

2009

Summary Financial Statement

Including Notice of Annual General Meeting



Earl Shilton
BUILDING SOCIETY
YOUR MUTUAL FRIEND

Principal Office: 22 The Hollow, Earl Shilton, Leicester LE9 7NB
Branch Office: 7 Malt Mill Bank, Barwell, Leicester
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Printed on FSC Accredited Paper

2009

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BUILDING SOCIETY
YOUR MUTUAL FRIEND

Summary Financial Statement

For the year ended 31st March 2009

This financial statement is a summary of information in the audited Annual Accounts, Directors' Report and Annual Business Statement. All these documents will be available to members on demand at every office of the Earl Shilton Building Society from 16th June 2009.

Approved by the Board of Directors on 5th May 2009

R A CLARKE Chairman
C G PACKHAM Vice-Chairman
N THOMPSON Director & Chief Executive

Summary Directors' Report

OBJECTIVES AND ACTIVITIES

The principal objective of the Earl Shilton Building Society is to attract funds by offering a range of personal savings and investment products in order to make available advances secured on land and property.

These mainstream activities are supported within the Group by a range of related financial products offered by its subsidiary company Earl Shilton Financial Services Ltd.

It is the Group's intention to continue promoting thrift and homeownership by remaining a mutual Building Society offering services through different delivery channels but principally through our branch offices in Earl Shilton and Barwell.

REVIEW OF THE YEAR

The past year has been extremely challenging for the Society as it has had to operate in an unprecedented environment for all financial institutions.

There were however several notable achievements in the year. The Group's total assets are now in excess of £98.1 million having increased by just over £2.0 million. Our liquidity has increased to 34.28% and our total management expenses are again lower than the previous year and the Management Expenses Ratio to Mean Total Assets has been reduced to 1.44%

The Society continues to fund all its mortgage lending with retail savings deposits. The credit crunch has resulted in some institutions cutting back on their lending because they have been unable to raise wholesale funding. We are not in that position and continue to lend in a prudent manner but good potential borrowers are in short supply possibly due to concerns over unemployment or not wishing to over commit themselves in the present market.

We continue to pursue careful and responsible policies. We do not engage in sub-prime loans nor do we accept self certification (of income) mortgage applications and we have not purchased any mortgage books from other institutions.

The failure of other financial institutions has however affected the Society. We have needed to provide £235,000 in respect of our contribution to the Financial Services Compensation Scheme to meet the expected cost of safeguarding savers with those institutions, notably Bradford and Bingley, and the Icelandic Banks.

In addition the Society has raised a one-off impairment charge of £1.8 million to reflect the potential non-recovery of debt securities issued by the Icelandic owned bank Kaupthing Singer and Friedlander. This investment was of five-year duration and made in 2005 with Singer and Friedlander who were a long established UK bank. After the takeover by the Icelandic bank Kaupthing, it continued to enjoy excellent credit ratings until its collapse in the Autumn of 2008. The Directors decided to provide for 90% of the debt in this year's accounts after receiving confirmation from the Administrators that they will shortly pay a first distribution estimated to be no less than 10p in the £. It is likely that future recoveries arising from the administration process will result in credits to the income statement in future years.

Despite the present financial situation the Society has few mortgage arrears. We take an understanding approach to assisting borrowers experiencing difficulties in meeting their mortgage commitments and try to establish a mutually acceptable payment plan as part of our commitment to Treating Customers Fairly (TCF). Unfortunately not all borrowers can meet even the minimum acceptable payment and we currently have two properties in possession.

In conclusion, the Society remains financially strong and has a strong capital position. Gross capital amounts to £6.73 million and at 6.86% of total assets and 7.39% of shares and borrowings is higher than many other societies of a similar size. While the UK is in recession and house prices are continuing to fall, we remain confident that despite the difficulties of 2008 and current difficult trading conditions the Society will continue to prosper and deliver excellent value and services to all its members.

FINANCIAL SERVICES

The Group includes Earl Shilton Financial Services Ltd (ESFS). The services provided by ESFS complement those offered by the Society with advice on products being totally independent.

COMPLIANCE AND REGULATION

The Society subscribes to and operates in line with the Banking Code. The Code is administered by the Banking Code Standards Board. Regulation is now a feature of modern life. Whilst the Society fully accepts the responsibilities associated with regulatory compliance, members will understand that all regulation does have cost implications. For members information, shown below is a break down of costs incurred for membership of the various regulatory, compliance and ombudsman bodies.

	2009 £	2008 £
Banking Code Standards Board	980	942
Financial Ombudsman Service	650	429
Financial Services Authority (FSA)	10,527	15,970
Additional cost of Financial Services Compensation Scheme	235,000	Nil

DONATIONS AND COMMUNITY SUPPORT

As a local Society the Directors believe that it is important to support worthwhile causes in a prudent manner. No donations were made for political purposes and listed below are organisations that the Society has helped. In total the Society made contributions of support amounting to £4,142 (2008 £4,363) including charitable donations of £650 (2008 £475).

Age Concern; Barwell & Earl Shilton Disability Group; Earl Shilton Library – Book token; Heathfield High School; Hinckley Rotary Club; Mayors Appeal Fund; Mike Wood – local sailing champion; Sophie Smith – swimmer; Spinal Research Unit; St Peters Primary School Christmas Raffle; St Peters Primary School Fun Run; Barwell Carnival Association; Earl Shilton Carnival Float; Barwell PCC Magazine; Croft Silver Band; Earl Shilton Parish Church Magazine; Stoney Stanton Carnival; Barwell Athletic FC; Barwell & Burbage Womens Under 13's FC; Barwell Indoor Bowling; Blackwood Bullets FC; Burbage Riding Club; Earl Shilton Albion FC; Goscote Spartans FC; Tania White – local athlete.

MUTUAL ONE LIMITED

The Society retains a 2.5% holding in Mutual One Limited represented by a single 20p ordinary share.

COMPUTER SYSTEM

The Society continues to work with Mutual Vision Technologies (MVT) to provide a reliable and up to date computer system. Alan Carvell, David Attenborough and Josh White are to be congratulated on the work they do, especially the development of new systems following the numerous regulatory changes that are frequently imposed on the Society.

TREATING CUSTOMERS FAIRLY (TCF)

The Directors believe that the Society has always tried to treat its customers fairly and it is one of the main principles embodied in a local Building Society such as the Earl Shilton. The Board must satisfy the FSA that we are TCF and has written a significant Policy document to evidence our compliance. Whilst we hope to "get it right first time," we cannot always be sure that we have and we would ask our members to let us know if they identify any evidence of unfairness. Do please contact our Chief Executive or Senior Independent Director at the Society's Head Office. The Directors are determined to maintain the highest standards of honesty, integrity and fairness in the management of the Society.

STAFF

All of the Group's staff have contributed in their own way to providing customer satisfaction and ensuring the desired service levels are achieved. They are to be congratulated for helping toward the Group achieving its development objectives.

CREDITOR PAYMENT POLICY

The Group policy concerning the payment of trade creditors is to agree terms of payment, ensure that suppliers fulfil their contractual obligations and discharge the supplier's invoice for the complete provision of goods and services within the agreed payment terms. Amounts due to creditors are paid on average within 15 days of receipt of invoice.

AUDITORS

Messrs Thomas May & Co. have expressed their willingness to continue in office.

KEY FINANCIAL RESULTS AND PERFORMANCE INDICATORS

Assets

Total assets increased to £98.18 million (2008 £96.12m) and represents an increase of 2.14% (2008 4.32%).

Liquid assets in the form of cash and authorised securities were £31.23m (2008 £22.15m) which is 34.28% (2008 25.24%) of shares and borrowings. In response to the FSA's instruction to raise liquidity levels, we have managed an increase in our liquid assets percentage significantly above the minimum requirement.

Fixed Assets

In the opinion of the Directors, the freehold office premises have market values significantly in excess of their net book value.

Lending

During the year £5.96m (2008 £23.05m) was advanced to borrowers to buy, refinance or improve their properties. Total mortgage balances at the end of the year amounted to £66.19m (2008 £73.59m) before provisions. Mortgage balances reduced in the year by £7.40m (2008 increase of £9.23m). In common with other Building Societies, we experienced a number of cases in which borrowers could not meet their mortgage commitments. It continues to be the Society's policy to look at each individual case and try to make suitable arrangements. Provisions were £152,543 at the year-end. At 31st March 2009 there were three (2008 two) mortgage accounts which were twelve or more months in arrears. The total amount outstanding on these loans was £239,400 (2008 £123,864). The total amount of arrears on these accounts was £18,789 (2008 £14,015). There were also two properties in possession, with outstanding balances of £120,008, and current values of £148,000. The Society continues to provide for potential mortgage losses on a prudent and consistent basis.

Funding

Savers' and depositors' balances grew by £3.31m (2008 £3.58m) and amounted to £91.10m (2008 £87.79m). All of the Society's funding comes from individual savers (the retail savings market).

Capital

Gross capital (total reserves) amounted to £6.73m (2008 £8.03m) representing 6.86% (2008 8.36%) of total assets. Operating profit prior to provisions was £281,652 (2008 £532,802). After impairment losses of £1.80m (2008 £Nil), the costs of the FSCS levy of £235,000 (2008 £Nil) and tax recoverable of £508,921 (2008 £147,064 charge) the loss for the financial year was £1.30m (2008 profit £362,663). Free capital (total reserves plus general provisions for bad and doubtful debts less fixed assets) amounted to £6.53m (2008 £7.80m). These figures now represent 7.39% (2008 9.15%) and 7.17% (2008 8.88%) respectively of shares and borrowings.

FUTURE EVENTS

The turmoil and difficulties in the financial markets are likely to last for longer than first anticipated. Financial commentators have indicated they believe the recession will continue for some significant time with unemployment unfortunately increasing. The Board has carefully considered these trends and has a clear view of our financial priorities. It is vitally important to maintain a strong balance sheet, particularly relating to capital. Despite the KSF provision, the Society's capital ratios continue to be above average for the sector. We must ensure that there is a high level of liquidity as measured by quantity and quality. Our careful and cautious lending policy will be maintained and our operational processes must remain efficient. Asset growth will be of secondary importance for the time being.

VOTING

We are going to donate 20p per valid vote (up to a maximum of £1,000) received to a local charity. As a mutual organisation, we do try to involve our members and we believe this is a tangible acknowledgement of membership participation.

Last year we sent £150 to Age Concern Leicestershire and Rutland which was the Members' chosen charity. We asked members to vote on which charity would receive the 2009 donation. We are pleased to announce that Leukaemia Research was the charity receiving most votes.

We asked members to suggest any favourite charities that we might put forward to receive future donations related to the number of votes at our AGM. You will see from the Proxy Form that the two charities you can vote on are:-

• Huntington's Disease Association – Charity Registration No 296453

Huntington's Disease is not a widely published disease but we know some of our customers suffer from it.

Huntington's Disease (HD) is a debilitating neurological disease, which is akin to Parkinsons.

It is a hereditary disorder of the central nervous system. Huntington's disease usually develops in adulthood and can cause a very wide range of symptoms. The disease affects both men and women. Symptoms include: - slight uncontrollable muscular movements, stumbling and clumsiness, lack of concentration, depression and changes of mood, sometimes aggressive or antisocial behaviour.

Would you please consider giving your vote to the Huntington's Disease Charity to help people who suffer from the disease or are involved/care for people who suffer from it?

• The British Diabetic Association – Charity Registration No. 215199

Diabetes UK is the operating name of The British Diabetic Association.

Many of our customers suffer from Diabetes and continual research is so important.

What is Diabetes?

Most of the food we eat is turned into glucose, or sugar, for our bodies to use for energy. The pancreas, an organ that lies near the stomach, makes a hormone called insulin to help glucose get into the cells of our bodies.

When you have diabetes, your body either doesn't make enough insulin or can't use its own insulin as well as it should. This causes sugars to build up in your blood. Diabetes can cause serious health complications including heart disease, blindness, kidney failure, and lower-extremity amputations. Diabetes is predicted by a clear set of symptoms but it still often goes undiagnosed.

Please consider voting for The British Diabetic Association, which strives to carry out research and provide help for all sufferers, old and new.

We are sometimes asked why we do not provide prepaid envelopes for you to return your proxy forms. We issue in the order of 8,500 voting papers to members. Sending out a large quantity of envelopes when probably over three quarters of them will not be used is, we believe, a waste of environmental resources. We do provide voters with a FREEPOST address so we pay for the postage used and you only have to provide the envelope. You may even try reusing the envelope in which the voting papers and Summary Financial Statement were sent to you. We believe this is a much more environmentally friendly and cost efficient way of dealing with returned voting papers.

DIRECTORS

The following persons were Directors of the Society during the year: N D Adams, W D Bowley, R A Clarke, C J Newton, C G Packham, W H Summ, N Thompson.

W H Summ remains Chairman of the Audit Risk Assessment and Compliance Committee (ARACC).

C J Newton is the Society's Senior Independent Director. Christopher is a Solicitor and will be pleased to look at issues members might have that they would prefer not to raise in the usual way with the Society's Management Team or Chairman.

C J Newton, W H Summ and N Thompson retire by rotation and, being eligible, offer themselves for re-election. In the Notice of Annual General Meeting you will find brief biographical notes on the Directors standing for election.

At 31st March 2009 no Director had any interest in shares of any associated body of the Society.

On behalf of the Board of Directors
R A CLARKE
Chairman

5th May 2009

Summary of Investors' Interest Rates from 1st April 2008 to 31st March 2009

	Effective from 1st March 2008			Effective from 1st May 2008			Effective from 1st November 2008			Effective from 1st December 2008			Effective from 1st January 2009			Effective from 1st March 2009			Effective from 1st April 2009*					
	Gross %	Net %	AER %	Gross %	Net %	AER %	Gross %	Net %	AER %	Gross %	Net %	AER %	Gross %	Net %	AER %	Gross %	Net %	AER %	Gross %	Net %	AER %			
Double Top																								
(min) £1 - £499	1.25	1.00	1.25	1.00	0.80	1.00	0.50	0.40	0.50	0.10	0.08	0.10	0.10	0.08	0.10	0.10	0.08	0.10	0.10	0.08	0.10	0.10	0.08	0.10
£500 - £9999	1.75	1.40	1.75	1.50	1.20	1.50	1.00	0.80	1.00	0.15	0.12	0.15	0.15	0.12	0.15	0.15	0.12	0.15	0.15	0.12	0.15	0.10	0.08	0.10
£10000 - £180000	2.50	2.00	2.50	2.25	1.80	2.25	1.75	1.40	1.75	0.50	0.40	0.50	0.25	0.20	0.25	0.20	0.16	0.20	0.20	0.16	0.20	0.15	0.12	0.15
Heritage																								
All balances	5.00	4.00	5.00	5.00	4.00	5.00	4.50	3.60	4.50	3.25	2.60	3.25	2.50	2.00	2.50	2.30	1.84	2.30	1.95	1.56	1.95			
Regular Monthly Saver																								
All balances	5.00	4.00	5.00	4.80	3.84	4.80	4.30	3.44	4.30	3.05	2.44	3.05	2.30	1.84	2.30	2.10	1.68	2.10	1.75	1.40	1.75			
Capital 90 day																								
(min) £500 - £4999	2.30	1.84	2.30	2.10	1.68	2.10	1.60	1.28	1.60	0.35	0.28	0.35	0.25	0.20	0.25	0.15	0.12	0.15	0.10	0.08	0.10			
£5000 - £9999	2.80	2.24	2.80	2.60	2.08	2.60	2.10	1.68	2.10	0.85	0.68	0.85	0.35	0.28	0.35	0.20	0.16	0.20	0.15	0.12	0.15			
£10000 - £24999	3.30	2.64	3.30	3.10	2.48	3.10	2.60	2.08	2.60	1.35	1.08	1.35	0.60	0.48	0.60	0.40	0.32	0.40	0.25	0.20	0.25			
£25000 - £49999	3.80	3.04	3.80	3.60	2.88	3.60	3.10	2.48	3.10	1.85	1.48	1.85	1.10	0.88	1.10	0.90	0.72	0.90	0.65	0.52	0.65			
£50000 - £180000	4.05	3.24	4.05	3.85	3.08	3.85	3.35	2.68	3.35	2.10	1.68	2.10	1.35	1.08	1.35	1.15	0.92	1.15	0.80	0.64	0.80			
Monthly Income																								
(min) £1000 - £4999	2.28	1.82	2.30	2.08	1.66	2.10	1.59	1.27	1.60	0.35	0.28	0.35	0.25	0.20	0.25	0.15	0.12	0.15	0.10	0.08	0.10			
£5000 - £9999	2.77	2.21	2.80	2.57	2.05	2.60	2.09	1.67	2.10	0.85	0.68	0.85	0.35	0.28	0.35	0.20	0.16	0.20	0.15	0.12	0.15			
£10000 - £24999	3.25	2.60	3.30	3.06	2.44	3.10	2.57	2.05	2.60	1.35	1.08	1.35	0.60	0.48	0.60	0.40	0.32	0.40	0.25	0.20	0.25			
£25000 - £49999	3.74	2.99	3.80	3.54	2.83	3.60	3.06	2.44	3.10	1.84	1.47	1.85	1.10	0.88	1.10	0.90	0.72	0.90	0.65	0.52	0.65			
£50000 - £180000	3.98	3.18	4.05	3.78	3.02	3.85	3.31	2.64	3.35	2.08	1.66	2.10	1.35	1.08	1.35	1.15	0.92	1.15	0.80	0.64	0.80			
Select 120 Annual																								
(min) £500 - £4999	2.55	2.04	2.55	2.35	1.88	2.35	1.85	1.48	1.85	0.60	0.48	0.60	0.35	0.28	0.35	0.20	0.16	0.20	0.15	0.12	0.15			
£5000 - £9999	3.05	2.44	3.05	2.85	2.28	2.85	2.35	1.88	2.35	1.10	0.88	1.10	0.60	0.48	0.60	0.40	0.32	0.40	0.25	0.20	0.25			
£10000 - £24999	3.55	2.84	3.55	3.35	2.68	3.35	2.85	2.28	2.85	1.60	1.28	1.60	0.85	0.68	0.85	0.65	0.52	0.65	0.50	0.40	0.50			
£25000 - £49999	4.30	3.44	4.30	4.10	3.28	4.10	3.60	2.88	3.60	2.35	1.88	2.35	1.60	1.28	1.60	1.40	1.12	1.40	1.05	0.84	1.05			
£50000 - £180000	5.05	4.04	5.05	4.85	3.88	4.85	4.35	3.48	4.35	3.10	2.48	3.10	2.35	1.88	2.35	2.15	1.72	2.15	1.80	1.44	1.80			
Select 120 Monthly																								
(min) £500 - £4999	2.52	2.01	2.55	2.33	1.86	2.35	1.84	1.47	1.85	0.60	0.48	0.60	0.35	0.28	0.35	0.20	0.16	0.20	0.15	0.12	0.15			
£5000 - £9999	3.01	2.40	3.05	2.81	2.24	2.85	2.33	1.86	2.35	1.10	0.88	1.10	0.60	0.48	0.60	0.40	0.32	0.40	0.25	0.20	0.25			
£10000 - £24999	3.49	2.79	3.55	3.30	2.64	3.35	2.82	2.25	2.85	1.59	1.27	1.60	0.85	0.68	0.85	0.65	0.52	0.65	0.50	0.40	0.50			
£25000 - £49999	4.22	3.37	4.30	4.03	3.22	4.10	3.55	2.84	3.60	2.33	1.86	2.35	1.59	1.27	1.60	1.40	1.12	1.40	1.05	0.84	1.05			
£50000 - £180000	4.94	3.95	5.05	4.75	3.80	4.85	4.27	3.41	4.35	3.06	2.44	3.10	2.33	1.86	2.35	2.13	1.70	2.15	1.79	1.43	1.80			
Extra Yield																								
All balances	4.10	3.28	4.10	3.85	3.08	3.85	3.35	2.68	3.35	2.10	1.68	2.10	1.35	1.08	1.35	1.25	1.00	1.25	0.90	0.72	0.90			
Early Saver																								
All balances	3.60	2.88	3.60	3.40	2.72	3.40	2.90	2.32	2.90	1.65	1.32	1.65	0.90	0.72	0.90	0.75	0.60	0.75	0.50	0.40	0.50			
Child Trust Fund																								
All balances	5.90		5.90	5.90		5.90	5.40		5.40	4.15		4.15	3.40		3.40	3.20		3.20	2.85		2.85			

Summary of Investors' Interest Rates from 1st April 2008 to 31st March 2009

	Effective from 1st March 2008			Effective from 1st May 2008			Effective from 1st November 2008			Effective from 1st December 2008			Effective from 1st January 2009			Effective from 1st March 2009			Effective from 1st April 2009*			
	Gross %	Net %	AER %	Gross %	Net %	AER %	Gross %	Net %	AER %	Gross %	Net %	AER %	Gross %	Net %	AER %	Gross %	Net %	AER %	Gross %	Net %	AER %	
Foundation Account																						
All balances	5.20	4.16	5.20	5.20	4.16	5.20	4.70	3.76	4.70	3.45	2.76	3.45	2.70	2.16	2.70	2.50	2.00	2.50	2.25	1.80	2.25	
Gross Extra																						
All balances	1.10		1.10	1.00		1.00	0.50		0.50	0.10		0.10	0.10		0.10	0.10		0.10	0.10		0.10	
Cash ISA - Incorporating TESSA ISA (90 Days Notice)																						
All balances	5.65		5.65	5.55		5.55	5.05		5.05	3.80		3.80	3.05		3.05	2.85		2.85	2.45		2.45	
Cash ISA - Instant Access																						
All balances	5.15		5.15	5.05		5.05	4.55		4.55	3.30		3.30	2.55		2.55	2.35		2.35	1.95		1.95	
Capital Deposits (Ltd Companies etc.)																						
All balances	1.10	0.88	1.10	1.00	0.80	1.00	0.50	0.40	0.50	0.10	0.08	0.10	0.10	0.08	0.10	0.10	0.08	0.10	0.10	0.08	0.10	
Ordinary Deposit & Basic Rate Deposits																						
All balances	1.10	0.88	1.10	1.00	0.80	1.00	0.50	0.40	0.50	0.10	0.08	0.10	0.10	0.08	0.10	0.10	0.08	0.10	0.10	0.08	0.10	
Previous Shares – Paid-up Shares																						
(min) £1 - £499	1.25	1.00	1.25	1.00	0.80	1.00	0.50	0.40	0.50	0.10	0.08	0.10	0.10	0.08	0.10	0.10	0.08	0.10	0.10	0.08	0.10	
£500 - £9999	1.75	1.40	1.76	1.50	1.20	1.51	1.00	0.80	1.00	0.15	0.12	0.15	0.15	0.12	0.15	0.15	0.12	0.15	0.10	0.08	0.10	
£10000 - £180000	2.50	2.00	2.52	2.25	1.80	2.26	1.74	1.39	1.75	0.50	0.40	0.50	0.25	0.20	0.25	0.20	0.16	0.20	0.15	0.12	0.15	

Notes:

- Interest will be paid gross to those investors who are able to meet certification requirements, or net of the appropriate rate of tax required by legislation at the time of interest payment.
- Non-taxpayers may be able to reclaim tax if interest is paid net.
- Gross rate is the contractual rate of interest payable before the deduction of income tax at the rate specified by law.
- All rates quoted are variable. All net rates are rounded.
- Individual terms and conditions may apply.
- AER stands for Annual Equivalent Rate. It illustrates what the interest rate would be if it were paid and compounded each year. In other words, it takes into account the payment of interest monthly or half yearly. All savings products advertisements which quote interest rates should contain an AER so you will be able to compare more easily what you can expect over time.
- The rate shown on the Child Trust Fund Account does not include a gross bonus of 0.50%, payable if additional subscriptions are made. (See Terms and Conditions for further details.)
- The interest rate shown on the Heritage Account includes a gross bonus of 3.00% until 30th November 2008. With effect from 1st December 2008, the bonus was reduced to 1.50% gross payable subject to the Terms and Conditions of the account being adhered to.
- *These rates were correct as at 31st May 2009

Changes in interest rates were notified to investors in the Hinckley Times and the Hinckley Herald & Journal.

Current Interest Rates can also be viewed on the Society's website (www.esbs.co.uk).

Bank Base Rate: 7th February 2008 - 5.25%; 10th April 2008 - 5.00%; 8th October 2008 - 4.50%;
6th November 2008 - 3.00%; 4th December 2008 - 2.00%; 8th January 2009 - 1.50%;
5th February 2009 - 1.00%; 5th March 2009 - 0.50%

Bank Base Rate means the rate currently referred to as the Bank of England Official Bank Rate.

Summary Statement

	2009 £	2008 £
GROUP RESULTS FOR THE YEAR		
Net interest receivable	1,503,474	1,757,034
Other income and charges	176,998	257,784
Administrative expenses	(1,398,820)	(1,482,016)
Provisions	(48,433)	(20,880)
Profit for the year before exceptional items and taxation	233,219	511,922
Provisions against fixed asset investments *	(1,803,750)	-
Provisions for FSCS levy **	(235,000)	-
(Loss) / Profit for the year before taxation	(1,805,531)	511,922
Taxation	508,921	(149,259)
(Loss) / Profit for the year	(1,296,610)	362,663
FINANCIAL POSITION AT END OF YEAR		
Assets		
Liquid assets	31,231,024	22,156,029
Mortgages	66,035,801	73,483,085
Fixed and other assets	920,244	486,606
Total Assets	98,187,069	96,125,720
Liabilities		
Shares	90,422,888	86,946,816
Borrowings	674,374	842,783
Other liabilities	353,210	302,914
Reserves	6,736,597	8,033,207
Total Liabilities	98,187,069	96,125,720

Summary of Key Financial Ratios

	2009 %	2008 %
Gross capital as a percentage of shares and borrowings	7.39	9.15
Liquid assets as a percentage of shares and borrowings	34.28	25.24
As a percentage of mean total assets:		
Profit after taxation but before exceptional items	0.76	0.39
(Loss) / Profit after taxation and exceptional items	(1.33)	0.39
Management expenses	1.44	1.57

Gross capital as a percentage of shares and borrowings

Gross capital comprises general reserves. The gross capital ratio measures the proportion which the Society's capital bears to the Society's liabilities to holders of shares and deposits (investors). Gross capital provides a financial buffer against any losses which might arise from the Society's activities and therefore protects investors.

Liquid Assets as a percentage of shares and borrowings

The liquid assets ratio measures the proportion that the Society's total assets held in the form of cash, short-term deposits and debt securities bears to the Society's liabilities to investors. The Society operates within a defined range of liquidity ratios which is sufficient to meet requests by members for withdrawals from their accounts and to make new mortgage loans.

Profit for the year as a percentage of mean total assets

The profit/assets ratio measures the proportion that the Society's profit after taxation for the year bears to the average of the Society's total assets during the year. The Society aims to make a reasonable level of profit in order to maintain its capital strength. However, a Building Society does not have to pay dividends to equity shareholders as a company does. The Society is therefore able to operate safely with lower profits than a bank.

Management expenses as a percentage of mean total assets

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.

* Provisions against fixed asset investments of £1,803,750 (2008 £Nil) relates to debt securities. These have been made in respect of amounts due from Kaupthing, Singer & Friedlander Limited (KSF), a UK subsidiary of Kaupthing Bank. KSF was authorised and regulated by the Financial Services Authority and at the time it was placed into administration in October 2008, the Society held £2m of debt securities issued by KSF. The Society is an unsecured creditor of KSF for the value of the debt securities and the interest accrued thereon. The Administrators' Progress Report dated April 2009 states that if the Court Order is granted during April or early May 2009 to allow the making of distributions to creditors, then it is their intention to pay the first distribution in June or July 2009. It is currently estimated that the first distribution will be a minimum of 10p in the £. As there is still significant uncertainty as to the amount of further recovery and the timing thereof, the decision of the Board has been to make full provision for the remaining 90% of the debt in these accounts.

** Provisions for FSCS levy of £235,000 (2008 £Nil) relates to the estimated Financial Services Compensation Scheme levy for the next three years associated with banking failures during 2008.

Statement of the Independent Auditors' to the Members and Depositors of Earl Shilton Building Society

Pursuant to Section 76 of the Building Societies Act 1986, we have examined the Summary Financial Statement of Earl Shilton Building Society set out on pages 1 to 4 and 10 to 11. This auditors' 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 and the Society's members as a body and the Society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the Summary Annual Report containing 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 within the Summary Annual Report 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 Annual Report 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 1999/6 'The auditors' statement on the Summary Financial Statement, issued by the Auditing Practices Board for use in the United Kingdom. Our report on the Society's full Annual Accounts describes the basis of our audit opinion on those Annual Accounts.

Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of Earl Shilton Building Society for the year ended 31st March 2009 and conforms with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Allen House, Newarke Street, Leicester
5th May 2009

THOMAS MAY & CO
Chartered Accountants and Registered Auditors

Directors' Remuneration Report

The purpose of this Report is to inform members of the current policy for remuneration of the Society's Directors including the two Executive Directors. The Report provides details of the different elements of the Directors' remuneration and explains the process for setting them.

An advisory resolution will be put to this year's Annual General Meeting inviting members to vote on the Directors' Remuneration Report.

POLICY

The object of the Policy is to reward Directors through salaries, which are regularly compared with other Building Societies. The Remuneration Committee comprises all Non-Executive Directors and, as well as setting the remuneration levels for Directors, also sets the salary levels for all members of staff. The Committee meets at least once a year.

The Committee takes into account relevant factors of the various Codes on good Corporate Governance, including the Financial Services Authority Code for Building Societies and the Combined Code.

EXECUTIVE DIRECTORS' REMUNERATION

The Policy is designed to attract and retain high calibre and well-qualified Executives who have the skills and experience to manage and lead an often complex and ever-changing business such as ours. To achieve its objective, the Committee seeks to ensure that remuneration levels are fair and competitive. Salaries are compared to those offered by similar financial institutions and the contribution made by the Executive. When the Remuneration Committee is discussing their salaries the Executives withdraw from the Meeting.

BASIC SALARY

Basic salaries are reviewed annually by reference to jobs carrying similar responsibilities in comparable organisations. A non-contractual bonus of up to 1% basic salary has been paid to all staff in December for a number of years. The percentage amount is variable with all staff receiving the same.

FEES

As Directors of the Society, the Executives receive fees in line with the Non-Executive Directors. The basis for the amount paid is explained later under the paragraph headed "Non-Executive Directors' Remuneration".

BENEFITS

The Society offers other taxable benefits to Executive Directors including concessionary mortgage facilities, a fully expensed car and health care provision.

PENSION BENEFITS

The 1990 Pension Scheme has been closed with all staff transferred to a Legal & General Group Personal Pension Plan. Completion of the transfer took place in April 2006 and the Society is maintaining the same contribution levels as in the old scheme.

Up to 1995 the Society provided a targeted scheme with contribution levels varying according to market conditions. From February 2005 the levels of contributions made by the Society were capped for all staff who were members of the pre 1995 scheme.

CONTRACTUAL TERMS

The standard contractual terms for all Executive Directors include a notice period of three months by the individual and a minimum of three months by the Society.

NON-EXECUTIVE DIRECTORS' REMUNERATION

All Non-Executive Directors are remunerated by fees. The policy is to increase fees in line with the general percentage rise in staff salaries. Those who serve on the Audit, Risk Assessment & Compliance Committee receive an additional amount included in the total paid to each individual. The Chairman and Vice-Chairman also receive additional payments reflecting the additional duties and responsibilities of their roles.

Non-Executive Directors do not receive a salary or other taxable benefits.

The Remuneration Committee believes the level of remuneration paid to Non-Executive Directors reflects the time spent on Society business and the responsibilities of being directly regulated by the Financial Services Authority.

DIRECTORS OF THE SOCIETY AND ITS SUBSIDIARY UNDERTAKING'S REMUNERATION DETAILS ARE SET OUT BELOW:

2009

	Fees £	Fees £	Salary £	Benefits £	Pension scheme contributions £	Total £
	ESBS	ESFS				
Non-executive Directors						
R A Clarke (Chairman)	15,600	-	-	-	-	15,600
C G Packham (Vice Chairman)	10,920	-	-	-	-	10,920
W D Bowley	11,570	-	-	-	-	11,570
C J Newton	10,400	2,750	-	-	-	13,150
W H Summ	13,000	-	-	-	-	13,000
Executive Directors						
N D Adams (Finance Director)	9,360	-	50,490	1,246	7,497	68,593
N Thompson (Chief Executive & Secretary)	9,360	2,250	74,189	22,604	77,700	186,103
Total 2009	80,210	5,000	124,679	23,850	85,197	318,936

2008

	Fees £	Fees £	Salary £	Benefits £	Pension scheme contributions £	Total £
	ESBS	ESFS				
Non-executive Directors						
R A Clarke (Chairman)	13,750	2,500	-	-	-	16,250
W D Bowley (Vice-Chairman)	13,000	-	-	-	-	13,000
C J Newton	10,000	-	-	-	-	10,000
C G Packham	10,500	-	-	-	-	10,500
W H Summ	12,500	-	-	-	-	12,500
M D P Turnbull	3,750	-	-	-	2,260	6,010
Executive Directors						
N D Adams (Finance Director)	9,000	-	48,881	928	7,146	65,955
N Thompson (Chief Executive & Secretary)	9,000	2,000	71,938	21,528	74,554	179,020
Total 2008	81,500	4,500	120,819	22,456	83,960	313,235

Corporate Governance Report

OVERVIEW

The Board is committed to best practice in Corporate Governance as it affects the Earl Shilton Building Society. Due regard is given to the Combined Code and follows the guidelines issued by the FSA.

CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITIES

The Directors of the Society carry out an annual review of the Society's corporate plan and corporate status. This review has been carried out for many years. Corporate governance is a very important issue to which the Directors give much time and consideration. The Earl Shilton Building Society is a locally based Society that has a sound financial structure that provides its members with confidence. This confidence allows members to save and borrow from the Society knowing their money is safe and that they can call into local branches and deal with well-informed and pleasant members of staff. The Directors continue to believe that our members are best served by the Society retaining its mutual status.

PRINCIPAL FUNCTIONS

The principal functions of the Board are to:-

- set the Society's strategy,
- measure its progress,
- ensure sufficient resources are available to meet the objectives,
- ensure the Society is prudently managed,
- comply with all legal and regulatory requirements.

BOARD COMMITTEES

Audit Risk Assessment and Compliance Committee (ARACC).

- the ARACC considers all aspects of audit and compliance,
- it is responsible for assessing the effectiveness of the systems of inspection and control,
- it monitors financial and other management information to ensure it is accurate and complete,
- it monitors the performance of and relationship with the external and internal auditors.

The ARACC consists of three Non-Executive Directors :- W H Summ (Chairman), W D Bowley and C G Packham. If one of these Directors is unable to attend an ARACC meeting he is replaced by R A Clarke who is co-opted to the Committee.

The ARACC meets at least four times a year.

Remuneration Committee (RC).

- the RC is responsible for setting salary levels and for recommending the Group's remuneration policy.

The RC consists of all the Non-Executive Directors and is chaired by R A Clarke and meets at least once a year.

Lending Committee (LC).

- the LC reviews and recommends the Society's Lending Policy to the Board,
- it assesses mortgage applications that fall outside the executive mandate.

The LC is made up of the Non-Executive Directors and any two members can convene a meeting and these are held as often as is necessary, especially to provide a speedy decision on mortgage applications that the Executive cannot consider.

Chairman's Committee (CC).

- To discuss succession and future senior appointments, especially relating to the appointment of Non-Executive Directors
- To meet on an ad hoc basis at short notice to discuss any important matters affecting the business of the Society

The CC is chaired by R A Clarke. It meets as often as is necessary and membership is open to any Director, depending on the topics being discussed.

ATTENDANCE AT MEETINGS

The figures in brackets are maximum numbers of meetings that a Director could attend.

Director	Full Board Meetings (including AGM)		ARACC		Remuneration		Chairman's Committee	
N D Adams	14	(14)	-	-	-	-	1	(1)
W D Bowley	13	(14)	4	(5)	0	(1)	-	-
R A Clarke	14	(14)	1	(1)	1	(1)	4	(4)
C J Newton	14	(14)	-	-	1	(1)	-	-
C G Packham	14	(14)	5	(5)	1	(1)	4	(4)
W H Summ	14	(14)	5	(5)	1	(1)	-	-
N Thompson	14	(14)	-	-	-	-	4	(4)

Balance and Independence

- The offices of Chairman and Chief Executive are distinct and are required to perform different duties.
- The Chairman is R A Clarke, a Non-Executive Director of the Society, and the Chief Executive is N Thompson who is an Executive Director.
- The majority of Directors are, and always will be, Non-Executive with the only two Executive Directors being the Chief Executive and the Finance Director.
- The Senior Independent Director is Christopher Newton.

Board Appointment and Professional Development

The Board regularly assesses the range of skills and experience of the Directors to determine if they match the needs of the business currently conducted and that being developed.

All Directors must meet the tests of fitness and propriety laid down by the FSA and all Directors must be registered with the FSA as an Approved Person in order to fulfil the controlled function as a Director.

The Chairman ensures that the Directors are provided with sufficient information and training to enable them to discharge their duties as Directors.

The Chairman evaluates the contribution made by all the other Directors. The Chairman is similarly evaluated by the Vice-Chairman and Senior Independent Director.

5th May 2009

R A CLARKE
Chairman

Note Members with more than one investment account may receive a copy of this Summary Financial Statement in respect of each such account. The administrative cost of removing duplicate statements exceeds the cost of printing and postage of the extra copies.

Earl Shilton Building Society is authorised and regulated by the Financial Services Authority. The Society subscribes to the Banking Code. Copies of which are available on request. A schedule of interest rates paid during the year ended 31st March 2009 is included in the Summary Financial Statement.

PRINCIPAL OFFICE

22 The Hollow, Earl Shilton, Leicester LE9 7NB

DIRECTORS

R A CLARKE LLB, Chairman
C G PACKHAM FCA, Vice Chairman
N D ADAMS FCA
W D BOWLEY
C J NEWTON
W H SUMM FCA
N THOMPSON DMS, MBA, FCIB

CHIEF EXECUTIVE

N THOMPSON DMS, MBA, FCIB

FINANCE DIRECTOR

N D ADAMS FCA

IS MANAGER

A C CARVELL

DEVELOPMENT MANAGER

A L GREEN

ASSISTANT SECRETARY

D ATTENBOROUGH

COMPLIANCE OFFICER

S A HUNT

AUDITORS

THOMAS MAY & CO
Chartered Accountants and Registered Auditors

Established 1857. Member of the Building Societies Association. Incorporated 1896

From time to time the Society may wish to bring to your attention additional products and services that may be of benefit to you. Please let us know if you do not wish to receive this information.

Notice of Annual General Meeting

Notice is given that the 152nd Annual General Meeting of the members of Earl Shilton Building Society will be held on 8th July 2009 in the Age Concern premises, Kings Walk, Earl Shilton at 6.00 p.m. for the following purposes:-

- 1 To receive the Auditors' Report.
- 2 To receive the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31st March 2009.
- 3 To approve the Directors' Remuneration Report for the year ended 31st March 2009.
- 4 To re-appoint THOMAS MAY & CO. as auditors until the conclusion of the next Annual General Meeting.
- 5 To consider and if thought fit pass the following Ordinary Resolutions for the election of directors.
 - (a) To re-elect CHRISTOPHER JOHN NEWTON
 - (b) To re-elect WILLIAM HENRY SUMM
 - (c) To re-elect NEVILLE THOMPSON
- 6 To transact any other business permitted by the Rules of the Society.

By Order of the Board

N Thompson
Chief Executive and Secretary
22nd May 2009

Christopher John NEWTON, aged 60, born in Barwell and educated at Barwell Junior School, Heathfield High School and Hinckley John Cleveland College.

My interests include St John's Church, The Concordia Theatre, sport, gardening and family. On leaving school I joined Thomas Flavell & Sons, Solicitors, with offices at Hinckley, Earl Shilton and Market Bosworth.

In 1977 I qualified as a Solicitor gaining Honours in the Finals Examinations and thereafter was made a Partner heading their Conveyancing Department also dealing with probate, wills and advice to the elderly. Retiring from the Partnership in March this year I am now a consultant with the practice.

I was first appointed a Director of the Society in 1985 and have served continually since that time. It is my belief that the Society can build on its strengths, representing the local community and all its Members, while always looking for new innovations and that this is best achieved as an Independent Mutual Society. While recognising these are exceptionally challenging times I believe the Society through its financial strength and personal service is well placed to continue to serve the community offering something unique from the large organisations.

William Henry SUMM, aged 64.

I was educated in Derbyshire and qualified as a Chartered Accountant in 1970. I became a partner in Dains in 1972, senior partner in 1996 and retired from the partnership in 2007 to become a part-time consultant. I have a strong belief in the community and to this end I have served as President of Burton on Trent and District Chamber of Commerce, as Governor of Burton College and as Chairman of the Local Strategic Partnership.

I joined the Society as a Director in 1992 and became the first Chairman of the audit Committee in August 1995, an office that I still hold. Outside the office my main interest is my family, particularly in my new, and first, granddaughter. I enjoy both golf and gardening, at both of which I am an enthusiastic amateur.

I believe very strongly that the future for Building Societies is to remain both local and mutual, as this is the only way that we can react quickly to the needs of both investors and borrowers.

Neville THOMPSON, aged 57, is the Society's Chief Executive.

After starting my career with a national society in 1970 I have spent most of my time with local societies such as the Earl Shilton, which I joined in September 1989. I was appointed to my current position some fifteen months later and since that time have seen the Society's assets grow by £60 million and the Society celebrate its 150th anniversary.

I can say with certainty that the 2008/2009 financial year has been the most challenging time I have seen. The unprecedented events in the financial services sector have created uncertainty in both the saving and borrowing markets. Whilst we remain in a position of strength, the Society has not totally escaped the problems caused by the "credit crunch".

I am disappointed and sorry that some of the Society's reserves have had to be used to cover the costs incurred by the failure of certain banks. Whilst reserves are built up to cover such unexpected events, I find it particularly inequitable that a significant proportion of the costs relate to problems caused by those banks that had converted from being building societies.

It is vitally important that our savers' money is protected and I am extremely pleased to say that the Society's financial position remains particularly strong with capital ratios of over 7%. If re-elected I will continue to work hard to ensure that savers' and borrowers' interests are properly protected for the future and ensure that we maintain our branch service in Barwell (where we are the only building society or bank office) and in Earl Shilton.