

# Summary Financial Statement



*For the year ended  
31st December 2010*





# Harpenden Building Society

Financial Services Authority Registered No. 157260

Incorporated 1953

## Head Office

Mardall House  
9-11 Vaughan Road  
Harpenden  
Hertfordshire  
AL5 4HU  
Telephone: 01582 765411  
Email: [enquiries@harpendenbs.co.uk](mailto:enquiries@harpendenbs.co.uk)  
Web: [www.harpendenbs.co.uk](http://www.harpendenbs.co.uk)

## Directors

Michael W. Willis, FCA (Chairman)  
Nigel S. Terry, (Vice Chairman)  
Carl D. Astley, BSc (Hons), ACA  
David J. Holland  
Paul G. Marsden, BSc (Hons), DipOccPsych  
Hugh H. Titcomb, BA (Hons), FCIB  
Kate M. Wilson, BA (Hons), MBA (Harvard)

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## Executives

Paul G. Marsden, BSc (Hons), DipOccPsych  
Carl D. Astley, BSc (Hons), ACA  
Richard S. Mason, BA (Hons), FCIB  
Philip L. Bannister  
Louisa M. Lingwood, BA (Hons), MCP  
Lynn P. Hey, BA (Hons), ACIB

Director, Chief Executive & Secretary  
Finance Director  
Head of Lending  
Head of Operations  
IT Manager  
Compliance Supervisor

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## Solicitors

Neves,  
2 Sun Lane, Harpenden, Hertfordshire  
AL5 4ET

## Auditors

KPMG Audit Plc,  
Aquis Court, 31 Fishpool Street,  
St Albans, Hertfordshire AL3 4RF

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## Harpenden Branch

Aberdeen House, 14 Station Road, Harpenden,  
Hertfordshire AL5 4SE  
Telephone: 01582 344204  
Chief Cashier and Manager: Lynne Collins

## Radlett Branch

341 Watling Street, Radlett,  
Hertfordshire WD7 7LB  
Telephone: 01923 854457  
Manager: Pauline Wright

## Leighton Buzzard Branch

22 Market Square, Leighton Buzzard,  
Bedfordshire LU7 1HE  
Telephone: 01525 852525  
Manager: Diane Webb

## Wendover Branch

3 Ickniel Court, Back Street, Wendover,  
Buckinghamshire HP22 6EB  
Telephone: 01296 623595  
Manager: Gill Pearce

## Agency Offices

Southdown (Harpenden), Stevenage, Stopsley (Luton)

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## Chairman's Statement

It gives me considerable pleasure to report on another successful year for the Society, both commercially and financially. In an increasingly difficult economic environment the financial strength of the Society has ensured continued growth, competitive and consistent interest rates and a strong capital base on which to move forwards.

The opening of a new branch in Wendover during the year and branches in Tring and Buckingham in early 2011 will further strengthen the Society and positions us to thrive in increasingly competitive mortgage and savings markets. These were the first branch openings for some 18 years and that the launches were achieved on time and on budget is a reflection of the experience and dedication of the staff involved.

The Society's balance sheet has grown by over 12% in the year and now stands at £222.8m. This growth is driven by share and deposit balances that increased by over £23m in 2010. It is important to note that all of our savings products contributed to the growth.

We believe that our savings products are well-positioned in the market. This belief is underlined by the fact that, once again, we have won industry awards for the consistency of our rates. In addition, the success of our 18 Club account has enabled us to win the National Award as the Best Children's Account Provider for 2010.

We have continued to lend in 2010 in the face of a very difficult market and it is important to emphasise that we continue to adhere to our extremely prudent approach to underwriting. Whilst we cannot completely remove the risk from lending money, our arrears remain well controlled.

The planned withdrawal of the Bank of England's Special Liquidity Scheme and Credit Guarantee Scheme in 2011 may serve to remove liquidity and funding from the market and we anticipate that this may lead to increased competition for retail savings accounts. We have managed to substantially increase our liquidity levels throughout 2010 to ensure that we can continue to lend and also to allow us to compete with other financial institutions.

I would like to record my thanks and appreciation to David Holland who has announced that he shall be retiring from his role as a Non-Executive Director in 2011. His years of commitment to the Society are greatly appreciated and we will miss his experience and challenging contributions. The appointment of Non Executive Directors by the Board of a Building Society is subject to approval by the Financial Services Authority (FSA). Your Board has taken steps to appoint a replacement for David and this appointment will be formalised subject to FSA approval being granted.

Finally, the success of Harpenden Building Society could not be achieved without the contribution of all staff throughout the organisation and I would like to thank them for their efforts and the high level of service provided to our members. Our membership surveys indicate that this is key to our future and is what sets us apart from many of our competitors. The Board is committed to retaining this personal feel of the Society whilst continuing to grow to ensure success, strength and stability.

M.W. Willis  
Chairman  
24th March 2011

## Summary Financial Statement for the year ended 31st December 2010

This financial statement is a summary of information in the audited annual accounts, the Directors' Report and Annual Business Statement, all of which will be available to members and depositors free of charge on demand at every office of Harpenden Building Society from 1st April 2011.

### Summary Directors' Report

Your Board is pleased to announce a successful year where balance sheet growth and profitability have again been driven by a solid, stable and sustainable business model.

Profit figures are in line with 2009, with £1.8m being made after tax in each year. This is the Society's key source of capital and is the base on which to build future growth. Generation and protection of adequate capital to guard against the risk of loss is key for the Society. A reduction in the management expenses ratio, as a result of focussing on cutting unnecessary costs, has helped keep profits at a strong level.

The balance sheet grew £24.6m to £222.8m at 31st December 2010, an increase of 12.4%. This has been achieved by growing our share and deposit balances in the year, aided in part by the opening of a new branch in Wendover in September 2010.

Our funding limit, in broad terms the proportion of our funding that is not from individual share accounts, has increased from 11.3% in 2009 to 16.2% in 2010. This reflects the success of our Premier Business account that was introduced at the start of 2009 to enable local businesses to benefit from higher rates on their cash. At 31st December 2010, we do not hold any funding that has been received from the wholesale funding markets.

Our mortgage balances increased by £7.0m (4.5%) to £161.1m and the remaining new savings money has been set aside in our liquidity to enable us to lend and, as noted in the Chairman's Statement, compete against competition in the savings market.

Our lending limit has fallen from 9.25% in 2009 to 8.20% in 2010 and this reflects our decision to concentrate on residential lending and reduce our already low level of commercial lending. We expect this ratio to continue to edge downwards over time.

The return we are making on our liquid assets has fallen again in 2010 (£377k in 2010 v £715k in 2009) as the impact of such a low Bank of England base rate is felt. Additionally, we are now obliged to hold a proportion of our liquid assets in the lowest risk government assets, such as Treasury Bills and Gilts, and the return on these assets is low. It is interesting to note we managed to generate around £2.2m of interest in each of 2007 and 2008, when bank base rate was far higher and our liquidity portfolio was smaller.

Overall, in economic conditions that are unclear, a lending market that continues to be challenging and a regulatory environment that sometimes appears unable to differentiate between global investment banks and small, local building societies we continue to manage the Society as safely, conservatively and prudently as possible whilst ensuring that we maintain a commercial edge to our business that enables us to compete and thrive in these conditions.

## Summary Financial Statement for the year ended 31st December 2010

### Results for the year

	<b>2010</b>	<b>Reclassified*</b>
	<b>£000s</b>	<b>2009</b>
		<b>£000s</b>
Net interest receivable	4,452	4,126
Other income and charges	445	614
Administrative expenses	(2,309)	(2,127)
Provisions for mortgage losses	(79)	(128)
Provisions for FSCS levies	(21)	(48)
Profit for the year before taxation	2,488	2,437
Taxation	(737)	(681)
Profit for the year	1,751	1,756

### Financial position at end of year

	<b>2010</b>	<b>Reclassified*</b>
	<b>£000s</b>	<b>2009</b>
		<b>£000s</b>
Assets:		
Liquid assets	60,569	43,146
Mortgages	161,118	154,141
Fixed and other assets	1,120	967
Total Assets	222,807	198,254
Liabilities:		
Shares	173,264	162,751
Borrowings	33,505	20,721
Other liabilities	612	1,104
Provisions for liabilities	205	208
Reserves	14,856	13,105
Revaluation reserve	365	365
Total liabilities	222,807	198,254

\* During the year the directors have reviewed the presentation of certain items in the income and expenditure account and balance sheet. As a result certain changes have been made to the presentation of these items and the comparative figures for 2009 have been reclassified. The reclassifications do not impact on the overall profit made by the Society in 2009. Further details are given in Note 1 to the Annual Report and Accounts.

Approved by the Board of Directors on 24th March 2011 and signed on its behalf by:

M.W. WILLIS	Chairman
N.S. TERRY	Vice Chairman
P.G. MARSDEN	Director, Chief Executive & Secretary

## Summary Financial Statement for the year ended 31st December 2010

### Summary of Key Financial Ratios

	2010	2009
	%	%
Gross capital as a percentage of shares and borrowings	7.36	7.34
Liquid assets as a percentage of shares and borrowings	29.29	23.52
Profit for the year as a percentage of mean total assets	0.83	0.94
Management expenses as a percentage of mean total assets	1.10	1.13

### Notes to the Key Financial Ratios

Gross capital comprises general reserves and revaluation reserve. The gross capital ratio gives an indication of the extent to which the Society is funded by retained profits and other reserves compared with money invested by shareholders and depositors. Such capital provides a financial cushion against any losses that might arise in the Society's business and therefore protects investors.

The liquid assets ratio measures the proportion that the Society's assets held in the form of cash, or short-term deposits readily convertible into cash, bears to the Society's liability due to investors. Such liquidity enables the Society to meet requests by investors for withdrawals, to make new mortgage loans and to fund its general business activities.

Mean total assets are calculated as the average of 2010 and 2009 total assets as shown in the balance sheet.

Profit for the year as a percentage of mean total assets measures the proportion that the Society's profit after taxation bears to the average of total assets during the year. The Society has to make a reasonable level of profit each year in order to maintain a strong gross capital ratio thereby providing protection for investors' funds. The Directors believe that the profit for the year is both prudential and consistent with the concept of mutuality.

The management expenses ratio measures the proportion that the Society's administrative expenses bear to the average of the Society's total assets during the year.

# Independent Auditor's Statement To The Members And Depositors Of Harpenden Building Society

Pursuant to Section 76 of the Building Societies Act 1986, we have examined the summary financial statement of Harpenden Building Society for the year ended 31st December 2010 as set out in pages 3, 4 and 5.

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with Section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement 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, the Society's members as a body and the Society's depositors as a body, for our work, or for the opinions we have formed.

## Respective responsibilities of Directors and Auditor

The Directors are responsible for preparing the summary financial statement in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

We also read the other information contained in the summary financial statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

## Basis of Opinion

We conducted our work in accordance with Bulletin 2008/3 *The auditors' statement on the summary financial statement in the United Kingdom* issued by the Auditing Practices Board. Our report on the Society's full annual accounts describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

## Opinion

In our opinion the summary financial statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of Harpenden Building Society for the year ended 31st December 2010 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

**Kieren Cooper,**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**

*Chartered Accountants*

Aquis Court

31 Fishpool Street

St Albans

AL3 4RF

24th March 2011

## Directors' Remuneration Report

This report explains the Society's policy on the remuneration of executive and non-executive directors. Where possible this follows the Combined Code, which sets out best practice on Corporate Governance relating to remuneration.

### Non-Executive Directors

Fees are based on comparable data from similar financial service organisations and are reviewed annually. Non-executive directors do not qualify for a pension or a bonus but do qualify for Death-in-Service benefit at the rate of three times annual fees. Performance of individual directors is assessed by the Chairman, and he in turn is assessed by the other members of the Board.

### Executive Directors' Remuneration

Policy is designed to attract, retain and encourage high calibre executives to manage and develop business for the Society.

- a) Basic Salary - takes into account duties, responsibilities, performance and levels for comparable positions in other organisations.
- b) Pensions - the Chief Executive and Finance Director have defined contribution personal pension arrangements to which the Society and employee both contribute.
- c) Benefits - each executive director is entitled to private medical insurance for self and spouse and Death-in-Service benefit at the rate of three times annual salary.

Emoluments of the Society's directors from the Society are detailed below:

Executive Directors Emoluments:

	<b>Salaries</b>	<b>Benefits</b>	<b>Pension</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>Contrib's</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2010</b>				
P.G. Marsden (Chief Executive)	115	1	11	127
C.D. Astley	82	1	8	91
<b>Total</b>	<b>197</b>	<b>2</b>	<b>19</b>	<b>218</b>

<b>2009</b>				
P.G. Marsden (Chief Executive)	111	1	10	122
<b>Total</b>	<b>111</b>	<b>1</b>	<b>10</b>	<b>122</b>

Non-Executive Directors Emoluments (comprising fees only):

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
M.W. Willis	32	32
N.S. Terry	27	27
D.J. Holland	22	21
H.H. Titcomb	27	21
K.M. Wilson	22	21
<b>Total</b>	<b>130</b>	<b>122</b>





### Head Office

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