Report and Accounts 2009

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

Leek United BUILDING SOCIETY

Directors and Officers


Keith Griffiths


Peter Kerns


Derek Lyons


Paul Marriott


Philip Stanyer


David Stevens


Jim Washington


Kevin Wilson

DIRECTORS	K Griffiths BSc (Econ), FCA P W Kerns D J Lyons MSI P Marriott FCA P A Stanyer FCA, FIMI, AInstIB D A W Stevens J Washington ACIB K Wilson
CHAIRMAN	P Marriott FCA
CHIEF EXECUTIVE	K Wilson
FINANCE DIRECTOR	K Griffiths BSc (Econ), FCA
INTERNAL AUDITOR	I Boston
BANKERS	HSBC Alliance & Leicester
AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors

Chairman's Statement

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

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

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

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

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

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

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

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

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

Leek United
BUILDING SOCIETY

FSCS Levy

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

Regulation

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

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

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

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

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

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

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

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

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

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

P Marriott
Chairman
24 February 2010

Chief Executive's Report

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

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

Group reserves **£47.37m**

Overview

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

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

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

Group Financial Performance

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

Mortgage Lending

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

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

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

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

Only one property was taken into possession during the year and under 0.27% of our borrowers were three months or more in arrears, one of the lowest figures in the financial sector. Fair treatment for borrowers experiencing financial difficulties is crucial at this particularly difficult period in the economic cycle. We will continue to offer support and forbearance to borrowers' individual circumstances with the aim of achieving a positive solution which is in everyone's best interests.

Savings

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

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

Financial Services Compensation Scheme (FSCS) Levy

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

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

Our people and the community we serve

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

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

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

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

Outlook

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

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

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

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

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

K Wilson
Chief Executive
24 February 2010

Directors' Report

The directors have pleasure in submitting the 147th Annual Report and Accounts for the year ended 31 December 2009.

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 2009 were £735.3m (2008: £754m), a decrease of £18.7m (2008: Decrease £45.7m) in the year, representing a reduction of 2.48% (2008: Reduction 5.72%)

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 £3.86m in 2009 (2008: £2.5m)

Management Expenses Ratio

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

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

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 £47.37m at 31 December 2009 (2008: £45.75m).

The ratio of gross capital as a percentage of total shares and borrowings was 6.94% at 31 December 2009 (2008: 6.50%) and the ratio of free capital as a percentage of total shares and borrowings was 6.68% (2008: 6.21%). 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 £163.1m (2008: £166.9m), representing 23.90% (2008: 23.73%) of shares and borrowings.

The amount of liquidity repayable on demand is £47.3m (2008: £50.3m).

Gross Lending

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

Gross lending was £60m (2008: £44m).

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 2009 – 0.27% (2008: 0.29%).

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 2009 totalled £682.5m (2008: £703.5m), a decrease during the year of £21m (2008: Decrease £46.9m).

Loans and Advances to Customers

The total amount outstanding on mortgages at the end of the year was £568.6m (2008: £583.4m). At 31 December 2009 there were no (2008: 1) mortgage accounts which were twelve months or more in arrears. The total amount of these arrears was £nil (2008: £5,170).

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.

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 on a continuing basis, operating to limits set by the board and using on and off balance sheet instruments as described above. The Assets and Liabilities Committee regularly review, manage and control the balance sheet exposures of the society.

Liquidity Risk

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

Operational Risk

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

DIRECTORS

The following persons served as directors of the society during the year:
Keith Griffiths (Finance Director)
Eric Hodkinson (Chairman to 22 April 2009)
Peter Kerns (Non Executive Director from 21 December 2009)
Derek Lyons (Non Executive Director, Vice-Chairman from 22 April 2009)
Paul Marriott (Vice-Chairman to 22 April 2009, Chairman from 22 April 2009)
Philip Stanyer (Non Executive Director)
David Stevens (Non Executive Director)
Jim Washington (Non Executive Director)
Kevin Wilson (Chief Executive)

STAFF AND AGENTS

The directors wish to acknowledge the contribution made by all staff to the society's success in 2009. Their enthusiasm and dedication to our objective of exceptional customer service will ensure continued success in the years ahead.

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

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

INTEREST RATES

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

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

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 (2008: 15).

CHARITABLE DONATIONS

The society made charitable donations of £3,247 (2008: £1,895) 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.

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
24 February 2010

Corporate Governance Report

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

At the beginning of 2009, the board consisted of six non-executive and two executive directors. Eric Hodkinson retired as chairman on 22 April 2009 and was succeeded as chairman by Paul Marriott. Peter Kerns was appointed as a non-executive director in December 2009. At the end of 2009 the board therefore consisted of six non-executive and two executive directors.

In striving towards ever higher standards of service to members, the board focuses not only on members' interests as customers for the society's products and services but also their interests as members of a mutual enterprise. In regard to this latter relationship, we take account of the guidance contained in the Combined Code on Corporate Governance 2008. Whilst this code is addressed to plcs, many of its provisions can be directly applied to the board and management arrangements in a mutual building society. The board is pleased to confirm that the society complies with the Combined Code in all material and relevant aspects.

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

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

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

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

The board considers that all 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 circumstance which could materially interfere with the exercise of their judgement. Non-executive directors with over nine years service offer themselves for re-election on an annual basis. All other directors are required to submit themselves for re-election at least once every three years.

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

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

Register of Candidates for Board Vacancies

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

Board Committees

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

The **Audit and Risk Committee** receives reports from the society's internal auditor and external auditors and its remit includes matters relating to compliance with the Building Societies Act 1986 and the Financial Services and Markets Act 2000, the effectiveness of systems of control, risk management, Internal Capital Adequacy Assessment Process (ICAAP), external audit arrangements, annual report and accounts and all regulatory issues. It considers and recommends the appointment of internal and external auditors and monitors their effectiveness and independence. At 31 December 2009 the committee comprised the following non-executive directors:

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

The **Remuneration Committee** considers and approves general policy on staff salaries and benefits, with particular reference to remuneration arrangements for senior management and executive and non-executive directors. The committee makes an annual report to members – this can be found on page 14. The committee is comprised entirely of non-executive directors and committee membership at 31 December 2009 was as follows:

D J Lyons (chair)
P Marriott
J Washington

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

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

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

Assets and Liabilities Committee monitors and controls balance sheet risk, funding and liquidity. At 31 December 2009 the committee comprised:

K Wilson (chair)
K Griffiths
D J Lyons
P Marriott
P A Stanyer
J Washington

Information Technology Committee approves and monitors major IT projects. At 31 December 2009 the committee comprised:

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

Attendance at Board and Board sub-committee meetings - 2009

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

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

Relations with members

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

Constructive use of the AGM

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

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

On behalf of the board of directors

P Marriott
Chairman
24 February 2010

Directors' Remuneration Report

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

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

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

Executive Directors

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

The chief executive is a member of the Leek United Building Society Pension and Assurance Scheme. In addition, due to salary cap restrictions on his defined 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 Combined Code recommends that a director's service contract period should be set at 12 months or less and the contractual notice period for existing and new executive director appointments conforms to this limit.

Non-Executive Directors

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

Directors' Remuneration

The table in note 5 to the Annual Accounts summarises directors' pay and benefits for the year ended 31 December 2009.

Member Consultation

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

D J Lyons
Chair of the Remuneration Committee
24 February 2010

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
24 February 2010

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 2009 which comprise the Group and Society Income and Expenditure Accounts, the Group and Society Balance Sheets, the Group and Society Statements of Total Recognised Gains and Losses, the Group Cash Flow Statement, and the related notes. These Annual Accounts have been prepared under the accounting policies set out therein.

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

Respective Responsibilities of Directors and Auditors

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

Our responsibility is to audit the Annual Accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for, and only for, the Society's Members as a body in accordance with Section 78 of the Building Societies Act 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion:-

(a) the Annual Accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Society's affairs at 31 December 2009 and of the Group's and the Society's Income and Expenditure and the Group's Cash Flows for the year then ended;

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

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

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

Richard Adnett (Senior Statutory Auditor)
for and behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
24 February 2010

Income and Expenditure Accounts

Income and Expenditure Accounts for the year ended 31 December 2009

	Notes	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Interest receivable and similar income	2	24,354	43,392	24,325	43,367
Interest payable and similar charges	3	(15,577)	(35,962)	(15,577)	(35,962)
Net interest receivable		8,777	7,430	8,748	7,405
Income from investments	4	-	-	300	300
Fees and commissions receivable		1,777	2,093	1,155	1,365
Fees and commissions payable		(223)	(184)	(223)	(184)
Other operating income		12	17	12	17
Total income		10,343	9,356	9,992	8,903
Administrative expenses	5	(5,645)	(5,760)	(5,411)	(5,509)
Depreciation	13	(285)	(291)	(278)	(281)
Other operating charges	6	(6)	183	(6)	183
Net finance charge on pension scheme	26	(137)	(74)	(137)	(74)
Operating profit before provisions		4,270	3,414	4,160	3,222
Provisions for bad and doubtful debts	7	(91)	(235)	(91)	(235)
Provisions for contingent liabilities and commitments - FSCS Levy	24	(320)	(682)	(320)	(682)
Profit on ordinary activities before tax		3,859	2,497	3,749	2,305
Tax on profit on ordinary activities	8	(1,107)	(983)	(994)	(842)
Profit for the financial year	23	2,752	1,514	2,755	1,463

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 2009

	Notes	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Profit for the financial year		2,752	1,514	2,755	1,463
Actuarial (loss)/gain recognised in pension scheme	26	(1,578)	79	(1,578)	79
Taxation relating to actuarial (loss)/gain		442	(22)	442	(22)
Total recognised gains and losses relating to the year		1,616	1,571	1,619	1,520

Balance Sheets

Balance sheets at 31 December 2009

ASSETS	Notes	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Liquid assets:					
Cash in hand and balances with the Bank of England		864	812	864	812
Loans and advances to credit institutions	9	70,556	90,131	70,373	89,893
Debt securities	10	91,698	75,978	91,698	75,978
Loans and advances to customers:					
Loans fully secured on residential property	11	567,372	582,008	566,689	581,217
Loans fully secured on land	11	1,234	1,442	1,234	1,442
Investments in subsidiary undertakings	12	-	-	522	696
Tangible fixed assets	13	2,790	2,956	2,788	2,945
Other assets	14	592	551	590	544
Prepayments and accrued income	15	215	131	215	131
Total assets		735,321	754,009	734,973	753,658

Leek United
BUILDING SOCIETY

Balance sheets at 31 December 2009

LIABILITIES AND RESERVES	Notes	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Shares	16	616,316	635,115	616,316	635,115
Amounts owed to credit institutions	17	39,139	22,415	39,139	22,415
Amounts owed to other customers	18	27,009	45,983	27,009	45,983
Other liabilities	19	910	908	1,271	1,269
Accruals and deferred income	20	644	451	577	384
Provisions for liabilities and charges	21	771	704	771	704
Net pension liability	26	3,164	2,681	3,164	2,681
Revaluation reserve	22	1,113	1,113	1,113	1,113
General reserve	23	46,255	44,639	45,613	43,994
Total liabilities and reserves		735,321	754,009	734,973	753,658

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

These accounts were approved by the board of directors on 24 February 2010 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 2009

	2009 £000's	2008 £000's
Net cash inflow/(outflow) from operating activities (see below)	14,783	(27,613)
Taxation paid	(850)	(891)
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(120)	(243)
Sale of tangible fixed assets	8	13
Purchase of investment securities	(74,150)	(1,544,261)
Maturities and disposals of investment securities	57,348	1,586,759
(Decrease)/Increase in cash	(2,981)	13,764

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

	2009 £000's	2008 £000's
Profit on ordinary activities before tax	3,859	2,497
Decrease/(Increase) in prepayments and accrued income	1,540	(648)
Increase/(Decrease) in accruals and deferred income	193	(26)
Provisions for bad and doubtful debts	100	250
Increase in provisions for liabilities and charges	67	340
Depreciation	285	291
Profit on disposal of tangible fixed assets	(7)	(5)
Pension contributions in excess of charge	(907)	(939)
Net cash inflow from trading activities	5,130	1,760
Decrease in loans and advances to customers	14,744	57,568
(Decrease)/Increase in shares	(18,799)	39,411
Decrease in amounts owed to credit institutions and other customers	(2,250)	(86,344)
Decrease/(Increase) in loans and advances to credit institutions	16,000	(40,000)
(Increase)/Decrease in other assets	(5)	15
Decrease in other liabilities	(37)	(23)
Net cash inflow/(outflow) from operating activities	14,783	(27,613)

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

	1 January 2009 £000's	Movement in year £000's	31 December 2009 £000's
Cash in hand	812	52	864
Loans and advances to credit institutions - repayable on demand (note 9)	49,522	(3,033)	46,489
	50,334	(2,981)	47,353

Leek United BUILDING SOCIETY

Notes to the Accounts at 31 December 2009

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

Fixed Assets and Depreciation

Tangible fixed assets are stated at cost with the exception of freehold land and buildings which are stated at their previously revalued amount and no further revaluations will be undertaken. Freehold buildings are depreciated on a straight-line basis over 50 years. Freehold land is not depreciated. 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 2009

Losses on loans and advances

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

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

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

Interest recognition

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

Pension costs

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. 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 2009

2 Interest receivable and similar income

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
On loans fully secured on residential property	22,351	34,035	22,312	33,972
Other loans	71	119	71	119
Other loans to subsidiary undertakings	-	-	10	43
On debt securities - interest and other income	2,544	6,067	2,544	6,067
On other liquid assets - interest and other income	941	2,594	941	2,589
Net (expense)/income on financial instruments	(1,553)	577	(1,553)	577
	24,354	43,392	24,325	43,367

3 Interest payable and similar charges

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
On shares held by individuals	14,128	29,331	14,128	29,331
On deposits and other borrowings	1,449	6,617	1,449	6,617
Net expense on financial instruments	-	14	-	14
	15,577	35,962	15,577	35,962

4 Income from investments

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Dividends from shares in subsidiaries	-	-	300	300

5 Administrative expenses

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Staff costs:				
Wages and salaries	2,628	2,711	2,477	2,528
Social security costs	226	229	213	214
Other pension costs	219	304	195	272
	3,073	3,244	2,885	3,014
Other expenses:				
Remuneration of auditors:				
audit services – statutory audit	59	62	59	62
other services – audit of subsidiaries	12	12	-	-
other services – audit of pension scheme	8	7	8	7
Other	2,493	2,435	2,459	2,426
	5,645	5,760	5,411	5,509

Notes to the Accounts at 31 December 2009

5 Administrative expenses (continued)

The average number of persons (including executive directors) employed during the year was:	Group 2009 Number	Group 2008 Number	Society 2009 Number	Society 2008 Number
(i) At principal office:				
Full-time staff	46	51	42	45
Part-time staff	18	17	18	17
(ii) At branch offices:				
Full-time staff	44	46	44	46
Part-time staff	18	19	18	19

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 21 April 2010 and at the Annual General Meeting. The total loans outstanding at 31 December 2009, in respect of 4 (2008: 5) persons, amounted to £499,918 (2008: £763,743).

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

	2009					2008				
	Salary/ Fees £000's	Benefits £000's	Increase in accrued pension £000's	Pensions £000's	Total £000's	Salary/ Fees £000's	Benefits £000's	Increase in accrued pension £000's	Pensions £000's	Total £000's
Non Executive directors										
E W Hodkinson (Chairman to 22 April 2009)	9	-	-	-	9	28	-	-	-	28
P Marriott (Chairman from 22 April 2009)	28	-	-	-	28	23	-	-	-	23
P W Kerns (from 21 December 2009)	1	-	-	-	1	-	-	-	-	-
D J Lyons	23	1	-	-	24	19	1	-	-	20
P A Stanyer (from 19 December 2008)	19	-	-	-	19	1	-	-	-	1
D A W Stevens	22	2	-	-	24	21	2	-	-	23
J Washington	19	-	-	-	19	19	-	-	-	19
Executive directors										
K Wilson	148	8	3	13	172	138	8	4	8	158
B Rimmer (to 31 July 2008)	-	-	-	-	-	110	1	-	12	123
K Griffiths (from 3 November 2008)	100	-	-	9	109	16	-	-	2	18
	369	11	3	22	405	375	12	4	22	413

6 Other operating charges

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Mortgage incentives	6	117	6	117
Release of regulated business provision (see note 21)	-	(300)	-	(300)
	6	(183)	6	(183)

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 2009	-	900	900
Charge for the year	-	100	100
At 31 December 2009	-	1,000	1,000

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

	2009 £000's	2008 £000's
Amounts recovered in respect of loans previously written off	9	15
Increase in general provision for year (as above)	(100)	(250)
Income and expenditure account	(91)	(235)

The provisions as at 31 December 2009 have been deducted from loans fully secured on residential property in the balance sheet.

8 Tax on profit on ordinary activities

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
(a)UK Corporation tax at 28% (2008: 28.50%):				
Current Tax	887	731	779	582
Adjustment in respect of prior year	2	(113)	2	(113)
Total current tax	889	618	781	469
UK Deferred tax at 28% (2008: 28%):				
Adjustment in respect of prior year	-	354	-	354
Deferred tax - current year (see note 14)	218	11	213	19
Total	1,107	983	994	842

Notes to the Accounts at 31 December 2009

8 Tax on profit on ordinary activities (continued)

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
(b) Factors affecting current tax charge in year:				
Profit on ordinary activities before tax	3,859	2,497	3,749	2,305
Tax on profit at UK standard rate of 28% (2008: 28.50%)	1,081	711	1,050	656
Effects of:				
Change in rate	-	1	-	1
Difference between depreciation and capital allowances together with other timing differences	(218)	(11)	(213)	(19)
Dividend from subsidiary	-	-	(84)	(85)
Expenses not deductible for tax purposes	26	29	26	29
Adjustment in respect of previous year	2	(113)	2	(113)
Small companies relief	(2)	1	-	-
	889	618	781	469

9 Loans and advances to credit institutions

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Maturity analysis:				
Repayable on demand	46,489	49,522	46,306	49,284
In not more than three months	24,000	40,000	24,000	40,000
	70,489	89,522	70,306	89,284
Accrued interest	67	609	67	609
	70,556	90,131	70,373	89,893

10 Debt securities

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Issued by other borrowers	91,698	75,978	91,698	75,978
Maturity analysis:				
In not more than one year	78,780	52,648	78,780	52,648
In more than one year	12,350	21,680	12,350	21,680
	91,130	74,328	91,130	74,328
Accrued interest	568	1,650	568	1,650
	91,698	75,978	91,698	75,978
Analysis of debt securities:				
Unlisted	91,698	75,978	91,698	75,978

The fair value of debt securities is shown in note 25.

10 Debt securities (continued)

The directors of the society consider that the primary purpose of holding securities is prudential. The securities held as liquid assets are held with the intention of use on a continuing basis in the society`s activities and are classified as "financial fixed assets".

Movements of financial fixed assets during the year were as follows:

Group & Society	2009 £000's
At 1 January 2009	74,328
Additions	74,150
Maturities and disposals	(57,348)
At 31 December 2009	91,130

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 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Repayable on demand	667	676	656	582
In not more than three months	4,139	3,996	4,136	3,993
In more than three months but not more than one year	14,103	13,880	14,089	13,837
In more than one year but not more than five years	95,094	91,386	94,791	91,204
In more than five years	455,603	474,412	455,251	473,943
	569,606	584,350	568,923	583,559
Provisions for bad and doubtful debts	(1,000)	(900)	(1,000)	(900)
	568,606	583,450	567,923	582,659

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 2009 £000's	Society 2008 £000's
Shares	2	2
Loans	520	694
	522	696

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 2009

13 Tangible fixed assets

Group	Freehold land and buildings £000's	Equipment fixtures and fittings £000's	Totals £000's
Cost			
At 1 January 2009	2,583	4,710	7,293
Additions	-	120	120
Disposals	-	(99)	(99)
At 31 December 2009	2,583	4,731	7,314
Accumulated depreciation			
At 1 January 2009	345	3,992	4,337
Charge for the year	38	247	285
Disposals	-	(98)	(98)
At 31 December 2009	383	4,141	4,524
Net book value			
At 31 December 2009	2,200	590	2,790
At 31 December 2008	2,238	718	2,956

Society	Freehold land and buildings £000's	Equipment fixtures and fittings £000's	Totals £000's
Cost			
At 1 January 2009	2,583	4,678	7,261
Additions	-	122	122
Disposals	-	(96)	(96)
At 31 December 2009	2,583	4,704	7,287
Accumulated depreciation			
At 1 January 2009	345	3,971	4,316
Charge for the year	38	240	278
Disposals	-	(95)	(95)
At 31 December 2009	383	4,116	4,499
Net book value			
At 31 December 2009	2,200	588	2,788
At 31 December 2008	2,238	707	2,945

13 Tangible fixed assets (continued)

The net book value of land and buildings occupied by the society for its own activities is £2,200,000 (2008: £2,238,000).

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:

	2009 £000's	2008 £000's
Cost	1,624	1,624
Aggregate depreciation based on cost	(344)	(325)
	1,280	1,299

14 Other assets

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Deferred tax asset	529	493	527	486
Other	63	58	63	58
	592	551	590	544
The elements of deferred taxation are as follows:				
Difference between accumulated depreciation and capital allowances	39	44	37	43
General bad and doubtful debt provision	280	252	280	252
Other timing differences	210	197	210	191
	529	493	527	486
Deferred Taxation at 1 January 2009	493	258	486	259
Deferred tax charge	(218)	(365)	(213)	(373)
Movements in relation to pension scheme	254	600	254	600
At 31 December 2009	529	493	527	486

15 Prepayments and accrued income

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Off balance sheet instruments accrued interest	-	3	-	3
Other	215	128	215	128
	215	131	215	131

16 Shares

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Held by individuals	616,316	635,115	616,316	635,115
In the ordinary course of business, shares are repayable from the balance sheet date as follows:				
Repayable on demand	424,845	409,315	424,845	409,315
In not more than three months	66,755	78,918	66,755	78,918
In more than three months but not more than one year	83,785	118,468	83,785	118,468
In more than one year but not more than five years	32,577	6,452	32,577	6,452
	607,962	613,153	607,962	613,153
Accrued interest	8,354	21,962	8,354	21,962
	616,316	635,115	616,316	635,115

Notes to the Accounts at 31 December 2009

17 Amounts owed to credit institutions

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £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	34,000	18,000	34,000	18,000
In more than three months but not more than one year	5,000	4,000	5,000	4,000
	39,000	22,000	39,000	22,000
Accrued interest	139	415	139	415
	39,139	22,415	39,139	22,415

18 Amounts owed to other customers

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £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	9,328	10,506	9,328	10,506
In not more than three months	11,081	20,977	11,081	20,977
In more than three months but not more than one year	6,468	13,318	6,468	13,318
	26,877	44,801	26,877	44,801
Accrued interest	132	1,182	132	1,182
	27,009	45,983	27,009	45,983

19 Other liabilities

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Amounts falling due within one year:				
Income tax	105	168	105	168
Corporation tax	507	468	449	394
Other taxation and social security costs	81	71	81	71
Amount due to subsidiary undertakings	-	-	419	435
Other creditors	217	201	217	201
	910	908	1,271	1,269

20 Accruals and deferred income

	Group 2009 £000's	Group 2008 £000's	Society 2009 £000's	Society 2008 £000's
Off balance sheet instruments accrued interest	226	-	226	-
Other	418	451	351	384
	644	451	577	384

21 Provisions for liabilities and charges

Group & Society	Regulated Business £000's	FSCS Levy £000's	Total £000's
At 1 January 2009	22	682	704
Amount charged during the year	-	320	320
Amount paid during the year	(1)	(252)	(253)
At 31 December 2009	21	750	771

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 2009 and 31 December 2009	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 2009	44,639	43,994
Profit for the year	2,752	2,755
Actuarial losses	(1,136)	(1,136)
At 31 December 2009	46,255	45,613

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 £320,000 for the scheme year 2010/11, which is calculated with reference to the protected deposits it held at 31 December 2009. The levy amounts have been calculated with reference to the expected 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 2009

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 2009 £000's	Credit risk weighted amount 2009 £000's	Replacement Cost 2009 £000's	Nominal principal amount 2008 £000's	Credit risk weighted Amount 2008 £000's	Replacement cost 2008 £000's
Interest rate contracts maturing:						
In less than 1 year	30,000	-	-	20,000	-	-
Between 1 year and 5 years	30,000	30	-	30,000	30	-

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 2009 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	118,823	5,000	37,000	-	2,295	163,118
Loans fully secured on residential property and other loans	442,755	16,082	36,271	74,498	(1,000)	568,606
Tangible fixed assets	-	-	-	-	2,790	2,790
Other assets	-	-	-	-	807	807
Total assets	561,578	21,082	73,271	74,498	4,892	735,321
Liabilities						
Shares	485,124	18,887	60,662	43,289	8,354	616,316
Amounts owed to credit institutions and other customers	54,409	4,000	7,468	-	271	66,148
Other liabilities	-	-	-	-	2,325	2,325
Reserves	-	-	-	-	50,532	50,532
Total liabilities	539,533	22,887	68,130	43,289	61,482	735,321
Off balance sheet items	60,000	(25,000)	(5,000)	(30,000)	-	-
Interest rate sensitivity gap	82,045	(26,805)	141	1,209	(56,590)	-
Cumulative gap	82,045	55,240	55,381	56,590	-	-

Notes to the Accounts at 31 December 2009

25 Financial Instruments (continued)

The interest rate sensitivity of the group at 31 December 2008 was:

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

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 2009. 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)	2009 Book value £000's	2008 Book value £000's	2009 Fair value £000's	2008 Fair value £000's
On balance sheet instruments:				
Debt securities	91,698	75,978	91,800	75,836
Off balance sheet instruments:				
Interest rate contracts	(226)	3	(874)	(969)

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25 Financial Instruments (continued)

Hedges

	Gains £000's	Losses £000's	Net gain/(loss) £000's
Unrecognised losses on hedges at 1 January 2009	-	(969)	(969)
Of which recognised in the year to 31 December 2009	-	147	147
Losses before 31 December 2009 that were not recognised in the year to 31 December 2009	-	(822)	(822)
Losses arising in the year to 31 December 2008 that were not recognised in that year	-	(52)	(52)
Unrecognised losses on hedges at 31 December 2009	-	(874)	(874)
Of which expected to be recognised in the year to 31 December 2010	-	(529)	(529)

Losses recognised within the year to 31 December 2009 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 2008.

The amount to be recognised in the year to 31 December 2010 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 take account of the requirements of FRS17, to 31 December 2009 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

Employer contributions are currently paid at the rate of 37.6% of pensionable pay plus £666,000 per annum. The contribution rate will change to 15% of pensionable pay plus £1,037,000 per annum from 25 April 2010.

The society provides a defined contribution stakeholder pension scheme for new employees and contributes 6% of earnings (and 10% - 12% of earnings in relation to the executive directors) to the stakeholder pension scheme. The pension charge in respect of this scheme for the year is £37,000 (2008: £40,000).

The society also paid £13,000 (2008: £8,000) into the chief executive's personal pension plan.

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

	2009 £000's	2008 £000's	2007 £000's
Fair value of scheme assets	18,100	14,226	16,304
Present value of scheme liabilities	(22,494)	(17,949)	(21,045)
Deficit in scheme	(4,394)	(3,723)	(4,741)
Liability	(4,394)	(3,723)	(4,741)
Deferred tax	1,230	1,042	1,664
Net liability	(3,164)	(2,681)	(3,077)

Notes to the Accounts at 31 December 2009

26 Pension scheme (continued)

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

	2009 £000's	2008 £000's
Scheme liabilities at start of year	17,949	21,045
Current service cost	169	256
Interest cost	1,192	1,222
Contributions by scheme participants	136	150
Actuarial losses/(gains)	3,573	(4,349)
Benefits paid and death in service insurance premiums	(525)	(375)
Scheme liabilities at end of year	22,494	17,949

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

	2009 £000's	2008 £000's
Fair value of scheme assets at start of year	14,226	16,304
Expected return on scheme assets	1,055	1,148
Actuarial gains/(losses)	1,995	(4,270)
Contributions by employer	1,213	1,269
Contributions by scheme participants	136	150
Benefits paid and death in service insurance premiums	(525)	(375)
Fair value of scheme assets at end of year	18,100	14,226

The actual return on the scheme assets over the year ended 31 December 2009 was £3,050,000

Total expense recognised in profit and loss account

	2009 £000's	2008 £000's
Current service cost	169	256
Interest cost	1,192	1,222
Expected return on scheme assets	(1,055)	(1,148)
Total expense recognised in profit and loss	306	330

Statement of total recognised gains and losses

	2009 £000's	2008 £000's
Difference between expected and actual return on scheme assets:		
Amount: gain/(loss)	1,995	(4,270)
Experience gains and losses arising on the scheme liabilities:		
Amount: gain/(loss)	1,131	(10)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount: (loss)/gain	(4,704)	4,359
Total amount recognised in statement of total recognised gains and losses:		
Amount: (loss)/gain	(1,578)	79

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 £4,577,000.

26 Pension scheme (continued)

Assets

	2009 £000's	2008 £000's	2007 £000's
Equities	12,849	9,980	11,198
Bonds	5,000	3,976	4,876
Other	251	270	230
Total assets	18,100	14,226	16,304

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

	2009 % per annum	2008 % per annum	2007 % per annum
Inflation	3.75	3.10	3.25
Salary increases	5.00	4.35	4.50
Rate of discount	5.65	6.70	5.80
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.75	3.10	3.25
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.75	3.10	3.25
Allowance for commutation of pension for cash at retirement	Yes	None	None

The mortality assumptions adopted at 31 December 2009 imply the following life expectancies:

Male retiring at age 60 in 2009	27.0 years	(2008: 26.8 years)
Female retiring at age 60 in 2009	29.7 years	(2008: 29.7 years)
Male retiring at age 60 in 2029	29.2 years	(2008: 27.9 years)
Female retiring at age 60 in 2029	31.7 years	(2008: 30.7 years)

Expected long-term rates of return

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

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

	2009 % per annum	2008 % per annum
Equities	8.00	7.50
Bonds	5.25	5.25
Other	4.50	5.50
Overall for scheme	7.20	6.80

Amounts for the current and previous four years

	2009 £000's	2008 £000's	2007 £000's	2006 £000's	2005 £000's
Fair value of scheme assets	18,100	14,226	16,304	14,485	12,467
Present value of scheme liabilities	(22,494)	(17,949)	(21,045)	(23,712)	(21,688)
Deficit in scheme	(4,394)	(3,723)	(4,741)	(9,227)	(9,221)
Experience adjustment on scheme assets	1,995	(4,270)	(166)	428	1,302
Experience adjustment on scheme liabilities	1,131	(10)	(6)	202	(103)

The best estimate of contributions to be paid by the employer to the scheme for the year ending 31 December 2010 is £1,685,000.

Annual Business Statement

Annual Business Statement for the year ended 31 December 2009

	Ratio at 31.12.09 %	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	0.37	25.00
Funding limit	9.69	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 31.12.09 %	Ratio at 31.12.08 %
Other Percentages		
Gross capital as a percentage of shares and borrowings	6.94	6.50
Free capital as a percentage of shares and borrowings	6.68	6.21
Liquid assets as a percentage of shares and borrowings	23.90	23.73
Profit on ordinary activities after taxation as a percentage of mean total assets	0.37	0.19
Management expenses as a percentage of mean total assets	0.80	0.78

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 2008 and 2009 total assets.

Management expenses represent the aggregate of administrative expenses and depreciation.

Annual Business Statement for the year ended 31 December 2009 (continued)

Information relating to directors as at 31 December 2009

Name Date of Birth	Occupation	Date of Appointment	Other Directorships
K Griffiths BSc(Econ), FCA 19/7/57	Building Society Finance Director	3/11/08	-
P W Kerns 9/6/53	Solicitor	21/12/09	-
D J Lyons MSI 5/12/43	Financial Consultant	14/6/02	Help Investments Ltd.
P Marriott FCA 28/9/52	Chartered Accountant	14/4/94	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 Nottinghamshire Chamber of Commerce
D A W Stevens 30/4/43	Retired Assistant Commissioner - Building Societies Commission	1/9/98	-
J Washington ACIB 26/5/50	Management Consultant	23/11/05	-
K Wilson 20/12/58	Building Society Chief Executive	1/10/98	Leek United Home Loans Ltd Leek United Financial Services Ltd The Mortgage Outlet Ltd

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

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

Information relating to other officers

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

Leek United
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