

THE STAFFORD RAILWAY BUILDING SOCIETY

Annual Report and Accounts

31 October 2011

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Established 1877

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Authorised and Regulated by the Financial Services Authority (Registered no 206063)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2011

The Directors have pleasure in presenting their annual report, together with the annual accounts and annual business statement of the Society for the year ended 31 October 2011.

Business objectives and activities

The principal purpose of the Society has continued to be the raising of funds from members for the purpose of making advances for the purchase and improvement of residential property.

The objective is to encourage thrift and home ownership whilst offering a high standard of service, together with competitive interest rates to both investing and borrowing members.

In these times of ongoing economic uncertainty the Society's policy of prudent lending of the funds received from investing members, whilst retaining sufficient liquidity and capital to maintain investor confidence, has and will continue.

Business Review

The Business Review, including Key Performance Indicators ("KPIs") which are used by the Board to monitor the performance of the Society, is detailed below.

- **Net interest margin**

The Society's net interest margin reflects the surplus that remains after deducting the Society's funding costs in the form of retail share and deposit interest from its interest income which is comprised of mortgage interest and interest earned on the Society's investments. The margin is affected largely by the competitive market in which the Society operates. During the year the Bank of England base rate has remained static at 0.5%, giving little scope to improve margins in a highly competitive market. The Board considers it is more important than ever to safeguard capital and liquid funds by reducing risk as far as possible. A net interest margin of £2.7m was achieved (2010 £2.7m); as a percentage of mean assets this net interest margin was 1.36% (2010 1.45%).

- **Loans and advances to customers**

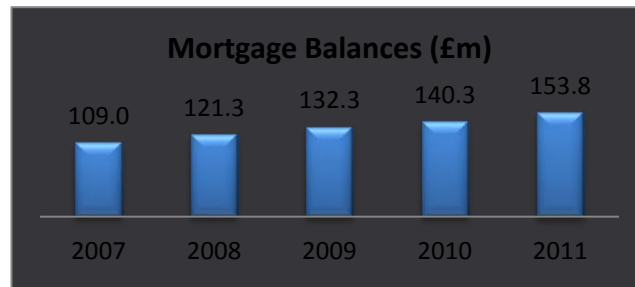
During the year the Society lent £34.4m to borrowers. Of this, £32.1m was advanced on 373 new mortgages and £2.3m on 87 further advances. Total advances secured on residential property and other loans increased during the year to £153.8m (2010 £140.3m).

The Society identifies borrowers whose mortgage accounts have gone into arrears and consults with them in order to find out the reason for the arrears and to draw up a plan of action to bring the accounts up to date. Despite the Society's best efforts to help borrowers in such circumstances there are occasions when properties have to be repossessed and sold, sometimes at a loss to the Society. When potential losses are envisaged the Society makes provisions to cover such circumstances.

DIRECTORS' REPORT (continued)

The Society continues to follow prudent lending policies which also contribute to the low level of provisions. Stress and scenario testing of the Society's lending portfolio has confirmed that we have the financial strength to withstand a significant downturn in the economy.

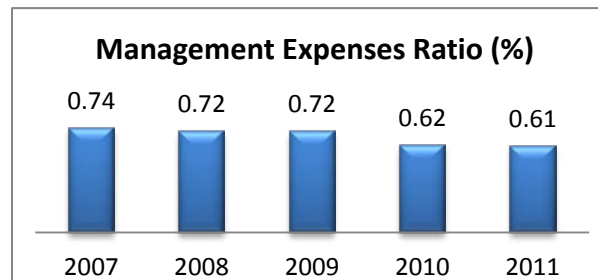
At 31 October 2011, there was 1 mortgage account 12 months or more in arrears. The arrears in this case were £4k and the capital balance was £101k. At the year end the Society had one property in possession, which was subsequently sold at no loss.



- **Management expenses ratio**

This ratio expresses management expenses as a percentage of average total assets. The Society continually reviews its management expenses and endeavours to contain expenditure in order to support its ability to offer excellent rates to both savers and borrowers.

During the year, the management expenses ratio has been held down to 0.61%, a difficult achievement in times of increasing regulation and inflation.



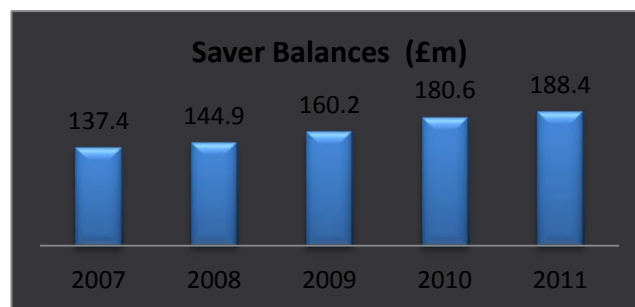
- **Liquidity**

The Society must maintain sufficient liquidity to ensure that it meets liabilities as they fall due. The liquid assets comprising cash, bank balances and authorised investments amounted to £48.2m (2010 £52.9m), representing 25.60% (2010 29.29%) of total shares and deposit liabilities as at 31 October 2011.

DIRECTORS' REPORT (continued)

- **Shares and other investors**

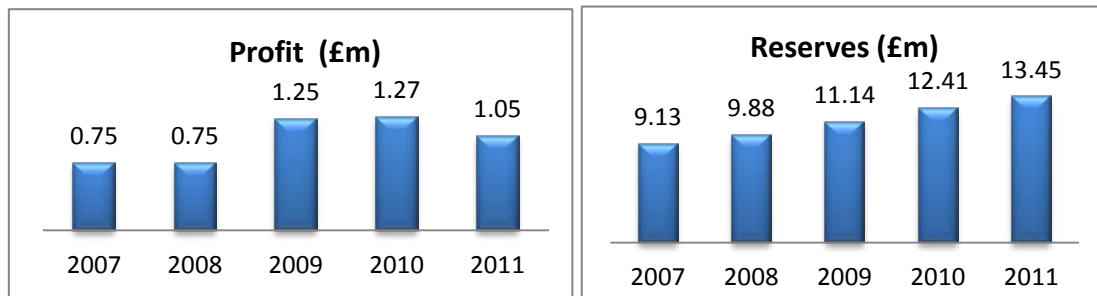
Share and other investor balances at 31 October 2011 were £188.4m (2010 £180.6m), an increase of £7.8m (4.3%) on the previous year.



- **Net profit and Reserves**

The net profit for the year after taxation which amounted to £1.05m (2010 £1.27m) has been added to the General Reserve which now totals £13.45m (2010 £12.40m).

An appropriate level of profit is required to re-invest in the business and to maintain the capital required to satisfy regulatory requirements and protect investors.



The "Pillar 3" disclosure document can be found on the Society's website. This sets out the capital position and the risk management policies and objectives.

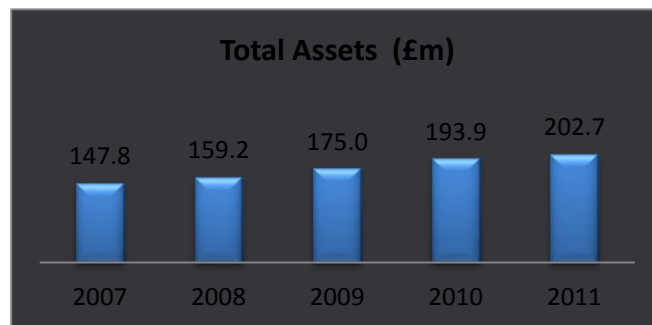
- **Financial Services Compensation Scheme Levy**

The net profit reported above takes account of a provision charge of £53k (2010 provision credit £0.2m) in respect of the above levy which is fully explained in note 18 to the accounts.

DIRECTORS' REPORT (continued)

Total assets

Growth in total assets is a measure of our success in our core markets of mortgages and savings. The total assets of the Society at the end of the financial year amounted to £202.7m (2010 £193.9m), an increase of £8.8m or 4.53%.



Capital

At the year end the ratio of gross capital as a percentage of total share and deposit liabilities was 7.14% (2010 6.87%) and the free capital as a similar percentage was 6.88% (2010 6.56%). Gross capital is defined as the total reserves as shown in the balance sheet and free capital as the aggregate of gross capital and general loss provisions less fixed assets. The Directors ensure that a satisfactory level of capital is maintained to protect the Society against adverse market movements or changes in economic conditions.

Creditor payment policy

The Society's continuing policy concerning the payment of its trade creditors is to pay invoices within the agreed terms of credit once suppliers have discharged their contractual obligations. Amounts due to relevant creditors of the Society are paid on average within 14 days of receipt of invoice (2010: 14 days).

Charitable and political donations

During the year the Society made donations of £6,095 (2010 £4,866) to charities. No contributions were made for political purposes.

Staff

The Directors are grateful to all the staff for their contribution to the Society's successful performance.

DIRECTORS' REPORT (continued)

Principal risks and uncertainties

The Society has a risk-averse culture to ensure that it maintains a low exposure to risk so as to maintain public confidence and corporate objectives.

The Society has in place a risk management structure. Through its normal operations the Society is exposed to a number of risks. The most significant are as follows:

Credit risk

Credit risk is the risk that losses may arise as a result of failure by a borrower or counterparty to meet its obligation to repay. The Assets and Liabilities Committee is responsible for monitoring the arrears profile and maintaining the Society's Treasury Counterparty list, whilst the Risk Committee now reviews lending and Treasury policies.

In the current economic climate the Society continues to exercise great care in reviewing its Treasury counterparties and limiting its exposure.

Liquidity risk

Liquidity risk is the risk that the Society is not able to meet its financial obligations as they fall due. The Society's liquidity policy is to maintain sufficient resources to cover cash flow imbalances and fluctuations in funding, to maintain public confidence and to meet its financial obligations. This is achieved by maintaining a prudent level of liquid assets, generally balancing receipts from investors with net mortgage lending, through a modest use of wholesale funding facilities only when required, and through management control of the growth of the business. At the end of the year the Society had wholesale funded liabilities amounting to £nil (2010 £nil).

Interest rate risk

Interest rate risk represents the Society's exposure to movements in interest rates and is managed on a continuous basis, within limits set by the Board. No transactions of a speculative nature are undertaken.

The interest rate sensitivity exposure of the Society can be found in Note 20 to the annual accounts.

Operational risk

Operational risk is the risk of loss through failed or inadequate systems, human error or other external factors. All business areas have responsibility for putting in place appropriate controls and these are monitored by senior management and the Risk Committee.

DIRECTORS' REPORT (continued)

Concentration risk

The types of concentration that can arise are concentration in one product type, geographical concentration, and over exposure to single borrowers, investors, or counterparties.

Although the Society has only one mortgage product, which is predominantly secured on UK residential property, this concentration is considered to be of low risk because of the inherent nature of the assets and the controls in place to mitigate the risk that the Society does not incur loss.

Financial risk management objectives and policies

The Society has a formal structure for managing financial risks arising from its operations. These risks comprise credit, liquidity and interest rate risk. Further explanation can be found in note 20.

Capital Adequacy

The Board complies with the Basle II Capital Requirements Directive (CRD) which requires the Society to assess the adequacy of its capital through an Internal Capital Adequacy Assessment Process (ICAAP). Through the application of the ICAAP the Board is satisfied that the Society holds a level of capital more than sufficient to satisfy both the CRD's Pillar 1 minimum capital requirements and to cover those risks that the Board has identified under Pillar 2. The Pillar 3 disclosures required under the CRD are available from the Society's Secretary, or on our website www.srbs.co.uk

Events since the year end

The Directors consider that there has been no event since the end of the financial year having a significant effect on the position of the Society.

Future developments

The Directors are committed wholeheartedly to maintaining the Society's success by concentrating its efforts upon traditional Building Society business and offering a high standard of service to its investing and borrowing members.

DIRECTORS' REPORT (continued)

Directors

The following persons were Directors of the Society during the year.

W Arthur Bailey, FCA	Chairman
David J Gage, ACIB	Vice Chairman
Barbara Ainger, OBE BA FCIH	Retired 23 February 2011
Philip J W Evans, DL FRICS	Retired 23 February 2011
Peter R Godwin, MRICS	
A Benson Greatrex, BSc MBA	
Jeremy G Hodgkiss, FCA CF MSI	Appointed as Director 1 November 2010 and Deputy Chief Executive 4 January 2011
Michael R Heenan, BSc FCA	Retired as Chief Executive 4 January 2011 Retired as Secretary 1 February 2011 Retired as Director 23 February 2011
Ian A Henderson, Dip Arch RIBA	
Nicholas H J Sandy, MRICS	Appointed 20 December 2010
Michael R Smith, ACIB	
Susan J Whiting, BA ACA CTA	Appointed Chief Executive 4 January 2011 Appointed Secretary 1 February 2011

The Directors who retire by rotation in accordance with rule 26(1) of the Society rules are William Arthur Bailey and Ian Alastair Henderson who offer themselves for re-election.

The Board appointed Brett Phillips as Director on 19 December 2011. He retires in accordance with rule 25(4) of the Society rules at the Annual General Meeting and offers himself for election.

The Directors wish to place on record their appreciation of the services of Albert Benson Greatrex and Peter Richard Godwin who will be retiring at the next Annual General Meeting after 31 and 26 years respectively in office.

Auditor

In accordance with Section 77 of the Building Societies Act 1986 a resolution for the re-appointment of KPMG Audit Plc as auditor is to be proposed at the Annual General Meeting.

On behalf of the Board of Directors
W Arthur Bailey
Chairman

19 December 2011

DIRECTORS' REMUNERATION REPORT

Directors' Remuneration

The purpose of this report is to inform members of The Stafford Railway Building Society about our policy on the remuneration of Executive and Non-Executive Directors.

The Remuneration Committee

The Committee, comprising of all the Non-Executive Directors, meets at least once a year to review the performance of and recommend the remuneration for the Executive Directors. The Committee ensures the Society's compliance with relevant elements of the FSA's remuneration code.

Policy for Executive Directors

The Society has a contract with Dean Statham, Chartered Accountants, for the services of the Chief Executive and the Deputy Chief Executive which contains provision for termination upon 12 months written notice by either party.

- **Basic Fee** – The method of calculation of the base fee is specified in the contract with Messrs Dean Statham dated 1 June 2001 which involves external advice being taken as to the level of the base fee each year.
- **Bonus** – The bonus is assessed by the Remuneration Committee and is based on corporate performance targets both financial and non-financial. Bonus payments are payable annually, are not guaranteed and are reviewed each year.
- **Pension** – There are no provisions within the contract for any pension arrangements for the Executive Directors and no pension payments are made.
- **Other Benefits** – There are no provisions within the contract for any other benefits for the Executive Directors and no such benefits are provided.

Policy for Non-Executive Directors

The remuneration of all Non-Executive Directors is reviewed annually by the Board as a whole. There are no bonus schemes for Non-Executive Directors and they do not qualify for pension entitlement or other benefits. Non-Executive Directors do not have service contracts. The remuneration of the Chairman is set at a meeting of the Board where the Chairman is not present.

Remuneration of Directors

	2011 £000	2010 £000
Directors' emoluments		
For Remuneration of Directors' services as a Director	92.8	78.2
For executive services	4.6	4.6
	<u>97.4</u>	<u>82.8</u>

DIRECTORS' REMUNERATION REPORT (continued)

Total emoluments of the Society's Directors are listed below:

	2011 £000 Fees	2010 £000 Fees
For Service as a Director (excluding NI)		
Non-Executive Directors		
W Arthur Bailey (Chairman)	20.0	16.4
David J Gage (Vice Chairman)	15.0	11.3
Barbara Ainger	3.3	9.5
Philip J W Evans	3.3	8.2
Peter R Godwin	10.0	8.2
A Benson Greatrex	10.0	8.2
Ian A Henderson	10.0	8.2
Michael R Smith	12.0	8.2
Nicholas H J Sandy	9.2	-
Executive Directors		
Michael R Heenan	-	2.3
Susan J Whiting	2.3	2.3
Jeremy G Hodgkiss	2.3	-
	<u>97.4</u>	<u>82.8</u>

Amounts paid for Services of Chief Executive, Deputy Chief Executive and Secretary are as follows:

	2011 £000	2010 £000
Base fee	152	146
Bonus	22	22
VAT	34	30
	<u>208</u>	<u>198</u>

W Arthur Bailey
Chairman of the Remuneration Committee
19 December 2011

CORPORATE GOVERNANCE REPORT

The Directors are committed to best practice in Corporate Governance and have also considered the UK Corporate Governance Code which applies to listed companies and adheres to its principles.

The Board

The Board, which meets monthly, provides leadership and direction with the strategic aim of promoting success within an effective and controlled framework. The Board sets the Society's strategic aims and objectives, ensuring that sufficient human and financial resources are in place to meet them, whilst always acting in the best interests of the Society's members. It satisfies itself on the integrity of financial information at the same time making sure that financial controls and risk management systems are robust.

A Corporate Governance manual sets out those items for which decision by the Board is required and decisions delegated to the Executive Directors.

The following matters are prescribed as being the sole responsibility of the Board of Directors:

- a) Major investment decisions of a type not previously or usually undertaken
- b) Entering into major contractual agreements
- c) Responsibilities under the Building Societies Act 1986 and other appropriate legislation and regulations
- d) Appointment of Chief Executive or Deputy Chief Executive
- e) Appointment of Non-Executive Directors
- f) Appointment of Board Committees

The Board has key Board Committees, the terms of reference of which are summarised below, and full details are available from the Secretary.

Remuneration Committee

This committee comprises all the Non-Executive Directors under the Chairmanship of W. Arthur Bailey (Chairman of the Board) and is responsible for compliance with relevant elements of the FSA's Remuneration Code. The committee meets at least once per year to consider the remuneration and other terms of service of the Executive Directors.

CORPORATE GOVERNANCE REPORT (continued)

Audit Committee

This consists entirely of Non-Executive Directors under the chairmanship of David J Gage, which meets at least four times per year. Other members of the committee are A Benson Greatrex, Peter R Godwin and Ian A Henderson. It reviews the effectiveness of internal controls and the compliance function. It considers and recommends the appointment of internal and external auditors and monitors their effectiveness and independence.

Assets and Liabilities Committee

Comprised entirely of Non-Executive Directors under the chairmanship of Michael R. Smith. It meets quarterly throughout the year and monitors and controls balance sheet risk, funding and liquidity. The other members of the committee are W. Arthur Bailey and Nicholas H J Sandy.

Risk Committee

The Risk Committee was formed during the year in response to the increasing importance of this area. It is chaired by the ALCO Chairman, Michael R Smith. It meets at least three times during the year and advises the board on the overall risk appetite, tolerance and strategy and reviews the risk management framework and policies. The other members of the committee are the Chairman , W Arthur Bailey, and Chief Executive, Susan J Whiting.

Nominations Committee

The Nominations Committee is chaired by the Chairman of the Board, W Arthur Bailey, and also comprises two Non-Executive Directors, David J Gage and A Benson Greatrex, and the Chief Executive, Susan J Whiting. It identifies and recommends to the Board candidates for nomination as Non-Executive Directors. It meets when there is an appropriate vacancy to fill but in any case at least once a year to review the skill mix of the Board.

CORPORATE GOVERNANCE REPORT (continued)

Minutes and Attendance

All committee meetings are formally minuted with the minutes being considered at the next Board meeting.

Attendance at Board and Committee meetings for the year to 31 October 2011 is as follows:

<u>Name</u>	<u>Remuneration</u>	<u>Audit</u>	<u>ALCO</u>	<u>Risk</u>	<u>Nominations</u>	<u>Board</u>
W Arthur Bailey	1 (1)		4 (4)	3 (3)	3 (3)	12 (12)
David J Gage	1 (1)	4 (4)			3 (3)	12 (12)
Barbara Ainger	1 (1)	0 (1)				3 (4)
Philip J W Evans	1 (1)	1 (1)				4 (4)
A Benson Greatrex	1 (1)	3 (4)			3(3)	12 (12)
Peter R Godwin	0 (1)	2 (2)	2 (2)			10 (12)
Ian A Henderson	1 (1)	2 (2)	2 (2)			12 (12)
Michael R Smith	1 (1)		4 (4)	3 (3)		12 (12)
Nicholas H J Sandy	1 (1)		2 (2)			10 (11)
Michael R Heenan						3 (4)
Susan J Whiting	1 (1)		1 (1)	3 (3)	3 (3)	12 (12)
Jeremy G Hodgkiss	1 (1)		2 (3)			11 (12)

(figures in brackets represent maximum possible attendance)

Chairman and Chief Executive

The offices of Chairman and Chief Executive are distinct and held by different people.

Board Balance and Independence

The Board consists of two Executive Directors and seven Non-Executive Directors who provide the appropriate mix of skills and professional expertise required.

The Society's rules require all Directors to submit themselves for re-election at the first opportunity after their appointment and for re-election every three years.

The Board has considered the individual performance of all Directors and unequivocally agreed that they can be considered independent and free of any relationship which could prejudice their use of independent judgement. The Board also agreed as a matter of policy that all Directors first appointed after the Annual General Meeting in 2001 will be subject to annual re-election by the members after they have served nine years.

CORPORATE GOVERNANCE REPORT (continued)

Mr A Benson Greatrex has been appointed Senior Independent Director. The Senior Independent Director is available to members if they have any concerns which contact through the existing channels of the Chairman or Chief Executive has failed to resolve or where such contact is inappropriate.

A succession plan which deals with the dates of retirement of existing Non-Executive Directors and skills replacement and requirements is in place.

Appointments to the Board

There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. This is undertaken by the Nominations Committee which reports to the Board and which selects Directors involving public advertising of the position in two local newspapers and inclusion in a publication to members.

Information and Professional Development

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

Information provided to the Board is reviewed annually. There is an induction process for new Non-Executives. Board members take advantage of in-house training, external seminars and courses in order to keep abreast of developments.

All Directors have access to the advice of the Secretary and, if necessary, are able to take independent professional advice at the Society's expense.

Performance Evaluation

The Society follows the guidelines for performance evaluation as set out in the Code. The results were considered by the Board and areas which could be improved were noted.

In addition, all Directors are subject to annual performance and evaluation review by the Chairman. The Chairman is reviewed by the Senior Independent Director and that review considered annually by the Non-Executive Directors without the Chairman present.

The Board reviewed its performance and that of its Committees in December 2011 and believes it is operating satisfactorily and within an appropriate corporate governance framework.

All Directors must meet the test of fitness and propriety as laid down by the Financial Services Authority as 'Approved Persons' to fulfil their Controlled Functions as Directors.

CORPORATE GOVERNANCE REPORT (continued)

The Level and Make-up of Remuneration

The Remuneration Committee, as described above, meets at least once per year to consider the remuneration and other terms of service of the Executive Directors. Further details can be found in the Remuneration Report on pages 10-11.

Relations with Members

The Board is responsible for ensuring that a satisfactory dialogue with its members takes place. Each year we send our members a copy of our Newsletter and during 2011 we issued an additional newsletter to report to members on current topical issues and Society news.

Constructive use of the AGM

The Board should use its AGM to communicate with investors and to encourage their participation.

Within the annual mailing with details of the AGM, members are urged to use their vote and attend the AGM if they so wish. The results of the AGM are published on the Society website. A summary of the Annual Report and Accounts and business transacted at the AGM is published in a local newspaper.

System of Risk Management and Internal Control

The Audit Committee is responsible for the Risks and Controls framework. Senior management is responsible for operating and maintaining risk management and internal control processes. The system of internal controls is designed to enable the Society to operate within a managed risk profile. The Audit Committee has reported to the Board that it is satisfied that an effective system of risk management and internal controls is in place.

W Arthur Bailey
Chairman

19 December 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibilities in respect of the Annual Report, the Annual Business Statement, the Directors' Report and the Annual Accounts.

The Directors are responsible for preparing the Annual Report, Annual Business Statement, Directors' Report and Annual Accounts in accordance with applicable law and regulations.

The Building Societies Act ("the Act") requires the Directors to prepare annual accounts for each financial year. Under the law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Annual Accounts are required by law to give a true and fair view of the state of affairs of the Society as at the end of the financial year and of the income and expenditure of the Society for the financial year.

In preparing Annual 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 Annual Accounts;
- prepare the Annual Accounts on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

In addition to the Annual Accounts the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each of which contains prescribed information relating to the business of the Society.

Directors' responsibilities for accounting records and internal control

The Directors are responsible for ensuring that the Society:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society, in accordance with the Act;
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Services Authority under the Financial Services and Markets Act 2000.

The Directors have general responsibility for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the UK governing the preparation and dissemination of Annual Accounts may differ from legislation in other jurisdictions.

Going Concern

The Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

INDEPENDENT AUDITOR'S REPORT

Independent auditors' report to the members of The Stafford Railway Building Society

We have audited the annual accounts of The Stafford Railway Building Society for the year ended 31 October 2011 set out on pages 20 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the society's members, as a body, in accordance with section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of annual accounts which give a true and fair view. Our responsibility is to audit, and express an opinion on, the annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the annual accounts

A description of the scope of an audit of annual accounts is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on annual accounts

In our opinion the annual accounts:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the society as at 31 October 2011 and of the income and expenditure of the society for the year then ended; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986 and regulations made under it.

Opinion on other matters prescribed by the Building Societies Act 1986

In our opinion:

- the Annual Business Statement and the Directors' Report have each been prepared in accordance with the applicable requirements of the Building Societies Act 1986 and regulations thereunder;
- the information given in the Directors' Report for the financial year for which the financial statements 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Matters on which we are required to report by exception

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

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

Karen T Orr for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
KPMG Audit Plc
St James' Square
Manchester
M2 6DS

19 December 2011

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2011

		2011	2010
	Notes	£000	£000
Interest receivable and similar income	2	6,375	5,950
Interest payable and similar charges	3	(3,686)	(3,267)
Net interest receivable		<u>2,689</u>	<u>2,683</u>
Fees and commissions receivable		17	12
Fees and commissions payable		(24)	(23)
Other operating income		29	31
Total income		<u>2,711</u>	<u>2,703</u>
Administrative expenses	5	(1,146)	(1,093)
Depreciation		(45)	(49)
Other operating charges	4	(19)	(11)
		<u>1,501</u>	<u>1,550</u>
Provisions for bad and doubtful debts	9	-	51
Provisions for contingent liabilities and commitments	15	(53)	178
Profit on ordinary activities before tax		<u>1,448</u>	<u>1,779</u>
Tax on profit on ordinary activities	7	(397)	(509)
Profit for the financial year		<u><u>1,051</u></u>	<u><u>1,270</u></u>

There have been no recognised gains or losses other than the profit for the year.

Profit on ordinary activities before tax represents operating profit as defined by FRS3, Reporting Financial Performance.

The notes on pages 23 to 33 form part of these accounts.

All income and expenditure relates to continuing operations.

BALANCE SHEET AS AT 31 OCTOBER 2011

		2011 £000	2010 £000
	Notes		
Assets			
Liquid assets			
Cash in hand		28	22
Treasury bills	8	999	3,998
Loans and advances to credit institutions	8	5,112	7,404
Debt securities	8	42,079	41,460
		<u>48,218</u>	<u>52,884</u>
Loans and advances to customers			
Loans fully secured on residential property	10	149,792	135,917
Loans fully secured on land	10	4,007	4,388
		<u>153,799</u>	<u>140,305</u>
Tangible fixed assets	11	676	717
Other assets	16	33	25
Prepayments and accrued income		27	27
Total assets		<u>202,753</u>	<u>193,958</u>
Liabilities			
Shares	12	169,852	163,805
Amounts owed to other customers	13	18,510	16,766
		<u>188,362</u>	<u>180,571</u>
Other liabilities	14	684	751
Accruals and deferred income		181	161
Provisions for liabilities	15	70	70
Reserves			
General reserves	17	13,456	12,405
Total Liabilities		<u>202,753</u>	<u>193,958</u>

Approved by the Board of Directors on 19 December 2011

W Arthur Bailey	Chairman
David J Gage	Vice Chairman
Susan J Whiting	Chief Executive

The notes on pages 23 to 33 form part of these accounts.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2011

	2011	2010
	£000	£000
Net cash (outflows)/inflows from operating activities	(4,285)	11,583
Taxation	(477)	(523)
Capital expenditure and financial investment		
Purchase of debt securities	(37,805)	(47,571)
Proceeds from disposal of debt securities	37,284	42,560
Purchase of treasury bills	(999)	(3,995)
Proceeds from disposal of treasury bills	4,000	-
Purchase of tangible fixed assets	(4)	(30)
(Decrease) / increase in cash	<u>(2,286)</u>	<u>2,024</u>

Reconciliation of operating profit to net cash flow from operating activities

Operating profit	1,448	1,779
(Increase) / decrease in prepayments and accrued income	(313)	34
Increase / (decrease) in accruals and deferred income	20	(38)
Decrease in provision for bad and doubtful debts	-	(64)
Amortisation of treasury bills	(2)	(3)
Amortisation of debt securities	237	55
Profit on sale of debt securities	(22)	(75)
Depreciation	45	49
Net cash inflow from trading activities	<u>1,413</u>	<u>1,737</u>
Loans and advances made to customers	(34,426)	(26,827)
Loans and advances repaid by customers	20,932	18,905
Net increase in shares	6,047	15,922
Net increase in amounts owed to credit institutions and other customers	1,744	2,125
Net increase in other assets	-	-
Net decrease in provision for liabilities	-	(235)
Net increase / (decrease) in other liabilities	5	(44)
	<u>(5,698)</u>	<u>9,846</u>
Net cash (outflows) / inflows from operating activities	<u>(4,285)</u>	<u>11,583</u>

Reconciliation of cash balances

	2010	Cash Flow	2011
	£000	£000	£000
Cash in hand	22	6	28
Loans and advances to credit institutions repayable on demand	7,404	(2,292)	5,112
	<u>7,426</u>	<u>(2,286)</u>	<u>5,140</u>

NOTES TO THE ACCOUNTS (continued)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Society's accounts.

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards and Building Societies (Accounts and Related Provisions) Regulations 1998 and in accordance with the Building Societies Act 1986.

Liquid assets

Debt securities and treasury bills are intended for use on a continuing basis in the Society's activities and are classified as financial fixed assets and are stated at cost, adjusted to exclude accrued interest at the date of purchase. Premiums and discounts arising on the purchase of financial fixed assets are amortised over the period to the maturity date of the security. Any amounts so amortised are charged/credited to the income and expenditure account for the relevant financial year. Other liquid assets are stated at the lower of cost and net realisable value.

Provisions for bad and doubtful debts

Provisions are made to reduce the value of loans and advances to the amount which the Directors consider is ultimately likely to be received.

Throughout the year and at the year-end individual assessments are made of loans and advances on properties which are in possession or in arrears by 2.5% or more. Specific provision is made against those loans and advances which are considered to be impaired. In considering the specific provision for impaired loans, account is taken of any discount which may be needed against the value of the property at the balance sheet date to agree a sale including anticipated realisation costs. The Directors recognise that not all accounts in arrears will result in possession and apply a factor based on recent experience to reflect this probability when calculating the provision for accounts in arrears.

A general provision is made against all advances to the extent that the Society's experience and general economic climate would indicate that it is prudent for such a provision to be made. Interest in respect of all loans is credited to the income and expenditure account as it becomes receivable, including interest in respect of advances where the property has been taken into possession. Loans and advances in the balance sheet are shown net of provisions.

Depreciation

Depreciation is provided by the Society to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold land and buildings	50 years
Computer equipment	3 years
Fixtures and fittings and office equipment	5 - 10 years

NOTES TO THE ACCOUNTS (continued)

Pension costs

The Society operates a money purchase pension scheme. The Society's contributions are charged against profits in the year in which they are made. The charge to the income and expenditure account for the year is shown in note 19 to the accounts.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Full provision is made for deferred tax liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation. However, a net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

2 Interest receivable and similar income

	2011	2010
	£000	£000
On loans fully secured on residential property	5,116	4,683
On other loans	270	289
On debt securities		
Interest and other income	892	833
Gain on sale	22	75
On other liquid assets		
Interest and other income	75	70
	6,375	5,950

Total income from fixed income securities was £891,689 (2010: £833,285).

3 Interest payable and similar charges

	2011	2010
	£000	£000
On shares held by individuals	3,382	3,009
On other shares	-	-
On deposits and other borrowing	304	258
	3,686	3,267

NOTES TO THE ACCOUNTS (continued)

4 Other operating charges

	2011	2010
	£000	£000
Valuation fees	(3)	2
Solicitor remortgage scheme	5	1
Mortgage procurement fee	17	8
	<u>19</u>	<u>11</u>

5 Administrative expenses and staff numbers

	2011	2010
	£000	£000
Administrative expenses		
Director's emoluments		
Fees	97	83
Executive services	208	198
Social security costs	4	4
Remuneration of staff		
Wages and salaries	297	274
Social security costs	25	23
Other pension costs	23	22
Other administrative expenses	492	489
	<u>1,146</u>	<u>1,093</u>
Other administrative expenses include:		
Remuneration of auditors for the audit of the financial statements/annual accounts (excluding VAT)	29	29
	<u>29</u>	<u>29</u>
Staff numbers		
Full Time	8	8
Part Time	12	10
Total	<u>20</u>	<u>18</u>

6 Directors' remuneration

Total remuneration of the Society's Directors for the year was £97,466 (2010 £82,833). Full details are given in the tables within the Directors' Remuneration Report on pages 10-11.

Directors' loans and related party transactions

At 31 October 2011 there were outstanding mortgage loans granted in the ordinary course of business, at the Society's standard variable mortgage rate to 3 Directors and 3 connected persons amounting in aggregate to £487,899 (2010 - 3 Directors and 1 connected person amounting in aggregate to £170,280). Under section 68 of the Building Societies Act 1986, a register is maintained at the head office of the Society which shows details of all loans, transactions and arrangements with Directors and connected persons. A statement, for the current financial year, of the appropriate details contained in the register will be available for

NOTES TO THE ACCOUNTS (continued)

inspection at the head office for a period of 15 days up to and including the day of the annual general meeting.

The Society has a contract with Dean Statham Chartered Accountants for the services of Chief Executive, Deputy Chief Executive and Secretary, payments under which are set out on page 11 of the Directors' Remuneration Report. Mr M R Heenan, Mrs S J Whiting and Mr Jeremy G Hodgkiss are partners in this firm. During the year there were amounts received from Dean Statham for the rent of the office accommodation amounting to £25,101 (2010 £26,225). The Society made payments to Dean Statham for some staff services and some office accommodation amounting to £31,756 (2010 £30,484). At 31 October 2011 there was an accrual of £43,134 (2010 £42,399).

7 Taxation

	2011	2010
	£000	£000
Analysis of tax change in the year		
Current tax at 26.8% (2010 – 28%)	405	477
Deferred tax	(8)	32
Tax on profit on ordinary activities	<u>397</u>	<u>509</u>

Factors affecting the current tax charge in year. The current tax charge for the period is at the standard rate of corporation tax in the UK (28%). The differences are explained below.

	2011	2010
	£000	£000
Profit on ordinary activities before tax	1,450	1,779
Tax on profit on ordinary activities at UK standard rate (26.8%). (2010: 28%)	389	498
Expenses not deductible for tax purposes	3	2
Increases/(Decreases) in other timing differences	13	(23)
Current tax charge for year	<u>405</u>	<u>477</u>

8 Liquid assets

a) Treasury bills and other eligible bills

	2011	2010
	£000	£000
Cost		
At 1 November	3,998	-
Acquisitions	999	3,995
Disposals	(4,000)	
Amortisation	2	3
At 31 October	<u>999</u>	<u>3,998</u>

NOTES TO THE ACCOUNTS (continued)

The unamortised discount on Treasury bills above was £88 (2010: £2,000). Treasury Bills are held with the intention of use on a continuing basis in the Society's activities and are classified as financial fixed assets.

- b) Repayable from the date of the balance sheet in the ordinary course of business as follows:

	2011 £000	2010 £000
Loans and advances to credit institutions		
Repayable on demand	5,112	7,404
Debt securities		
Accrued interest	669	356
In not more than one year	31,813	31,000
In more than one year	9,597	10,104
	<u>42,079</u>	<u>41,460</u>

- c) Analysis of debt securities

	2011 £000	2010 £000
Transferable debt securities		
Listed	8,657	6,646
Unlisted	33,422	34,814
	<u>42,079</u>	<u>41,460</u>
Market value of listed debt securities	<u>8,819</u>	<u>6,918</u>

- d) Transferable debt securities held as financial fixed assets

	2011 £000	2010 £000
Maturity value	41,200	41,005
Unamortised premium	210	99
	<u>41,410</u>	<u>41,104</u>
Accrued interest	669	356
	<u>42,079</u>	<u>41,460</u>

All transferable debt securities are held with the intention of use on a continuing basis in the Society's activities and are classified as financial fixed assets.

NOTES TO THE ACCOUNTS (continued)

Movements during the year of transferable debt securities held as financial fixed assets are analysed as follows:

	£000
Cost	
At 1 November 2010	41,177
Additions	37,805
Disposals	(37,305)
At 31 October 2011	41,677
 Provision for diminution in value	
At 1 November 2010	73
Charge for the year	237
On disposals	(43)
At 31 October 2011	267
 Net book value	
At 31 October 2011	41,410
At 31 October 2010	41,104

9 Provisions for bad and doubtful debts

	Loans fully secured on residential property		Loans fully secured on land		Total £000
	Specific £000	General £000	Specific £000	General £000	
	Balance at 1 November 2010	61	154	-	
Charge/(credit) for the year	(15)	15	-	-	-
Balance at 31 October 2011	46	169	-	10	225

NOTES TO THE ACCOUNTS (continued)

10 Loans and Advances to customers – Maturity analysis

The maturity of loans and advances to customers from the date of the balance sheet is as follows:-

	2011 £000	2010 £000
On call and at short notice	539	1,302
In not more than three months	177	51
In more than three months but not more than one year	255	754
In more than one year but not more than five years	7,214	6,561
In more than five years	145,839	131,862
	<u>154,024</u>	<u>140,530</u>
Provisions	(225)	(225)
	<u>153,799</u>	<u>140,305</u>

The maturity analysis comprises

Loans fully secured on residential property	149,792	135,917
Other loans – fully secured on land	4,007	4,388
	<u>153,799</u>	<u>140,305</u>

11 Tangible fixed assets

	Freehold land and buildings £000	Computer equipment £000	Office equipment fixtures and fittings £000	Total £000
Cost				
At 1 November 2010	756	95	355	1,206
Additions	-	4	-	4
At 31 October 2011	<u>756</u>	<u>99</u>	<u>355</u>	<u>1,210</u>
Depreciation				
At 1 November 2010	132	68	289	489
Charge for the year	15	15	15	45
At 31 October 2011	<u>147</u>	<u>83</u>	<u>304</u>	<u>534</u>
Net book value				
At 31 October 2011	<u>609</u>	<u>16</u>	<u>51</u>	<u>676</u>
At 31 October 2010	<u>624</u>	<u>27</u>	<u>66</u>	<u>717</u>

The Society occupies the freehold premises to an amount of £304,309 (2010 £311,873) of the net book value.

NOTES TO THE ACCOUNTS (con tinued)

12 Shares

	2011 £000	2010 £000
Held by individuals	169,834	163,787
Other shares	18	18
	<u>169,852</u>	<u>163,805</u>

Shares are repayable from the date of the balance sheet in the ordinary course of business as follows:

Repayable on demand	<u>169,852</u>	<u>163,805</u>
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13 Amounts owed to other customers

Amounts owed to other customers are repayable from the date of the balance sheet in the ordinary course of business as follows:

	2011 £000	2010 £000
Repayable on demand	18,510	16,766

14 Other liabilities

	2011 £000	2010 £000
Other liabilities due within one year comprise:		
Corporation tax	405	477
Income tax	279	274
	<u>684</u>	<u>751</u>

15 Provisions for liabilities

	2011 £000	2010 £000
FSCS levy (see note 18)		
At 1 November	70	305
Levy paid in year	(53)	(57)
Charge/(Credit) for the year	53	(178)
At 31 October	<u>70</u>	<u>70</u>

NOTES TO THE ACCOUNTS (continued)

16 Other assets

	2011 £000	2010 £000
a) Other assets comprise:		
Deferred tax	33	25
b) Deferred tax		
At 1 November	25	57
Credit /(charge) for the year	8	(32)
At 31 October	33	25
Deferred tax has been provided in full at 25% (2010 27%) as follows:		
Excess of capital allowances over depreciation	(10)	(14)
General mortgage loss provisions	43	39
	33	25

17 Reserves

	£000
General reserves	
At 1 November 2010	12,405
Profit for the financial year	1,051
At 31 October 2011	13,456

18 Guarantees and other financial commitments

Based on its share of protected deposits, the Society, in common with all regulated UK deposit takers, pays levies to the Financial Services Compensation Scheme ("FSCS") to enable the FSCS to meet claims against it. The FSCS levy consists of two parts, a management expenses levy and a compensation levy. The management expenses levy covers the costs of running the scheme and the compensation levy covers the amount of compensation the scheme pays, net of any recoveries it makes using the rights that have been assigned to it. In 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.

We understand that the FSCS has met, or will meet, the claims by way of loans received from HM Treasury. The FSCS has, in turn acquired the rights to the realisation of the assets of these banks and institutions. The FSCS is liable to pay interest on the loans from H M Treasury. The FSCS may have a further liability if there are insufficient funds available from the realisation of the assets of the banks to fully repay the respective loans from HM Treasury.

NOTES TO THE ACCOUNTS (continued)

As at 31 October 2010 the Society had a provision of £70,000 in respect of amounts due under the FSCS scheme, and the amount paid during the year was £53,000. The amount provided for in these accounts is £70,000 in respect of the current scheme year.

The Society's provision does not include management expense levies for any future scheme years after March 2012, or for any compensation levies which may arise from any ultimate payout on the claims which are still uncertain at this time. In addition, the Board is aware of ongoing discussions between the FSCS and HM Treasury with regard to the funding rate on the loans advanced by HM Treasury. The provision in the accounts this year continues to be calculated with reference to previously notified interest rates. If the interest rates on the loans are increased, this may potentially increase the FSCS charge that the Society is due to pay for the current scheme year (which runs from April 2011 to March 2012) and in future years.

19 Pension scheme

During the year, the Society has contributed to the personal pensions plans of its staff. The pension charge in relation to these plans for the year was £23,821 (2010 £22,402). At 31 October 2011 there were no accrued contributions.

20 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 Society 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 Society does not use financial derivatives.

Liquidity risks

The Society's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to maintain full public confidence in the solvency of the Society and to meet its financial obligations. This is achieved through maintaining a prudent level of liquid assets through wholesale funding facilities, and through management control of the growth of the business.

Credit risk

Credit risk is the risk that counterparties will not meet their obligations as they fall due. All loan applications are assessed with reference to the Society's lending policy. Treasury counterparties are approved and monitored by the Assets and Liabilities Committee.

Interest rate risk

The Society is exposed to movements in interest rates and manages this exposure on a continuous basis, within limits set by the Board, using only instruments recorded on the balance sheet. The following table details the re-pricing exposures. Items are allocated to time bands by reference to the maturity date. The interest rate sensitivity of the Society at 31 October 2011 is shown in the following table.

NOTES TO THE ACCOUNTS (continued)

	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than one year	More than 1 year but not more than five years	Non Interest bearing	Total
<u>31 October 2011</u>						
	£000	£000	£000	£000	£000	£000
Assets						
Liquid assets	12,089	13,113	12,500	10,029	487	48,218
Loans fully secured on residential property	150,017				(225)	149,792
Other loans	4,007					4,007
Tangible fixed assets					676	676
Other assets					60	60
	166,113	13,113	12,500	10,029	998	202,753
Liabilities						
Shares	169,852					169,852
Deposits and other borrowings	18,510					18,510
Other liabilities					935	935
Reserves					13,456	13,456
	188,362				14,391	202,753
Interest rate sensitivity gap	(22,249)	13,113	12,500	10,029	(13,393)	-
<u>31 October 2010</u>						
	£000	£000	£000	£000	£000	£000
Assets						
Liquid assets	19,391	7,000	16,008	10,104	381	52,884
Loans fully secured on residential property	136,142				(225)	135,917
Other loans	4,388					4,388
Tangible fixed assets					717	717
Other assets					52	52
	159,921	7,000	16,008	10,104	925	193,958
Liabilities						
Shares	163,805					163,805
Deposits and other Borrowings	16,766					16,766
Other liabilities					982	982
Reserves					12,405	12,405
	180,571				13,387	193,958
Interest rate sensitivity gap	(20,650)	7,000	16,008	10,104	(12,462)	-

ANNUAL BUSINESS STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2011

1. Statutory Percentages

	Percentage as at 31 Oct 2011 %	Statutory Limit %
Proportion of business assets not in the form of loans fully secured on residential property (the "Lending limit").	2.6%	25
Proportion of shares and deposits not in the form of shares held by individuals (the "Funding limit").	9.8%	50

The percentages are calculated in accordance with, and the statutory limits are those prescribed by, sections 6 and 7 of the Building Societies Act 1986 as amended by the Building Societies Act 1997.

Business assets are the total assets of the Society as shown in the balance sheet plus provision for bad and doubtful debts, less fixed assets and liquid assets.

Loans fully secured on residential property are the amount of the principal owing by borrowers and interest accrued not yet payable. This is the amount shown in the balance sheet plus provision for bad and doubtful debts.

2. Other percentages

	31 Oct 2011 %	31 Oct 2010 %
Gross capital as a percentage of share and deposit Liabilities	7.14	6.87
Free capital as a percentage of share and deposit Liabilities	6.88	6.56
Liquid assets as a percentage of share and deposit liabilities	25.60	29.29
As a percentage of mean assets		
Profit after taxation	0.53	0.69
Management expenses	0.61	0.62

ANNUAL BUSINESS STATEMENT (continued))

The above percentages have been prepared from the Society's accounts and in particular

- Shares and deposits represent the total of shares amounts, owed to credit institutions and amounts owed to other customers
- 'Gross capital' represents the general reserves.
- 'Free capital' represents the aggregate of gross capital and general mortgage loss provisions for bad and doubtful debts less tangible fixed assets.
- 'Mean total assets' represents the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
- 'Liquid assets' represent the total cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities.
- 'Management expenses' represent the aggregate of administrative expenses, depreciation and amortisation.

ANNUAL BUSINESS STATEMENT (continued)

3. Information relating to the Directors at 31 October 2011

Name & Date of Birth	Occupation & Date of Appointment	Other Directorships
W Arthur Bailey Chairman 12.08.43	Chartered Accountant 24.04.03	Institute of Chartered Accountants in England and Wales North Staffordshire Risk Capital Fund PLC European Football Scouting Limited North Staffordshire Risk Capital Fund (ASLP) Limited Bo G Erikson Television Limited Roger Ljung Promotions Limited
David J Gage Vice Chairman 01.03.47	Company Director 01.06.07	North Staffordshire Risk Capital Fund PLC Gage Consultancy Limited
Peter R Godwin 04.01.47	Chartered Quantity Surveyor 12.08.85	Sandy & Co (Contractors) Limited A J Godwin & Sons Limited Godwin Properties Limited Godwin Developments (Stafford) Limited
A Benson Greatrex 28.05.52	Company Director 28.01.80	Greatrex Limited The Inglewood Investment Co. Limited Valley Flying Company Limited ISE Estates Limited TIIC Projects Limited ISE Trading Limited
Ian A Henderson 17.03.49	Architect 16.09.91	Horsley Huber Architects Limited
**Jeremy G Hodgkiss 6.12.71	Chartered Accountant 15.11.10	Dean Statham Staffordshire Ltd Deans Wealth Management Ltd
Nicholas H J Sandy 18.11.57	Chartered Surveyor 20.12.10	Nicolsons The Estate Agents Limited Nicolsons Financial Management Limited
Michael R Smith 13.09.61	Banker 01.06.07	None
*Susan J Whiting 09.01.64	Chartered Accountant 01.07.04	Stafford Chamber of Commerce

*Chief Executive & Secretary

**Deputy Chief Executive

Documents may be served on the above Directors care of The Stafford Railway Building Society, 4 Market Square, Stafford, ST16 2JH
Service Contracts: None of the Non-Executive Directors has a service contract.

The Society has a service agreement with Dean Statham commencing 1 June 2001 for the services of Chief Executive, Deputy Chief Executive & Secretary which contains provisions for termination upon 12 months written notice by either party.