

# 2013

**Teachers' Building Society**

Summary Financial Statement

For the year ended 31 December 2013

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For the year ended 31 December 2013

**This financial statement is a summary of information in the audited, unqualified, 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 the offices of Teachers Building Society from 5 April 2013.**

Members are reminded that the Summary Financial Statement does not contain sufficient information to allow a full understanding of the results and state of affairs of the Group.

The Summary Directors' Report includes information taken from the Chairman's Statement and the Chief Executive's Report as set out in the Society's Annual Report and Accounts.

- Margin improved to 1.7%
- Profits before taxation increased by £654K, a 310% improvement
- Growth in mortgage assets of 14%
- Reduced risk via acquisition of pension scheme annuity
- Reduced cost of liquidity by participating in Bank of England Funding for Lending Scheme.

## Summary Directors' Report

**We are delighted to report a record year at Teachers Building Society. We have experienced good growth, improved our net lending and improved the operating profit. Building on the success of 2012, we have further developed our mortgage introducer business which together with an increased number of members that have approached us directly, has enabled growth in mortgage assets of 14%.**

This growth has been helped by the participation in the Bank of England's Funding for Lending Scheme (FLS). The FLS is a scheme which enables the Society to access low cost funding over the four year duration. This scheme together with the Government's Help to Buy scheme has provided excellent stimulus to boost the UK Housing Market.

We are confident that with our strong management team, enthusiastic staff and the very good foundations that have been built over recent years, our members can look forward to a bright and sustainable future for the Society.

### Overview

2013 has seen a significant change in activity at Teachers Building Society. We can look back and see the strong growth and improved profitability, which is helping to build a sustainable Society for the future. As a mutual, the Society does not seek to maximise profits but rather focuses on delivering long term value to our members.

We have invested heavily in technology this year. As a result of these changes, we have been able to launch our new internet savings account and have just completed a new online broker solution. These changes have been made based on feedback from our customers, as well as an understanding of the changing marketplace.

The main target market has traditionally been the educational sector and the local market. Over the last year we have been able to expand the local areas from Dorset to Hampshire and in 2014 we plan to include Wiltshire. We are now pleased to report that in 2013 12% of our mortgages came from the 'local' regions. The Society has been able to significantly improve the margin and profits in the year, as a result of government initiatives and a more buoyant housing market.

We were pleased to be awarded What Mortgage? Magazine's "Best Local Building Society" award for the third year running. To receive this award consistently over a three year period reflects the high service standards all at Teachers continually strive to deliver and it is rewarding that this has been acknowledged.

### Pension scheme contributions

In the recent past, the investment markets and pension funds have suffered significant fluctuations in their valuation which has been a continual cost for the Society. It was with this in mind that the Directors requested the Trustees of the Scheme to purchase an appropriate annuity policy. The Society has made special contributions to the scheme amounting to £5.2m. The scheme assets are held as an insurance policy in the name of the trustees, the effect of which is to provide greater pension security for scheme members and to remove future pension risks from the balance sheet.

### Looking forward

In April 2014 the Mortgage Market Review will be fully implemented. This new regulation introduces requirements around assessing mortgage applicants' ability to pay, ensuring all regulated mortgage sales are normally accompanied by advice and the use of forbearance for borrowers in distress. The Society will operate under a dual mortgage channel, offering mortgages through both the advised direct and broker-introduced routes. The Society is well ahead in its implementation of the new rules and does not anticipate any significant issues.

The Society is well placed to provide customers with an attractive offering in a highly competitive market. We acknowledge the challenge that a low interest rate environment presents and the pressing need to keep costs under control whilst offering the best value to our customers.

After ten years on the Board, of which four were as Chairman, Kevin Richardson will retire after this year's AGM. The Board thanks Kevin for all his guidance and support and wishes him the best of luck for the future.

The reins of Chairman are now being handed over to Roy Spragg, who has been a Non-executive Board member for over five years. Roy has extensive experience in financial services and is a strong advocate of the mutual sector. The Board looks forward to working with Roy in his new role.

We would like to thank all of the team at the Society and our business partners for making 2013 a successful year, and finally our members for their continued support and belief in their Society.

**Approved by the Board of Directors on 4th March 2014 and signed on its behalf by:**

**Kevin Richardson**  
Chairman

**James Bawa**  
Chief Executive

**Roy Spragg**  
Director

## Summary Financial Statement for the year ended 31 December 2013

Results for the year	2013	2012
		Restated
	£'000	£'000
Net interest receivable	3,866	2,833
Other income and charges	45	264
	3,911	3,097
Administrative expenses	(2,799)	(2,691)
Provisions	(145)	(93)
Profit for the year before taxation	967	313
Taxation	3	(102)
<b>Profit for the year</b>	<b>970</b>	<b>211</b>

Financial position at end of year	2013	2012
<b>Assets</b>		
Liquid assets	17,768	49,441
Mortgages	205,604	181,950
Fixed and other assets	1,605	772
<b>Total assets</b>	<b>224,977</b>	<b>232,163</b>
<b>Liabilities</b>		
Shares	187,956	196,568
Borrowings	20,138	15,209
Other Liabilities	1,166	1,260
Reserves	15,624	19,031
Revaluation Reserve	93	95
<b>Total liabilities</b>	<b>224,977</b>	<b>232,163</b>

Summary of key financial ratios	2013	2012
Gross capital as a percentage of shares and borrowings	7.55%	9.03%
Liquid assets as a percentage of shares and borrowings*	8.54%	23.35%
Profit for the year as a percentage of mean total assets	0.42%	0.09%
Management expenses as a percentage of mean total assets	1.22%	1.18%

\*Excludes FLS off balance sheet finance

Restated balances have arisen on the early adoption of IFRIC 21, in line with best practice, the impact has been to change the reserves

# Explanation of key financial ratios

## Gross capital as a percentage of shares and borrowings

Gross Capital comprises reserves and the revaluation reserve. The **gross capital ratio** indicates the extent to which a society is financed by non-interest bearing balances as opposed to shares, deposits and other fund providers.

## Liquid assets as a percentage of shares and borrowings

The **liquid assets ratio** measures the proportion of the Society's total assets that are either cash, or deposits with other institutions such as banks, or are readily convertible into cash.

Liquid assets enable the Society to meet requests for withdrawals from investors, advance money to borrowers and generally fund its business activities.

Teachers Building Society maintains a liquid asset ratio similar to that of other small societies and which the Directors consider appropriate for the Society.

## 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 Society's average total assets during the year.

Reasonable profits need to be maintained in order to keep gross capital at a suitable level to protect investors, but because building societies are mutual organisations which do not have to pay dividends to shareholders, they can benefit their members by choosing to make lower profits than banks.

## 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 Society's average total assets during the year.

Management or administrative expenses consist mainly of the costs of employing staff, of complying with legislation, advertising, computer and other office costs. Expenses need to be controlled so that the Society operates as efficiently as possible while providing the service that members require.

# Statement of the independent auditor

to the members and depositors of Teachers Building Society

Pursuant to Section 76 of the Building Societies Act 1986, we have examined the Group Summary Financial Statement for the year ended 31 December 2013 which comprises the Results for the Year, Financial position at end of year, Summary of Key Financial ratios together with the Summary Directors' Report and Summary Report on Remuneration.

This report is made solely to the Society's members, as a body, in accordance with section 76(5) of the Building Societies Act 1986. Our 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

The directors are responsible for preparing the Group Summary Financial Statement in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Group Summary Financial Statement with the full Annual Report and Accounts, Annual Business Statement and Directors' Report and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Society's full Annual Report and accounts describes the basis of our audit opinion on those accounts.

## Opinion

In our opinion the Society's Summary Financial Statement is consistent with the Annual Report and Accounts, the Annual Business Statement and the Directors' Report of Teachers Building Society for the year ended 31 December 2013 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Deloitte LLP

Chartered Accountants and Statutory Auditor, Southampton, United Kingdom, 4th March 2014

# Summary Report on Remuneration

## Policy on Directors' Remuneration

The Board aims to follow best practice in its remuneration policy for directors and has adopted the principles in the United Kingdom Corporate Governance Code relating to remuneration.

## Executive Directors' Remuneration

Remuneration of executive directors is reviewed annually by the Remuneration Committee. Remuneration is assessed by reference to jobs carrying similar responsibilities in comparable organisations, and other criteria such as expertise, experience and contribution to the Society's performance.

## Non-executive Directors' Remuneration

The remuneration of Non-executive Directors (other than the Chairman) is reviewed each year by the Executive Directors and the Chairman, and a recommendation is made to the Board. The Chairman's remuneration is reviewed each year by the Remuneration Committee without the Chairman being present. The committee compares the level of fees to that paid in similar financial services organisations, and considers the responsibilities of each Director and the amount available determined by the Society's rules.

## Individual Directors' emoluments

Fees paid to Non-executive Directors	2013	2012
	£'000	£'000
K F Richardson	28	27
M H Percy (until 23rd April 2013)	6	20
A L Pike (from 1st November 2012)	18	3
M J Reed	18	17
R J Spragg	20	17
<b>Total Non-executive Directors' remuneration</b>	90	84

Executive Directors' remuneration	2013	2012
<b>J J Bawa</b>		
Salary	133	129
Car allowance and benefits	12	11
Performance related bonus	2	1
Medium term bonus	13	5
Pension contributions	14	12
<b>Total</b>	<b>174</b>	<b>158</b>
<b>S E Gorham (until 1 October 2013)</b>		
Salary	69	73
Car allowance and benefits	9	9
Performance related bonus	–	1
Medium term bonus	7	3
Pension contributions	16	15
<b>Total</b>	<b>101</b>	<b>101</b>
<b>A Evans (from 15 July 2013)</b>		
Salary	42	–
Performance related bonus	1	–
Pension contributions	3	–
<b>Total</b>	<b>46</b>	<b>–</b>
<b>Total Executive Directors' remuneration</b>	319	259
<b>Total Executive and Non-executive Directors' remuneration</b>	411	343

**Principal Office**

Allenview House, Hanham Road,  
Wimborne, Dorset, BH21 1AG

**FCA Registration Number** 156580

**Directors**

K F Richardson, Chairman  
J J Bawa, Chief Executive  
A L Pike, Non-Executive Director  
M J Reed, Non-Executive Director  
R J Spragg, Non-Executive Director  
A Evans, Finance and Operations Director

**Solicitor and Secretary**

P E Jarman

**Auditors**

Deloitte LLP, Chartered Accountants,  
Southampton, United Kingdom

**Bankers**

National Westminster Bank PLC



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