2015

Annual Report & Accounts

Leek United
BUILDING SOCIETY

The friendlier face of finance

Contents

"Increasing competition and regulatory demands, your Society has once again produced a solid performance with a strong level of profits"

Peter Kerns,
Chairman

Leek United
BUILDING SOCIETY

2015 Key Financial Highlights

- Profit before hedging and tax up £0.2m to £4.4m (2014: £4.2m)
- Profit before tax up to £4.5m (2014: £3.3m)
- Net interest margin 1.35% (2014: 1.27%)
- Gross mortgage advances of £156m (2014: £109m)
- Mortgage balance growth of 5.7% to £707m (2014: £669m)
- Liquidity ratio 20.8% of share and deposit liabilities (2014: 26.8%)
- Mortgages in arrears by more than 2.5% of the outstanding balance 0.09% (2014: 0.14%)
- Core tier 1 capital ratio 18.7% (2014: 17.6%)

An explanation of some of the terms used here can be found on pages 9 to 11.

Five Year Highlights

	2015 £000's	2014 £000's	2013 £000's	2012 £000's	2011 £000's
Net interest income	12,168	11,142	10,257	8,466	8,772
Other income	832	1,060	1,435	1,467	1,390
Administrative expenses	(7,948)	(7,212)	(6,699)	(6,260)	(6,092)
Other expenses and charges	(187)	(143)	(621)	(490)	(472)
Provisions & other items*	(440)	(648)	(108)	(42)	(118)
Profit before tax pre hedging	**4,425**	**4,199**	**4,264**	**3,141**	**3,480**
Impact of Hedge Accounting	91	(923)	-	-	-
Profit before tax	**4,516**	**3,276**	**4,264**	**3,141**	**3,480**
Liquid assets	171,800	226,773	175,318	184,876	189,161
Loans and advances	715,182	676,543	674,266	620,026	590,529
Other assets	3,665	3,925	3,784	3,473	3,686
Total assets	**890,647**	**907,241**	**853,368**	**808,375**	**783,376**
Shares and deposits	825,475	844,858	796,265	751,242	727,726
Other liabilities	6,462	6,924	2,403	3,441	4,010
Reserves	58,710	55,459	54,700	53,692	51,640
Total liabilities	**890,647**	**907,241**	**853,368**	**808,375**	**783,376**

* This includes FSCS levy charges, impairment losses and pension scheme finance credits.
2011 to 2013 metrics above are shown as historically presented and are not restated. 2014 and 2015 are shown post transition to FRS 102 and IAS 39 as explained on Note 32.

Directors & Officers

Directors

Rachel Court JP, BA
Richard Goddard MA, FCA
Tony Hubbard
Peter Kerns
John Leveson MBA, FCIB
Kerry Spooner
Jim Washington ACIB
Kevin Wilson
Paul Wilson ACA

Chairman

Peter Kerns

Chief Executive

Kevin Wilson

Finance Director

Paul Wilson ACA

Operations Director

Tony Hubbard

Internal Auditor

Ian Boston CMIIA, MAAT

Bankers

HSBC
Santander

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

Chairman's Statement

Peter Kerns,
Chairman

"The Society continues to make significant investment in its future, both in terms of technology and people to ensure that we remain well placed to continue this success in future years."

2015 has been another strong year for Leek United Building Society. Significant growth in our mortgage lending and healthy levels of profit have been achieved whilst maintaining our robust capital position. The Society's success is testament to the dedication of our staff and our commitment to the traditional values of the building society model and has been achieved despite the ongoing challenges facing the industry and the wider global environment.

The UK economy has slowed somewhat in 2015 but domestic growth remains relatively strong. The global outlook remains mixed with a gradual recovery during the year in the US and the Eurozone but uncertainty from the extent of the global growth slowdown emanating from China and increasing volatility in emerging markets generally. There has been a significant fall in oil prices in recent months which, although benefitting many households and businesses, has a detrimental impact on the wider economy. Interest rates in the UK remain at a record low and look likely to remain at this level well into 2016, and probably beyond.

Further challenges include the return to substantial volumes of mortgage lending by the high street banks and new 'challenger' banks entering the market.

Within this uncertain economic picture and in the face of increasing competition and regulatory demands, your Society has once again produced a solid performance with a strong level of profits which has further strengthened our capital position.

Total mortgage balances have exceeded £700m for the first time, with £156m of new mortgage lending extended to customers. Our mortgage book remains of high quality and this growth has been delivered while seeking to ensure that borrowers can afford to meet their repayments even if interest rates rise significantly.

Mortgage customers have benefitted from low interest rates in recent years but we are mindful of the difficulties faced by our savings customers and we have sought, wherever possible, to set rates at equitable but sustainable levels whilst balancing what we pay to our savers against what we can earn on mortgages.

The Society continues to make significant investment in its future, both in terms of technology and people, to ensure that we remain well placed to continue this success in future years.

2015 has seen changes in the Board's Non Executive Directors, with Derek Lyons retiring in April and both John Leveson and Kerry Spooner joining the Board in May.

John Leveson and Kerry Spooner were both co-opted to the Board in May 2015. They both have extensive experience in the building society sector, with John bringing considerable operational skills to the Board and Kerry a wealth of legal and governance experience. Subject to election, Kerry will be appointed as Senior Independent Director following the AGM.

Jim Washington will be retiring following the Annual General Meeting after serving as a Non Executive Director for over ten years, including acting as Vice Chairman and the Society's Senior Independent Director. I am sure that everyone will join me in thanking Jim for his valuable contribution to the Society and in wishing him a long and happy retirement.

Following over six years of service, I will be retiring from the Board at the AGM and I am pleased to be handing over the reins to my colleague, Rachel Court, who I am confident will continue to lead the Society in its success. I would like to take this opportunity to thank my colleagues on the Board for their support and commitment. I would also like to extend my gratitude to you, our members, for your continued support.

Finally, I would like to thank the staff for their contribution and dedication to the Society and I am pleased to be able to retire from the Society knowing that it is well placed to meet the challenges of the future.

Peter Kerns

Chairman

24 February 2016

Chief Executive's Business Review

Kevin Wilson,
Chief Executive

	2015	2014
Group profit before tax and hedging adjustments	£4.4m	£4.2m
Group profit before tax	£4.5m	£3.3m
Group reserves	£58.7m	£55.5m
Group assets	£890.6m	£907.2m
Mortgage assets	£707.2m	£668.6m
Core tier 1 ratio	18.7%	17.6%
Management Expense Ratio	0.90%	0.84%

Overview

I am pleased to be able to report that 2015 was another strong year for Leek United Building Society and we continue to be in a robust financial position.

It has been a successful year for mortgage lending with mortgage balances ending the year above £700m for the first time in our history, representing growth of almost 6%. The Society has used some of its excess liquidity to fund these mortgages; while now reduced, liquidity remains strong. The careful management of our balance sheet and pricing has also resulted in an improved net interest margin.

There has been significant investment in the Society during 2015 but despite this there has been a slight increase in profit levels (pre hedging) in the year. Costs are an area of focus for the Society and we are committed to achieving an appropriate balance between long term investment in the business, providing high quality products and service to our members and maintaining careful cost control. The impact of hedge accounting year on year has led to an increase in the Group statutory profit before tax of £1.2m compared to 2014. Further explanation of the drivers of the hedge accounting impact is provided in note 6. The Group focuses primarily on profitability before hedge accounting due to the short term, volatile and temporary nature of the hedge accounting adjustments.

Through delivering appropriate levels of profit, we continue to maintain a robust capital position. Reserves have grown to £58.7m, while the core tier 1 ratio improved to 18.7% (2014: 17.6%). The capital position remains strong and places the Society well for future growth.

Our other key financial ratios including liquidity and capital complete a solid financial performance; further details are included within the strategic report on page 8.

Mortgage Lending

Mortgage balances have increased by £38m in the year to £707m. The Society has achieved £156m of gross lending to customers in the year which is a considerable increase compared to 2014 of £109m.

This growth is a great success as it has been achieved in an increasingly competitive environment, with major lenders pricing more aggressively after a period of consolidation and recapitalisation and also with a number of new challenger banks entering the market. The Society has continued its core focus on residential lending providing a range of fixed and discount mortgages primarily for owner occupiers but also for buy to let properties.

The book remains of high quality which is evidenced by the low level of arrears (0.09% arrears greater than 2.5% of the outstanding balance).

Each mortgage application is manually underwritten and reviewed for suitability by an experienced team. We are, and always have been, committed to responsible lending and arrears are managed in a proactive manner, with only one property being taken into possession during the year (2014: two properties). We continue to offer forbearance options to support customers who are in financial difficulty, helping customers who have temporary difficulties to get back on their feet and utilising repossession only as a last resort.

The Board remain as committed as ever to the values of a traditional Building Society and are continuing to make significant investment for the future. Investment in new technology will improve how both members and intermediaries can open their mortgage account. The Society will continue to develop the technology platform to enhance the service to our members for the future. Whilst this investment will place pressure on our cost base, the Society is committed to balancing the need for long term investment with generating efficiencies from technology.

Launch of Leek United partnership with Stoke City Football Club Community Trust

Savings

2015 has been another difficult year for savers, due to the continued low interest rate environment. Early 2016 has seen renewed turmoil in the global economy and weaker growth in the UK could now see the rise in interest rates being delayed until late 2016 or even into 2017.

I recognise that this has not been an easy time for savers and the Society remains committed to providing savings rates that are both fair and sustainable. During the year, the Society has had to take the difficult decision to reduce rates on a selection of savings accounts. This decision was not taken lightly and was given careful consideration. I wish to thank our members for their continued loyalty and support to the Society.

I am pleased to say that we have listened to member feedback and as a result the Society has launched Loyalty bond products during 2015, which have offered preferential rates to our existing members.

Our Staff and Members

As the Society continues to grow and with increasing regulatory demands we have strengthened our resources to meet the needs of the Society, recruiting people to new roles bringing necessary expertise to complement the skills and knowledge of our experienced and long serving staff. During 2015, the Society has launched its Trainee Management Programme to identify high performance and top talent which can be further developed as potential succession for future managerial roles.

In line with our core values and beliefs the customer is at the heart of everything we do. The Society monitors customer feedback closely on an on-going basis, including the use of 'mystery shoppers' for all customer contact points. Customer satisfaction remains a fundamental objective for the Society and while we are by no means complacent the Society had a resounding success during 2015 with 97% of members classing themselves as 'satisfied' or 'very satisfied'.

The Society is committed to the communities in which our branch network operates, and as a mutual, it is very important to us to support this local community through a whole host of community activities, events and sponsorships. The Society is proud to be the main sponsor of the Leek Show, a highly successful event bringing both families and business together in our heartland.

Our relationship with Stoke City Football Club has continued to go from strength to strength. Alongside the exclusive rights to provide a 'Save and Support' Affinity Savings Account, the Society is now a main supporter of the Stoke City Football Club Community Trust. This is a major initiative aimed at making a difference to the lives of local people. The partnership will be extended further in early 2016 with the launch of Stoke City mortgages.

Our staff took part in a wide variety of charity events, including: the 'Pretty Muddy' Race for Life in aid of Cancer Research UK; a 15,000ft parachute jump for The Christie Hospital, Manchester; a 'Bubble Rush' obstacle course to raise money for East Cheshire Hospice; and a charity football match against Signal Radio presenters in aid of the station's 'Help A Signal Child' initiative.

The Society continues to develop links with local schools and colleges. During the year, staff visited schools to help instil the benefits of good savings habits from a young age and have attended careers events to highlight opportunities for young people in the years to come. The Society is also pleased to have been able to provide regular work experience placements for local students.

Outlook

Global economic and political uncertainty may present challenges in 2016 to the slow and steady recovery. Further challenges are likely with the return of major lenders after repairing their balance sheets and also with a number of new challenger banks entering the mortgage market.

The Society is well placed for the future to meet regulatory challenges and to respond to the uncertain economic environment. The Society looks forward to 2016 and to serving the interests of our customers and members for many years to come.

Thank you

This has been another successful year for the Society, which would not have been achieved without the hard work and dedication of our staff. Once again they have worked tirelessly to deliver excellent service to our members, as well as giving their own time and money to support charities in our community and I would like to personally thank them for their positive contribution.

I would also like to pay tribute to Peter Kerns, the Society's Chairman and Jim Washington, the Society's Vice Chairman, who will retire from the Board at the forthcoming AGM. Peter has served on the Board for 6 years with outstanding commitment becoming Chairman in April 2013 and Jim has served on the Board for 10 years. On behalf of the Society, I would like to thank them both for their excellent contribution and wish them the very best for the future.

Finally and most importantly thank you to you, our members, for your continued support and loyalty.

Kevin Wilson

Chief Executive

24 February 2016

Strategic Report

The strategy for the Society is outlined below:

Vision Statement

We aim to be the local Society of choice for new and existing members, respected, trusted and renowned for our exceptional customer service.

Mission Statement

To excel in meeting the financial needs of our members by providing high quality, competitive products, outstanding customer service and fair outcomes for customers.

Our Values

The Society believes that a clear and succinct statement of beliefs and values is a vital part of defining the corporate culture of our organisation. This cultural message is seen as the foundation upon which policy, staff attitude, management approach and most importantly good customer outcomes rest.

Values

- We are honest, straightforward and trustworthy
- We are easy to deal with
- We treat customers as people not numbers

Key Strategic Objectives

The Society's primary objectives are the provision of mortgage finance for the purchase and improvement of residential property alongside the funding of this through the Society's range of personal savings accounts.

In addition, through a number of business partners, the Society provides an extensive range of services such as general insurance, life insurance and long term investments.

These activities are undertaken via twelve branches across four counties, together with two agencies.

As a Building Society and a mutual, Leek United does not seek to maximise profits at the expense of members, but rather deliver a level of profitability sufficient to balance member value with the need to protect our capital position and so ensure that member confidence remains high.

Impact of FRS 102 and Adoption of IAS 39

The Society has been required to change its accounting framework in the year to implement FRS 102 and as part of this transition the Society has chosen to adopt IAS 39. Prior year financial statements have also been restated. Details of the impact that the transition to FRS 102 and IAS 39 has had on the 31 December 2013 and 31 December 2014 balance sheet as well as the Income Statement for the financial year ended 31 December 2014 are disclosed in note 32.

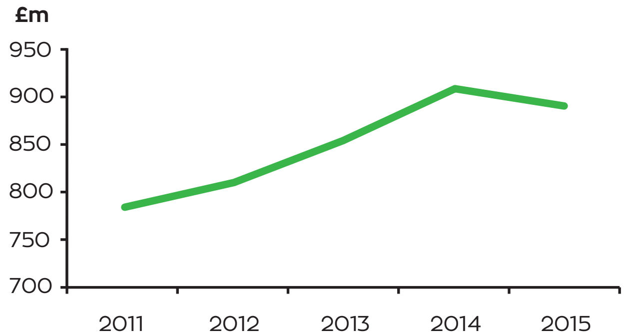
Key Performance Indicators

The Society has delivered a strong financial performance in 2015 and ends the year in a robust financial position. The Society uses key performance indicators to monitor its progress; a number of key indicators are included within the review of the business as follows:

It should be noted that metrics for 2014 and 2015 are shown under FRS 102 and IAS 39 as explained in note 32. 2011 to 2013 metrics are shown as historically presented and are not restated.

Donation to Donna Louise Children's Hospice from money raised at 2015 AGM and Charity Golf Day

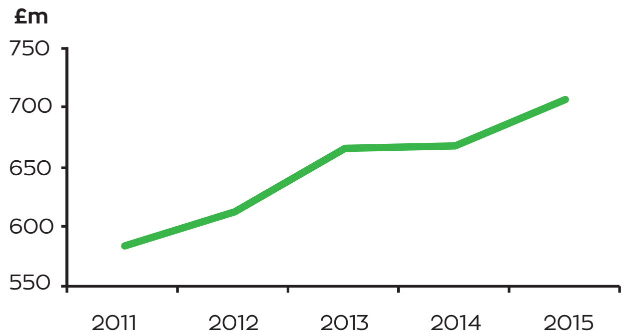
Total assets (£'m)



Total assets: The value of all assets in the Group balance sheet.

The careful management of our balance sheet has resulted in managing our liquidity position down, although still remaining strong. This has led to a small fall in the total assets which have reduced by £16m to £891m in 2015 (2014: £907m).

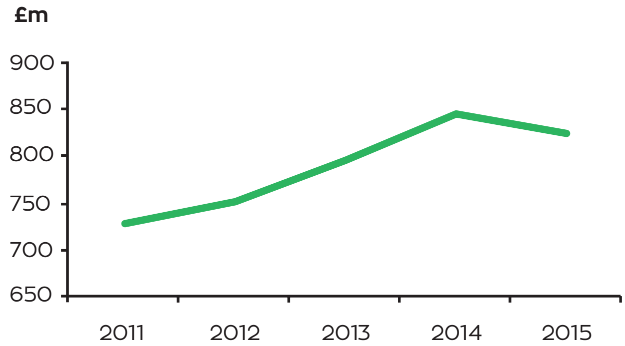
Mortgage balances (£'m)



Mortgage balances: The total amount owed to the Society for mortgages by customers.

Mortgage balances have increased by £38m in the year to £707m (2014: £669m) with gross lending (the total value of all new mortgage advances) in 2015 at £156m, a considerable increase from 2014 levels of £109m. Redemptions were £87m in the year (2014: £77m).

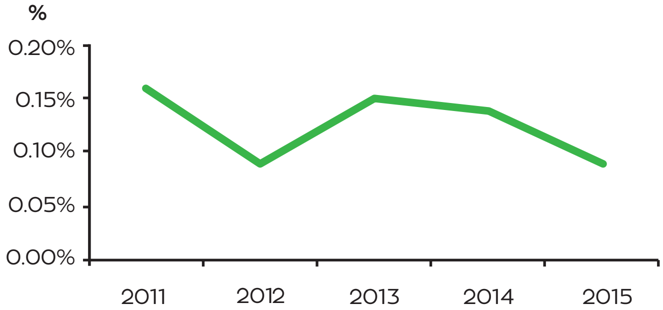
Shares and deposits (£'m)



Shares and deposits: The total amount owed by the Society to shareholding members and depositors in respect of their account balances.

Savings balances have reduced by £19m in the year to £825m. The environment continues to be difficult for savers and after careful consideration the Society reduced rates on a selection of its accounts during the year. As a result of this action, some balances were withdrawn.

Mortgage arrears > 2.5% of balances



Mortgage arrears: 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.

The Society has remained committed to responsible lending and has maintained its cautious approach to lending throughout 2015. This is reflected in our low levels of arrears. At 31 December 2015 there were 21 mortgage accounts which were more than 3 months in arrears, 3 of which related to one customer (2014: 18 accounts). The total amount of these arrears was £39,119 (2014: £38,840). The total number of accounts in arrears by 1 month or more at the end of 2015 was 83 (2014: 115). Where appropriate, a provision has been raised.

Strategic Report

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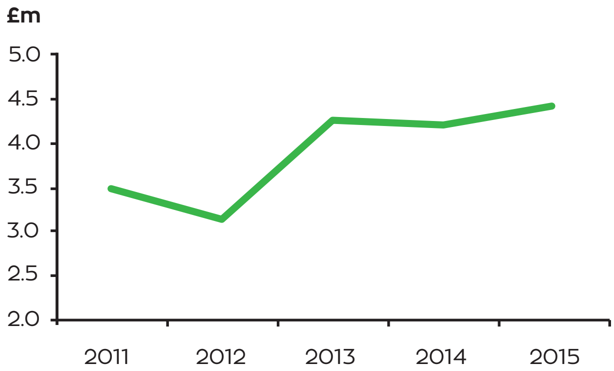
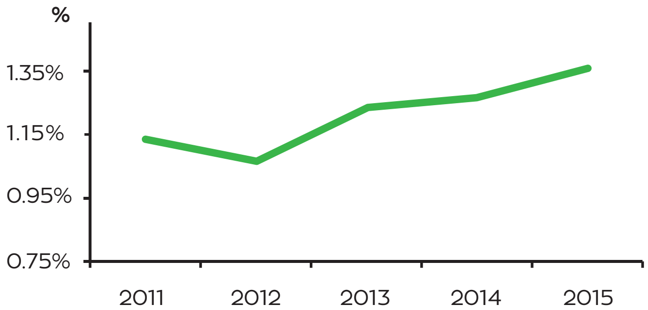
Profit before tax - pre hedging (£'m)



Profit before tax: The surplus before tax, achieved from trading activity during the financial period.

Leek United does not seek to maximise profits at the expense of members, but rather deliver a level of profitability sufficient to balance member value whilst maintaining our capital resilience. Pre-tax profits (pre hedging) for 2015 of £4.4m compared to £4.2m in 2014, with increased net interest income being partially offset with lower insurance commission, increased costs and higher levels of impairment charges. The Society has benefitted from a reduced charge for the FSCS levy in 2015 compared to 2014. As above, although the impairment levels are increased in 2015, they still remain low and well below industry averages.

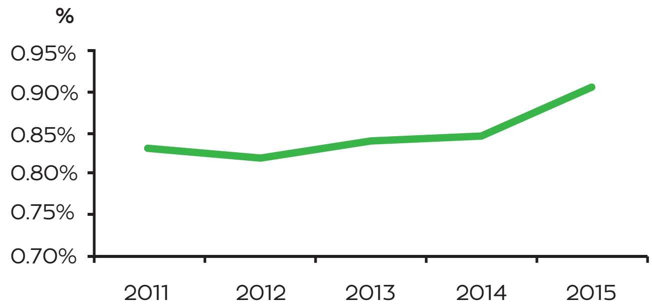
Net interest margin (%)



Net interest margin: The net interest receivable by the Society as a percentage of the average total assets in the year.

The net interest margin % was 1.35% in 2015 (2014: 1.27%). The management of our balance sheet by using some of the excess liquidity to fund customer lending coupled with careful pricing has resulted in an improved balance sheet shape and benefitted the net interest margin.

Management expense ratio (%)

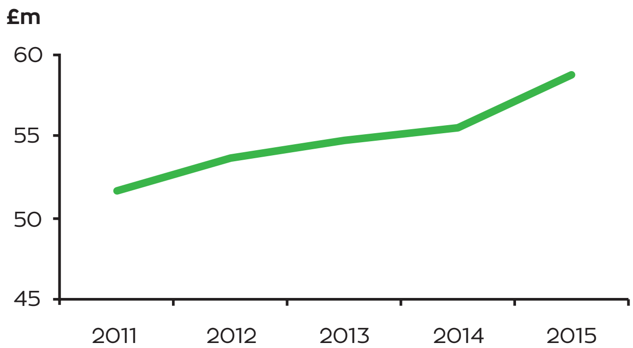


Management expense ratio: The aggregate of administrative expenses and depreciation as a percentage of the average total assets in the year.

There has been significant investment in the Society in recent years, both in terms of resource and technology.

We remain committed to ensuring our Society operates in the most efficient manner possible in order to protect members' interests. However this must be balanced with long term investment for the Society's future, in addition to the increasing cost of meeting regulatory requirements. The management expense ratio has increased in 2015 to 0.90% (2014: 0.84%).

Gross capital (£'m)



Gross capital: The total value of the reserves as shown in the balance sheet.

The Society's capital position remains strong. Reserves have grown to £58.7m (2014: £55.5m); this is delivered through a consistent and appropriate level of profits generated in 2015.

The ratio of gross capital as a percentage of total shares and borrowings was 7.1% at 31 December 2015 (2014: 6.6%) and the ratio of free capital as a percentage of total shares and borrowings was 6.9% at 31 December 2015 (2014: 6.3%). Free capital is the total reserves and collective loss provision less fixed assets. The core tier 1 ratio stood at 18.7% (2014: 17.6%) and the leverage ratio stood at 6.6% (2014: 6.1%)..

Help a Signal Child
cheque presentation –
charity football match
Leek United Building
Society v Signal Radio

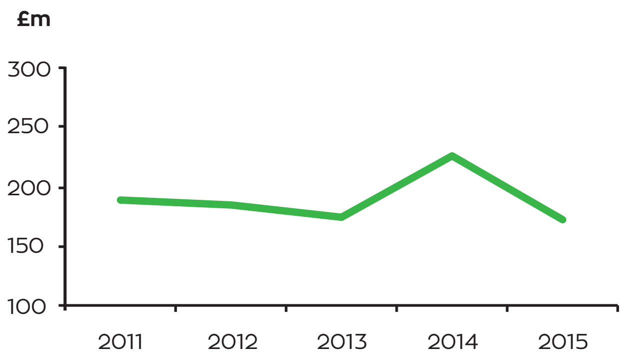
The capital resources of the Society are calculated in accordance with the requirements of the Prudential Regulatory Authority, consisting of:

- General Reserves accumulated profit, Revaluation Reserves and Available for Sale Reserves, representing Tier 1 Capital
- Collective Mortgage Provision representing Tier 2 Capital

The Society also assessed its capital requirements in line with the Capital Requirements Directive (CRD). This framework governs the amount of capital required to be held to provide security for members and depositors. The Society seeks to ensure that it protects member's savings by holding sufficient capital at all times. The minimum amount of capital the Society is required to hold is set by European and national regulators. The capital requirement is set with reference to the amount of risk weighted assets the Society holds for credit risk, market risk and operational risk.

Capital disclosures to comply with FRS 102 (audited)	**2015**	**2014**
Tier 1 Capital	£58.7m	£55.5m
Tier 2 Capital	£0.4m	£0.3m
Capital Resources	£59.1m	£55.8m
Risk Weighted Assets (unaudited)	£314.0m	£314.3m
Core Tier 1 Ratio	18.7%	17.6%
Assets for leverage purposes (unaudited)	£900.3m	£914.9m
Leverage Ratio (unaudited)	6.6%	6.1%

Liquid assets (£'m)



Liquid Assets: The total cash in hand, loans and advances to credit institutions and debt securities.

Liquid assets totalled £172m as at 31 December 2015 (2014: £227m). The liquidity position has been successfully managed down, by utilising some of the excess liquidity to fund mortgage lending to customers.

Although reduced, the Society's liquidity position remains robust at 20.8% of SDL (2014: 26.8%). The amount of liquidity repayable on demand is £57m (2014: £121m)

Strategic Report

(continued)

Trends and Factors Likely to Affect Future Development, Performance and Position

Interest rates in the UK continue to remain at historically low levels and despite some signs of economic recovery in the UK during 2015, further recovery is fragile in light of the turmoil in the global economy, especially China. Base rate has now been at 0.5% since March 2009 and this is unlikely to increase imminently with weakened growth prospects in the UK and potential consequences from the global economy. Rates are not expected to rise until late 2016 at the earliest.

Aside from the global economy, further challenges are evident with the return to substantial volumes of mortgage lending by the high street banks and new 'challenger' banks entering the market. The housing market outside of London remains in line with historical trends and there are no signs of significant price bubbles outside of the capital. It is expected that house prices will continue to rise steadily as the supply of new homes is unlikely to keep pace with demand. Given the unprecedented interest rate conditions, both in terms of minimal base rates and duration for which these have prevailed it is difficult to predict the impact of a gradually increasing base rate upon affordability, arrears and impairment.

Competition has increased in the Buy to Let mortgage market, and it is uncertain what the impact of the reduction in tax advantages and the introduction of the 3% surcharge from April 2016 will have on this area of the market.

The keen competition in both the mortgage and savings market are expected to continue for the foreseeable future, as is the move towards greater innovation and technological change, particularly in respect to online and mobile banking. We continue to monitor these trends to ensure that we respond to meet the needs of our members. Investment in new technology will improve how both members and intermediaries can open their mortgage account. We are committed to developing this platform further to extend the service to direct applications and also to include full administration and enquiry capability.

2015 was the first full year for the Society operating under the rules of the Financial Conduct Authority's Mortgage Market Review and further regulatory changes in the form of the Mortgage Credit Directive will apply to all new residential mortgages from March 2016. There has been an increasing focus on the savings markets from the regulators and H.M. Treasury. In autumn 2015 the Help to Buy ISA was launched and in 2016 we will see the introduction of the flexible ISA as well as the new changes in tax where the first £1,000 of interest will be tax-free. The Society continues to monitor these developments and to meet the demands of new legislation and regulation as and when they arise.

The Society is very mindful that each of these issues can cause risk and uncertainty which, in extreme circumstances, can damage the financial strength of the Society. These risks are monitored as part of the Society's Risk Management Framework. Additionally, the Society performs regular stress testing as part of its Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Systems Assessment (ILSA) regulatory assessments and also it's forward looking five-year corporate plan. Through these processes, the Society performs a wide range of severe stresses across each of the Society's principal risks, including stresses to house prices, credit quality, net interest margin compression, cost pressures, regulatory pressures, liquidity and operational events. The Society's currently robust level of capital and liquidity are sufficiently resilient to withstand the impacts of these stresses which have been assessed as part of the Long Term Viability statement (page 15).

Risk Management Report

The purpose of this report is to:

- Explain the Society's Risk Management Framework;
- Highlight the risk governance arrangements; and
- Set out the principal risks and uncertainties facing the Society.

Risk Management Framework

The Society's activities are governed by its constitution, principles and values. The directors have also agreed a set of statements which describe the Board's risk appetite in terms of the principal risk categories: credit, strategic, market, liquidity, conduct, regulatory & legal, pension and operational (the Society's Risk Appetite Statements).

These Risk Appetite Statements enable the Board to formally communicate to the organisation the level of risk they are willing to accept to achieve Society objectives, both in terms of qualitative and quantitative measures.

The final element of the framework is the formal structure for managing risk across the Group. This is based on the '3 lines of defence' model which is illustrated below.

First Line of Defence	Second Line of Defence	Second Line of Defence	Third Line of Defence	
BUSINESS	**RISK MANAGEMENT**	**COMPLIANCE**	**INTERNAL AUDIT**	
Overall Accountability and Ownership	Design Risk Management Framework	Design Compliance Framework and Approach	Independent review of the design and implementation of framework	**RISK GOVERNANCE**
Implementation of Framework	Develop processes for implementation of framework	Develop processes for implementation of framework		**RISK CULTURE**
Establish strong risk management culture	Promote strong risk management culture	Promote strong compliance culture		**GOVERNANCE STRUCTURE**
Promote strong risk management culture	Challenge and Oversight	Challenge and Oversight		
Set Risk Appetite				

Principal Risks and Uncertainties

The Board is committed to the traditional values of a mutual organisation. Central to these values are requirements to deliver the right outcomes for customers based on their needs. These core values also determine the Society's prudent approach to its business and its markets.

The principal business of the Society is the production and distribution of financial products and in particular, mortgages and deposit-based savings accounts. Regulated investment products are supplied by the Society's subsidiary, Leek United Financial Services Limited acting as agent for the Society. The Group uses wholesale financial instruments in the management of its balance sheet, investing funds held as liquidity and is able to raise wholesale funding if necessary. We also use derivative financial instruments to manage and mitigate our interest rate risk. The derivatives are used solely for this purpose and are not used for trading activity or speculative purposes.

The Risk Management Framework has been established to ensure that the Society has a strong, robust risk management methodology and culture as part of our strategy to proactively manage our risks in accordance with our prudent approach to risk.

The eight principal risks, their mitigants and the Board's appetite statements are set out as follows:

Principle Risk	Mitigants	Risk Appetite
Credit: The risk of losses arising from a debtor's failure to meet their legal and contractual obligations. Potentially arising from mortgage customers falling into arrears, insufficient security value or the write off of Treasury exposures.	The Society operates within appropriate policies and risk appetites and performance is monitored closely. Our prudent lending policy means our mortgage book is of high quality. Each application is individually underwritten to ensure that loans are affordable. This is evidenced by our low level of arrears. There is potential risk from the failure of a counterparty however our Treasury policies also mean that we set tight criteria over where we will, and where we won't place excess funds. The criteria include both long term and short term ratings published by external credit rating agencies, which are an indication of a company's creditworthiness as well as the results of published regulatory stress tests.	We will adopt a prudent lending approach to our mortgage customers and treasury counterparties resulting in low default rates and not impacting on earnings or capital.
Strategic: The risk of losses as a result of strategic / management decisions or business choices. Factors such as competition and regulatory change could impact the Society should it fail to keep up with the pace of change. As a result there could be significant loss or insufficient capital to meet operational and regulatory demands.	The Society has an established corporate planning process which is subject to rigorous challenge which sets the overall direction for the Society. The Society recognise that it operates in a competitive market place and keeps a close eye on market trends and is mindful of these in its decision making. The Society operates a Three Lines of Defence model providing oversight, challenge and independent assurance and the Non Executives provide a robust level of challenge over Executive proposals.	We will ensure that the strategic direction delivers a sufficient return that enables us to deliver capital which provides long term growth as well as financial stability for our members.
Market: The risk of losses arising from changes in market rates or prices. The main exposure for the Society is interest rates, there is a risk that changes in interest rates will result in changes to income due to the difference between interest rates charged for mortgages compared to those paid for funding over different re-pricing time periods.	The Society has a cautious approach to market risk and operates with policies and risk appetites. Reports are produced on a monthly basis to ensure the Society remains within these limits. The Society does not operate a trading book and only takes out interest rate swaps with approved counterparties to reduce interest rate risk exposure.	We will manage our interest rate and basis risk positions to ensure that losses due to adverse movements in market rates do not impact significantly over and above our forecasted market expectations.
Liquidity: The risk that the Society is unable to meet its financial obligations as they become due and, as a consequence, being unable to support normal business activity and failure to meet liquidity regulatory requirements. We continue to hold very strong levels of liquidity. There is potential risk to this from an extreme scenario of depositors withdrawing their funds.	The Society aims to provide customer savings rates that are both fair and sustainable and monitor them closely. The Society has appropriate appetites and policies in place and monitors the liquidity position closely on an on-going and forward looking basis. There are also contingency plans in place should extreme situations arise.	We will maintain sufficient liquid resources, over and above the financial minimum, that gives our members confidence that we have the ability to meet our financial obligations as they fall due..
Conduct: The risk that we are unable to demonstrate that we are putting the customer interest at the very heart of the business.	The Society monitors customer feedback closely on an on-going basis, including the use of 'mystery shoppers'. In line with our core values and beliefs the customer is at the heart of everything we do.	We will strive to deliver positive outcomes to our customers and members at all times, maintaining a high degree of customer and public confidence, to be achieved primarily through focusing on our core mission statement.
Regulatory and Legal: The risk of fines, public censure, limitation on business, or restitution costs arising from failing to understand, interpret, implement and comply with UK and EU regulatory requirements. It is essential for the Society to comply with all applicable regulatory requirements.	Continuous monitoring of regulatory change requirements is ongoing to ensure awareness and compliance by the Society. The Three Lines of Defence model also provides oversight, challenge and independent assurance.	We will maintain a robust process to ensure that regulatory requirements are met within agreed time frames.
Pension: The risk of financial deficit in the Society's defined benefit scheme. The possibility that the Society will have to pay more than expected into its employees' pension schemes which could be impacted by factors such as mortality rates, asset values and yield prices.	The defined benefit pension scheme is closed to further accrual. The Society works closely with the pension trustees to try and seek further de-risking opportunities as conditions allow.	We will ensure that we can meet our contractual and regulatory requirements so that we can meet our existing and future liabilities.
Operational: This is the risk of a loss arising from inadequate or failed internal processes or systems, human error, key supplier failure or external events.	The Society manages these risks as an integral part of its operations, utilising controls, the Risk & Control Self Assessment tool and the Risk Registers. The Society has disaster recovery and business continuity plans in place to mitigate the impact of loss or damage to buildings, systems or staff caused by natural disaster or other event.	We will maintain efficient operational processes and controls to ensure that we can optimise our resources and reduce the impact of operational risks on the Society's performance.

Launch of Feelgood mortgage which helps one hospice in each of the four counties covered by our branch network - Staffordshire, Cheshire, Shropshire and Derbyshire.

The Board continues to review the activities of the Society on an ongoing basis to ensure they are in accordance with our risk appetite.

Long Term Viability

The directors confirm that their assessment of the principal risks facing the company was robust.

Based on the Board's robust assessment of the principal risks (all of which are described in the table opposite), and their stress testing based assessment of the Society's prospects, the directors have a reasonable expectation that the company will be able to continue in operation and meets its liabilities as they fall due over the period to December 2020 subject to unforeseeable external stresses including, but not limited to, the macro economic climate, competitive pressures, reputational damage and regulatory change.

The directors have no reason to believe that the Society will not be viable over a longer period. However given the inherent uncertainty the directors have selected this period based on the Society's Board approved five year corporate planning and stress testing. The directors have also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of Preparation in note 1 to the accounts.

Peter Kerns

Chairman

24 February 2016

Directors' Profiles

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Non Executive Directors

01 Peter Kerns, Chairman (age 62)
Peter worked as a solicitor for over 30 years, principally in the areas of commercial, corporate and regulatory law. Following a period in private practice he worked for mutual financial services businesses including a building society and an insurance company. Latterly, he was the director of legal and regulatory services at a mutually owned banking group.

Peter became Chairman of the Society in April 2013. During the year he has served as Chair of the Nominations Committee and served on its Remuneration Committee.

02 Rachel Court, Non Executive Director, JP, BA (age 49)
Rachel worked as a Senior Executive of Yorkshire Building Society for almost 23 years. During her career at the Yorkshire, she fulfilled a broad range of roles, including responsibility at various times for intermediary mortgage sales, mortgage product development, HR, operations and customer service. Rachel acquired substantial Board level experience and worked closely with the Remuneration Committee as well as serving as a member of the Board Risk Committee, also chairing the Board of Yorkshire Guernsey Limited.

Rachel is the independent Chair of the NHS Pension Board and a Non Executive Director on the Boards of Invesco Perpetual Life Limited and South West Yorkshire Partnership NHS Foundation Trust. She is also Chair of a charity, PRISM, which offers alternative educational provision to young people excluded from mainstream education as well as being a Governor of Calderdale College. Rachel also serves as a Magistrate.

Rachel was co-opted onto the Board in November 2014. During 2015 Rachel has served as a member of the Board Risk Committee and Chair of the Remuneration Committee.

03 Richard Goddard, Non Executive Director, MA, FCA (age 58)
Richard is a Chartered Accountant with more than 30 years experience in financial services. Richard worked at KPMG as a senior audit manager. In 1993, he joined the Co-operative Bank where he developed robust, effective financial controls and led the finance team through two significant mergers. During his career at the Co-operative Bank, Richard was an Executive Director and also served as a Non Executive Director at its joint venture, Unity Trust Bank. Richard also provides finance and risk advice to small and medium sized financial organisations outside the building society sector through his company RCG Business Consultancy Ltd.

Richard was co-opted onto the Board during 2011. During 2015 he has served as Chair of the Board Risk Committee and is also Chair of the Audit Committee and Pension Trustees Committee.

04 John Leveson, Non Executive Director, MBA, FCIB (age 56)
John is a Fellow of the Chartered Institute of Bankers and worked in the Building Society sector for over 36 years, the last 17 years as an Executive Director and latterly as Deputy Chief Executive of a regional building society. During his career he was responsible at various times for marketing, sales, product development, HR, IT, mortgage underwriting, customer services, legal services and internal audit. In addition to serving on a building society group board he has also served on and chaired the boards of subsidiary companies involved in estate agency, financial planning and car finance. John is also a governor of Queen Elizabeth School, a coeducational selective grammar school in Penrith and is manager of the GB and NI Transplant Cycling Team.

John was co-opted onto the Board in May 2015 and is a member of the Audit Committee and the Remuneration Committee.

05 Kerry Spooner, Non Executive Director (age 55)
Kerry had 9 years of financial services experience in the building society sector before joining the Board. During those 9 years she acted as a Non Executive Director of Market Harborough Building Society (retiring from the Board in April 2015). She was Vice Chair and Senior Independent Director. Kerry chaired the Remuneration Committee and also sat on the Audit, Risk and Nominations Committees. Prior to that Kerry worked as a solicitor for 20 years, the last 9 years as a corporate finance partner of the magic circle international law firm Allen & Overy LLP in London. Recognised as a Capital Markets expert, Kerry advised major PLCs on mergers and acquisition transactions and worked with companies on stock exchange listings and initial public offerings. Kerry is also a member of the Lord Chancellor's Advisory Committee and a Non Executive Director of Scotiabank Europe plc.

Kerry was co-opted onto the Board in May 2015 and is a member of the Board Risk Committee, Remuneration Committee and Nominations Committee.

06 Jim Washington, Non Executive Director, ACIB (age 65)
Jim is an Associate of the Chartered Institute of Bankers and during a career of over 40 years in the financial services sector; he has held a variety of roles including human resources, retail distribution, specialised mortgage lending and risk management. He is a past member of the CML Social Housing Panel and Mortgage Practitioners Panel.

Jim joined the Board as a Non Executive Director in November 2005. He is the Society's Vice Chairman, a member of the Audit, Board Risk and Nomination Committees and has served as Chair of the Remuneration Committee during the year. Jim is also the Senior Independent Director. Having served as a Non Executive Director for over 10 years, Jim is retiring from the Board following the 2016 AGM.

Executive Directors

07 Kevin Wilson, Chief Executive (age 57)
Kevin has significant experience in the financial services sector. After a successful career in sales management in the banking and financial services sector, he joined Leek United Building Society in 1994. His initial responsibilities at Leek United included the development of the highly successful financial advice service before joining the Board, in 1998, as Sales Director with responsibility for the financial advice service, marketing, general insurance as well as our branch network.

Kevin was appointed to the role of Chief Executive in 2005 and has led the Society through a period of unprecedented change in the financial services industry. During 2015, he has served as a member of the Nominations Committee, Management Risk Committee and Asset and Liability Committee and also attends the Board Risk Committee, Audit Committee and Remuneration Committee.

08 Tony Hubbard, Operations Director (age 47)
Tony has over 25 years experience in financial services and has significant experience in Treasury and Risk focusing on balance sheet management and operational controls. He has served on Operational Committees, Product Governance Committees and various Risk Committees during his career.

After joining the Society in 2013 as Head of Risk, in November 2014 , Tony was promoted to Operations Director and co-opted to the Board as an Executive Director. His specific responsibilities within the Society include IT, products and marketing, the branch and agency network, mortgage operations, savings facilities and Leek United Financial Services. He is a member of the Management Risk Committee and Asset and Liability Committee and also attends the Board Risk Committee.

09 Paul Wilson, Finance Director, ACA (age 44)
Paul qualified as a Chartered Accountant in 1996. After initially working within accountancy practices, including KPMG, he moved into Financial Services in 1998 with the Co-operative Bank. His financial services experience has been wide-ranging, including balance sheet management (including interest rate risk), financial control, statutory and regulatory reporting. Paul also led the finance elements of significant strategic acquisition and capital restructuring programmes.

Paul joined the Board as Finance Director in July 2014. He is Chair of the Asset and Liability Committee as well as a member of the Management Risk Committee and Product Governance Committee. He also regularly attends the Board Risk Committee, Audit Committee and Remuneration Committee as well as the Nominations Committee when appropriate.

Directors' Report

The directors have pleasure in presenting the Annual Report and Accounts for the year ended 31 December 2015.

Business Review

A full review of business performance can be found included within the Chief Executive's Business Review and the Strategic Report.

Directors

Rachel Court Non Executive Director

Richard Goddard Non Executive Director

Tony Hubbard Operations Director

Peter Kerns Non Executive Director

John Leveson Non Executive Director
(Appointed 19 May 2015)

Derek Lyons Non Executive Director
(Resigned 22 April 2015)

Kerry Spooner Non Executive Director
(Appointed 19 May 2015)

Jim Washington Non Executive Director

Kevin Wilson Chief Executive

Paul Wilson Finance Director

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

The directors would like to express their sincere thanks to all staff for their role in delivering continued success during 2015. Their passion and dedication to achieving our objective of exceptional customer service will support the continued success of the Society in the years ahead and protect the interests of our members. Information is provided to employees through meetings, team briefings, circulars, newsletters and the Society's intranet to ensure employees are aware of the Society's performance and objectives and the business environment in which it operates.

The Society has a commitment to provide 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, religion or belief. Should employees become disabled, it is the Society's policy to continue their employment where possible with appropriate training and, if appropriate, redeployment.

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

Interest Rates

The Society's standard variable mortgage rate was 5.19% throughout the year.

Treating Customers Fairly

The Society has always had a core focus on ensuring the fair treatment of its customers in every way and, as part of its continuing commitment to that principle, has completed an extensive exercise in promoting and developing a cultural model which will continue to support that aim. This involves continually reviewing procedures, measuring performance and listening to customers concerns and complaints, and then taking action to put things right quickly if we fall below our high standards.

Provision of Information to Auditors

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Society's auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Society will be proposed at the Annual General Meeting.

Post Balance Sheet Events

The directors consider that there have been no events since the year end that have an important effect on the position of the Society.

Peter Kerns

Chairman

24 February 2016

Leek United
BUILDING SOCIETY

Corporate Governance Report

The UK Corporate Governance Code (the Code) is a set of principles of good corporate governance predominantly aimed at listed companies. The Prudential Regulation Authority state that building societies should have regard to the Code when establishing and reviewing their own corporate governance requirements. The Code does not directly apply to mutual organisations, however the Board confirms that the Society has appropriate regard to the Code, including the revisions effective from 1 October 2014, as set out in this report.

The Board

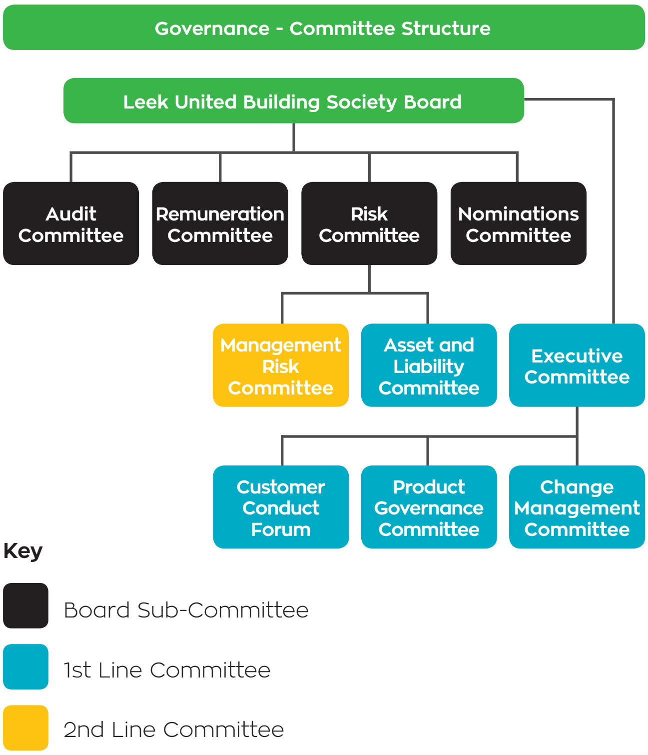
The Board sets the overall strategic aims and objectives for the Society. As such it is the Board's responsibility to ensure that the resources are in place to enable the Society to meet these objectives, as well as review management performance to support delivery of the corporate plan objectives. The Board also has responsibility to ensure that an effective framework of prudent and effective controls is in place for risk management.

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.

There is a schedule of decisions which can only be made by the Board, the Board meets at least monthly and as such there are a minimum of 12 meetings each year together with an additional day focussed on strategy. The Non Executive Directors meet regularly without the Executive Directors present.

There have been changes to the Non Executive Directors in 2015 with Derek Lyons retiring from the Board in April 2015 and both John Leveson and Kerry Spooner being co-opted to the Board in May 2015. At the end of 2015 the Board consisted of six Non Executive Directors and three Executive Directors.

Certain responsibilities are delegated by the Board to be the responsibility of the executives and management of the Society either collectively or individually. The Board has agreed a management structure to create strong corporate governance in the Society and the Group, with greater and clearer accountability. In addition, the Board has set up certain sub-committees to which it has delegated certain powers. Each of the Board Committees has Board approved Terms of Reference, which are published on the Society's website. The Board receives recommendations from the Committees within their terms of reference and the minutes of the Committee meetings are reported to the Board. The structure is shown above:



Board Risk Committee

The role of the Board Risk Committee (BRC), a sub-committee of the Board assists the Board in carrying out its responsibilities relating to Risk and Compliance in the Society:

- To provide assurance to the Board of the independence and quality of the risk and compliance functions.
- To review, challenge and approve the Risk Management Framework.
- To provide specialist advice to the Board and other Committees in assessing Prudential and Conduct risks including those arising from the Corporate Planning process and major new business initiatives.
- To ensure the Society has in place an adequate stress testing framework to identify, measure and limit extreme risk (unexpected risk).
- To review, challenge and recommend to the Board for approval the risk appetite statement and supporting risk appetite metrics, ensuring these are linked to stress tests as well as actual and forecast profit, capital and liquidity capacity.
- To provide assurance to the Board that the Society maintains sound risk management and internal control systems.

Corporate Governance Report

(continued)

- To provide assurance to the Board that the Society is up to date with regulatory risk requirements and is adhering to best practice in risk measurement methodologies and risk management practice.
- To review, challenge and recommend to the Board for approval the Internal Capital Adequacy Assessment Process (ICAAP) document.
- To review and approve the terms of reference of the Management Risk Committee (MRC) and the Asset and Liability Committee (ALCO).
- To receive a report summarising any fraudulent activity identified against the Society and on accounts of customers of the Society, ensuring any fraud investigations are performed effectively.

At 31 December 2015, the BRC comprised Richard Goddard (Chair), Rachel Court, Kerry Spooner and Jim Washington.

The BRC is supported by the Management Risk Committee (MRC) and the Asset and Liability Committee (ALCO).

The MRC's main responsibility is to assess the management of operational, credit and conduct risk together with legal and regulatory risk across the Group. Responsibilities of the MRC also include ensuring the detailed application of the risk management framework and the development of key risk policies and indicators.

The ALCO supervises the Group's treasury and financial risk management activities and advises and supports the Finance Director in carrying out his responsibilities, including the identification, management and control of the balance sheet risks and the overview and monitoring of relevant risk control frameworks. Management of market, liquidity and strategic risk has been delegated to the ALCO.

Board Audit Committee

The Board Audit Committee (BAC), a sub-committee of the Board, assists the Board in carrying out its responsibilities as follows:

- To review the effectiveness of the Society's first and second lines of defence internal controls and risk management systems established by management, to identify, assess, manage and monitor financial and non-financial risks, for ensuring compliance with the regulatory environment in which the Society operates.
- To review management's and the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting and risk management, including all aspects of the first and second lines of defence.
- To review the adequacy and effectiveness of the Society's fraud prevention systems and controls.
- To approve the appointment or removal of the Head of Internal Audit and monitoring the effectiveness of the Internal Audit function in its operation of the 3rd line of defence.
- To monitor the integrity of the financial statements of the Society, reviewing any significant financial judgements contained therein.
- To review and approve the Pillar 3 disclosure.
- To oversee the appointment, reappointment and removal process of the external auditor; reviewing their performance, objectivity and independence.

At 31 December 2015, the Committee comprised Richard Goddard (Chair), John Leveson and Jim Washington.

Remuneration Committee

The Board has established the Remuneration Committee to which it has delegated the following responsibilities:

- To review the overall remuneration policy for the Society.
- To approve appropriate levels of remuneration and conditions for Executive Directors and all other Remuneration Code Staff.
- To establish the parameters within which the Executive Directors are to conduct negotiations with employee representatives recognised by the Society for the purpose of setting the general level of remuneration and conditions of employment for all other employees.

The Committee makes an annual report to members which can be found on page 25. The Committee is composed entirely of Non Executive Directors and as at 31 December 2015 comprised Rachel Court (Chair), Peter Kerns, John Leveson and Kerry Spooner.

Nominations Committee

The Board has established the Nominations Committee to which it has delegated the following responsibilities:

- To ensure that appropriate arrangements are in place for the recruitment and selection of suitably qualified persons to act as Directors (both Non Executive and Executive) of the Society.
- To ensure that a 'Board Succession Plan' is in place in order to facilitate that recruitment and that the Board remains 'fit for purpose' in terms of skills, knowledge, expertise and experience required at any given time.
- To periodically review the structure, size and composition of the Board including a review of the skills, knowledge and experience mix of the members of the Board in order to ensure that such mix remains relevant to the business of the Society at any given time.

- To identify any role other than that of Director for which the Committee deems it appropriate to assume responsibility for the recruitment and selection of a suitable candidate for any and all such roles.

At 31 December 2015 the Committee comprised Peter Kerns (Chair), Kerry Spooner, Jim Washington and Kevin Wilson.

Division of Responsibilities

The offices of Chairman and Chief Executive are held by different people, with a clear division of responsibilities which are set out in writing and agreed by the Board. The Chief Executive has responsibility for managing the Society in line with strategies, policies and delegated authorities as agreed by the Board.

The Chairman

The Chairman is responsible for leadership of the Board and ensuring the Board's effectiveness in all aspects of its role. In addition, the Chairman sets the direction and culture of the Board, promoting a culture of openness and fairness by facilitating effective debate and contribution and maintaining constructive relationships between the Executive and Non Executive Directors. The Chairman also ensures that Directors receive accurate, timely and clear information.

The Society's current Chairman, Peter Kerns, was appointed as a Non Executive Director in December 2009. During April 2013 he was elected to be the Chairman of the Board following the retirement of the former Chairman. Peter Kerns has never been Chief Executive or an employee of Leek United Building Society. Peter will be retiring from the Board at the AGM and Rachel Court will be appointed as Chair of the Board.

Non Executive Directors

The Non Executive Directors participate in a Board Strategy day on an annual basis with the Executive Directors to identify, debate and assess the strategic options available to the Society. Using the options identified, a 5 year corporate plan is prepared by the Society's management and Executives which is subject to rigorous challenge by the Non Executive Directors.

The Senior Independent Director of the Society provides a sounding board for the Chairman and serves as an intermediary for the other directors where necessary. The Senior Independent Director also has 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 Senior Independent Director until April 2015 was Derek Lyons with Jim Washington serving the remainder of 2015 until his retirement at the AGM in April 2016. Following Jim's retirement the Senior Independent Director will be Kerry Spooner, subject to election, who will be pleased to act as an alternative contact point for members.

The Composition of the Board

At the end of 2015 the Board consisted of six Non Executive Directors and three Executive Directors.

The composition of the Board is reviewed at regular intervals (at least annually on a formal basis) and changes progressively over time in a planned manner and in line with the good practices specified in the Code. The Board is responsible for ensuring that any subsidiary Board has the appropriate range of skills, expertise and experience, particularly where a non-core activity is carried out in a subsidiary.

Responsibility for issues relating to Board composition and succession planning is delegated to the Nominations Committee.

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 Non Executive Director whose service exceeds nine years. This constitutes only one member of the Board; Jim Washington and the Board are satisfied that his independence is not impaired. Non Executive Directors with over nine years service offer themselves for re-election on an annual basis, Jim Washington will, however, be retiring from the Board after the 2016 AGM. All other directors are required to submit themselves for re-election at least once every three years.

Appointments to the Board

The Nominations Committee has responsibility for ensuring that appropriate arrangements are in place for the recruitment and selection of suitably qualified persons to act as directors (both Non Executive and Executive) of the Society. The Committee maintains a 'Board Succession Plan' in order to facilitate that recruitment and that the Board remains 'fit for purpose' in terms of the skills, knowledge, expertise and experience required at any given time.

The Society uses independent executive search and selection agencies, to support the recruitment of Non Executive Directors. In 2015, the Society used Warren Partners for the recruitment of Non Executive Directors; the Society's only connection with Warren Partners is for recruitment and selection. Careful consideration is given to the combined skills, experience and diversity of existing Board members in making new appointments to the Board. All directors conform to the requirements of the Approved Persons regime governed by the Financial Conduct Authority and pass the 'fit and proper' test specified in the Prudential Regulation Authority Handbook. All directors are also subject to election by members at the AGM following their appointment.

The Society believes that diversity amongst Board members is of value and this is considered alongside the key requirements of relevant knowledge, skill and expertise to perform effectively as a member of the Board. It is the Society's policy to make appointments to the Board without regard to age, ethnic origin, creed, marital status, disability, sexual orientation and religion or belief.

Corporate Governance Report

(continued)

Commitment

The attendance record during the year of Board and Committee members is set out below:

Name	Board	Audit	Risk	Nominations	Remuneration
Rachel Court	12 (12)	-	5 (5)	-	6 (6)
Richard Goddard	12 (12)	4 (4)	5 (5)	-	-
Tony Hubbard	12 (12)	-	-	-	-
Peter Kerns	11 (12)	-	-	7 (8)	5 (6)
John Leveson (from 19/05/15)	7 (8)	3 (4)	-	-	3 (3)
Derek Lyons (to 22/04/15)	2 (3)	-	-	1 (1)	1 (1)
Kerry Spooner (from 19/05/15)	6 (8)	-	1 (1)	5 (6)	2 (3)
Jim Washington	12 (12)	4 (4)	5 (5)	8 (8)	5 (5)
Kevin Wilson	12 (12)	-	-	7 (8)	-
Paul Wilson	12 (12)	-	-	-	-

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

Development

On appointment, directors are given an individual induction programme and appropriate training. 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. Training and development needs are also identified as part of the annual appraisal process.

Information and Support

The Chairman ensures that the Board receives sufficient accurate, timely and clear information to enable it to discharge its duties. If necessary all Non Executive Directors are entitled to obtain independent professional advice at the Society's expense.

Performance Evaluation

A formal system of board appraisals 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 Senior Independent Director 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. This evaluation encompasses the balance of skills, experience, independence and knowledge of the Society's Board, together with its diversity and gender balance, how the Board works together as a unit and other factors relevant to its effectiveness. During 2015, the Society engaged Deloitte to perform an external and independent review of Board effectiveness. No significant issues were identified.

Race for Life Cancer Research Mud Run

Re-election

Non Executive Directors with over nine years' service are required to 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.

Financial and Business Reporting

The Board and Audit Committee believes that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information for Members to assess performance, strategy and the business model of the Society. The Statement of Directors' Responsibilities on page 26 sets out the Board's responsibilities in relation to the preparation of the Annual Report and Accounts. Business performance is reviewed in the Chairman's Statement, Chief Executive's Business Review and the Strategic Report. The accounts have been prepared under the going concern principle.

The Audit Committee has considered the Annual Report and Accounts and considered the key judgmental items in relation to the financial statements for 2015 including:

- The provision required for both individual and collective mortgage provisions. This is assessed on the level of arrears and forbearance on customer accounts. The key judgments are the level of loans that will actually default as well as expected levels of loan exposure compared to expected levels of security including mortgage indemnity insurance where relevant.
- The provision relating to the Financial Services Compensation Scheme (FSCS) levy. This estimate is based on publicly available information at the time, in respect of the levy for 2015 and future years. It is affected by the Society's market share of protected deposits as well as the interest and capital requirements of the FSCS scheme.
- The assumptions utilised in the valuation of the defined benefit pension scheme. This is particularly sensitive to asset valuations as well as expectations of long term corporate bond yields, inflation and mortality. Management appointed a third party specialist for the valuation of the defined benefit pension scheme which included advice on the assumptions to use and the sensitivities of those assumptions. The Committee were satisfied that the pension assumptions were within an appropriate range by reviewing the sensitivities and benchmarking with external data and with other organisations.
- The assumptions, basis and sensitivities for fair values of derivatives and financial assets, hedge accounting and effective interest rate adjustments arising from the application of IAS 39.

Further detail regarding the sensitivities of these assumptions is included on page 39 within the Notes to the Accounts.

The Committee reviewed and challenged the assumptions, estimates, risks and sensitivities for each accounting estimate and was satisfied that the provisions were towards the prudent end of the range of sensitivities and that they were appropriately dealt with in the accounts.

Risk Management and Internal Control

The Society uses the Risk Management Framework as part of our strategy to manage risk proactively in accordance with our prudent risk appetite stance.

During 2015, the Society's Principal Risks were managed through the following Committees:

Board	Board Risk Committee	
	Management Risk Committee	Asset and Liability Committee
Pension Risk	Operational Risk	Market Risk
	Conduct Risk	Liquidity Risk
	Legal and Regulatory Risk	Strategic Risk
	Credit Risk	

The Board own and approve the risk appetite for the Society including the Risk Management Framework. The Risk Management Framework identifies the process, ownership, responsibilities and the risk oversight required to support effective implementation across the Society.

The Society operates a 'three lines of defence' governance model, as shown on page 13, to ensure appropriate responsibility is allocated to the management, reporting and escalation of risks. 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.

Corporate Governance Report

(continued)

Further information on the Society's approach to risk management and the Board's assessment on the principal risks is within the 'Principal Risks and Uncertainties' Section of the Strategic Report.

Audit Committee and Auditors

The role of the Audit Committee is set out on page 20. The Committee comprises three members, all of whom are Non Executive Directors and meets at least four times a year, and where appropriate this coincides with key dates in the Society's financial reporting cycle. At least annually, the Committee meets with the external and internal auditors without the Executive Directors present. The Committee assesses all requests to use the external auditor for non-audit work and receives explanations from management and the external auditor to satisfy each member that the objectivity and independence of the external auditor is safeguarded.

The Committee assesses the effectiveness of the external audit process through a combination of feedback from committee members and Society management, completion of standard questionnaires and other external independent information where available. The external auditor, PricewaterhouseCoopers LLP, has been engaged by the Society since the audit of the 1998 financial statements. The Committee have therefore decided to undertake an external tender process during 2016 to review the Society's external auditor engagement with effect from the 2017 financial statements.

Remuneration

The Directors' Remuneration Report is set out on page 25.

Dialogue with Shareholders

As a mutual organisation, the Society has members rather than shareholders. 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 supported by the Chairman and other Executive Directors gives a presentation on the main business developments. The members present at the forum are given the opportunity to raise questions to the directors and senior management.

Constructive use of the Annual General Meeting (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 vote if they cannot, or chose not to, attend the AGM. For wider customer choice, the Society has provided access to members to be able to vote on-line for the first time. 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 each of the Committees is therefore available to answer questions raised by members.

On behalf of the Board of Directors

Peter Kerns

Chairman

24 February 2016

Directors' Remuneration Report

The Society's Remuneration Committee is composed solely of Non Executive Directors. The Committee's principal responsibilities are to determine the overall remuneration policy for the Society as a whole and the specific level of remuneration for Executive Directors. In determining remuneration, the Committee considers the guidance in the UK Corporate Governance Code 2014 (the Code) and applies the FCA Remuneration Code.

The Level and Components of Remuneration

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. A performance related pay scheme was introduced for all staff in the Society for the first time in 2015, and the Executive Directors participate in this scheme. The scheme has robust performance measures based on the Society's performance, and results in a maximum payment of £1,000 per annum regardless of salary. I'm pleased to confirm that in 2015, the performance targets were met in full, and a payment of £1,000 was awarded to all qualifying staff. The Chief Executive is a member of the Leek United Building Society Pension and Assurance Scheme, which closed for future accrual on 24 April 2013. The Chief Executive, Finance Director and Operations Director are members of the defined contribution stakeholder pension scheme. With effect from June 2015, the Chief Executive elected to receive the equivalent contribution to that provided in the defined contribution scheme in the form of a cash allowance.

The Corporate Governance Code recommends that an Executive Director's service contract period should be set at 12 months or less and the contractual notice period for all Executive Directors conforms to this limit.

Non Executive Directors

Non Executive Directors receive fees for the provision of their services, including additional fees for Chairmanship of Committees as well as reimbursement of relevant expenses. They do not have service contracts and do not receive any other benefits, bonus or pension entitlement. They are subject to tri-annual re-election by the members at an Annual General Meeting and those who continue beyond a third three year term are subject to annual re-election thereafter.

The Procedure for Determining Remuneration

The remuneration of the Executive Directors is determined by the Remuneration Committee which comprises of a minimum of three Non Executive Directors (at 31 December 2015: four Non Executive Directors) and in addition the Chief Executive and Finance Director attend by invitation but take no part in the discussion of their own salary. The Committee meets a minimum of four times a year.

In determining the remuneration of Non Executive and Executive Directors, both the Board and the Remuneration Committee take account of fees and salaries payable and other benefits provided to Non Executive Directors, Executive Directors and Chairmen of building societies that are similar in size and complexity to Leek United Building Society.

Directors' Remuneration

The table in note 7 to the Annual Report and Accounts summarises directors' pay and benefits for the year ended 31 December 2015.

Member Consultation

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

Rachel Court

Chair of the Remuneration Committee

24 February 2016

Mame Diouf and Clare Beardmore at The Crescent Academy school in Meir promoting Stoke City Football Club Community Trust.

Directors' Responsibilities

Directors' Responsibilities for Preparing the Annual Report and Accounts

The following statement, which should be read in conjunction with the Independent Auditors' Report on page 27, is made by the directors to explain their responsibilities in relation to the preparation of the Annual Report and Accounts, Annual Business Statement, Strategic Report and Directors' Report.

Under the Building Societies Act 1986, the directors are required 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 financial statements;
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Society and Group will continue in business.

In addition to the accounts, the Building Societies Act requires the directors to prepare, for each financial year, an annual business statement and a directors' report, containing prescribed information relating to the business of the Group, if not already contained within the strategic report.

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.

Directors' Responsibilities for Accounting Records and Internal Control

The directors are responsible for ensuring that the Society and its connected undertakings:

- keep accounting records which disclose with reasonable accuracy the financial position of the Society and the Group and which enable them to ensure that the Annual Report and Accounts comply with the Building Societies Act 1986, and
- establish and maintain systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and the Prudential Regulation 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 satisfied that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for members to assess the Society's performance, business model and strategy.

Peter Kerns

Chairman

24 February 2016

Independent Auditors' Report to the Members of Leek United Building Society

Report on the annual accounts

Our Opinion

In our opinion, Leek United Building Society's group annual accounts and society annual accounts (the "annual accounts"):

- give a true and fair view of the state of the group's and of the society's affairs as at 31 December 2015 and of the group's and the society's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

What we have audited

Leek United Building Society's annual accounts comprise:

- the group and society statements of financial position as at 31 December 2015;
- the group and society income statements for the year then ended;
- the group and society statements of comprehensive income for the year then ended;
- the group and society cash flow statements for the year then ended;
- the group and society statements of changes in members' interests for the year then ended; and
- the notes to the annual accounts, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the annual report, rather than in the notes to the annual accounts. These are cross-referenced from the annual accounts and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

St Edward Street branch taking part in Children in Need.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the society; or
- 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.

We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the Members of Leek United Building Society (continued)

Donation to Douglas Macmillan Hospice from money raised at 2015 AGM and Charity Golf Day.

Responsibilities for the annual accounts and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Director's Responsibilities set out on page 26, the directors are responsible for the preparation of the annual accounts and for being satisfied that they 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 & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board'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.

What an audit of annual accounts involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the annual accounts.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited annual accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Heather Varley Senior Statutory Auditor

for and behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

24 February 2016

Leek United BUILDING SOCIETY

Income Statements for the year ended 31 December 2015

	Note	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Interest receivable and similar income	2	22,986	24,594	22,979	24,586
Interest payable and similar charges	3	(10,818)	(13,452)	(10,819)	(13,452)
Net interest income		12,168	11,142	12,160	11,134
Income from investments	4	-	-	-	100
Fees and commissions receivable	5	1,003	1,232	710	924
Fees and commissions payable		(171)	(172)	(171)	(172)
Net Gain/(Losses) from Derivative Financial Instruments	6	91	(923)	91	(923)
Total net income		13,091	11,279	12,790	11,063
Administrative expenses	7	(7,948)	(7,212)	(7,762)	(7,085)
Depreciation	17	(187)	(228)	(178)	(216)
Other operating charges	8	-	85	-	85
		4,956	3,924	4,850	3,847
Net finance credit on pension scheme	27	(87)	-	(87)	-
Net Impairment losses on loans and advances	9	(203)	110	(203)	110
Provisions for contingent liabilities and commitments - FSCS Levy	25	(150)	(758)	(150)	(758)
Profit on ordinary activities before tax		4,516	3,276	4,410	3,199
Tax on profit on ordinary activities	10	(916)	(694)	(895)	(656)
Profit for the financial year	29	**3,600**	**2,582**	**3,515**	**2,543**

The notes on pages 35 to 74 form part of these accounts.

A summary of the effects that transition to FRS 102 and IAS 39 has had on the financial statements is presented within Note 32.

The above results are all derived from continuing operations. 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 basis.

Statements of Comprehensive Income for the Year 31 December 2015

	Note	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Profit for the financial year		3,600	2,582	3,515	2,543
Items that will not be reclassified to the Income Statement					
Actuarial (loss)/gain recognised in pension scheme	27	(201)	(6,785)	(201)	(6,785)
Reinstatement of opening pension scheme asset	27	-	3,852	-	3,852
Recognition of net interest on opening pension scheme asset	27	-	174	-	174
Taxation on items that will not be reclassified to the income statement	27	14	551	14	551
Items that may subsequently be reclassified to the Income Statement					
Available for Sale Reserve	31	(220)	(127)	(220)	(127)
Tax on items that may subsequently be reclassified to the income statement	31	46	26	46	26
Tax on Revaluation Reserve	30	12	6	12	6
Other Comprehensive Expense for the year net of income tax		**(349)**	**(2,303)**	**(349)**	**(2,303)**
Total Comprehensive Income for the financial year		**3,251**	**279**	**3,166**	**240**

A summary of the effects that transition to FRS 102 and IAS 39 has had on the financial statements is presented within Note 32.

Leek United BUILDING SOCIETY

Statements of Financial Position as at 31 December 2015

	Note	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
ASSETS					
Liquid assets:					
Cash in hand and balances with the Bank of England	11	47,009	82,732	47,009	82,732
Loans and advances to credit institutions	12	11,544	40,561	11,460	40,474
Debt securities	13	113,247	103,480	113,247	103,480
		171,800	226,773	171,716	226,686
Derivative Financial Instruments	14	84	32	84	32
Loans and advances to customers	15	715,182	676,543	715,037	676,391
Investments in subsidiary undertakings	16	-	-	24	24
Tangible fixed assets	17	2,360	2,410	2,338	2,377
Other assets	18	752	1,115	752	1,114
Prepayments and accrued income	19	469	368	469	368
Total assets		**890,647**	**907,241**	**890,420**	**906,992**
LIABILITIES					
Shares	20	805,115	820,492	805,115	820,492
Amounts owed to other customers	21	20,360	24,366	20,360	24,366
Derivative Financial Instruments	14	1,501	1,828	1,501	1,828
Other liabilities	22	646	843	844	948
Accruals and deferred income	23	811	650	793	618
Provisions for liabilities and charges	24	659	1,055	659	1,055
Retirement Benefit Obligations	27	2,845	2,548	2,845	2,548
Total liabilities		**831,937**	**851,782**	**832,117**	**851,855**
Reserves					
General reserve	29	57,771	54,358	57,364	54,036
Revaluation reserve	30	967	955	967	955
Available for Sale Reserves	31	(28)	146	(28)	146
Total Reserves attributable to members of the Society		58,710	55,459	58,303	55,137
Total Reserves and liabilities		**890,647**	**907,241**	**890,420**	**906,992**

A summary of the effects that transition to FRS 102 and IAS 39 has had on the financial statements is presented within Note 32. The notes on pages 35 to 74 form part of these accounts.

These accounts were approved by the board of directors on 24 February 2016 and were signed on its behalf by:

Peter Kerns Chairman
Kevin Wilson Chief Executive
Paul Wilson Finance Director

Statement of Changes in Members Interest as at 31 December 2015

Group	Notes	General Reserve £000's	Revaluation Reserve £000's	Available for Sale Reserve £000's	Total £000's
Balance as at 1 January 2015		54,358	955	146	55,459
Profit for the Financial Year		3,600	-	-	3,600
Other Comprehensive Income for the Period (net of Tax)					
Re-measurement of Defined benefit scheme obligations		(187)	-	-	(187)
Net Gains from changes in Financial Assets		-	-	(174)	(174)
Net Gains from changes in Land and Building		-	12	-	12
Total Comprehensive Income/(Expense) for the period		3,413	12	(174)	3,251
Balance as at 31 December 2015	29, 30, 31	**57,771**	**967**	**(28)**	**58,710**

Group	Notes	General Reserve £000's	Revaluation Reserve £000's	Available for Sale Reserve £000's	Total £000's
Balance as at 31 December 2013 as previously stated		53,587	1,113	-	54,700
Changes on transition to FRS 102 and IAS 39	32	397	(164)	247	480
At 1 January 2014 as restated		**53,984**	**949**	**247**	**55,180**
Profit for the Financial Year		2,582	-	-	2,582
Other Comprehensive Income for the Period (net of Tax)					
Re-measurement of Defined benefit obligations		(2,208)	-	-	(2,208)
Net Gains from changes in Financial Assets		-	-	(101)	(101)
Net Gains from changes in Land and Building		-	6	-	6
Total Comprehensive Income/(Expense) for the period		374	6	(101)	279
Balance as at 31 December 2014	29, 30, 31	**54,358**	**955**	**146**	**55,459**

A summary of the effects that transition to FRS 102 and IAS 39 has had on the financial statements is presented within Note 32.

Statement of Changes in Members Interest as at 31 December 2015 (continued)

Society	Notes	General Reserve £000's	Revaluation Reserve £000's	Available for Sale Reserve £000's	Total £000's
Balance as at 1 January 2015		54,036	955	146	55,137
Profit for the Financial Year		3,515	-	-	3,515
Other Comprehensive Income for the Period (net of Tax)					
Re-measurement of Defined benefit obligations		(187)	-	-	(187)
Net Gains from changes in Financial Assets		-	-	(174)	(174)
Net Gains from changes in Land and Building		-	12	-	12
Total Comprehensive Income/(Expense) for the period		3,328	12	(174)	3,166
Balance as at 31 December 2015	29, 30, 31	**57,364**	**967**	**(28)**	**58,303**

Society	Notes	General Reserve £000's	Revaluation Reserve £000's	Available for Sale Reserve £000's	Total £000's
Balance as at 31 December 2013 as previously stated		53,304	1,113	-	54,417
Changes on transition to FRS 102 and IAS 39	32	397	(164)	247	480
At 1 January 2014 as restated		**53,701**	**949**	**247**	**54,897**
Profit for the Financial Year		2,543	-	-	2,543
Other Comprehensive Income for the Period (net of Tax)					
Re-measurement of Defined benefit obligations		(2,208)	-	-	(2,208)
Net Gains from changes in Financial Assets		-	-	(101)	(101)
Net Gains from changes in Land and Building		-	6	-	6
Total Comprehensive Income/(Expense) for the period		335	6	(101)	240
Balance as at 31 December 2014	29, 30, 31	**54,036**	**955**	**146**	**55,137**

A summary of the effects that transition to FRS 102 and IAS 39 has had on the financial statements is presented within Note 32.

Statement of Cash Flows

For the year ended 31 December 2015

	Note	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Cash Flows from Operating Activities					
Profit Before Tax		4,516	3,276	4,410	3,199
Depreciation		187	228	178	216
(Increase)/Decrease in fair value of derivative financial instruments and hedged items		(91)	923	(91)	923
(Increase) in effective interest rate adjustment		(328)	(7)	(328)	(7)
Increase/(Decrease) in Impairment on loans and advances		203	(110)	203	(110)
Amounts recovered in respect of loans previously written off		5	8	5	8
Net (gains) on disposal and amortisation of debt securities		(121)	(8)	(121)	(8)
(Profit) on sale of tangible fixed assets		(12)	(38)	(7)	(25)
Total Cash flow from Operating Activities		**4,359**	**4,272**	**4,249**	**4,196**
Changes in Operating Assets and Liabilities					
(Increase) in loans and advances to customers		(38,806)	(799)	(38,813)	(800)
Increase in accruals and deferred income		161	3	175	30
(Increase) in prepayments and accrued income		(531)	(208)	(530)	(209)
(Decrease) in amounts owed to other customers		(4,006)	(1,444)	(4,006)	(1,444)
Decrease/(Increase) in loans and advances to credit institutions		750	(1,232)	750	(1,232)
Decrease in other assets		2	37	2	36
(Decrease)/Increase in other liabilities		(23)	109	56	136
(Decrease)/Increase in shares		(15,377)	50,037	(15,377)	50,037
(Decrease)/Increase in liabilities and charges		(396)	62	(396)	62
Pension Contributions		(52)	(279)	(52)	(279)
Non Cash Pension losses		148	68	148	68
Taxation Paid		(657)	(687)	(624)	(662)
Net Cash Generated from Operating Activities		**(54,428)**	**49,939**	**(54,418)**	**49,939**
Cash Flows from Investing Activities					
Proceeds from Sale of Tangible Fixed Assets		15	62	8	47
Purchase of Tangible Fixed Assets		(140)	(204)	(140)	(168)
Purchase of Investment Securities		(119,225)	(93,366)	(119,225)	(93,366)
Maturities and Disposal of Investment Securities		109,788	55,444	109,788	55,444
Net Cash used in Investing Activities		**(9,562)**	**(38,064)**	**(9,569)**	**(38,043)**
Net Increase in Cash and Cash equivalents		**(63,990)**	**11,875**	**(63,987)**	**11,896**
Cash and Cash equivalents at 1 January		120,793	108,918	120,706	108,810
Cash and Cash equivalents at 31 December	28	56,803	120,793	56,719	120,706
Net Cash Generated from Operating Activities		**(63,990)**	**11,875**	**(63,987)**	**11,896**

Notes to the Accounts at 31 December 2015

1 Principal accounting Policies

Basis of Preparation

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.

This is the first year in which the financial statements have been prepared under FRS 102 “The Financial Reporting Standard applicable in the UK” in conjunction with IAS 39 “Financial Instruments: Recognition and Measurement”. The Society has adopted FRS 102 which is mandatory for periods beginning 1 January 2014 and has chosen the option to adopt IAS 39. The prior year financial statements have been restated on adoption of FRS 102 and IAS 39 in the current year. Details of the impact that transition to FRS 102 and IAS 39 has had on the 31 December 2014 and 31 December 2013 balance sheet as well as the profit and loss account for the year ended 31 December 2014 are disclosed in note 32.

Future amendments to FRS 102

Amendments to FRS 102 were issued in July 2014 as a result of changes to the EU directives and UK Companies Regulations. The amendments are mandatory for periods beginning on or after 1 January 2016, with early adoption permitted for periods beginning on or after 1 January 2015. Entities have to adopt and comply with all amendments if they elect to early adopt the amendments to FRS 102 (issued in July 2015). For the year ending 31 December 2015, the Society and Group have not early adopted the amendments to FRS 102. These amendments set out the presentation and disclosure requirements applicable to small entities based on the new small companies regime and include a small number of other amendments necessary to maintain consistency between FRS 102 and Company law. The amendments are not expected to have a material impact on the Group.

Basis of accounting

The accounts have been prepared on a going concern basis under the historical cost convention with the exception of the following:

- Land and buildings are included at valuation under the transitional rules of FRS 15 and FRS 102, consequently land and buildings have been included at their 1999 revalued amount
- Available for sale assets are held at fair value
- Derivatives and underlying hedged items are held at fair value

The financial statements are presented in Sterling (£), there are no currency transactions.

Basis of consolidation

The Group accounts include the results, cashflows and balance sheets of the Society and its subsidiaries.

The Group financial statements consolidate the financial statements of Leek United Building Society and all its subsidiary undertakings drawn up to 31 December each year. The Group accounts consolidate the assets, liabilities and results of the Society, and all of its subsidiaries, eliminating intercompany balances and transactions. All entities have accounting periods ending 31 December.

Exemptions

The Group has taken exemption as provided in Section 33.1A of FRS 102 and does not disclose transactions with members of the same group that are wholly owned. See note 7 for disclosure of the directors remunerations and key management compensation.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

Interest income and expense

Interest income and expense in respect of all Financial Assets is credited to the income and expenditure account as it becomes receivable with the exception of certain fees and cost that are recognised on an effective interest rate basis. These include cashback, application fees, valuation fees, broker fees and free MIG. The effect of the policy is to spread the impact of relevant costs and fees directly attributable and incremental to setting up the loan, over the effective life of the mortgage, which broadly equates to the incentive period of the mortgage.

Interest payable on shares and amounts owed to credit institutions and other customers is accrued on a daily interest basis.

Notes to the Accounts at 31 December 2015

1 Principal accounting Policies (continued)

Fees and commissions

Fees payable and receivable other than relating to mortgage loans, including sales commission, are recognised when the relevant service is provided.

Financial assets

The Group and Society have chosen to adopt the recognition and measurement provisions of IAS 39 – Financial Instruments: Recognition and Measurement, and disclosure requirements of section 11 and 12 of FRS 102 in respect of Financial Instruments.

a) Loans and receivables

Loans and receivables are predominantly mortgage loans to customers and money market advances held for liquidity purposes. They are recorded at amortised cost, including any effective interest rate adjustment, less any impairment losses other than where an adjustment is made as part of a fair value hedging arrangement.

b) Financial asset at fair value through profit and loss

The Group uses derivatives only for interest rate risk management purposes. It does not use derivatives for trading purposes. A fair value hedge is used to hedge exposures to variability in the fair value of financial assets and liabilities, such as fixed rate mortgages.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at their fair value. Fair values of derivative financial instruments are calculated by discounted cash flow models using yield curves that are based on observable market data. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognised immediately in the income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk within net gain/(losses) from Derivative Financial Instruments.

All derivatives entered into by the Group are for the purposes of providing an economic hedge. Hedge accounting is an optional treatment but the specific rules and conditions in IAS 39 have to be complied with before it can be applied. When transactions meet the criteria specified in IAS 39, the Group applies fair value hedge accounting so that changes in the fair value of the underlying asset or liability that are attributable to the hedged risk are recorded in the income statement to offset the fair value movement of the related derivative. The Group has classified all of its derivatives as fair value hedges. To qualify for hedge accounting at inception the hedge relationship must be clearly documented. At inception the derivative must be expected to be highly effective in offsetting the hedged risk, and effectiveness must be tested throughout the life of the hedge relationship.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, hedge accounting is discontinued prospectively. If the underlying instrument is sold or repaid, the unamortised fair value adjustment is immediately recognised in the income statement and therefore as a consequence within the statement of changes in members interests. A summary of the effects of hedging and the associated fair value adjustments can be found in notes 14 and 26.

c) Available for Sale Assets – Debt Securities

Available for sale assets are non-derivative assets that are intended to be held for an indefinite period of time. They may be sold in response to needs for changes in liquidity or changes in interest rates. The Group's debt securities are classified as available-for-sale assets. The Group measures debt securities at fair value, with subsequent changes in fair value being recognised through the Statement of Comprehensive Income, except for impairment losses which are recognised in profit or loss.

Further information regarding how fair values are determined can be found in note 26 to the accounts. Upon sale or maturity of the asset, the cumulative gains and losses recognised in other comprehensive income are removed from available-for-sale reserves and recycled to the Income Statement.

d) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of loans and advance to customers

Individual assessments are made of all mortgage loans that are three months or greater in arrears, or in possession, where there is objective evidence that all cash flows will not be received. Based upon these

Notes to the Accounts at 31 December 2015

1 Principal accounting Policies (continued)

assessments an individual impairment reduction of these assets is made. In addition, a collective impairment reduction is made against those loans and advances to customers where objective evidence, including forbearance measures, indicates that it is likely that losses may ultimately be realised and thus a loss event has occurred. The impairment value is calculated by applying various factors to each loan. These factors take into account the Group's expectation of default and delinquency rate, loss emergence periods, regional house price movements and adjustments to allow for forced sale discounts, selling costs and any potential recovery of Mortgage Indemnity Guarantee (MIG). Impairment provisions are made to reduce the value of impaired loans and advances to the amount that is considered to be ultimately received based upon objective evidence.

Any increases or decreases in projected impairment losses are recognised through the Income Statement. If a loan is ultimately uncollectable, then any loss incurred by the Group on extinguishing the debt is written off against the provision for loan impairment. Any subsequent recoveries of amounts previously written off are recognised through the Income Statement.

Forbearance strategy

A range of forbearance options are available to support customers who are in financial difficulty, the purpose of which is to support customers who have temporary difficulties to get back on their feet. The main options offered are:

- Reduced monthly payment including interest only concession
- An arrangement to clear outstanding arrears
- Payment holiday
- Capitalisation of arrears
- Extension of mortgage term
- Transfer to a new product which could help to reduce monthly payments

Customers requesting a forbearance option will need to provide information to support the request which is likely to include the completion of an Income and Expenditure Questionnaire, bank statements, payslips etc. in order that the request can be properly assessed. If the forbearance request is granted the account is monitored in accordance with our policy and procedures.

At the appropriate time the forbearance option that has been implemented is cancelled, with the exception of capitalisation of arrears, and the customer's normal contractual payment is recalculated. Loans that are subject to restructuring may only be classified as restructured and up-to-date once a specified number and/or amount of qualifying payments have been received.

These qualifying payments are set at a level appropriate to the nature of the loan and the customer's ability to make the repayment going forward. Typically the receipt of six months qualifying payments is required. Different percentages of probability of default values are applied to these customer accounts reflecting the potentially higher risk of default to the Group.

Impairment losses on debt securities

At each statement of financial position date the Group assesses whether or not there is objective evidence that individual debt instruments are impaired. In determining whether there is any objective evidence of impairment the Group takes into account a number of factors including:

- Significant financial difficulties of the issuer or obligor.
- Any breach of contract or covenants.
- The granting of any concession or rearrangement of terms.
- The disappearance of an active market.
- Any significant downgrade of ratings of the issuer or obligor.
- Any significant reduction in market value of the instrument.

In some cases a significant adverse change in one of the above factors will cause the Group to determine that there is objective evidence of impairment. In other cases it may not be possible to identify a single event that identifies impairment. The Group may additionally determine that there is impairment where there are a number of factors contributing to that view.

Where the Group determines that there is objective evidence of impairment or that trigger events exist at the statement of financial position date, then, in the case of available for sale instruments, the cumulative loss that had been recognised directly in reserves is removed from reserves and recognised in the Income Statement. In the case of held to maturity instruments an appropriate charge is made to the Income Statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be related to an event occurring after the impairment loss was recognised through the Income Statement, the impairment loss is reversed, with the amount of the reversal recognised through the Income Statement.

Notes to the Accounts at 31 December 2015

1 Principal accounting Policies (continued)

Pension costs

The Society operates two pension schemes, a defined contribution and a defined benefit scheme. A defined contribution scheme is one into which the Group and the employee pay fixed contributions, without any obligations to pay future contributions. Payments into the defined contribution scheme are charged to the income statement as they become payable in accordance with the rules of the scheme. A defined benefit scheme is one that defines the benefit the employee will receive on retirement, depending on such factors as age and length of service.

On 24 April 2013 the Society closed an externally funded final salary (defined benefit) scheme administered by Jardine Lloyd Thompson to further accrual. Contributions payable 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 27.

The pension scheme deficit on the closed scheme at December 2015 has been recognised as a liability on the balance sheet.

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 the Statement of Other Comprehensive Income. Past and current service costs are recognised immediately in administrative expenses.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and other eligible bills and loans and advances to credit institutions.

Taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised providing for temporary differences between the carrying amount of certain assets and liabilities for accounting purposes and for taxation purposes. Deferred tax is provided using tax rates enacted or substantively enacted at the statement of financial position date, depending on the date at which they are expected to reverse.

Deferred tax has been recognised in respect of all timing differences at the reporting date, with the exception of the following:

- Difference relating to investments in subsidiaries, to the extent that the parent is able to control reversal of the timing differences and it is probable they will not reverse in the foreseeable future.
- Permanent differences, other than those arising on business combinations.

Deferred tax is provided using tax rates enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing differences. FRS 102 prohibits discounting of deferred tax.

Fixed Assets and Depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation with the exception of freehold land and buildings which are stated at their previously revalued amount. 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.

Shares

Shares are stated at the amount repayable including accrued interest and any other relevant bonuses.

Notes to the Accounts at 31 December 2015

1 Principal accounting Policies (continued)

Provisions for liabilities and charges

A provision is recognised in the balance sheet if the Society has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Some asset and liability amounts reported in the accounts are based on management estimates, judgements and assumptions. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are described below.

Critical Accounting Estimates and Judgements

a) Impairment losses and advances

The Group reviews its mortgage portfolio to assess impairment at least on a quarterly basis, in determining whether an impairment loss should be recorded in the Income Statement. In undertaking this review, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before such decrease in an individual loan can be identified. This evidence may include observable data indicating that there has been an adverse change in the payments status or borrower's local economic conditions, including forbearance measures such as a transfer to interest only products and term extensions that correlate with defaults on assets in the Group.

Management also assesses the expected loss on loans and advances as a result of the expected movement in house prices and the forced sale discount on properties in possession as well as the likely time taken to recover a loan. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimise any differences between loss estimates and actual loss experience. The impact of a 5% increase in the forced sale discount would impact provisions in 2015 by c£200k.

b) Effective Interest Rate

FRS 102 requires that all of the cash flows directly associated with financial instruments must be recognised in the Income Statement through the interest margin using the effective interest rate method. When this approach is applied to a mortgage portfolio, judgements must be made to estimate the average life of each mortgage where a product fee or income is attached. These judgements are applied taking into account factors including the terms of the particular products, historic repayment data and economic conditions. These estimates are updated in each reporting period to reflect the portfolio's actual performance. A 12 month increase in the life profile of mortgage assets would result in an increase in the value of loans in the statement of financial position by less than £50k.

c) Financial Services Compensation Scheme (FSCS)

The Group has a provision for a levy of £150k covering the period from 1 January to 31 December 2015. The amount has been determined by reference to expected interest rates at the balance sheet date. Changes in interest rates over the period of the levy will impact the final amount of the payment. An additional 25bps increase in the future interest rate assumption would increase the provision by less than £50k. More detail of the FSCS and the Society's provision are contained in Note 25.

d) Employee Benefits

The Group operates a defined benefit pension scheme. Significant judgements (on such areas as future interest and inflation rates and mortality rates) have to be exercised in estimating the value of the assets and liabilities of the scheme, and hence its net deficit. The assumptions are outlined in note 27. Of these assumptions the main determinant of the liability is the discount rate. A variation of 0.1% in the discount rate will change liabilities by approximately £700k.

e) Fair values of derivatives and financial assets

The Group values the fair value of its derivatives and financial assets.

- Available for sale – measured at fair value using market prices.
- Derivative financial instruments – calculated by discounted cash flow models using yield curves that are based on observable market data.
- A change in the yield curve of 0.5% would change the net fair value of derivative financial instruments by c£2.5m, before allowing for any mitigating change of hedged items in fair value hedge accounting relationships.

Notes to the Accounts at 31 December 2015

2 Interest receivable and similar income

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
On loans fully secured on residential property	22,657	23,851	22,650	23,843
On other loans	147	159	147	159
On debt securities - interest and other income	1,222	908	1,222	908
On other liquid assets - interest and other income	446	761	446	761
Net (Expense) on Derivative Financial Instruments	(1,486)	(1,085)	(1,486)	(1,085)
	22,986	**24,594**	**22,979**	**24,586**

3 Interest payable and similar charges

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
On shares held by individuals	10,661	13,183	10,662	13,183
On deposits and other borrowings	157	269	157	269
	10,818	**13,452**	**10,819**	**13,452**

4 Income from investments

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Dividends from shares in subsidiaries	-	-	-	100

5 Fees and Commissions Receivable

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Insurance Commission	829	1,043	536	735
Other Fees	174	189	174	189
	1,003	**1,232**	**710**	**924**

6 Net Gain / (Loss) from Derivatives and Financial Instruments

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Gains/(losses) on hedged instruments	214	(1,599)	214	(1,599)
(Losses)/Gains on hedged terms attributable to the hedged risk	(287)	1,041	(287)	1,041
Net Matched Position	**(73)**	**(558)**	**(73)**	**(558)**
Gains/(losses) on derivatives not in designated fair value relationships	164	(365)	164	(365)
Total Net Gain/(Loss) On Derivatives	**91**	**(923)**	**91**	**(923)**

The net fair value (FV) loss from matched derivative financial instruments of £73k (2014: FV loss of £558k) represents the net fair value movement on derivative instruments that are matching risk exposure on an economic basis. As part of its interest rate risk management, the Society transacts derivatives when there is sufficient confidence and volumes of fixed rate mortgages either offered or completed. Whilst this economically results in the Society fixing its economic risk and margin, hedge accounting cannot be applied until the mortgage completes and is on the balance sheet. Therefore the Society is exposed to accounting volatility for the period of normally a few weeks, between the two respective dates. The effect of this included within the loss on matched derivatives comprises a FV £93k loss in 2015 and a FV £437k loss in 2014. The movement in fair value is primarily due to timing differences in income recognition between derivative instruments and the hedged assets or liabilities, which at an individual hedge relationship level are temporary in nature. Hedge accounting is also not achievable on certain items, resulting in a net FV gain of £164k (2014: FV loss of £365k) on unmatched derivatives.

Notes to the Accounts at 31 December 2015

7 Administrative Expenses

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Staff costs (including Executive Directors):				
Wages and salaries	4,062	3,461	3,912	3,358
Social security costs	396	335	381	326
Other pension costs	295	262	288	256
	4,753	**4,058**	**4,581**	**3,940**
Other expenses:				
Remuneration of auditors and associates				
Audit of the Society and Group's Financial Statements	121	76	121	76
The audit of subsidiaries	11	10	-	-
Other services	14	18	14	18
Total Auditor Remuneration	**146**	**104**	**135**	**94**
Other Administrative Expenses	**3,049**	**3,050**	**3,046**	**3,051**
Total Administrative Expenses	**7,948**	**7,212**	**7,762**	**7,085**

The 2015 audit of the Society and Group includes £35,000 of non recurring costs relating to FRS 102 and IAS 39 transition.

Other pension costs include both defined contribution costs as well as current service costs for the defined benefit scheme as set out in note 27.

The average number of persons (including Executive Directors) employed during the year was:	Group 2015	Group 2014	Society 2015	Society 2014
(i) At principal office:				
Full-time staff	76	61	71	57
Part-time staff	17	19	17	19
(ii) At branch offices:				
Full-time staff	44	43	44	43
Part-time staff	27	25	27	25
Total staff	**164**	**148**	**159**	**144**
(iii) Total full-time equivalents	152	135	147	131

Notes to the Accounts at 31 December 2015

7 Administrative expenses (continued)

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 27 April 2016 and at the Annual General Meeting. The total loans outstanding at 31 December 2015, in respect of 2 (2014: 2) people amounted to £40,321 (2014: £64,247). 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:

	2015					2014				
	Salary/ Fees £000's	Benefits /Other (iv) £000's	Sub Total £000's	Pensions £000's	Total £000's	Salary/ Fees £000's	Benefits £000's	Sub Total £000's	Pensions £000's	Total £000's
Non Executive Directors										
Peter Kerns	34	-	34	-	34	33	-	33	-	33
Rachel Court (from 26/11/14)	23	-	23	-	23	2	-	2	-	2
Richard Goddard (i)	28	-	28	-	28	30	-	30	-	30
Derek Lyons (to 22/4/15)	9	2	11	-	11	28	1	29	-	29
Jim Washington	28	-	28	-	28	28	-	28	-	28
John Leveson (from 19/5/15)	14	1	15	-	15	-	-	-	-	-
Kerry Spooner (from 19/5/15)	14	1	15	-	15	-	-	-	-	-
Ann O'Connell (to 12/5/14)	-	-	-	-	-	10	-	10	-	10
Executive directors										
Kevin Wilson (ii)	197	30	227	12	239	190	11	201	28	229
Tony Hubbard (from 3/11/14)	93	8	101	14	115	15	1	16	2	18
Paul Wilson (from 7/7/14)	125	11	136	19	155	59	5	64	9	73
Keith Griffiths (to 30/4/14) (iii)	-	-	-	-	-	39	31	70	6	76
	565	**53**	**618**	**45**	**663**	**434**	**49**	**483**	**45**	**528**

(i) Richard Goddard received an additional £5k payment in 2014 reflecting his duties as Chair of the Trustees of the Pension Scheme, in addition to being Chair of the Risk Committee and Chair of the Audit Committee. In addition he received an extra £3k in 2015 in respect of being Chair of the Risk Committee and Chair of the Audit Committee.

(ii) During 2015, Kevin Wilson with agreement from the Society took his pension contribution relating to the period June to December as cash allowance.

(iii) Keith Griffiths received £18k holiday pay relating to 2013 and 2014 and an additional £10k as part of his agreed retirement package.

(iv) Includes £1,000 bonus per Executive Director; further details are included on page 25.

The table below sets out the aggregate remuneration for staff who are material risk takers, as per the relevant EBA regulatory technical standards, in relation to their services for the Group and Society for the year ended 31 December 2015.

	Group 2015 £000's	Group 2014 £000's
Executive Directors	509	396
Non Executive Directors	154	132
Senior Managers	620	512
Total Key Management Compensation	**1,283**	**1,040**

Notes to the Accounts at 31 December 2015

8 Other operating charges

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Regulated business provision (see note 24)	-	(10)	-	(10)
Mortgage repayment provision	-	(75)	-	(75)
	-	**(85)**	**-**	**(85)**

Both the regulated business provision and mortgage repayment provision were fully or partially released to the income statement in 2014.

9 Provisions for Impairment losses on Loans and Advances

Group & Society

	Loans fully secured on residential property		
	Individual Provision £000's	Collective Provision £000's	Total £000's
At 1 January 2015	22	303	325
Provision for loan impairment	111	81	192
At 31 December 2015	**133**	**384**	**517**

Group & Society

	Loans fully secured on residential property		
	Individual Provision £000's	Collective Provision £000's	Total £000's
At 1 January 2014	18	900	918
Change on transition to IAS 39	52	(543)	(491)
Restated at 1 January 2014	**70**	**357**	**427**
Provision released for loan impairment	(48)	(54)	(102)
At 31 December 2014	**22**	**303**	**325**

The (debit)/credit in the Income Statement is as follows:-

	2015 £000's	2014 £000's
Change in provision for the year	192	(102)
Amounts recovered in respect of loans previously written off	(5)	(8)
Amounts written off	16	-
Income and expenditure account	**203**	**(110)**

The provisions as at 31 December 2015 and 2014 have been deducted from loans fully secured on residential property in the balance sheet.

Notes to the Accounts at 31 December 2015

10 Tax on profit on ordinary activities

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
(a) UK Corporation tax at 20.25% (2014: 21.5%):				
Current tax	524	658	503	621
UK Deferred tax at 19% (2014: 20%):				
Deferred tax - current year (see note 18)	392	36	392	35
Total	**916**	**694**	**895**	**656**

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below.

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
(b) Factors affecting current tax charge in year:				
Profit on ordinary activities before tax	4,516	3,276	4,410	3,199
Tax on profit at UK standard rate of 20.25% (2014: 21.5%)	914	704	893	688
Dividend from subsidiary	-	-	-	(21)
Expenses not deductible for tax purposes	1	2	1	2
Adjustment re: prior year	(18)	(15)	(18)	(18)
Impact of change in rate - deferred tax	19	5	19	5
Small companies relief	-	(2)	-	-
Total tax charge	**916**	**694**	**895**	**656**

Reductions in the UK Corporation tax rate from 23% to 21% (effective from 1 April 2014) and 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. A further reduction to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. Accordingly the Society's profits have been taxed at an effective rate of 20.25% (2014: 21.5%). The deferred tax asset at 31 December 2015 has been calculated based on the rate of 19% substantively enacted at the balance sheet date.

11 Cash in Hand and balances with Bank of England

	Note	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Cash in Hand		778	794	778	794
Balances at Bank of England		46,231	81,938	46,231	81,938
Included in Cash and Cash Equivalents	28	**47,009**	**82,732**	**47,009**	**82,732**

12 Loans and advances to credit institutions

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Maturity analysis:				
Repayable on demand	9,794	38,061	9,710	37,974
In more than one year but not more than five years	1,750	2,500	1,750	2,500
	11,544	**40,561**	**11,460**	**40,474**

Amounts outstanding in more than one year but not more than five years reflect amounts placed as collateral with counterparties in respect of derivative contracts.

Notes to the Accounts at 31 December 2015

13 Debt Securities

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Available for sale Securities				
Issued by UK Government	39,964	-	39,964	-
Issued by other Borrowers - Listed	29,035	32,167	29,035	32,167
Issued by other Borrowers - Unlisted	44,248	71,313	44,248	71,313
	113,247	**103,480**	**113,247**	**103,480**
Available for sale Securities				
Maturity analysis:				
In not more than one year	105,265	74,403	105,265	74,403
In more than one year	7,982	29,077	7,982	29,077
	113,247	**103,480**	**113,247**	**103,480**

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. Movements in debt securities during the year may be analysed as follows:

Group & Society	2015 £000's	2014 £000's
At 1 January 2014	-	65,132
Changes on transition to IAS 39	-	309
Restated At 1 January 2014	**103,480**	**65,441**
Additions	119,225	93,366
Maturities and disposals	(109,667)	(55,436)
Movement in Premium and accrued interest	429	236
Gains/(Loss) in fair value recognised Other Comprehensive Income	(220)	(127)
At 31 December	**113,247**	**103,480**

Additions and disposals include premium and accrued interest on acquisition/sale, therefore the movement in premium and accrued interest in the table above reflects movements on assets held during the period.

14 Derivatives and Financial Instruments

	Contract Notional Amount £000's	Fair Value Assets £000's	Fair Value Liabilities £000's
At 31 December 2015			
Unmatched derivatives – Interest Rate Swaps	36,579	19	(151)
Derivatives designated as fair value Hedges Interest Rate Swaps	180,520	65	(1,350)
Total Recognised Derivative Assets/(Liabilities)	**217,099**	**84**	**(1,501)**
At 31 December 2014			
Unmatched derivatives – Interest Rate Swaps	33,638	-	(296)
Derivatives designated as fair value Hedges Interest Rate Swaps	120,586	32	(1,532)
Total Recognised Derivative Assets/(Liabilities)	**154,224**	**32**	**(1,828)**

Unmatched derivatives relates to swaps which have not been matched against mortgages for hedge accounting purposes as at the relevant balance sheet date.

Notes to the Accounts at 31 December 2015

15 Loans and advances to customers

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Loans and advances to customers comprise				
Loans fully secured on residential property	706,173	666,997	706,028	666,845
Loans fully secured on land	251	501	251	501
Unsecured loan	8,004	8,004	8,004	8,004
Fair value adjustment for hedged risk	754	1,041	754	1,041
	715,182	**676,543**	**715,037**	**676,391**

Loans and advances to customers are held at amortised cost (with the exception of loans in a hedged relationship described below), with interest and associated costs being recognised in the interest receivable and similar income line of the Income Statement on an effective interest rate basis. The unsecured loan represents a single exposure as part of a syndicated loan provided as part of a registered social landlord arrangement due to mature in 2018, and is fully performing.

Fair value hedging adjustments of £754k (2014 - £1,041k) have been made to certain fixed rate mortgages that are in fair value hedging relationships.

The maturity of loans fully secured on residential property, loans fully secured on land and unsecured loans from the balance sheet date is as follows:

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Repayable on demand	669	86	668	86
In not more than three months	6,272	6,361	6,247	6,361
In more than three months but not more than one year	20,209	17,929	20,174	17,928
In more than one year but not more than five years	122,174	121,895	122,155	121,815
In more than five years	565,449	529,712	565,384	529,641
	714,773	**675,983**	**714,628**	**675,831**
Provisions for bad and doubtful debts	(517)	(325)	(517)	(325)
Fair value adjustment for hedged risk	754	1,041	754	1,041
Effective Interest Rate Adjustment	172	(156)	172	(156)
	715,182	**676,543**	**715,037**	**676,391**

It should be noted that the above maturity analysis may not reflect actual experience of repayments since many mortgage loans are repaid early.

16 Investments in subsidiary undertakings

	Society 2015 £000's	Society 2014 £000's
Shares	2	2
Loans	22	22
	24	**24**

Leek United Home Loans Limited is a wholly owned direct subsidiary undertaking of the Society. The Society holds £100 of shares in the subsidiary. The company is registered in England and Wales. All shares are £1 ordinary shares. The principal activity of the subsidiary is the purchase and administration of mortgage portfolios. No director had a beneficial interest in any shares or debentures of the subsidiary undertaking.

Leek United Financial Services Limited is a wholly owned direct subsidiary undertaking of the Society. The Society holds £1,000 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.

Notes to the Accounts at 31 December 2015

16 Investments in subsidiary undertakings (continued)

The Mortgage Outlet Limited is a wholly owned direct subsidiary 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. The loan relates to an intercompany balance with The Mortgage Outlet Limited.

17 Tangible fixed assets

Group	Freehold land and buildings £000's	Equipment fixtures and fittings £000's	Totals £000's
Cost			
At 1 January 2015	2,583	4,850	7,433
Additions	-	140	140
Disposals	-	(279)	(279)
At 31 December 2015	2,583	4,711	7,294
Accumulated depreciation			
At 1 January 2015	575	4,448	5,023
Charge for the year	38	149	187
Disposals	-	(276)	(276)
At 31 December 2015	613	4,321	4,934
Net book value			
At 31 December 2015	**1,970**	**390**	**2,360**

Society	Freehold land and buildings £000's	Equipment fixtures and fittings £000's	Totals £000's
Cost			
At 1 January 2015	2,583	4,798	7,381
Additions	-	140	140
Disposals	-	(263)	(263)
At 31 December 2015	2,583	4,675	7,258
Accumulated depreciation			
At 1 January 2015	575	4,429	5,004
Charge for the year	38	140	178
Disposals	-	(262)	(262)
At 31 December 2015	613	4,307	4,920
Net book value			
At 31 December 2015	**1,970**	**368**	**2,338**

Notes to the Accounts at 31 December 2015

17 Tangible fixed assets (continued)

Group

	Freehold land and buildings £000's	Equipment fixtures and fittings £000's	Totals £000's
Cost			
At 1 January 2014	2,583	4,890	7,473
Additions	-	204	204
Disposals	-	(244)	(244)
At 31 December 2014	2,583	4,850	7,433
Accumulated depreciation			
At 1 January 2014	537	4,478	5,015
Charge for the year	38	190	228
Disposals	-	(220)	(220)
At 31 December 2014	575	4,448	5,023
Net book value			
At 31 December 2014	**2,008**	**402**	**2,410**

Society

	Freehold land and buildings £000's	Equipment fixtures and fittings £000's	Totals £000's
Cost			
At 1 January 2014	2,583	4,842	7,425
Additions	-	168	168
Disposals	-	(212)	(212)
At 31 December 2014	2,583	4,798	7,381
Accumulated depreciation			
At 1 January 2014	537	4,441	4,978
Charge for the year	38	178	216
Disposals	-	(190)	(190)
At 31 December 2014	575	4,429	5,004
Net book value			
At 31 December 2014	**2,008**	**369**	**2,377**

The net book value of land and buildings occupied by the Society for its own activities is £1,970,000 (2014: £2,008,000).

From 31 December 2000, the Society adopted the transitional arrangements under FRS 15 to maintain the book value of fixed assets at their previously revalued amounts. Under FRS 102 the Society and Group have elected to use this previous revaluation as deemed cost at the date of the original valuation.

Notes to the Accounts at 31 December 2015

17 Tangible fixed assets (continued)

If land and buildings had not been revalued they would have been included at the following amount:

	2015 £000's	2014 £000's
Cost	1,470	1,470
Aggregate depreciation based on cost	(349)	(327)
	1,121	**1,143**

18 Other assets

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Deferred tax asset	748	1,109	748	1,109
Other	4	6	4	5
	752	1,115	752	1,114
The elements of deferred taxation are as follows:				
Difference between accumulated depreciation and capital allowances	17	19	17	19
Capital Gains on revalued land and building	(146)	(158)	(146)	(158)
Other timing differences	877	1,248	877	1,248
	748	1,109	748	1,109
At 1 January as previously stated	**-**	**887**	**-**	**886**
Changes on transition to FRS 102 and IAS 39	-	(325)	-	(325)
Deferred Taxation at 1 January 2015 (restated)	**1,109**	**562**	**1,109**	**561**
Deferred tax charge	(392)	(36)	(392)	(35)
Items in relation to the Statement of Comprehensive Income				
Movements in relation to pension scheme	14	551	14	551
Movements in relation to Debt Securities	5	26	5	26
Movements in relation to revalued land and buildings	12	6	12	6
At 31 December 2015	**748**	**1,109**	**748**	**1,109**

19 Prepayments and accrued income

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Prepayments	430	327	430	327
Accrued income	39	41	39	41
	469	**368**	**469**	**368**

20 Shares

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Held by individuals	**805,115**	**820,492**	**805,115**	**820,492**
In the ordinary course of business, shares are repayable from the balance sheet date as follows:				
Repayable on demand	612,807	574,132	612,807	574,132
In not more than three months	40,542	40,352	40,542	40,352
In more than three months but not more than one year	91,652	134,636	91,652	134,636
In more than one year but not more than five years	60,114	71,372	60,114	71,372
	805,115	**820,492**	**805,115**	**820,492**

Notes to the Accounts at 31 December 2015

21 Amounts owed to other customers

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £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	20,360	24,366	20,360	24,366

22 Other liabilities

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Amounts falling due within one year:				
Income tax	70	100	70	100
Corporation tax	183	357	171	331
Other taxation and social security costs	117	115	117	115
Amount due to subsidiary undertakings	-	-	225	131
Other creditors	276	271	261	271
	646	**843**	**844**	**948**

23 Accruals and deferred income

	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Accrued interest on derivatives	186	151	186	151
Accruals	604	449	586	417
Deferred income	21	50	21	50
	811	**650**	**793**	**618**

24 Provisions for liabilities and charges Group & Society

	Regulated Business £000's	FSCS Levy £000's	Total £000's
At 1 January 2015	32	1,023	1,055
Amount charged during the year	4	150	154
Amount utilised during the year	(5)	(545)	(550)
At 31 December 2015	**31**	**628**	**659**

The regulated business provision is to provide for potential claims against the Group in respect of past sales. The Financial Services Compensations Scheme Levy is explained in note 25.

25 Financial Services Compensation Scheme Levy

The Society has a liability and a contingent liability in respect of contributions to the Financial Service Compensation Scheme.

In common with all regulated UK deposit takers, the Society pays levies to the Financial Services Compensation Scheme (FSCS) based on its share of protected deposits, 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 2008 a claim was triggered against the FSCS by the transfer of Bradford & Bingley Plc's retail deposit business to Abbey National Plc and similar issues with various Icelandic Banks, London Scottish Bank Plc and the transfer of core parts of Dunfermline Building Society to Nationwide Building Society in the first half of 2009. The FSCS has met, or will meet, the claims by way of loans received from HM Treasury with the interest on these loans being recovered through levies on UK deposit takers.

Notes to the Accounts at 31 December 2015

25 Financial Services Compensation Scheme Levy (continued)

The loans (except Bradford & Bingley Plc which is repayable on 29 February 2024) have been fully repaid. The FSCS confirmed it expects to receive full repayment of the debt of £1.6bn owed to it by Bradford & Bingley Plc by the repayment date. The non-Bradford & Bingley Plc loans were repaid by a levy on deposit takers in three roughly equal instalments, in September 2013, September 2014, and September 2015.

As a result of notifications it has received from the Financial Services Compensation Scheme, the Society has recognised in this year's accounts a provision for a levy of £150,000 which gives a total levy provision, as at 31 December 2015, of £628,000. This provision is in respect of the scheme year 2015/16, which is calculated with reference to the protected deposits at 31 December 2014, and the scheme year 2016/17, which has been estimated based on the protected deposits held at 31 December 2015. The levy amounts have been calculated with reference to the level of the Society's protected deposits and expected compensation levies.

The FSCS may have a further liability if there are insufficient funds available from the realisation of the assets of Bradford & Bingley Plc are to fully repay the respective HM Treasury loan.

26 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. The Board Risk Committee (BRC) is supported by the Management Risk Committee (MRC) and the Asset and Liability Committee (ALCO).

MRC's main responsibility is to assess the management of operational, credit and conduct risk together with legal and regulatory risk across the Group. Responsibilities of the MRC also include ensuring the detailed application of the risk management framework and the development of key risk policies and indicators.

ALCO supervises the Group's treasury and financial risk management activities and advises and supports the Finance Director in carrying out his responsibilities, including the identification, management and control of the balance sheet risks and the overview and monitoring of relevant risk control frameworks. Management of market, liquidity and strategic risk has been delegated to the ALCO.

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. An interest rate swap is a contract to exchange one set of interest rate cash flows for another. Such swaps result in the economic exchange of interest rates. No exchange of principal takes place. Instead interest payments are based on notional principal amounts agreed at inception of the swap. The duration of the interest rate swap is generally short to medium term and their maturity profile reflects the nature of the exposures arising from the underlying business activities.

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. The Group applies fair value hedging techniques to these. The fair value of these hedges as at 31 December 2015 is shown in note 14.

Activity	**Risk**	**Type of hedge**
Fixed rate savings products	Sensitivity to falls in interest rates	Receive fixed interest rate swaps
Fixed rate mortgage products	Sensitivity to increases in interest rates	Pay fixed interest rate swaps

Notes to the Accounts at 31 December 2015

26 Financial Instruments (continued)

The following table sets out a summary of terms and conditions and accounting policies of financial instruments.

Financial Instrument	Terms and Conditions	Accounting Policy
Loans and advances to credit institutions	Fixed or Libor linked interest rates Fixed Term Short to medium term maturity	Loans and receivables at amortised cost Accounted for at settlement date
Debt Securities	Fixed or Libor linked interest rates Fixed Term Short to medium term maturity	Available for sale at fair value Accounted for at settlement date
Loans and advances to customers	Secured on residential property or land (with the exception of one loan - see note 15) Standard contractual term of 25 years Fixed or variable interest rate	Loans and receivables at amortised cost if not in a hedged relationship Loans and advances held at fair value where in a hedged relationship Accounted for at settlement date
Shares	Variable Term Fixed or variable interest rates	Amortised cost Accounted for at settlement date
Amounts owed to other customers	Fixed or Libor linked interest rates Fixed Term Short to medium term maturity	Amortised cost Accounted for at settlement date
Derivative Financial Instruments	Fixed Interest Paid converted to variable interest Received Based on notional value of derivative	Fair value through profit and loss Accounted for at trade date

Financial assets and liabilities are measured on an ongoing basis either at fair value or amortised cost. Note 1 describes how the classes of financial instruments are measured, and how income and expenses, including fair values and gains and losses, are recognised. The tables below analyse the Group's assets and liabilities by financial classification. There are no material difference between Group and Society.

Carrying values as at 31 December 2015	Loans and receivables £000's	Financial assets and liabilities at Amortised Cost £000's	Available for Sale Reserve £000's	Derivatives designated as fair value hedges £000's	Unmatched derivatives at fair value £000's	Total £000's
Financial Assets						
Cash in hand and balances with the Bank of England	-	47,009	-	-	-	47,009
Loans and advances to credit institutions	11,544	-	-	-	-	11,544
Debt Securities	-	-	113,247	-	-	113,247
Derivative Financial Instruments	-	-	-	65	19	84
Loans and advances to customers	715,182	-	-	-	-	715,182
Total Financial Assets	**726,726**	**47,009**	**113,247**	**65**	**19**	**887,066**
Total Non-Financial Assets						3,581
Total Group Assets						**890,647**
Financial Liabilities						
Shares	-	805,115	-	-	-	805,115
Amounts owed to other customers	-	20,360	-	-	-	20,360
Derivative Financial Instruments	-	-	-	1,350	151	1,501
Total Financial Liabilities	**-**	**825,475**	**-**	**1,350**	**151**	**826,976**
Total Non-Financial Liabilities						4,961
General and other Reserves						58,710
Total Group Reserves and Liabilities						**890,647**

Notes to the Accounts at 31 December 2015

26 Financial Instruments (continued)

Carrying values as at 31 December 2014	Loans and receivables £000's	Financial assets and liabilities at Amortised Cost £000's	Available for Sale Reserve £000's	Derivatives designated as fair value hedges £000's	Unmatched derivatives at fair value £000's	Total £000's
Financial Assets						
Cash in hand and balances with the Bank of England	-	82,732	-	-	-	82,732
Loans and advances to credit institutions	40,561	-	-	-	-	40,561
Debt Securities	-	-	103,480	-	-	103,480
Derivative Financial Instruments	-	-	-	32	-	32
Loans and advances to customers	676,543	-	-	-	-	676,543
Total Financial Assets	**717,104**	**82,732**	**103,480**	**32**	**-**	**903,348**
Total Non-Financial Assets						3,893
Total Group Assets						**907,241**
Financial Liabilities						
Shares	-	820,492	-	-	-	820,492
Amounts owed to other customers	-	24,366	-	-	-	24,366
Derivative Financial Instruments	-	-	-	1,532	296	1,828
Total Financial Liabilities	**-**	**844,858**	**-**	**1,532**	**296**	**846,686**
Total Non-Financial Liabilities						5,096
General and other Reserves						55,459
Total Group Reserves and Liabilities						**907,241**

Fair value of financial instrument assets and liabilities carried at fair value

The table below summarises the fair value of the Group's financial assets and liabilities that are accounted for at fair value, analysed by the valuation method used by the Group to derive the financial instruments fair value:

	Note	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
As at 31 December 2015					
Financial assets					
Available for Sale					
Debt Securities	13	113,247	-	-	113,247
Derivative Financial Instruments					
Interest Rate Swaps	14	-	84	-	84
		113,247	**84**	**-**	**113,331**
Financial Liabilities					
Derivative Financial Instruments					
Interest Rate Swaps	14	**-**	**1,501**	**-**	**1,501**
As at 31 December 2014					
Financial assets					
Available for Sale					
Debt Securities	13	103,480	-	-	103,480
Derivative Financial Instruments					
Interest Rate Swaps	14	-	32	-	32
		103,480	**32**	**-**	**103,512**
Financial Liabilities					
Derivative Financial Instruments					
Interest Rate Swaps	14	**-**	**1,828**	**-**	**1,828**

Notes to the Accounts at 31 December 2015

26 Financial Instruments (continued)

Valuation techniques

The following is a description of the determination of fair value for financial instruments which are accounted for at fair value using valuation techniques.

Level 1 - Quoted Prices (unadjusted) based on independent third party valuations in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data.

The main valuation techniques employed by the Group to determine fair value of the financial instruments disclosed above are set out below:

Debt Securities

Level 1 – Market prices have been used to determine the fair value of the listed debt securities.

Level 2 - Interest rate swaps – the valuation of interest rate swaps is based on the net present value method. The expected interest cash flows are discounted using the three month forecast Libor curves. The Libor curves are generally observable market data which is derived from quoted interest rates in similar time bandings which match the timings of the interest cash flows and maturities of the instruments.

Credit risk

Credit risk is the risk that the Group incurs a financial loss arising from the failure of a customer or counterparty. The Group structures the level of credit risk it undertakes, by maintaining a credit governance framework involving delegated approval authority levels and credit procedures, the objective of which is to build and maintain risk asset portfolios of high quality. Credit risk in relation to retail customers is governed by limits contained in our board approved responsible lending policy. Our Treasury policies mean that we set tight criteria over where we will, and where we won't place excess funds. The criteria include both long term and short term ratings published by external credit rating agencies, which are an indication of a company's creditworthiness as well as the results of published regulatory stress tests.

The Group's maximum credit risk exposure is detailed in the table below:

Other liabilities	Group 2015 £000's	Group 2014 £000's	Society 2015 £000's	Society 2014 £000's
Cash in hand	47,009	82,732	47,009	82,732
Loans and advances to credit institutions	11,544	40,561	11,460	40,474
Debt Securities	113,247	103,480	113,247	103,480
Derivative Financial Instruments	84	32	84	32
Loans and advances to customers	715,182	676,543	715,037	676,391
Total Statement of financial exposure *(1)*	**887,066**	**903,348**	**886,837**	**903,109**
Off Balance sheet exposure - Mortgage Commitment *(2)*	16,720	13,239	16,720	13,239
Total	**903,786**	**916,587**	**903,557**	**916,348**

(1) All values are stated at balance sheet amounts
(2) This reflects business that has been formally offered but has not yet completed.

a) Loans and advances to credit institutions, debt securities and derivative financial instruments

BRC is responsible for approving treasury counterparties for both derivatives and investment purposes. Limits are placed on the amount of risk accepted in relation to one counterparty, or group of counterparties, and to industry sectors. This is monitored daily and reviewed monthly by MRC and quarterly by BRC.

The Group's policy only permits lending to central government (which includes the Bank of England), UK Local authorities, banks with a high credit rating and building societies. The Group performs regular analysis of counterparty credit risk and monitoring of publicly available information to highlight possible indirect exposures.

Notes to the Accounts at 31 December 2015

26 Financial Instruments (continued)

An analysis of the Group's treasury asset concentration is shown in the table below:

Industry Sector	Group 2015 £000's	Group 2015 %	Group 2014 £000's	Group 2014 %
Banks	65,220	58%	86,909	84%
Building Societies	8,063	7%	16,571	16%
Central Government	39,964	35%	-	-
Total	**113,247**	**100%**	**103,480**	**100%**

Geographic Region	Group 2015 £000's	Group AAA %	Group AA %	Group A %	Group BBB %	Group 2014 £000's
United Kingdom	102,302	39%	15%	34%	12%	89,425
Europe	4,919	-	100%	-	-	4,927
Australia	3,013	-	100%	-	-	6,108
Canada	3,013	-	100%	-	-	3,020
Total	**113,247**					**103,480**

The Group's derivative financial instruments are analysed in the table below:

Geographic Region	Group 2015 £000's	Group AAA %	Group AA %	Group A %	Group BBB %	Group 2014 £000's
United Kingdom	84	-	29%	34%	37%	32
Total	**84**	**-**	**29%**	**34%**	**37%**	**32**

There are no impairment charges against any of the Group's treasury assets at 31 December 2015 or 31 December 2014.

b) Loans and advances to Customers

All mortgage loan applications are assessed with reference to the Group's retail credit risk appetite statement and lending policy, which includes assessing applicants for potential fraud risk, and which is approved by the Board. When deciding on the overall risk appetite that the Group wishes to adopt, both numerical and non-numerical considerations are taken into account, along with data on the current UK economic climate, portfolio information derived from the Group's rating system and competitor activity. The statement must comply with all the prevailing regulatory policy and framework. The lending portfolio is monitored by Management Risk Committee (MRC) and Board Risk Committee (BRC) to ensure that it remains in line with the stated risk appetite of the Group, including adherence to the lending principles, policies and lending limits.

The Society adopts a prudent lending approach to our mortgage customers which will ensure that our default rates are low. For new customers, the Society relies upon adherence to its Responsible Lending Policy to determine the credit quality of potential customers. Prior to making loan offers, all applications are stress tested using the Society's affordability model. This approach, combined with the use of credit checks is used to confirm the credit quality of all new applicants. For existing customers who subsequently apply for additional lending, the same process is adopted. All mortgage applications are overseen by the Mortgage Underwriting team who ensure that all information submitted within the application is validated and loans are approved in line with appropriate mandate levels.

For existing customers who already have mortgages with the Society, ongoing creditworthiness of customers is determined through close monitoring of mortgage accounts, based upon their ability to fully meet their mortgage obligations. In addition, monitoring takes place to ensure the Society adheres to a range of operational lending limits, designed to meet the Society's Risk Appetite as set by the Board.

Notes to the Accounts at 31 December 2015

26 Financial Instruments (continued)

Credit risk management information is comprehensive and is circulated to the MRC on a monthly basis to ensure that the portfolio remains within the Group's risk appetite. It is the Group's policy to ensure good customer outcomes and lend responsibly by ensuring at the outset that the customer can meet the mortgage repayments. This is achieved by obtaining specific information from the customer concerning income and expenditure but also external credit reference agency data. The Group does not have any exposure to the sub-prime market. The maximum credit risk exposure is disclosed in the table on page 54. Loans and advances to customers are predominantly made up of retail loans fully secured against UK property (£707m) split between residential and buy to let loans. The Group operates through England and Wales with the portfolio well spread throughout the geographic regions. An analysis of the Group's geographical concentration, gross of provisions, is shown in the table below.

Geographic Region	Note	Group 2015 £000's	Group 2015 %	Group 2014 £000's	Group 2014 %
West Midlands		190,017	27%	184,808	28%
North		125,186	18%	116,651	17%
East Midlands		87,168	12%	83,656	13%
London		86,965	12%	87,598	13%
Outer South East		61,163	9%	60,708	9%
South West		57,857	8%	50,910	8%
Yorkshire & Humberside		46,896	7%	40,890	6%
Wales and Northern Ireland		25,904	4%	21,847	3%
East Anglia		25,362	3%	20,410	3%
Total		**706,518**	**100%**	**667,478**	**100%**
Other loans (see below)		8,255		8,505	
	15	**714,773**		**675,983**	

Other loans include the unsecured loan provided as part of the social landlord arrangement as well as the Commercial loan secured on land.

Retail loans

Loans fully secured on residential property are split between residential and buy to let. The average loan to value (LTV) is the mean LTV for the portfolio. Each individual LTV is calculated by comparing the value of the mortgage loan to the value of collateral held adjusted by a house price index.

The average LTV of residential mortgage is 42%. All residential loans above 75% LTV are insured.

Further LTV information on the Group's residential mortgage portfolio is shown below:

LTV Analysis	Group 2015 %	Group 2014 %
Residential		
0% - 30%	13%	14%
30% - 60%	33%	35%
60% - 80%	30%	37%
80% - 90%	20%	10%
90%-100%	4%	4%
>100%	0%	0%
Average loan to value of residential mortgage loans	**42%**	**42%**
Average loan to value of new business in the year	**76%**	**74%**

Notes to the Accounts at 31 December 2015

26 Financial Instruments (continued)

LTV Analysis	Group 2015 %	Group 2014 %
Buy to Let		
0% - 30%	4%	4%
30% - 60%	35%	34%
60% - 80%	61%	62%
80% - 90%	0%	0%
90%-100%	0%	0%
>100%	0%	0%
Average loan to value of buy to let mortgage loans	**55%**	**48%**
Average loan to value of new business in the year	**68%**	**67%**

The quality of the Group's retail mortgage book is reflected in the number and value of accounts in arrears, by value it is 0.9% (2014: 1.2%), of which only 0.2% (2014: 0.1%) is greater than three months in arrears.

The main factor for loans moving into arrears tends to be the condition of the general economic environment.

The table below provides information on retail loans by payment due status:

Arrears Analysis	2015 £000's	2015 %	2014 £000's	2014 %
Not impaired				
Neither past due or impaired	708,429	99.1%	668,118	98.8%
Past due up to 3 months but not impaired	5,003	0.7%	6,939	1.0%
Impaired				
Past due 3 to 6 months	1,097	0.1%	777	0.1%
Past due 6 to 12 months	244	0.1%	113	0.1%
Past due over 12 months	-	-	36	-
Total	**714,773**	**100%**	**675,983**	**100%**

Value of Collateral Held	2015 Indexed £000's	2015 Unindexed £000's	2014 Indexed £000's	2014 Unindexed £000's
Not impaired				
Neither past due or impaired	1,548,548	1,323,275	1,504,726	1,292,946
Past due up to 3 months but not impaired	12,283	9,459	17,210	13,033
Past due over three months and impaired	3,190	2,360	2,155	1,681

The collateral consists of residential property. Collateral values are adjusted by the Halifax price index produced by the Lloyds Banking Group Plc to derive the indexed valuation at 31 December. This is the UK's longest running house price index and takes into account regional data from the 12 standard planning regions of the UK. The Group uses the index to update the property values of its residential and buy-to-let portfolios on a quarterly basis.

Mortgage indemnity insurance acts as additional security. It is taken out for all residential loans where the borrowing exceeds 75% of the value of the property at the point of application. The status 'past due up to three months but not impaired' includes any asset where a payment due is received late or missed but no individual provision has been allocated. The amount included is the entire loan amount rather than just the overdue amount. The status 'past due over three month and impaired' includes assets where an individual provision has been allocated where appropriate.

Notes to the Accounts at 31 December 2015

26 Financial Instruments (continued)

The split of the loan book between buy to let and residential and interest only and repayments is shown below:

	2015 %	2014 %
Repayment – Residential Mortgage	62%	61%
Interest Only – Residential Mortgage	13%	15%
Repayment – Buy to Let	4%	5%
Interest Only – Buy to Let	21%	19%

Forbearance

Interest only concessions are offered to customers in financial difficulty on a temporary basis with formal periodic review. The concession allows the customer to reduce monthly payments to cover interest only, and if made, the arrears status will not increase.

Arrangement payment plans are agreed to enable customers to reduce their arrears balances by an agreed amount per month which is paid in addition to their standard monthly repayment.

Capitalisations occur where arrears are added to the capital balance outstanding for the purposes of re-structuring the loan. The term of the mortgage is extended in order to reduce payments to a level which is affordable to the customer based on their current financial circumstances.

All forbearance arrangements are formally discussed and agreed with the customer. By offering customers in financial difficulty the option of forbearance the Society potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment and/or potentially placing the customer into a detrimental position at the end of the forbearance period.

All forbearance arrangements are reviewed and monitored on a monthly basis to assess the ongoing potential risk, suitability and sustainability to the Society. The level and different types of forbearance activity are reported to the MRC on a monthly basis. The table below details the number of forbearance cases within the 'Not impaired' category:

Type of forbearance	31 December 2015 Number	31 December 2014 Number
Reduced Payment including interest only concessions	11	11
Arrangements	34	33
Capitalisation	0	1
Payment Holidays	4	2
Total	**49**	**47**

In total £3.1m (2014 £3.8m) of loans are subject to forbearance. These are covered by individual impairment provision of £59k (2014 £13k).

Notes to the Accounts at 31 December 2015

26 Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Society is unable to meet its financial obligations as they become due, resulting in an inability to support normal business activity or a failure to meet liquidity regulatory requirements.

Stress tests are undertaken to measure the Society's ability to meet adverse cash flows on a regular basis. This activity is overseen by the Asset and Liability Committee. The Society also complies with the rules issued by the Prudential Regulatory Authority concerning the quality of liquid assets held by banks and building societies. As a consequence the Society held £46.2m at 31 December 2015 (2014: £81.9m) on deposit with the Bank of England to ensure ready access to liquid funds should the need arise.

The table below analyses the Group's assets and liabilities into relevant maturity groupings, based on the remaining period to contractual maturity on an undiscounted basis at the statement of financial position date. This is not representative of the Group's management of liquidity. Loans and advances to customers rarely run their full course. The actual repayment profile is likely to be significantly different from that shown in the analysis. For example most mortgages have a contractual maturity of around 25 years but are generally repaid much sooner. Conversely, retail deposits repayable on demand generally remain on balance sheet much longer.

Residual maturity as at 31 December 2015	On demand £000's	Not more than three months £000's	More than three months but less than one year £000's	More than one year but not more than five years £000's	More than five years £000's	Non Cash £000's	Total £000's
Financial Assets							
Liquid Assets							
Cash in hand	47,009	-	-	-	-	-	47,009
Loans and advances to credit institutions	9,794	-	-	1,750	-	-	11,544
Debt securities	-	57,213	48,052	7,982	-	-	113,247
Total Liquid Assets	**56,803**	**57,213**	**48,052**	**9,732**	**-**	**-**	**171,800**
Derivative financial instruments	-	-	-	-	-	84	84
Loans and advances to customers	669	6,272	20,209	122,174	565,449	409	715,182
Tangible fixed assets	-	-	-	-	-	2,360	2,360
Other assets	-	-	-	-	-	1,221	1,221
Total Assets	**57,472**	**63,485**	**68,261**	**131,906**	**565,449**	**4,074**	**890,647**
Financial Liabilities							
Shares	612,807	40,542	91,652	60,114	-	-	805,115
Amounts owed to other customers	20,360	-	-	-	-	-	20,360
Derivative financial instruments	-	-	-	-	-	1,501	1,501
Other liabilities	-	-	-	-	-	4,961	4,961
Reserves	-	-	-	-	-	58,710	58,710
Total Liabilities and Reserves	**633,167**	**40,542**	**91,652**	**60,114**	**-**	**65,172**	**890,647**
Net Liquidity Gap	**(575,695)**	**22,943**	**(23,391)**	**71,792**	**565,449**	**(61,098)**	**-**

Notes to the Accounts at 31 December 2015

26 Financial Instruments (continued)

Residual maturity as at 31 December 2014	On demand £000's	Not more than three months £000's	More than three months but less than one year £000's	More than one year but not more than five years £000's	More than five years £000's	Non Cash £000's	Total £000's
Financial Assets							
Liquid Assets							
Cash in hand	82,732	-	-	-	-	-	82,732
Loans and advances to credit institutions	38,060	-	-	2,501	-	-	40,561
Debt securities	-	26,701	47,702	29,077	-	-	103,480
Total Liquid Assets	**120,792**	**26,701**	**47,702**	**31,578**	**-**	**-**	**226,773**
Derivative financial instruments	-	-	-	-	-	32	32
Loans and advances to customers	86	6,361	17,929	121,894	529,712	561	676,543
Tangible fixed assets	-	-	-	-	-	2,410	2,410
Other assets	-	-	-	-	-	1,483	1,483
Total Assets	**120,878**	**33,062**	**65,631**	**153,472**	**529,712**	**4,486**	**907,241**
Financial Liabilities							
Shares	574,132	40,352	134,636	71,372	-	-	820,492
Amounts owed to other customers	24,366	-	-	-	-	-	24,366
Derivative financial instruments	-	-	-	-	-	1,828	1,828
Other liabilities	-	-	-	-	-	5,096	5,096
Reserves	-	-	-	-	-	55,459	55,459
Total Liabilities and Reserves	**598,498**	**40,352**	**134,636**	**71,372**	**-**	**62,383**	**907,241**
Net Liquidity Gap	**(477,620)**	**(7,290)**	**(69,005)**	**82,100**	**529,712**	**(57,897)**	**-**

There are no material differences between the maturity profile for the Group and that for the Society.

The following is an analysis of gross contractual cash flows payable under financial liabilities:

	Repayable on demand £000's	Not more than three months £000's	More than three months but not more than six months £000's	More than six months but less than one year £000's	More than one year but not more than five years £000's	More than five years £000's	Total £000's
31 December 2015							
Shares	612,803	40,911	34,910	57,457	61,749	-	807,830
Amounts owed to other customers	20,360	-	-	-	-	-	20,360
Derivative financial instruments	-	437	383	407	371	-	1,598
Total Liabilities	**633,163**	**41,348**	**35,293**	**57,864**	**62,120**	**-**	**829,788**
31 December 2014							
Shares	574,132	40,839	45,134	90,512	74,575	-	825,192
Amounts owed to other customers	24,366	-	-	-	-	-	24,366
Derivative financial instruments	-	310	287	495	873	-	1,965
Total Liabilities	**598,498**	**41,149**	**45,421**	**91,007**	**75,448**	**-**	**851,523**

Notes to the Accounts at 31 December 2015

26 Financial Instruments (continued)

Market Risk

Market risk is the risk of changes to the Society's financial condition caused by market interest rates. The Society is exposed to market risk in the form of changes (or potential changes) in the general level of interest rates, changes in the relationship between short and long-term interest rates and divergence of interest rates for different balance sheet elements (basis risk).

The Society hedges interest rate risk by hedging its exposure to fixed mortgage lending tranches. Overall interest rate risk is managed through a statement of financial position gap analysis. The statement of financial position is subjected to a stress test of a 2% change in interest rates on a monthly basis and the results are measured against the risk appetite for market risk which is currently set at a maximum of 2.5% of capital. The Society's exposure to a 2% change in interest rates was 0.8% at 31 December 2015 (2014: 0.0%). In addition interest rate basis risk is controlled by Board approved risk appetite. Both are reported to the monthly ALCO meeting and to the Board.

The table below summarises the Society's exposure to interest rate risk. Included in the table are Society assets and liabilities, including derivative financial instruments which are principally used to reduce exposure to interest rate risk, categorised by re-pricing date.

The interest rate sensitivity gap of the Society at 31 December 2015 by reference to the next interest reset date is shown below:

	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
Financial Assets						
Cash in hand	46,994	-	-	-	15	47,009
Loans and advances to credit institutions	11,543	-	-	-	1	11,544
Debt securities	77,919	24,973	1,900	7,022	1,433	113,247
Total Liquid Assets	**136,456**	**24,973**	**1,900**	**7,022**	**1,449**	**171,800**
Derivative Financial instruments	-	-	-	-	84	84
Loans fully secured on residential property and other loans	421,809	18,747	53,847	220,362	417	715,182
Tangible fixed assets	-	-	-	-	2,360	2,360
Other assets	-	-	-	-	1,221	1,221
Total Assets	**558,265**	**43,720**	**55,747**	**227,384**	**5,531**	**890,647**
Liabilities						
Shares	647,589	34,263	56,595	59,593	7,075	805,115
Amounts owed to credit institutions and other customers	20,270	-	-	-	90	20,360
Derivative financial instruments	-	-	-	-	1,501	1,501
Other liabilities	-	-	-	-	4,961	4,961
Reserves	-	-	-	-	58,710	58,710
Total Liabilities	**667,859**	**34,263**	**56,595**	**59,593**	**72,337**	**890,647**
Off Balance Sheet Items	198,996	(691)	(36,211)	(162,094)	-	-
Net Interest rate Gap	**89,402**	**8,766**	**(37,059)**	**5,697**	**(66,806)**	**-**

There are no material differences between the maturity profile for the Group and that for the Society.

Notes to the Accounts at 31 December 2015

26 Financial Instruments (continued)

The interest rate sensitivity gap of the Group at 31 December 2014 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
Financial Assets						
Cash in hand	82,732	-	-	-	-	82,732
Loans and advances to credit institutions	40,509	-	-	-	52	40,561
Debt securities	47,500	33,400	14,086	7,613	881	103,480
Total Liquid Assets	**170,741**	**33,400**	**14,086**	**7,613**	**933**	**226,773**
Derivative financial instruments	-	-	-	-	32	32
Loans fully secured on residential property and other loans	392,304	45,397	46,577	191,705	560	676,543
Tangible fixed assets	-	-	-	-	2,410	2,410
Other assets	-	-	-	-	1,483	1,483
Total Assets	**563,045**	**78,797**	**60,663**	**199,318**	**5,418**	**907,241**
Liabilities						
Shares	609,429	43,046	88,071	71,264	8,682	820,492
Amounts owed to credit institutions and other customers	24,222	-	-	-	144	24,366
Derivative financial instruments	-	-	-	-	1,828	1,828
Other Liabilities	-	-	-	-	5,096	5,096
Reserves	-	-	-	-	55,459	55,459
Total Liabilities	**633,651**	**43,046**	**88,071**	**71,264**	**71,029**	**907,241**
Off Balance Sheet Items	129,211	9,178	(12,730)	(125,659)	-	-
Net Interest rate Gap	**58,605**	**44,929**	**(40,138)**	**2,395**	**(65,791)**	**-**

There are no material differences between the maturity profile for the Group and that for the Society.

Derivative Financial Instruments

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 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 Prudential Regulatory 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 2015 £000's	Credit risk weighted amount 2015 £000's	Replacement Cost 2015 £000's	Nominal principal amount 2014 £000's	Credit risk weighted amount 2014 £000's	Replacement Cost 2014 £000's
Interest rate contracts maturing:						
In less than 1 year	42,971	-	-	11,166	-	-
Between 1 year and 5 years	174,128	327	84	143,058	229	32
Total	**217,099**	**327**	**84**	**154,224**	**229**	**32**

Notes to the Accounts at 31 December 2015

27 Pension Scheme

The Society operated a defined benefit scheme up until 24 April 2013 when the scheme was closed to future accrual. This is a separate trustee administered fund holding the pension scheme asset to meet long term pension liabilities. A full actuarial valuation was carried out as at 24 April 2015, and the preliminary results have been updated to 31 December 2015 by a qualified actuary, independent of the scheme's sponsoring employer.

In February 2014, a portion of the scheme's assets were transferred to an insurer to buy-in pensions in payment. The buy-in policy will provide income that exactly matches the benefits payable under the scheme. This has resulted in a loss in the scheme's assets which is due to the difference between the value of the benefit obligations being subject to a buy-in and the buy-in premium. This loss, together with the impact of lower discount rates deriving from corporate bond yields on the valuation of assets and liabilities resulted in a deficit. The long-term benefit of undertaking the buy-in will be to remove the volatility risk for a substantial part of the scheme.

The scheme closed to accrual whilst retaining salary linkage for post service benefits from 24 April 2013 and the preliminary results of the 24 April 2015 actuarial valuation showed a deficit of £3,814,000. As a consequence of this, the Society has agreed to pay £765,000 per annum for 5 years commencing in April 2016. In addition the Society contributes approximately £50,000 per annum towards premiums for death in service.

There remains a contingent liability in respect of future pension scheme deficits.

Present values of Defined Benefit Obligation, Fair value of assets and Defined Asset (Liability)

	2015 £000's	2014 £000's	2013 £000's
Fair value of scheme assets	32,976	32,669	33,650
Present value of scheme liabilities	(35,821)	(35,217)	(29,798)
(Deficit)/Surplus in scheme	**(2,845)**	**(2,548)**	**3,852**

Reconciliation of opening and closing balances of the Defined Benefit Obligation

	2015 £000's	2014 £000's
Defined Benefit Obligation at start of period	35,217	29,798
Current service cost	61	68
Interest expense	1,185	1,290
Actuarial losses	165	5,110
Benefits paid	(807)	(1,049)
Defined Benefit Obligation at end of period	**35,821**	**35,217**

Reconciliation of opening and closing balances of the fair values of Scheme Assets

	2015 £000's	2014 £000's
Fair value of scheme assets at start of year	32,669	33,650
Interest Income	1,098	1,464
Return on plan assets excluding interest income	(36)	(1,675)
Contributions by Society	52	279
Benefits paid	(807)	(1,049)
Scheme assets at end of year	**32,976**	**32,669**

The actual return on the plan assets over the year ended 31 December 2015 was £1,062,000.

Notes to the Accounts at 31 December 2015

27 Pension scheme (continued)

Total Defined Benefit Costs recognised in the Income Statement

	2015 £000's	2014 £000's
Current service cost	61	68
Net Interest Cost*	87	-
Defined Benefit Cost recognised in profit and loss account	**148**	**68**

* As at 31 December 2013, the pension scheme was in surplus of £3,852,000 but this could not be recognised and consequently the interest cost recognised in 2014 under FRS 102 is zero within the income statement. This is now recognised within the Statement of Comprehensive Income.

Defined Benefit Costs Recognised in Other Comprehensive Income

	2015 £000's	2014 £000's
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	(36)	(1,675)
Experience gains and losses arising on the plan liabilities - gain/(loss)	(1,538)	(3)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities: gain/(loss)	1,373	(5,107)
Reinstatement of opening pension scheme asset	-	3,852
Recognition of net interest on opening pension scheme asset	-	174
Total amount recognised in other comprehensive income – gain/(loss)	**(201)**	**(2,759)**

Assets

	2015 £000's	2014 £000's	2013 £000's
UK Equities	4,176	4,153	4,069
Overseas Equities	4,377	4,368	3,888
Corporate Bonds	521	620	14,876
Diversified Growth Funds	11,342	11,098	10,536
Insured Pensioners	12,558	12,379	220
Other	2	51	61
Total	**32,976**	**32,669**	**33,650**

None of the fair values of the assets shown above include any direct investment in the Society's own financial instruments or any property occupied by, or other assets used by, the Society.

Notes to the Accounts at 31 December 2015

27 Pension scheme (continued)

Assumptions

	2015 % per annum	2014 % per annum	2013 % per annum
Rate of discount	3.70	3.40	4.40
Retail Price Index inflation	3.10	3.10	3.60
Consumer Price Index inflation	2.10	2.10	2.60
Salary Growth	4.10	4.10	4.60
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.10	2.10	2.60
Allowance for pension payment increases of RPI or 5% p.a. if less	3.10	3.10	3.60
Allowance for pension payment increases of RPI or 2.5% p.a. if less	2.20	2.20	2.20
Allowance for commutation of pension for cash at retirement	80% of Post A Day on factors 15% higher than those currently in place	100% of Post A Day on current factors	100% of Post A Day on current factors

The mortality assumptions adopted at 31 December 2015 imply the following life expectancies:

Male retiring at age 60 in 2015	26.2 years (2014: 26.1 years)
Female retiring at age 60 in 2015	28.4 years (2014: 28.5 years)
Male at age 60 in 2035	28.1 years (2014: 28.2 years)
Female retiring at age 60 in 2035	30.4 years (2014: 30.5 years)

28 Cash and Cash equivalents

	2015 Group £000's	2014 Group £000's	2015 Society £000's	2014 Society £000's
Cash in Hand and balances at Bank of England	47,009	82,732	47,009	82,732
Loans and Advances to credit institutions	9,794	38,061	9,710	37,974
At 31 December	**56,803**	**120,793**	**56,719**	**120,706**

Notes to the Accounts at 31 December 2015

29 General Reserve

	Note	2015 Group £000's	2014 Group £000's	2015 Society £000's	2014 Society £000's
At 1 January as previously stated		54,358	53,587	54,036	53,304
Changes on transition to FRS 102 and IAS 39	32	-	397	-	397
Restated General Reserves at 1 January		**54,358**	**53,984**	**54,036**	**53,701**
Profit for the financial year		3,600	2,582	3,515	2,543
Net (loss) recognised directly in other comprehensive income		(187)	(2,208)	(187)	(2,208)
At 31 December		**57,771**	**54,358**	**57,364**	**54,036**

As set out on page 10, the general reserves along with the revaluation reserve and Available for Sale reserve constitute the Society's Tier 1 Capital for regulatory purposes.

30 Revaluation Reserve

	Group £000's	Society £000's
At 1 January 2014 as previously Stated	1,113	1,113
Changes on transition to FRS 102 and IAS 39	(164)	(164)
At 1 January 2014 restated	**949**	**949**
Tax on Revaluation Reserve	6	6
At 31 December 2014	**955**	**955**
Tax on Revaluation Reserve	12	12
At 31 December 2015	**967**	**967**

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 FRS 15 to maintain the book value of fixed assets at their previously revalued amounts. The resultant potential gain results in a capital gain for deferred tax purposes which is recognised under FRS 102.

31 Available for Sale Reserve

	2015 Group £000's	2014 Group £000's	2015 Society £000's	2014 Society £000's
At 1 January	146	247	146	247
Net (loss) from changes in fair value	(220)	(127)	(220)	(127)
Corporation Tax on Available for Sale Reserve	41	-	41	-
Deferred Tax on Available for Sale Reserve	5	26	5	26
At 31 December	**(28)**	**146**	**(28)**	**146**

Notes to the Accounts at 31 December 2015

32 Explanation of Transition to FRS 102

This is the first year the Group and Society has presented its financial statements under Financial Reporting Standards 102 (FRS 102) which is mandatory and IAS 39 which is optional for the Society. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 and IAS 39 was therefore 1 January 2014. As a consequence of adopting FRS 102 and IAS 39, a number of accounting policies have changed to comply with the standard. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and under FRS 102 and IAS 39 as now reported.

a) Derivative Financial Instruments and Hedging

FRS 102 with optional adoption of IAS 39 requires derivative financial instruments to be recognised at fair value within the statement of financial position. Previously under UK GAAP the Group did not recognise these instruments in the financial statements. On transition to FRS 102, with optional adoption of IAS 39 the Group has adopted fair value hedging to manage its exposure to interest rate risk.

The effect of hedging adjustments are as follows:

	31/12/2014 Group and Society £000's	**1/1/2014 Group and Society £000's**	**2014 £000's**
	Statement of financial position	**Statement of financial position**	**Profit and Loss account**
Assets			
Derivative Financial Instruments	32	856	
Loans and Advances to Customers	1,041	-	
Liabilities			
Derivative Financial Instruments	(1,828)	(688)	
Reserves			
General Reserves	755	168	
Profit and Loss Account			
(Loss) on Fair Value hedging			**(923)**

b) Effective Interest Rate Recognition

Under IAS 39 certain fees payable and receivable in relation to the provision of loans are accounted for on an effective interest rate basis. This has the effect of spreading these relevant costs and income over the expected mortgage life of a product.

Notes to the Accounts at 31 December 2015

32 Explanation of Transition to FRS 102 (continued)

b) Effective Interest Rate Recognition (continued)

The impact that these adjustments have on the financial statements are detailed below:

	31/12/2014 Group and Society £000's Statement of financial position	1/1/2014 Group and Society £000's Statement of financial position	2014 £000's Profit and Loss account
Assets			
Loans and Advances to Customers	(156)	(163)	
Reserves			
General Reserves	**(156)**	**(163)**	
Profit and Loss Account			
Interest Receivable			112
Fees and Commissions Receivable			(480)
Fees and Commissions Payable			163
Other Operating Charges			212
Net Profit Impact			**7**

c) Impairment Loss Provisions

Under IAS 39 loss provisioning moves away from specific and general provisions towards individual and collective provisions on an incurred basis calculated on the basis of defined methodology. The impact that this change in provision methodology has on the financial statements is detailed below:

	31/12/2014 Group and Society £000's Statement of financial position	1/1/2014 Group and Society £000's Statement of financial position	2014 £000's Profit and Loss account
Assets			
Loans and Advances to Customers	493	491	
Reserves			
General Reserves	493	491	
Profit and Loss Account			
Provision for Bad and Doubtful debts			**2**

Notes to the Accounts at 31 December 2015

32 Explanation of Transition to FRS 102 (continued)

d) Valuation of Debt Securities

IAS 39 requires debt securities, which include CD's, MTN's, FRN's and Treasury Bills, must now be recognised at fair value. Previously under UK GAAP the Group recorded these at amortised cost. Differences between the book value and market value are recorded in the balance sheet and Available for Sale reserve.

A summary of the adjustments required are set out below:

	31/12/2014 Group and Society £000's Statement of financial position	1/1/2014 Group and Society £000's Statement of financial position
Assets		
Debt Securities	182	309
Available for Sale Reserve	**182**	**309**

e) Defined Benefit Scheme Adjustments

Under FRS 17 the Group recognised an expected return on defined benefit plan assets in the profit and loss account. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the profit and loss account. There has been no change in the defined benefit liability at either 31 December 2013 and 31 December 2014. The effect of the change is as follows:

	2014 Group and Society £000's Statement of Comprehensive Income	2014 Group and Society £000's Profit and Loss account
Net Finance Credit on Pension Scheme	665	(665)

f) Tax and Deferred Tax

The impact on deferred tax asset as a result of the adjustments above and the subsequent effect of the change in tax rates was to reduce the deferred tax asset at 31 December 2013 by £325k. The deferred tax asset as at 31 December 2014 was reduced by £111k.

A summary of the impact of Deferred Tax is provided in the table below:

Notes to the Accounts at 31 December 2015

32 Explanation of Transition to FRS 102 (continued)

f) Tax and Deferred Tax (continued)

	31/12/2014 Group and Society B/S £000's	1/1/2014 Group and Society B/S £000's	2014 Statement of Comprehensive Income £000's	2014 Profit and Loss account £000's
Debt Securities				
Deferred Tax	(36)	(62)		
AFS Reserve	(36)	(62)		
Fixed Assets – Revaluation				
Deferred Tax	(158)	(164)		
Revaluation Reserve	(158)	(164)		
Hedge Accounting, EIR and Loss Provisions				
Deferred Tax	83	(99)		
General Reserve	83	(99)		
Deferred Tax Pension Scheme				
Deferred Tax	510			
Pension Liability	510			
Total Deferred Tax Balance Sheet	**399**	**(325)**		
Taxation relating to Pension Scheme				
Profit and Loss Account				**133**
Statement of Comprehensive Income			**(133)**	
Profit and Loss Account				**315**

The effect on the revaluation of the deferred tax is to reduce the Revaluation reserve of £1,113k as at 31 December 2013 by £164k.

Statement of cash flows

The Group's cash flow statement reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the cash flow statement reconciles to cash and cash equivalents whereas under FRS 1 the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand.' The FRS 1 definition is more restrictive.

A summary of the combined effect on the financial statements of the Society and Group are provided below.

Notes to the Accounts at 31 December 2015

32 Explanation of Transition to FRS 102 (continued)

Group Statement of Financial Position

		Group At 31 December 2014			Group At 1 January 2014		
ASSETS	**Ref**	**As previously stated £000's**	**Effect of transition £000's**	**FRS 102 (as restated) £000's**	**As previously stated £000's**	**Effect of transition £000's**	**FRS 102 (as restated) £000's**
Cash in hand and balances with the Bank of England		82,732	-	82,732	69,243	-	69,243
Loans and advances to credit institutions		40,561	-	40,561	40,943	-	40,943
Debt securities	(d)	103,298	182	103,480	65,132	309	65,441
		226,591	182	226,773	175,318	309	175,627
Derivative Financial Instruments	(a)	-	32	32	-	856	856
Loans and advances to customers	(a,b,c)	675,165	1,378	676,543	674,266	328	674,594
Investments in subsidiary undertakings		-	-	-	-	-	-
Tangible fixed assets		2,410	-	2,410	2,458	-	2,458
Other assets	(f)	716	399	1,115	930	(325)	605
Prepayments and accrued income		368	-	368	396	-	396
Total Assets		**905,250**	**1,991**	**907,241**	**853,368**	**1,168**	**854,536**
LIABILITIES	**Notes**	**As previously stated**	**Effect of transition**	**FRS 102 (as restated)**	**As previously stated**	**Effect of transition**	**FRS 102 (as restated)**
Shares		820,492	-	820,492	770,455	-	770,455
Amounts owed to other customers		24,366	-	24,366	25,810	-	25,810
Derivative Financial Instruments	(a)	-	1,828	1,828	-	688	688
Other liabilities		843	-	843	763	-	763
Accruals and deferred income		650	-	650	647	-	647
Provisions for liabilities and charges		1,055	-	1,055	993	-	993
Retirement Benefit Obligations	(f)	2,038	510	2,548	-	-	-
Reserves							
General reserve		54,693	(335)	54,358	53,587	397	53,984
Revaluation reserve	(f)	1,113	(158)	955	1,113	(164)	949
Available for Sale Reserves	(d,f)	-	146	146	-	247	247
Total Reserves and Liabilities		**905,250**	**1,991**	**907,241**	**853,368**	**1,168**	**854,536**

Notes to the Accounts at 31 December 2015

32 Explanation of Transition to FRS 102 (continued)

Statement of Financial Position - Society

		Society At 31 December 2014			Society At 1 January 2014		
ASSETS	**Ref**	**As previously stated £000's**	**Effect of transition £000's**	**FRS 102 (as restated) £000's**	**As previously stated £000's**	**Effect of transition £000's**	**FRS 102 (as restated) £000's**
Cash in hand and balances with the Bank of England		82,732	-	82,732	69,243	-	69,243
Loans and advances to credit institutions		40,474	-	40,474	40,835	-	40,835
Debt securities	(d)	103,298	182	103,480	65,132	309	65,441
		226,504	182	226,686	175,210	309	175,519
Derivative Financial Instruments	(a)	-	32	32	-	856	856
Loans and advances to customers	(a,b,c)	675,013	1,378	676,391	674,112	328	674,440
Investments in subsidiary undertakings		24	-	24	24	-	24
Tangible fixed assets		2,377	-	2,377	2,447	-	2,447
Other assets	(f)	715	399	1,114	929	(325)	604
Prepayments and accrued income		368	-	368	396	-	396
Total Assets		**905,001**	**1,991**	**906,992**	**853,118**	**1,168**	**854,286**
LIABILITIES	**Notes**	**As previously stated**	**Effect of transition**	**FRS 102 (as restated)**	**As previously stated**	**Effect of transition**	**FRS 102 (as restated)**
Shares		820,492	-	820,492	770,455	-	770,455
Amounts owed to other customers		24,366	-	24,366	25,810	-	25,810
Derivative Financial Instruments	(a)	-	1,828	1,828	-	688	688
Other liabilities		948	-	948	855	-	855
Accruals and deferred income		618	-	618	588	-	588
Provisions for liabilities and charges		1,055	-	1,055	993	-	993
Retirement Benefit Obligations	(f)	2,038	510	2,548	-	-	-
Reserves							
General reserve		54,371	(335)	54,036	53,304	397	53,701
Revaluation reserve	(f)	1,113	(158)	955	1,113	(164)	949
Available for Sale Reserves	(d,f)	-	146	146	-	247	247
Total Reserves and Liabilities		**905,001**	**1,991**	**906,992**	**853,118**	**1,168**	**854,286**

Notes to the Accounts at 31 December 2015

32 Explanation of Transition to FRS 102 (continued)

		Group Year ended 31 December 2014			Society Year ended 31 December 2014		
	Ref	As previously stated £000's	Effect of transition £000's	FRS 102 (as restated) £000's	As previously stated £000's	Effect of transition £000's	FRS 102 (as restated) £000's
Interest receivable and similar income	(b)	24,482	112	24,594	24,474	112	24,586
Interest payable and similar charges		(13,452)	-	(13,452)	(13,452)	-	(13,452)
Net interest receivable		11,030	112	11,142	11,022	112	11,134
Income from investments		-	-	-	100	-	100
Fees and commissions receivable	(b)	1,712	(480)	1,232	1,404	(480)	924
Fees and commissions payable	(b)	(335)	163	(172)	(335)	163	(172)
Net Gains from Derivative Financial Instruments	(a)	-	(923)	(923)	-	(923)	(923)
Total income		12,407	(1,128)	11,279	12,191	(1,128)	11,063
Administrative expenses		(7,212)	-	(7,212)	(7,085)	-	(7,085)
Depreciation		(228)	-	(228)	(216)	-	(216)
Other operating charges	(b)	(127)	212	85	(127)	212	85
		4,840	(916)	3,924	4,763	(916)	3,847
Net finance credit on pension scheme	(e)	665	(665)	-	665	(665)	-
Provisions for bad and doubtful debts	(c)	108	2	110	108	2	110
Provisions for contingent liabilities and commitments – FSCS levy		(758)	-	(758)	(758)	-	(758)
Profit on ordinary activities before tax		4,855	(1,579)	3,276	4,778	(1,579)	3,199
Tax on profit on ordinary activities	(f)	(1,009)	315	(694)	(971)	315	(656)
Profit for the financial year		**3,846**	**(1,264)**	**2,582**	**3,807**	**(1,264)**	**2,543**

For 2014, in comparison to the 2014 Statutory accounts £7k has been restated from Other operating charges to Fees and commissions payable, and £7k moved from other Income to Fees and commissions receivable.

Notes to the Accounts at 31 December 2015

32 Explanation of Transition to FRS 102 (continued)

Statement of Comprehensive Income

	Group Year ended 31 December 2014			Society Year ended 31 December 2014		
	As previously stated £000's	Effect of transition £000's	FRS 102 (as restated) £000's	As previously stated £000's	Effect of transition £000's	FRS 102 (as restated) £000's
Profit for the financial year	3,846	(1,264)	2,582	3,807	(1,264)	2,543
Items that will not be reclassified to the income statement						
Actuarial (loss)/gain recognised in pension scheme	(7,276)	491	(6,785)	(7,276)	491	(6,785)
Reinstatement of opening pension scheme asset	3,852	-	3,852	3,852	-	3,852
Recognition of net interest on opening pension scheme assets	-	174	174	-	174	174
Taxation relating to pension scheme	684	(133)	551	684	(133)	551
Items that may be reclassified to the income statement						
Available for Sale Reserve	-	(127)	(127)	-	(127)	(127)
Tax on Available for Sale Reserve	-	26	26	-	26	26
Tax on Revaluation Reserve	-	6	6	-	6	6
Other comprehensive income for the year	**(2,740)**	**437**	**(2,303)**	**(2,740)**	**437**	**(2,303)**
Total comprehensive income for the financial year	**1,106**	**(827)**	**279**	**1,067**	**(827)**	**240**

Country by Country Reporting 2015

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 introduce reporting obligations for institutions within the scope of the European Union's Capital Requirements Directive (CRD IV). The requirements aim to give increased transparency regarding the activities of institutions.

The information below has been audited in accordance with the standards required by Directive 2006/43/EC.

Nature of the Society's activities

Leek United Building Society's principal activity is the provision of mortgage and savings products and general insurance broking services. A list of all entities consolidated as part of the Society's results and their principal activities are set out below. All business is conducted within the United Kingdom.

Group member	Activity
Leek United Building Society	Provision of mortgage and savings products, and general insurance broking services as Leek United Building Society.
Leek United Home Loans Ltd (Wholly owned subsidiary of Leek United Building Society)	The principal activity of the subsidiary is the purchase and administration of mortgage portfolios.
Leek United Financial Services Ltd (Wholly owned subsidiary of Leek United Building Society)	The principal activity of the subsidiary is the provision of financial services.
The Mortgage Outlet Ltd (Wholly owned subsidiary of Leek United Building Society)	The Mortgage Outlet Ltd ceased trading on 31 December 2009

Total turnover, profit before tax and average number of employees

Total turnover for the year ended 31 December 2015 was £13,000k (2014: £12,202k). Total turnover is defined as net interest income plus fees and commissions receivable (net of fees and commissions payable).

Profit before tax for the year ended 31 December 2015 was £4,516k (2014: £3,276k). Corporation tax paid during the year ended 31 December 2015 was £657k (2014: £687k).

All turnover, profits and tax resulted from business conducted in the United Kingdom.

The average monthly number of employees on a full-time equivalent basis during the year ended 31 December 2015 was 152 (2014: 135).

Public subsidies received

The Society received no public subsidies in the year ended 31 December 2015

Independent Auditors' Report to the Directors of Leek United Building Society

We have audited the 'Country-by-Country Reporting for the year ended 31 December 2015' of Leek United Building Society ("the schedule"). The schedule has been prepared by the directors based on the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 ("the Regulations").

Directors' responsibility for the schedule

The directors are responsible for the preparation of the schedule, in accordance with the Regulations, for the appropriateness of the basis of preparation and the interpretation of the Regulations as they affect the preparation of the schedule, and for such internal control as the directors determine is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Country-by-Country information in the schedule for the year ended 31 December 2015 is prepared, in all material respects, in accordance with the requirements of the Regulations.

Basis of preparation and restriction on distribution

Without modifying our opinion, we draw attention to the Basis of Preparation note to the schedule, which describes the basis of preparation. The schedule is prepared to assist the directors to meet the requirements of the Regulations. As a result, the schedule may not be suitable for another purpose.

Our report is intended solely for the benefit of the directors of the Leek United Building Society. We do not accept or assume any responsibility or liability to any other party save where terms are agreed between us in writing.

PricewaterhouseCoopers LLP

Chartered Accountants

Manchester

24 February 2016

Annual Business Statement

Annual Business Statement for the year ended 31 December 2015

Note that 2014 has been restated for FRS 102

Statutory Percentages	Ratio at 31.12.15 %	Ratio at 31.12.14 %	Statutory Limit %
Calculated in accordance with the Building Societies Act 1986 as amended by the Building Societies Acts 1997 and 2005.			
Lending limit	1.44	1.63	25.0
Funding limit	2.47	2.88	50.0

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, amount 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 20 of the notes to the accounts.

Other Percentages	Ratio at 31.12.15 %	Ratio at 31.12.14 %
Gross capital as a percentage of shares and borrowings	7.11	6.56
Free capital as a percentage of shares and borrowings	6.87	6.31
Liquid assets as a percentage of shares and borrowings	20.81	26.84
Profit on ordinary activities after taxation as a percentage of year end total assets	0.40	0.28
Management expenses as a percentage of mean total assets	0.90	0.84

Gross capital represents the sum of the general reserve, the revaluation reserve and the available for sale reserve as shown in the Group balance sheet.

Free capital represents the sum of the general reserve, the revaluation reserve, the available for sale reserve and collective loss provision 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 2014 and 2015 total assets. Management expenses represent the aggregate of administrative expenses and depreciation.

Annual Business Statement

Annual Business Statement for the year ended 31 December 2015 (continued)

Information relating to directors as at 31 December 2015

Name Date of Birth	Occupation	Date of Appointment	Other Directorships
Rachel Court JP, BA 27/06/1966	Non Executive Director	26/11/2014	South West Yorkshire NHS Foundation Trust Invesco Perpetual Life Ltd
Richard Goddard MA, FCA 09/06/1957	Finance and Risk Consultant	23/11/2011	RCG Business Consultancy Ltd
Tony Hubbard 22/10/1968	Building Society Operations Director	03/11/2014	None
John Leveson MBA, FCIB 04/09/1959	Non Executive Director	19/05/2015	Queen Elizabeth Grammar School, Penrith
Peter Kerns 09/06/1953	Non Executive Director	21/12/2009	Leek United Home Loans Ltd Leek United Financial Services Ltd The Mortgage Outlet Ltd
Kerry Spooner 31/01/1961	Non Executive Director	19/05/2015	Scotiabank Europe plc
Jim Washington ACIB 26/05/1950	Self-employed Independent Mortgage Consultant	23/11/2005	None
Kevin Wilson 20/12/1958	Building Society Chief Executive	01/10/1998	Leek United Home Loans Ltd Leek United Financial Services Ltd The Mortgage Outlet Ltd
Paul Wilson ACA 02/04/1971	Building Society Finance Director	07/07/2014	None

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

Kevin Wilson, Paul Wilson and Tony Hubbard have 12 months or less rolling service contracts. The Non Executive Directors do not have service contracts.

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.