Report & Accounts 2011

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

Derek Lyons

Kevin Wilson

Keith Griffiths

Philip Stanyer

Richard Goddard

Jim Washington

Peter Kerns

DIRECTORS	R T Goddard MA, FCA K Griffiths BSc (Econ), FCA P W Kerns D J Lyons MCISI P Marriott FCA P A Stanyer FCA, FIMI, AInstIB (Resigned 8 February 2012) 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

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

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

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

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

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

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

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

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

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

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

AGM donation to
Donna Louise Trust

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

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

County Air Ambulance
Trust Affinity Account
cheque presentation

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

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

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

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

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

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

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

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

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

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

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

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

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

Paul Marriott
Chairman
22 February 2012

Chief Executive's Report

Group profit before tax and FSCS levy	£3.79m
Group reserves	£51.64m
Group assets	£783m

Overview

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

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

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

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

Group Financial Performance

Group profit before tax and FSCS levy - £3.79m (2010: £3.87m)
Profit after tax - £2.48m (2010: £2.54m)
Group assets - £783m (2010: £764m)
Group reserves - £51.64m (2010: £50.69m)
Management expenses ratio - 0.83% (2010: 0.79%)

Mortgage Lending

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

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

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

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

Savings

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

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

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

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

Macmillan Cancer Support Biggest Coffee Morning fundraising

Investment in our Society

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

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

Leek United Building Society's team taking part in Zumbathon

Our Staff and the Community we serve

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

Our role in the local community is something that we have always taken seriously. Our staff have been very active again this year in raising funds and supporting local and national charities. Our actions have helped local schools, hospitals and sports clubs to continue the very important roles they fulfill in our local area.

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

Outlook

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

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

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

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

Kevin Wilson
Chief Executive
22 February 2012

Directors' Report

The directors have pleasure in submitting the 149th Annual Report and Accounts for the year ended 31 December 2011.

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 2011 were £783.4m (2010: £763.8m), an increase of £19.6m (2.56%).

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 £3.48m in 2011 (2010: £3.62m)

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 0.83% for 2011 (2010: 0.79%)

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 £51.64m at 31 December 2011 (2010: £50.69m).

The ratio of gross capital as a percentage of total shares and borrowings was 7.10% at 31 December 2011 (2010: 7.14%) and the ratio of free capital as a percentage of total shares and borrowings was 6.88% (2010: 6.92%). 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 £189.2m (2010: £193.5m), representing 25.99% (2010: 27.25%) of shares and borrowings.

The amount of liquidity repayable on demand is £56.9m (2010: £41.9m).

Cheadle Juniors Football Club sponsorship

Moorlands Hospital Christmas donation

Gross Lending

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

Gross lending was £93m (2010: £84m).

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 2011 – 0.16% (2010: 0.18%).

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 2011 totalled £727.7m (2010: £709.9m), an increase during the year of £17.8m (2010: Increase £27.4m).

Loans and Advances to Customers

The total amount outstanding on mortgages at the end of the year was £590.5m (2010: £566.8m). At 31 December 2011 there were 2 (2010: nil) mortgage accounts which were twelve months or more in arrears. The total amount of these arrears was £2,493 (2010: £nil).

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.

Royal Derby Hospital Christmas donation

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.

Hanley Help for Heroes donation

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 from 23 November 2011)
Keith Griffiths (Finance Director)
Peter Kerns (Non-Executive Director)
Derek Lyons (Vice-Chairman)
Paul Marriott (Chairman)
Philip Stanyer (Non-Executive Director) (Resigned 8 February 2012)
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.

Leek United BUILDING SOCIETY

Lands End to John o' Groats Victim Support fundraising sponsorship

STAFF AND AGENTS

The directors wish to acknowledge the contribution made by all staff to the society's success in 2011. 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 (2010: 15).

CHARITABLE DONATIONS

The society made charitable donations of £2,633 (2010: £2,960) 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the society's auditors are aware of that information.

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
22 February 2012

Corporate Governance Report

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

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

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

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

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

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

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

The board considers that all 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 2011 the committee comprised the following non-executive directors:

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

The **Remuneration Committee** considers and approves general policy on staff salaries and benefits, with particular reference to remuneration arrangements for senior management and executive and non-executive directors. The committee makes an annual report to members – this can be found on page 14. The committee is comprised entirely of non-executive directors and committee membership at 31 December 2011 was as follows:

D J Lyons (chair)
P Marriott
J Washington

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

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

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

Assets and Liabilities Committee monitors and controls balance sheet risk, funding and liquidity. At 31 December 2011 the committee comprised:

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

Information Technology Committee approves and monitors major IT projects. At 31 December 2011 the committee comprised:

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

Attendance at Board and Board sub-committee meetings - 2011

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

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

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
22 February 2012

AGM donation to Douglas MacMillan Charity

Directors' Remuneration Report

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

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

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

Executive Directors

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

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

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

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

Non-Executive Directors

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

Directors' Remuneration

The table in note 5 to the Annual Accounts summarises directors' pay and benefits for the year ended 31 December 2011.

Member Consultation

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

D J Lyons
Chair of the Remuneration Committee
22 February 2012

Zebra adoption at Blackbrook Zoo

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
22 February 2012

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 2011 which comprise the Group and Society Income and Expenditure Accounts, the Group and Society Balance Sheets, the Group Cash Flow Statement, the Group and Society Statements of Total Recognised Gains and Losses 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 Director's Report 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 2011 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.

David Roper (Senior Statutory Auditor)
for and behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Manchester
22 February 2012

Leek United BUILDING SOCIETY

Income and Expenditure Accounts

Income and Expenditure Accounts for the year ended 31 December 2011

	Note	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Interest receivable and similar income	2	23,273	22,847	23,260	22,820
Interest payable and similar charges	3	(14,501)	(14,450)	(14,501)	(14,450)
Net interest receivable		8,772	8,397	8,759	8,370
Income from investments	4	-	-	400	300
Fees and commissions receivable		1,745	2,016	1,175	1,333
Fees and commissions payable		(362)	(227)	(362)	(227)
Other operating income		7	6	7	6
Total income		10,162	10,192	9,979	9,782
Administrative expenses	5	(6,092)	(5,652)	(5,888)	(5,431)
Depreciation	13	(308)	(282)	(297)	(271)
Other operating charges	6	(164)	(185)	(164)	(185)
Net finance credit on pension scheme	26	194	80	194	80
Operating profit before provisions		3,792	4,153	3,824	3,975
Provisions for bad and doubtful debts	7	1	(287)	1	(287)
Provisions for contingent liabilities and commitments - FSCS Levy	24	(313)	(245)	(313)	(245)
Profit on ordinary activities before tax		3,480	3,621	3,512	3,443
Tax on profit on ordinary activities	8	(998)	(1,085)	(903)	(953)
Profit for the financial year	23	2,482	2,536	2,609	2,490

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 2011

	Note	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Profit for the financial year		2,482	2,536	2,609	2,490
Actuarial (loss)/gain recognised in pension scheme	26	(2,045)	1,079	(2,045)	1,079
Taxation relating to actuarial loss/(gain)		511	(291)	511	(291)
Total recognised gains and losses relating to the year		948	3,324	1,075	3,278

Balance Sheets

Balance sheets as at 31 December 2011

ASSETS	Note	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Liquid assets:					
Cash in hand and balances with the Bank of England		21,218	5,749	21,218	5,749
Loans and advances to credit institutions	9	45,857	36,161	45,820	36,078
Debt securities	10	122,086	151,544	122,086	151,544
Loans and advances to customers:					
Loans fully secured on residential property	11	589,571	565,748	589,365	565,462
Loans fully secured on land	11	958	1,086	958	1,086
Investments in subsidiary undertakings	12	-	-	24	61
Tangible fixed assets	13	2,795	2,769	2,760	2,740
Other assets	14	578	600	578	600
Prepayments and accrued income	15	313	139	313	139
Total assets		783,376	763,796	783,122	763,459

Balance Sheets

Balance sheets as at 31 December 2011

LIABILITIES	Note	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Shares	16	694,514	695,724	694,514	695,724
Amounts owed to credit institutions	17	5,028	2,038	5,028	2,038
Amounts owed to other customers	18	28,184	12,116	28,184	12,116
Other liabilities	19	540	558	906	983
Accruals and deferred income	20	551	569	492	495
Provisions for liabilities and charges	21	882	771	882	771
Net pension liability	26	2,037	1,328	2,037	1,328
Revaluation reserve	22	1,113	1,113	1,113	1,113
General reserve	23	50,527	49,579	49,966	48,891
Total liabilities		783,376	763,796	783,122	763,459

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

These accounts were approved by the board of directors on 22 February 2012 and were signed on its behalf by:

Paul Marriott Chairman

Kevin Wilson Chief Executive

Keith Griffiths Finance Director

Group Cash Flow Statement

Group cash flow statement for the year ended 31 December 2011

	2011 £000's	2010 £000's
Net cash (outflow)/inflow from operating activities (see below)	(13,513)	55,400
Taxation paid	(625)	(979)
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(334)	(262)
Sale of tangible fixed assets	22	29
Purchase of investment securities	(126,915)	(198,230)
Maturities and disposals of investment securities	156,361	138,599
Increase/(Decrease) in cash	14,996	(5,443)

Reconciliation of operating profit to net cash inflow from operating activities

	2011 £000's	2010 £000's
Profit on ordinary activities before tax	3,480	3,621
Increase in prepayments and accrued income	(331)	(72)
Decrease in accruals and deferred income	(18)	(75)
Provisions for bad and doubtful debts	7	296
Increase in provisions for liabilities and charges	111	-
Depreciation	308	282
Profit on disposal of tangible fixed assets	(22)	(28)
Pension contributions in excess of charge	(1,148)	(1,496)
Net cash inflow from trading activities	2,387	2,528
(Increase)/Decrease in loans and advances to customers	(23,702)	1,476
(Decrease)/Increase in shares	(1,210)	79,408
Increase/(Decrease) in amounts owed to credit institutions and other customers	19,058	(51,994)
(Increase)/Decrease in loans and advances to credit institutions	(10,000)	24,000
Decrease in other assets	1	12
Decrease in other liabilities	(47)	(30)
Net cash (outflow)/inflow from operating activities	(13,513)	55,400

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

	1 January 2011 £000's	Movement in year £000's	31 December 2011 £000's
Cash in hand and balances with the Bank of England	5,749	15,469	21,218
Loans and advances to credit institutions - repayable on demand (note 9)	36,161	(473)	35,688
	41,910	14,996	56,906

Notes to the Accounts at 31 December 2011

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 substantially 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 a 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.
- mortgage fees which are accounted for on a received basis.

Notes to the Accounts at 31 December 2011

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, current economic trends and consistency with industry levels.

Interest recognition

Interest in respect of all loans is credited to the income and expenditure account as it becomes receivable, except in respect of advances where the property has been taken into possession and where the interest is considered irrecoverable. Such interest is credited to the suspended interest account.

Pension costs

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. 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.

Notes to the Accounts at 31 December 2011

2 Interest receivable and similar income

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
On loans fully secured on residential property	21,619	22,030	21,606	22,001
Other loans	53	60	53	60
Other loans to subsidiary undertakings	-	-	-	2
On debt securities - interest and other income	2,006	1,657	2,006	1,657
On other liquid assets - interest and other income	484	468	484	468
Net expense on financial instruments	(889)	(1,368)	(889)	(1,368)
	23,273	22,847	23,260	22,820

3 Interest payable and similar charges

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
On shares held by individuals	14,224	14,057	14,224	14,057
On deposits and other borrowings	277	393	277	393
	14,501	14,450	14,501	14,450

4 Income from investments

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Dividends from shares in subsidiaries	-	-	400	300

5 Administrative expenses

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Staff costs:				
Wages and salaries	2,945	2,825	2,783	2,645
Social security costs	254	241	238	223
Other pension costs	404	356	394	342
	3,603	3,422	3,415	3,210
Other expenses:				
Remuneration of auditors:				
audit services – statutory audit	56	55	56	55
other services – audit of subsidiaries	8	8	-	-
other services – audit of pension scheme	7	7	7	7
Other	2,418	2,160	2,410	2,159
	6,092	5,652	5,888	5,431

Notes to the Accounts at 31 December 2011

5 Administrative expenses (continued)

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

	Group 2011 Number	Group 2010 Number	Society 2011 Number	Society 2010 Number
(i) At principal office:				
Full-time staff	53	48	49	44
Part-time staff	19	20	19	20
(ii) At branch offices:				
Full-time staff	46	46	46	46
Part-time staff	20	20	20	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 25 April 2012 and at the Annual General Meeting. The total loans outstanding at 31 December 2011, in respect of 3 (2010: 3) persons, amounted to £427,286 (2010: £373,519).

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

	2011					2010				
	Salary/ Fees £000's	Benefits £000's	Increase in accrued pension £000's	Pensions £000's	Total £000's	Salary/ Fees £000's	Benefits £000's	Increase in accrued pension £000's	Pensions £000's	Total £000's
Non-Executive directors										
P Marriott	30	-	-	-	30	30	-	-	-	30
R T Goddard (from 23 November 2011)	2	-	-	-	2	-	-	-	-	-
P W Kerns	20	-	-	-	20	20	-	-	-	20
D J Lyons	25	1	-	-	26	25	1	-	-	26
P A Stanyer	20	-	-	-	20	20	-	-	-	20
D A W Stevens (to 21 April 2010)	-	-	-	-	-	7	-	-	-	7
J Washington	23	-	-	-	23	21	-	-	-	21
Executive directors										
K Wilson	160	11	3	12	186	150	10	4	9	173
K Griffiths	98	1	-	19	118	96	1	-	12	109
	378	13	3	31	425	369	12	4	21	406

6 Other operating charges

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Mortgage incentives	156	185	156	185
Regulated business provision (see note 21)	8	-	8	-
	164	185	164	185

Notes to the Accounts at 31 December 2011

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 2011	82	1,200	1,282
Amounts utilised	-	-	-
Charge for the year	7	-	7
At 31 December 2011	89	1,200	1,289

The charge in the income and expenditure account is as follows:	2011 £000's	2010 £000's
Charge for the year	7	296
Amounts recovered in respect of loans previously written off	(8)	(9)
Income and expenditure account	(1)	287

The provisions as at 31 December 2011 have been deducted from loans fully secured on residential property in the balance sheet.

8 Tax on profit on ordinary activities

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
(a) UK Corporation tax at 26.5% (2010: 28%):				
Current Tax	653	657	558	527
UK Deferred tax at 25% (2010: 27%):				
Deferred tax - current year (see note 14)	345	428	345	426
Total	998	1,085	903	953

The tax assessed for the year is lower (2010: lower) than the standard rate of corporation tax in the UK of 26.50% (2010: 28%). The differences are explained below.

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
(b) Factors affecting current tax charge in year:				
Profit on ordinary activities before tax	3,480	3,621	3,512	3,443
Tax on profit at UK standard rate of 26.5% (2010: 28%)	922	1,014	931	964
Effects of:				
Difference between depreciation and capital allowances together with other timing differences	(345)	(428)	(345)	(426)
Dividend from subsidiary	-	-	(106)	(84)
Expenses not deductible for tax purposes	18	23	18	23
Impact of change in rate - deferred tax	60	50	60	50
Small companies relief	(2)	(2)	-	-
Current tax charge	653	657	558	527

As a result of the change in the UK main corporation tax rate from 26% to 25% which was substantively enacted on 5 July 2011 and will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured. Further reductions to the UK corporation tax rate have been announced. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

Notes to the Accounts at 31 December 2011

9 Loans and advances to credit institutions

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Maturity analysis:				
Repayable on demand	35,688	36,161	35,651	36,078
In more than three months but not more than one year	10,000	-	10,000	-
	45,688	36,161	45,651	36,078
Accrued interest	169	-	169	-
	45,857	36,161	45,820	36,078

10 Debt securities

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Issued by public bodies	20,025	35,062	20,025	35,062
Issued by other borrowers	102,061	116,482	102,061	116,482
	122,086	151,544	122,086	151,544
Maturity analysis:				
In not more than one year	79,460	120,361	79,460	120,361
In more than one year	41,855	30,400	41,855	30,400
	121,315	150,761	121,315	150,761
Accrued interest	771	783	771	783
	122,086	151,544	122,086	151,544
Analysis of debt securities:				
Listed	-	10,048	-	10,048
Unlisted	122,086	141,496	122,086	141,496
	122,086	151,544	122,086	151,544
Market value of listed debt securities	-	10,146	-	10,146
Debt securities held as financial fixed assets:				
Maturity value	120,900	150,569	120,900	150,569
Unamortised premium	415	192	415	192
	121,315	150,761	121,315	150,761
Accrued interest	771	783	771	783
	122,086	151,544	122,086	151,544

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	2011 £000's
At 1 January 2011	150,761
Additions	126,915
Maturities and disposals	(156,361)
At 31 December 2011	121,315

Notes to the Accounts at 31 December 2011

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 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Repayable on demand	843	1,020	828	1,008
In not more than three months	4,338	4,160	4,337	4,159
In more than three months but not more than one year	15,955	14,566	15,951	14,553
In more than one year but not more than five years	102,526	95,132	102,472	95,086
In more than five years	468,156	453,238	468,024	453,024
	591,818	568,116	591,612	567,830
Provisions for bad and doubtful debts	(1,289)	(1,282)	(1,289)	(1,282)
	590,529	566,834	590,323	566,548

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 2011 £000's	Society 2010 £000's
Shares	2	2
Loans	22	59
	24	61

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 2011

13 Tangible fixed assets

Group	Freehold land and buildings £000's	Equipment fixtures and fittings £000's	Totals £000's
Cost			
At 1 January 2011	2,583	4,874	7,457
Additions	-	334	334
Disposals	-	(228)	(228)
At 31 December 2011	2,583	4,980	7,563
Accumulated depreciation			
At 1 January 2011	421	4,267	4,688
Charge for the year	39	269	308
Disposals	-	(228)	(228)
At 31 December 2011	460	4,308	4,768
Net book value			
At 31 December 2011	2,123	672	2,795
At 31 December 2010	2,162	607	2,769

Society	Freehold land and buildings £000's	Equipment fixtures and fittings £000's	Totals £000's
Cost			
At 1 January 2011	2,583	4,836	7,419
Additions	-	318	318
Disposals	-	(222)	(222)
At 31 December 2011	2,583	4,932	7,515
Accumulated depreciation			
At 1 January 2011	421	4,258	4,679
Charge for the year	39	258	297
Disposals	-	(221)	(221)
At 31 December 2011	460	4,295	4,755
Net book value			
At 31 December 2011	2,123	637	2,760
At 31 December 2010	2,162	578	2,740

Notes to the Accounts at 31 December 2011

13 Tangible fixed assets (continued)

The net book value of land and buildings occupied by the society for its own activities is £2,123,000 (2010: £2,162,000).

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:

	2011 £000's	2010 £000's
Cost	1,624	1,624
Aggregate depreciation based on cost	(382)	(363)
	1,242	1,261

14 Other assets

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Deferred tax asset	528	549	528	549
Other	50	51	50	51
	578	600	578	600
The elements of deferred taxation are as follows:				
Difference between accumulated depreciation and capital allowances	14	23	14	23
General bad and doubtful debt provision	300	324	300	324
Other timing differences	214	202	214	202
	528	549	528	549
Deferred Taxation at 1 January 2011	549	529	549	527
Deferred tax charge	(345)	(428)	(345)	(426)
Movements in relation to pension scheme	324	448	324	448
At 31 December 2011	528	549	528	549

15 Prepayments and accrued income

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Other	313	139	313	139

16 Shares

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Held by individuals	694,514	695,724	694,514	695,724
In the ordinary course of business, shares are repayable from the balance sheet date as follows:				
Repayable on demand	475,681	449,494	475,681	449,494
In not more than three months	42,760	60,647	42,760	60,647
In more than three months but not more than one year	74,246	80,969	74,246	80,969
In more than one year but not more than five years	92,165	94,666	92,165	94,666
	684,852	685,776	684,852	685,776
Accrued interest	9,662	9,948	9,662	9,948
	694,514	695,724	694,514	695,724

Notes to the Accounts at 31 December 2011

17 Amounts owed to credit institutions

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

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
In not more than three months	1,000	2,000	1,000	2,000
In more than three months but not more than one year	4,000	-	4,000	-
	5,000	2,000	5,000	2,000
Accrued interest	28	38	28	38
	5,028	2,038	5,028	2,038

18 Amounts owed to other customers

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

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Repayable on demand	10,669	7,179	10,669	7,179
In not more than three months	10,352	3,924	10,352	3,924
In more than three months but not more than one year	6,985	979	6,985	979
	28,006	12,082	28,006	12,082
Accrued interest	178	34	178	34
	28,184	12,116	28,184	12,116

19 Other liabilities

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Amounts falling due within one year:				
Income tax	93	103	93	103
Corporation tax	214	185	173	115
Other taxation and social security costs	81	77	81	77
Amount due to subsidiary undertakings	-	-	412	497
Other creditors	152	193	147	191
	540	558	906	983

20 Accruals and deferred income

	Group 2011 £000's	Group 2010 £000's	Society 2011 £000's	Society 2010 £000's
Off balance sheet instruments accrued interest	105	108	105	108
Other	446	461	387	387
	551	569	492	495

Notes to the Accounts at 31 December 2011

21 Provisions for liabilities and charges
Group & Society

	Regulated Business £000's	FSCS Levy £000's	Total £000's
At 1 January 2011	21	750	771
Amount charged during the year	8	313	321
Amount paid during the year	(4)	(206)	(210)
At 31 December 2011	25	857	882

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 2011 and 31 December 2011	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 2011	49,579	48,891
Profit for the financial year	2,482	2,609
Actuarial losses	(1,534)	(1,534)
At 31 December 2011	50,527	49,966

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 £313,000 which gives a total levy provision, as at 31 December 2011, of £857,000 in respect of the scheme year 2011/12, which is calculated with reference to the protected deposits at 31 December 2010, and the scheme year 2012/13, which is calculated with reference to the protected deposits it held at 31 December 2011. The levy amounts have been calculated with reference to the level of the society's protected deposits and anticipated future interest rates. The amounts above do not take account of any compensation levies which may arise from any ultimate payout on claims.

Notes to the Accounts at 31 December 2011

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 2011 £000's	Credit risk weighted amount 2011 £000's	Replacement Cost 2011 £000's	Nominal principal amount 2010 £000's	Credit risk weighted amount 2010 £000's	Replacement cost 2010 £000's
Interest rate contracts maturing:						
In less than 1 year	10,000	-	-	-	-	-
Between 1 year and 5 years	50,000	50	-	40,000	40	-

Notes to the Accounts at 31 December 2011

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 2011 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	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	-	-

Notes to the Accounts at 31 December 2011

25 Financial Instruments (continued)

The interest rate sensitivity of the group at 31 December 2010 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	128,760	12,564	50,000	-	2,130	193,454
Loans fully secured on residential property and other loans	400,846	5,358	24,249	137,663	(1,282)	566,834
Tangible fixed assets	-	-	-	-	2,769	2,769
Other assets	-	-	-	-	739	739
Total assets	529,606	17,922	74,249	137,663	4,356	763,796
Liabilities						
Shares	499,755	20,345	59,254	106,422	9,948	695,724
Amounts owed to credit institutions and other customers	13,103	-	979	-	72	14,154
Other liabilities	-	-	-	-	1,898	1,898
Reserves	-	-	-	-	52,020	52,020
Total liabilities	512,858	20,345	60,233	106,422	63,938	763,796
Off balance sheet items	40,000	-	-	(40,000)	-	-
Interest rate sensitivity gap	56,748	(2,423)	14,016	(8,759)	(59,582)	-
Cumulative gap	56,748	54,325	68,341	59,582	-	-

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 2011. 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)	2011 Book value £000's	2010 Book value £000's	2011 Fair value £000's	2010 Fair value £000's
On balance sheet instruments:				
Debt securities	122,086	151,544	121,827	151,716
Off balance sheet instruments:				
Interest rate contracts	(105)	(108)	(1,339)	(740)

Notes to the Accounts at 31 December 2011

25 Financial Instruments (continued)

Hedges

	Gains £000's	Losses £000's	Net gain/ (loss) £000's
Unrecognised losses on hedges at 1 January 2011	316	(1,056)	(740)
Of which recognised in the year to 31 December 2011	-	-	-
Losses before 31 December 2010 that were not recognised in the year to 31 December 2011	316	(1,056)	(740)
Gains/(losses) arising in the year to 31 December 2011 that were not recognised in that year	(262)	(337)	(599)
Unrecognised gains/(losses) on hedges at 31 December 2011	54	(1,393)	(1,339)
Of which expected to be recognised in the year to 31 December 2012	-	(73)	(73)

Losses recognised within the year to 31 December 2011 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 2010.

The amount to be recognised in the year to 31 December 2012 relates to maturing contracts.

26 Pension scheme

The society operates a defined benefit scheme in the UK. The scheme is closed to new entrants. As a consequence the current service cost calculated under the projected unit method can be expected to increase over time, as the average age of the membership increases. A full actuarial valuation was carried out at 25 April 2009 and updated to 31 December 2011 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

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 £52,000 (2010: £44,000)

The society also paid £12,000 (2010: £9,000) into the chief executive's personal pension plan.

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

	2011 £000's	2010 £000's	2009 £000's
Fair value of scheme assets	23,426	22,184	18,100
Present value of scheme liabilities	(26,142)	(24,003)	(22,494)
Deficit in scheme	(2,716)	(1,819)	(4,394)
Liability	(2,716)	(1,819)	(4,394)
Deferred tax	679	491	1,230
Net liability	(2,037)	(1,328)	(3,164)

Notes to the Accounts at 31 December 2011

26 Pension scheme (continued)

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

	2011 £000's	2010 £000's
Scheme liabilities at start of year	24,003	22,494
Current service cost	340	303
Interest cost	1,299	1,272
Contributions by scheme participants	129	137
Actuarial losses	736	210
Benefits paid and death in service insurance premiums	(365)	(413)
Scheme liabilities at end of year	26,142	24,003

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

	2011 £000's	2010 £000's
Fair value of scheme assets at start of year	22,184	18,100
Expected return on scheme assets	1,493	1,352
Actuarial (losses)/gains	(1,309)	1,289
Contributions by employer	1,294	1,719
Contributions by scheme participants	129	137
Benefits paid and death in service insurance premiums	(365)	(413)
Fair value of scheme assets at end of year	23,426	22,184

The actual return on the scheme assets over the year ended 31 December 2011 was £184,000

Total expense recognised in profit and loss account

	2011 £000's	2010 £000's
Current service cost	340	303
Interest cost	1,299	1,272
Expected return on scheme assets	(1,493)	(1,352)
Total expense recognised in profit and loss	146	223

Statement of total recognised gains and losses

	2011 £000's	2010 £000's
Difference between expected and actual return on scheme assets: Amount: (loss)/gain	(1,309)	1,289
Experience gains and losses arising on the scheme liabilities: Amount: gain	140	611
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: Amount: (loss)	(876)	(821)
Total amount recognised in statement of total recognised gains and losses: Amount: (loss)/gain	(2,045)	1,079

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 £5,543,000.

Notes to the Accounts at 31 December 2011

26 Pension scheme (continued)

Assets

	2011 £000's	2010 £000's	2009 £000's
Equities	13,828	12,993	12,849
Bonds	9,059	8,858	5,000
Other	539	333	251
Total assets	23,426	22,184	18,100

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

	2011 % per annum	2010 % per annum	2009 % per annum
Retail Price index inflation	3.00	3.70	3.75
Consumer Price index inflation	2.30	3.00	N/A
Salary increases	4.00	4.95	5.00
Rate of discount	4.70	5.40	5.65
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.00	3.70	3.75
Allowance for revaluation of deferred pensions of CPI/RPI or 5% p.a. if less	2.30	3.00	3.75
Allowance for commutation of pension for cash at retirement	100%	50%	50%

The mortality assumptions adopted at 31 December 2011 imply the following life expectancies:

Male retiring at age 60 in 2011	27.2 years	(2010: 27.1 years)
Female retiring at age 60 in 2011	29.8 years	(2010: 29.8 years)
Male retiring at age 60 in 2030	29.4 years	(2010: 29.3 years)
Female retiring at age 60 in 2030	31.9 years	(2010: 31.8 years)

Expected long-term rates of return

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

	2011 % per annum	2010 % per annum
Equities	7.70	8.00
Bonds	5.00	5.10
Other	4.50	4.80
Overall for scheme	6.60	7.20

Amounts for the current and previous four years

	2011 £000's	2010 £000's	2009 £000's	2008 £000's	2007 £000's
Fair value of scheme assets	23,426	22,184	18,100	14,226	16,304
Present value of scheme liabilities	(26,142)	(24,003)	(22,494)	(17,949)	(21,045)
Deficit in scheme	(2,716)	(1,819)	(4,394)	(3,723)	(4,741)
Experience adjustment on scheme assets	(1,309)	1,289	1,995	(4,270)	(166)
Experience adjustment on scheme liabilities	140	611	1,131	(10)	(6)

The best estimate of contributions to be paid by the employer to the scheme for the year ending 31 December 2012 is £1,269,000.

Annual Business Statement

Annual Business Statement for the year ended 31 December 2011

	Ratio at 31.12.11 %	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	0.31	25.00
Funding limit	4.56	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 31.12.11 %	Ratio at 31.12.10 %
Other Percentages		
Gross capital as a percentage of shares and borrowings	7.10	7.14
Free capital as a percentage of shares and borrowings	6.88	6.92
Liquid assets as a percentage of shares and borrowings	25.99	27.25
Profit on ordinary activities after taxation as a percentage of mean total assets	0.32	0.34
Management expenses as a percentage of mean total assets	0.83	0.79

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 2010 and 2011 total assets.

Management expenses represent the aggregate of administrative expenses and depreciation.

Leek United
BUILDING SOCIETY

Annual Business Statement

Annual Business Statement for the year ended 31 December 2011 (continued)

Information relating to directors as at 31 December 2011

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	Fearns Marriott Ltd Leek United Home Loans Ltd Leek United Financial Services Ltd The Mortgage Outlet Ltd
P A Stanyer FCA, FIMI, AInstIB 21/9/49	Business Consultant	19/12/08	Planned Consultancy Ltd Derbyshire & Nottinghamshire Chamber of Commerce Apica Ltd
J Washington ACIB 26/5/50	Independent Consultant	23/11/05	-
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	Head of Human Resources

Leek United
BUILDING SOCIETY

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