

Summary Financial Statement

for year ending 31st December 2005



**BUCKINGHAMSHIRE
BUILDING SOCIETY**

Established in 1907 at Chalfont St. Giles



*"helping
you build
a better
future"*

Chief Executive's Review

OVERVIEW

2005 saw the Society experience uncertainties arising from the economic environment, with much comment centred on the nation's indebtedness, giving rise to differences of opinion to the direction for interest rates in the short term. Given doubts as to whether government policy would achieve a soft landing affected confidence in the property market which in turn dictated activity level. So it was no surprise in contrast to 2004's high levels of housing market activity, fuelled by falling interest rates, that 2005 witnessed a slowing market and highly competitive lending. It was only in the last quarter where the Society recorded strong demand for advances, that our loan book registered a gain over 2004. We have seen evidence of this strong demand continuing into the early part of 2006.

The Society operates in a highly regulated sector and thus also is vulnerable to the changes and implementation costs of new legislative requirements. During the year the Society again has faced the challenge presented by changes in the regulatory environment, implementing the necessary changes in technology and systems and ensuring appropriate training of staff. The last quarter of 2004 saw a major expansion of regulation to include mortgage lending activities, whilst statutory regulation of general insurance sales was introduced in January 2005. Consolidation of changes introduced to comply with these new requirements was a major focus of staff activity during 2005.

The initial phases of changes to the regulator's requirements in relation to the method and content of statutory reports were also introduced during 2005; the Society also has had to prepare for the implementation of later phases, which will continue during 2006 and 2007 and incorporate new E.U.-wide requirements.

The Society voluntarily subscribes to the Banking Code of Practice, which regulates the conduct of relations with customers in relation to investment accounts. The Code underwent a comprehensive review during 2004, with the revised Code being introduced in March 2005. The Society successfully implemented a project to ensure compliance with these onerous new requirements.

Regulation relating to Treating Customers Fairly has become very topical, we at the Society are proud of initiatives taken some years ago where we ensured any new products were available to both existing and new customers.

LENDING

During 2005, the Bank of England Base Rate fell to 4.5%, but the year was characterised by a slowing of activity in the housing market and the Society's lending business fell markedly from last year's astounding record high. However, during the last quarter, the market has showed signs of recovery which provided a more optimistic perspective for 2006. Lending amounted to £18.07m (2004: £29.06m; 2003: £17.47m). The Society has continued its policy of adhering to strict assessment criteria to ensure prudent lending. Mortgage balances increased by 1.9% to £99.22m during 2005.

For the fourth consecutive year the Society was a finalist in the *What Mortgage Magazine* awards.

No properties were taken into possession during the year and the Society had no properties in possession at the year end date. The overall arrears position remains very satisfactory. At 31st December there were two loans where repayments were twelve months or more in arrears. Total arrears in these cases amounted to £19,478 and the aggregate capital balances amounted to £190,765, this represents less than 0.2% of the total mortgage book.

SHARES AND DEPOSITS

Balances held at the year end increased by £9.5m. to £124.8m (2004: £115.4m). Compared to 2004 when savings recorded a net outflow of funds, 2005 reversed the trend and the Society is able to report a net inflow of £2.72m (2004: (£6.53m)). The turn round is attributed to initiatives taken to retain funds, one of which was the introduction of the 90 Day Chiltern Gold Notice Account offering a very competitive rate of interest. It has proved popular with both existing and new savers.

MEMBER INVOLVEMENT

It is the Society's intention to be responsive to the needs of its Members. We appreciate comment even if it is critical as it is by this process that we can measure our success and can understand where we fail to provide the optimal service for which we strive. It should be appreciated that as one of the smaller members of the building society movement we are only able to undertake those technological improvements where we can justify the cost against the potential benefits for the Members.

INVOLVEMENT IN THE COMMUNITY

In keeping with the ethos of mutuality, the Society offers support to numerous local charitable and community projects benefiting a wide cross-section of local community interests. Of particular note, is our role as a major

sponsor of the annual Chalfont St. Giles Fun Run and supporter of the annual village fete. The Society is also an active supporter of the Chiltern Society, a group which aims to maintain the special qualities of the Chiltern Hills and which is active in conservation in the Chilterns Area of Outstanding Natural Beauty. The Society has given practical assistance and has offered financial aid in other forms, such as sponsorship and advertising, in addition to specific charitable donations during 2005 totalling £5,500.

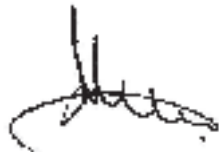
No contributions were made for political purposes.

STAFF AND MANAGEMENT

The Society operates in a highly competitive environment where in recent years the burden of compliance has increased, necessitating the introduction of new systems. The Board therefore acknowledge the efforts of staff in maintaining the high levels of service expected while the changes in working practices are implemented. Success will only be accomplished by the commitment and efforts of both staff and management co-operating together and we congratulate them for the progress made during this transitional period.

We would also record our thanks to our Members and professional connections for their continued support of the Society.

B J. O'Neill



Chief Executive

22nd March 2006

Directors' Report

The Directors are pleased to present their Annual Report together with the Annual Accounts and Annual Business Statement of the Society for the year ended 31st December 2005.

BUSINESS OBJECTIVES AND ACTIVITIES

The principal purpose of the Society remains that of providing mortgage finance which is secured on residential property and funded substantially by Members.

The principal business objectives are the promotion of home ownership and a commitment to the provision of excellent service to all existing and potential Members. These objectives are underpinned by offering a comprehensive range of investment products, and maintaining competitive mortgage rates for existing and potential borrowers.

We believe the purpose of the Society and its business objectives are best achieved by maintaining our mutual status and focusing on the needs of our Members.

Product Development

The Society continually reviews its product range and is committed to developing attractive opportunities for Members. In 2005 we increased our mortgage offerings for the first time to include fixed rate and base rate tracker mortgages in response to the demands of our Members. The introduction of the 90 day notice account to our investors proved very successful. Work is well advanced on several new products due for launch in the early part of 2006 and we have recently modified our Junior Saver Account.

Administrative Expenses

The Society continually reviews its business costs and endeavours to contain expenditure, viewing containment as an indicator to efficiencies within the business. 2005 saw a reduction in the management expense ratio to 1.11% from 1.18% in 2004.

ASSETS

Despite a difficult trading environment, the Directors are pleased to report another successful year for the Society, with total assets increasing by £9.9m to £134.5m, 7.97% higher than the previous year.

LIQUID ASSETS

Liquid assets in the form of cash and investments were £33.9m, representing 27.13% of share, deposit and loan balances. Comparatives for last year are £25.9m and 22.45% respectively.

PROFIT AND CAPITAL

Profit before tax amounted to £373,000. At 31st December 2005 Gross Capital increased by £0.22m to £8.63m representing 6.91% of share, deposit and loan balances. Free Capital was 5.81% of share, deposit and loan balances. The relatively low level of profit is in keeping with our mutual status and strategy of optimising benefit to both our savers and borrowers.

This year the Society has adopted FRS17 (Retirement Benefits), which has necessitated a prior year adjustment. In accordance with this accounting standard the net pension scheme liability is recognised on the Society's balance sheet and results in a reduction in reserves.

DIRECTORS

The following persons served as Directors of the Society during the year:-

H.N. Machin, FCA	Chairman	K.W. Green, Solicitor
R.R. Currie, BSc, FRICS, IRRV	Vice-Chairman	E.J. Payne, Architect <i>Retired 27th April 2005</i>
B.J. O'Neill, ACIB	Chief Executive	J.E.A. Payne, FCI08
A. Davies, ACA		M.J. Stannard, Financial Controller <i>Appointed 27th April 2005</i>

The only Director retiring this year in accordance with the Rules is Howard Machin who being eligible, offers himself for re-election. In April 2005 the Board co-opted Michael Stannard, who will stand for election at the Annual General Meeting in April 2006.

POST BALANCE SHEET EVENTS

The Board considers that there have been no events, subsequent to the year-end, that have had a material effect on the financial statements.

CREDITOR PAYMENT POLICY

The Society's policy concerning the payment of its trade creditors continues to be to pay within the agreed terms of credit, once the supplier has discharged its contractual obligations. Amounts due to relevant creditors of the Society as at 31st December 2005 represented 18 days (2004: 19 days).

THE FUTURE

The Society will concentrate on its strengths, by offering competitive products on both savings and mortgages, while striving to contain costs and improve service to Members. We will continue to monitor compliance with legislative and regulatory requirements and to commit to the voluntary Banking Code.

TECHNOLOGY

During the year, necessary upgrading of hardware and software was undertaken, in keeping with the Society's policy of investment in technology where there is advantage for business process or enhanced customer service. The web site [www.bucksbuildingsociety.co.uk] has been updated frequently to ensure the availability of comprehensive, accurate

information on the product range. We envisage that the coming year will see the implementation of a new financial accounting system and its integration to other systems which should provide further efficiencies.

HUMAN RESOURCES

As the Society operates in an increasingly legislative environment the training and competence of all staff, management and Directors is paramount and sufficient resources are allocated accordingly to maintain service levels to customers and to ensure compliance with regulatory requirements. The Society has a policy to provide open access to training, career development and advancement equally to all employees. The policy extends to giving full consideration to all applicants regardless of race, beliefs, gender, marital status, age or physical disability.

AUDITORS

The auditors Mazars LLP have signified their willingness to continue in office and a resolution will be proposed at the next Annual General Meeting that they be re-appointed as auditors of the Society.

Corporate Governance Report

The Board, on behalf of Members, is responsible for the governance of the Society and has established systems to ensure that high standards are maintained.

The Society complies with the Code of Governance for Building Societies produced by the Financial Services Authority; this code is adapted from the 2003 Combined Code on Corporate Governance which was written, and is mandatory, for publicly quoted UK companies. The Board have chosen to have regard to the wider Combined Code when setting the Society's own standards, adapting some provisions to the circumstances of a mutual organization of its size and complexity, to provide a governance framework in the spirit intended by the Code.

The Board considers that it has adhered to the principles of the Combined Code during the period under review. Application of these principles is outlined below, with details of those areas in which Society practice differs from the provisions of the Code.

The Board comprises six independent Non-Executive Directors and one Executive member, the Chief Executive; it is led by a Non-Executive Chairman, appointed annually by the Board. All Non-Executive Directors are capable of independent judgement and provide an objective view of the Society's activities and the climate in which it operates. Directors are assisted to seek advice, guidance and training to ensure that they are equipped with the skills and knowledge necessary for effective discharge of their duties and responsibilities.

The Board exercises full and effective control over the Society's activities through regular meetings. A schedule is maintained, and regularly reviewed, which clearly defines areas of responsibility for which authority is delegated to management. Those strategic matters reserved for the Board, such as policy, performance, resources and standards of conduct, are also defined. There is clear delineation between the roles of Chairman and Chief Executive.

Code provision A.3.3 requires the appointment of a Senior Independent Director, envisaged to be readily identifiable as an alternative contact when an approach to the Chairman is deemed inappropriate. The Society has long retained the post of Vice-Chairman, a role filled by a Non-Executive Director, appointed annually by the Board and encompassing those activities described by the Combined Code which are relevant to a mutual organization. It is the Board's belief that the Vice-Chairman is clearly identifiable as a senior figure. The present incumbent, Robert Currie, is independent in character and judgement and has adequate experience to fulfil the responsibilities envisaged by the Code; the creation of a Senior Independent Director post is therefore not deemed necessary.

Directors' and Officers' Liability Insurance continues to be purchased.

Attendance and participation of Members in the Annual General Meeting is actively encouraged.

Full Board meetings are held at least monthly, with additional meetings of committees and sub-committees to address particular matters. To ensure informed decision making by Directors, relevant papers are circulated in advance of meetings and members of management are invited to attend meetings or serve on sub-committees. Standing committees have formal terms of reference and their membership and chairmanship are subject to annual review and appointment. Opportunities for discussion in the absence of the Chief Executive or Chairman are ensured.

Meeting attendance	First appointed	Board	Audit & Compliance Committee	Remuneration Committee	Finance Committee
		(13)	(6)	(3)	(8)
H.N. Machin	1992	12	5	3	7 (7)
R.R. Currie	1995	10	4	3	8
B.J. O'Neill	2001	13	~	~	8
A. Davies	2001	12	6	~	1(1)
E.J. Payne*	1988	3 (4)	1 (2)	~	~
K.W. Green	2001	12	6	3	~
J.E.A. Payne	2004	12	6	~	~
M.J. Stannard**	2005	9 (9)	4 (4)	~	~

* retired April 2005

** co-opted onto the Board April 2005 and Audit & Compliance Committee in May 2005

BOARD COMMITTEES

Audit & Compliance Committee

Presently chaired by Andrew Davies, the Committee comprises all six Non-Executive Directors and meets at least quarterly.

This Committee has delegated responsibility for the Society's systems of control; it continually reviews controls and makes recommendations as necessary. The internal audit function is outsourced to Mutual One Limited. The Committee receives reports from and consults with the internal auditor, gaining an insight into the operation and system of control in order to assess proposed improvements. The Committee reviews the work of the external auditors and oversees the work of the internal audit function. It reviews and makes recommendations in relation to the appointment and remuneration of both internal and external auditors.

Remuneration Committee

Presently comprising Howard Machin (Chairman), Robert Currie and Keith Green, the Committee meets as required.

Responsibility is delegated to the Committee to review the Society's remuneration and benefit policies. The Committee makes recommendations to the Board with regard to the contractual terms, performance and remuneration of the Chief Executive and, in conjunction with the Chief Executive, those of management. With management, it also reviews levels of staff remuneration.

All Code provisions and Society policy and procedures relating to the remuneration of Directors are detailed in the Directors' Remuneration Report.

Finance Committee

The Committee may be drawn from the Chairman, Vice-Chairman, Audit Committee Chairman and Chief Executive, advised by the Finance Manager or General Manager as appropriate. Usually, the Committee comprises Howard Machin (Chairman), Robert Currie and Brian O'Neill, the Committee meets as necessary to assess risk arising from treasury transactions and to monitor financial matters.

Board Appointments

The Combined Code provides for a Nomination Committee, which is tasked with identifying the needs of the Board with regard to skills and composition. The Committee is envisaged to make recommendation for re-appointment at the end of each term of office. It is anticipated also that the Committee leads the identification of candidates to fill Board vacancies.

The Society does not have a Nomination Committee. The Board as a whole establishes the criteria used for candidate selection, all Board members are involved in the search for, and assessment of candidates. In seeking prospective candidates, Directors access relevant business and industry networks. Having identified a small number of strong candidates the Board delegate authority to a sub-committee to carry out formal interviews and make recommendations to the Board.

Directors are appointed for periods of three years but may stand for re-election. Appraisal of Directors is carried out by the Chairman (or Vice-Chairman in respect of the Chairman) following confidential consultation with other Board members. Proposals for re-election are made by the Board as a whole.

Traditionally, the Society's Directors were expected to serve for long periods to provide continuity and allow individuals a period to become fully conversant with the industry. In the new climate of attitudes to corporate governance, best practice requirements now anticipate that independent Board members should be rigorously assessed to ensure continuing independence and should not serve for unduly long periods; in order to ensure assessment of independence, the Code envisages that Directors should be subject to annual re-election after serving nine years on the Board. The Board do not consider that annual re-election is appropriate for the Society's requirements and Members will continue to consider appointments for periods of three years.

In keeping with new governance best practice requirements, the Society's Board has undergone many changes in recent years, implementing a succession plan of phased replacement of long-serving Directors. Currently two Directors have served for nine years or more. Robert Currie, who was first appointed in 1995, was elected for a term of three years in 2005. Howard Machin, who was first appointed in 1992 and has served as Chairman since 2002, is seeking re-election for a further three year term. The Board consider both to be independent in character and judgement and do not believe that their long service has compromised their ability to take an objective view of the Society and its business.

Directors Remuneration Report

Since 2002, the Directors' Remuneration Report Regulations have been mandatory for public companies included in the Official List of the London Stock Exchange and require full disclosure of all elements of Directors' remuneration packages and relevant contractual terms. Although not governed by these regulations, in the interests of transparency the Society has chosen to disclose those elements of the report requirements it considers applicable.

Remuneration Committee

The Combined Code envisages the remuneration of the Chairman and Executive Directors being determined by the Remuneration Committee, with that of the Non-Executive Directors being assessed by the Chairman and Executive Directors. The Society's Board includes only one Executive appointment – the Chief Executive – whose salary and benefits are determined by the Committee. However, given the composition of the Society's Board, to ensure fairness and transparency an alternative process has been adopted in relation to the fees paid to Directors. Annually the Board as a whole assesses the Society's performance and industry norms with respect to fee levels. Total Directors' fees are calculated in accordance with the Society's Rules and are based on growth in total assets. Directors then allocate the fee, having regard to the level of commitment required for certain Board positions, including that of Chairman. During 2005, total fees paid amounted to £94,461 (2004: £90,361).

The Committee may seek external advice to inform its deliberations, but has not done so during the year.

Executive Directors' Remuneration

The Chief Executive's contractual arrangements comprise of a basic salary, contribution to pension schemes and other benefits. The basic salary is paid at an external market rate to reflect the responsibilities discharged and the individual's performance. The Chief Executive's terms of engagement allow for termination by either party at six months' written notice. Normal retirement age is 65.

Non-Executive Directors' Remuneration

Non-Executive Directors do not have service contracts, being appointed by letter, and receive only a fee. Non-Executive Directors do not receive any salary, pension, bonus incentives or other taxable benefits. The fees received relate to time spent on Society affairs including responsibilities to membership of the various Board committees.

During 2005, two Directors were employed by companies which provided services to the Society.

Andrew Davies is a Partner in F.A. Magee & Co., Chartered Accountants, which provided payroll services to the Society for a consideration of £2,350 (2004: £1,745)

Robert Currie provided a valuation of the Society's properties, a fee of £705 (2004: £600) was paid for this service to his employer, The Aitchison Raffety Group.

Director	Directors' Fee £'000s	Salary £'000s	Benefits in kind £'000s	Pension contributions £'000s	Total 2005 £'000s	Total 2004 £'000s
B.J. O'Neill	11	69	7	10	97	91
H.N. Machin	19	~	~	~	19	18
R.R. Currie	15	~	~	~	15	15
K.W. Green	11	~	~	~	11	11
A. Davies	15	~	~	~	15	15
E.J. Payne*	4	~	~	~	4	11
J.E.A. Payne	11	~	~	~	11	10
M.J. Stannard**	8	~	~	~	8	~
Total	94	69	7	10	180	171

* Retired 27th April 2005 ** appointed 27th April 2005

on behalf of the Board of Directors

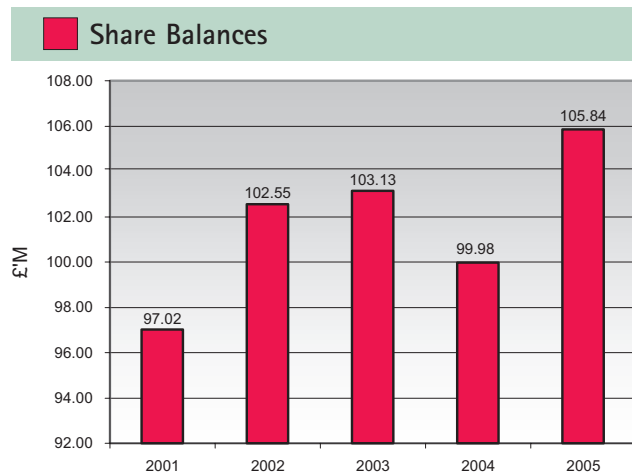


H.N. MACHIN *Chairman*

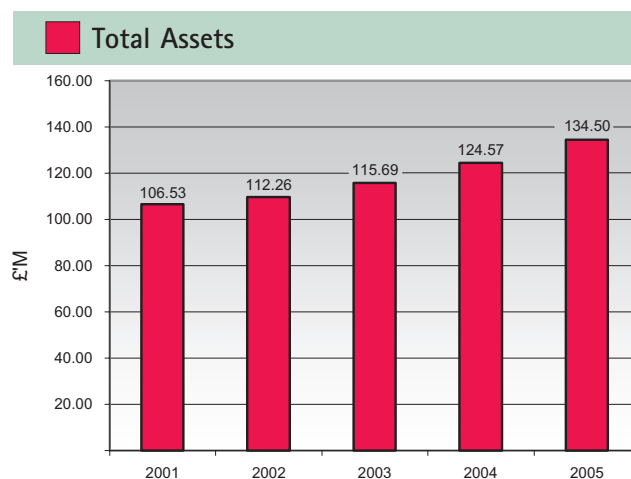
22nd March 2006

The Society's performance during the period 2001 - 2005

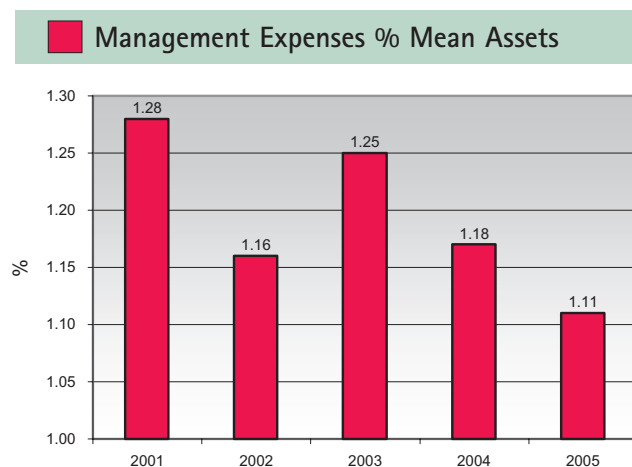
The Society's strategy of controlled and sustainable growth is considered to be core to the protection of interests to both savers and borrowers. Illustrated below are some of the key performance indicators which show the Society's progress over the previous five years.



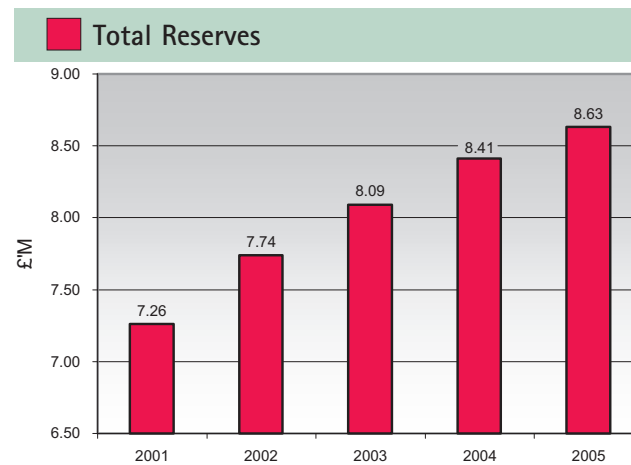
The Society is committed to offering our members a competitive range of investment opportunities



The chart mirrors our aspiration of controlled growth



Our aim is to reduce costs without prejudicing the level of service



Your board is committed to maintaining a strong capital base

Summary of Highlights for financial year 2005

Post tax profit of £0.289m (2004 £0.301m)

Total Assets £134.5m up from £124.6m, an increase of £9.9m (7.97%)

Management Expenses ratio 1.11% down from 1.18%

	2005 £'000s	Restated 2004 £'000s
Net interest receivable	1,838	1,789
Other income and charges	43	49
Administrative expenses	(1,440)	(1,418)
Operating profit before provisions	441	420
Provisions	(68)	(31)
Profit on ordinary activities before tax	373	389
Tax on profit on ordinary activities	(84)	(88)
Profit for the year	289	301

SUMMARY FINANCIAL STATEMENT

for the year ended 31st December 2005

FINANCIAL POSITION AT END OF YEAR	2005 £'000s	Restated 2004 £'000s
ASSETS		
Liquid assets	33,871	25,896
Mortgages	99,219	97,309
Fixed and other assets	1,414	1,368
TOTAL ASSETS	134,504	124,573
LIABILITIES		
Shares	105,840	99,976
Borrowings	19,007	15,385
Other liabilities	666	647
Provisions for liabilities and charges	80	24
Net Pension liability	280	134
Reserves	7,821	7,653
Revaluation Reserve	810	754
TOTAL LIABILITIES	134,504	124,573
SUMMARY OF KEY FINANCIAL RATIOS	2005	2004
	%	%
Gross capital as a percentage of shares and borrowings	6.91	7.29
Liquid assets as a percentage of shares and borrowings	27.13	22.45
Profit for the year as a percentage of mean total assets	0.22	0.25
Management expenses as a percentage of mean total assets	1.11	1.18

NOTES

1. 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).

The Society's **capital** consists of **profits** accumulated over many years in the form of **reserves**, together with the **revaluation reserve**. Capital provides a financial cushion against difficulties which might arise in the Society's business and therefore protects investors.

2. The **liquid assets ratio** measures the proportion of the Society's assets which are held in the form of cash or short term deposits. Liquid assets are generally readily realisable, enabling the Society to fund its mainstream business activities.

3. The **profit/assets ratio** measures the proportion which the profit after taxation for the year bears to the average of the Society's total assets during the year. The Society needs to make a reasonable level of profit each year in order to maintain its capital ratio at a suitable level to protect investors' funds.

Your Directors believe that the profit for the year is consistent with the aims of mutuality and that the gross capital ratio is more than sufficient for the protection of investors' funds.

4. 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.

Auditors' Statement to the Members and Depositors of the Buckinghamshire Building Society

We have examined the Summary Financial Statement set out in this document.

Respective Responsibilities of Directors and Auditors

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

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 described 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 the Directors' Report of the Buckinghamshire Building Society for the year ended 31st December 2005 and conforms with the requirements of the Building Societies Act 1986, and regulations made under it.

Mazars LLP *Chartered Accountants and Registered Auditors*

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22nd March 2006

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J.E.A. PAYNE, FCIOB
M.J. STANNARD, Financial Controller

Auditors: Mazars LLP

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General Manager: R.H. WATKINSON, FCIB

Finance Manager: M.K. SIMPSON, BA, BSc, MBA