts owed to credit institutions are repayable from the balance sheet date as follows:				
In not more than three months	8,000	1,000	8,000	1,000
In more than three months but not more than one year	-	4,000	-	4,000
	8,000	5,000	8,000	5,000
Accrued interest	81	28	81	28
	8,081	5,028	8,081	5,028

18 Amounts owed to other customers

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
In the ordinary course of business, amounts owed to other customers are repayable from the balance sheet date as follows:				
Repayable on demand	13,358	10,669	13,358	10,669
In not more than three months	5,000	10,352	5,000	10,352
In more than three months but not more than one year	4,800	6,985	4,800	6,985
	23,158	28,006	23,158	28,006
Accrued interest	185	178	185	178
	23,343	28,184	23,343	28,184

19 Other liabilities

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Amounts falling due within one year:				
Income tax	137	93	137	93
Corporation tax	151	214	112	173
Other taxation and social security costs	85	81	85	81
Amount due to subsidiary undertakings	-	-	343	412
Other creditors	123	152	123	147
	496	540	800	906

20 Accruals and deferred income

	Group 2012 £000's	Group 2011 £000's	Society 2012 £000's	Society 2011 £000's
Off balance sheet instruments accrued interest	142	105	142	105
Other	388	446	325	387
	530	551	467	492

Notes to the Accounts at 31 December 2012

21 Provisions for liabilities and charges

Group & Society	Regulated Business £000's	FSCS Levy £000's	Total £000's
At 1 January 2012	25	857	882
Amount charged during the year	17	302	319
Amount paid during the year	-	(265)	(265)
At 31 December 2012	42	894	936

The 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 2012 and 31 December 2012	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 2012	50,527	49,966
Profit for the financial year	2,270	2,405
Actuarial losses	(218)	(218)
At 31 December 2012	52,579	52,153

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 & 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. A claim may also arise in respect of the Dunfermline Building Society.

We understand that the FSCS has met, or will meet, the claims by way of loans received 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 a provision for a levy of £302,000 which gives a total levy provision, as at 31 December 2012, of £894,000 in respect of the scheme year 2012/13, which is calculated with reference to the protected deposits at 31 December 2011, and the scheme year 2013/14, which is calculated with reference to the protected deposits it held at 31 December 2012. The levy amounts have been calculated with reference to the level of the society's protected deposits, anticipated future interest rates and expected compensation levies.

Notes to the Accounts at 31 December 2012

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 2012 £000's	Credit risk weighted amount 2012 £000's	Replacement Cost 2012 £000's	Nominal principal amount 2011 £000's	Credit risk weighted amount 2011 £000's	Replacement cost 2011 £000's
Interest rate contracts maturing:						
In less than 1 year	-	-	-	10,000	-	-
Between 1 year and 5 years	65,000	125	-	50,000	50	-

Notes to the Accounts at 31 December 2012

25 Financial Instruments (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.

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.

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 2012 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	112,196	52,500	2,000	17,500	680	184,876
Loans fully secured on residential property and other loans	399,916	27,504	32,824	160,931	(1,149)	620,026
Tangible fixed assets	-	-	-	-	2,641	2,641
Other assets	-	-	-	-	832	832
Total assets	512,112	80,004	34,824	178,431	3,004	808,375
Liabilities						
Shares	509,876	34,270	48,051	117,849	9,772	719,818
Amounts owed to credit institutions and other customers	26,358	-	4,800	-	266	31,424
Other liabilities	-	-	-	-	1,962	1,962
Reserves	-	-	-	-	55,171	55,171
Total liabilities	536,234	34,270	52,851	117,849	67,171	808,375
Off balance sheet items	65,000	-	-	(65,000)	-	-
Interest rate sensitivity gap	40,878	45,734	(18,027)	(4,418)	64,167	-
Cumulative gap	40,878	86,612	68,585	64,167	-	-

Notes to the Accounts at 31 December 2012

25 Financial Instruments (continued)

The interest rate sensitivity of the group at 31 December 2011 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	115,257	15,000	45,000	12,500	1,404	189,161
Loans fully secured on residential property and other loans	399,451	18,190	44,668	129,509	(1,289)	590,529
Tangible fixed assets	-	-	-	-	2,795	2,795
Other assets	-	-	-	-	891	891
Total assets	514,708	33,190	89,668	142,009	3,801	783,376
Liabilities						
Shares	509,068	22,249	49,497	104,038	9,662	694,514
Amounts owed to credit institutions and other customers	22,021	4,000	6,985	-	206	33,212
Other liabilities	-	-	-	-	1,973	1,973
Reserves	-	-	-	-	53,677	53,677
Total liabilities	531,089	26,249	56,482	104,038	65,518	783,376
Off balance sheet items	60,000	(10,000)	-	(50,000)	-	-
Interest rate sensitivity gap	43,619	(3,059)	33,186	(12,029)	(61,717)	-
Cumulative gap	43,619	40,560	73,746	61,717	-	-

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 2012. 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)	2012 Book value £000's	2011 Book value £000's	2012 Fair value £000's	2011 Fair value £000's
On balance sheet instruments:				
Debt securities	85,411	122,086	86,254	121,827
Off balance sheet instruments:				
Interest rate contracts	(142)	(105)	(1,746)	(1,339)

Notes to the Accounts at 31 December 2012

25 Financial Instruments (continued)

Hedges

	Gains £000's	Losses £000's	Net gain/ (loss) £000's
Unrecognised losses on hedges at 1 January 2012	54	(1,393)	(1,339)
Of which recognised in the year to 31 December 2012	-	73	73
Losses before 31 December 2011 that were not recognised in the year to 31 December 2012	54	(1,320)	(1,266)
Gains/(losses) arising in the year to 31 December 2012 that were not recognised in that year	(54)	(426)	(480)
Unrecognised gains/(losses) on hedges at 31 December 2012	-	(1,746)	(1,746)
Of which expected to be recognised in the year to 31 December 2013	-	-	-

Losses recognised within the year to 31 December 2012 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 2011.

The amount to be recognised in the year to 31 December 2013 relates to maturing contracts.

26 Pension scheme

The society operates a defined benefit scheme in the UK. The scheme is closed to new entrants. A full actuarial valuation is in the process of being carried out at 25 April 2012 and preliminary results were updated to 31 December 2012 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown on page 37. The society commenced a consultation with active pension scheme members on 12 February 2013 to close the scheme to future accrual from 25 April 2013.

The society currently pays contributions at the rate of 15% of pensionable salaries plus £86,400 per month. Member contributions are payable in addition.

The society provides a defined contribution stakeholder pension scheme for new employees and contributes 6% of earnings (and 15% 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 £56,000 (2011: £52,000).

The society also paid £Nil (2011: £12,000) into the chief executive's personal pension plan.

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

	2012 £000's	2011 £000's	2010 £000's
Fair value of scheme assets	27,486	23,426	22,184
Present value of scheme liabilities	(29,407)	(26,142)	(24,003)
Deficit in scheme	(1,921)	(2,716)	(1,819)
Liability	(1,921)	(2,716)	(1,819)
Deferred tax	442	679	491
Net liability	(1,479)	(2,037)	(1,328)

Notes to the Accounts at 31 December 2012

26 Pension scheme (continued)

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

	2012 £000's	2011 £000's
Scheme liabilities at start of year	26,142	24,003
Current service cost	356	340
Interest cost	1,228	1,299
Contributions by scheme participants	122	129
Actuarial losses	2,061	736
Benefits paid and death in service insurance premiums	(502)	(365)
Scheme liabilities at end of year	29,407	26,142

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

	2012 £000's	2011 £000's
Fair value of scheme assets at start of year	23,426	22,184
Expected return on scheme assets	1,341	1,493
Actuarial (losses)/gains	1,778	(1,309)
Contributions by employer	1,321	1,294
Contributions by scheme participants	122	129
Benefits paid and death in service insurance premiums	(502)	(365)
Fair value of scheme assets at end of year	27,486	23,426

The actual return on the scheme assets over the year ended 31 December 2012 was £3,119,000

Total expense recognised in profit and loss account

	2012 £000's	2011 £000's
Current service cost	356	340
Interest cost	1,228	1,299
Expected return on scheme assets	(1,341)	(1,493)
Total expense recognised in profit and loss	243	146

Statement of total recognised gains and losses

	2012 £000's	2011 £000's
Difference between expected and actual return on scheme assets: Amount: gain/(loss)	1,778	(1,309)
Experience gains and losses arising on the scheme liabilities: Amount: (loss)/gain	(375)	140
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: Amount: (loss)	(1,686)	(876)
Total amount recognised in statement of total recognised gains and losses: Amount: (loss)	(283)	(2,045)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS17 is net losses of £5,826,000

Notes to the Accounts at 31 December 2012

26 Pension scheme (continued)

Assets

	2012 £000's	2011 £000's	2010 £000's
Equities	16,136	13,828	12,993
Bonds	11,043	9,059	8,858
Other	307	539	333
Total assets	27,486	23,426	22,184

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

	2012 % per annum	2011 % per annum	2010 % per annum
Retail Price index inflation	2.90	3.00	3.70
Consumer Price index inflation	2.20	2.30	3.00
Salary increases	3.90	4.00	4.95
Rate of discount	4.10	4.70	5.40
Allowance for pension in payment increases of RPI or 5% p.a. if less	2.90	3.00	3.70
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.20	2.30	3.00
Allowance for commutation of pension for cash at retirement	100%	100%	50%

The mortality assumptions adopted at 31 December 2012 imply the following life expectancies:

Male retiring at age 60 in 2012	26.0 years	(2011: 27.2 years)
Female retiring at age 60 in 2012	28.3 years	(2011: 29.8 years)
Male retiring at age 60 in 2032	28.0 years	(2011: 29.4 years)
Female retiring at age 60 in 2032	30.3 years	(2011: 31.9 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 corporate bond yields at the balance sheet date. The long-term expected rate of return on equities and the diversified growth fund is based on the rate of return on bonds with an allowance for out-performance. The long-term expected rate of return on annuities is the rate of discount used to calculate liabilities.

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

	2012 % per annum	2011 % per annum
Equities	6.30	7.70
Bonds	4.70	5.00
Other	3.30	4.50
Overall for scheme	5.60	6.60

Amounts for the current and previous four years

	2012 £000's	2011 £000's	2010 £000's	2009 £000's	2008 £000's
Fair value of scheme assets	27,486	23,426	22,184	18,100	14,226
Present value of scheme liabilities	(29,407)	(26,142)	(24,003)	(22,494)	(17,949)
Deficit in scheme	(1,921)	(2,716)	(1,819)	(4,394)	(3,723)
Experience adjustment on scheme assets	1,778	(1,309)	1,289	1,995	(4,270)
Experience adjustment on scheme liabilities	(375)	140	611	1,131	(10)

The best estimate of contributions to be paid by the employer to the scheme for the year ending 31 December 2013 is £1,272,816.

Annual Business Statement

Annual Business Statement for the year ended 31 December 2012

	Ratio at 31.12.12 %	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	0.25	25.00
Funding limit	4.18	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 31.12.12 %	Ratio at 31.12.11 %
Other Percentages		
Gross capital as a percentage of shares and borrowings	7.15	7.10
Free capital as a percentage of shares and borrowings	6.93	6.88
Liquid assets as a percentage of shares and borrowings	24.61	25.99
Profit on ordinary activities after taxation as a percentage of mean total assets	0.29	0.32
Management expenses as a percentage of mean total assets	0.82	0.83

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 2011 and 2012 total assets.

Management expenses represent the aggregate of administrative expenses and depreciation.

Annual Business Statement for the year ended 31 December 2012 (continued)

Information relating to directors as at 31 December 2012

Name Date of Birth	Occupation	Date of Appointment	Other Directorships
R T Goddard MA, FCA 9/6/57	Chartered Accountant	23/11/11	-
K Griffiths BSc(Econ), FCA 19/7/57	Building Society Finance Director	3/11/08	-
P W Kerns 9/6/53	Solicitor	21/12/09	-
D J Lyons MCISI 5/12/43	Financial Consultant	14/6/02	-
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
A O'Connell BSc (Mgm), ACMA, MCT 12/4/69	Non-executive Director	19/12/12	-
M Taylor MA, MSc, Phd, MBA, DSc 17/5/58	Business School Dean	19/12/12	University of Warwick Pension Scheme
J Washington ACIB 26/5/50	Self-employed Independent Mortgage Consultant	23/11/05	Birches Rise Management Co. 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, MCMI	Head of Information Technology and Savings
B Gronneberg	Head of Retail Sales, Insurance and Marketing
M Williams	Head of Lending
D Wilson ACIPD	Head of Human Resources

Leek United
BUILDING SOCIETY

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SUSTAINABLE FORESTS
The pulp used in the manufacture of this paper is from renewable timber produced from sustainable forests and is elemental chlorine free.