

Mortgage Agency Services Number One Limited
Annual Report and financial statements
for the year ended 31 December 2022

Registered Number: 02317853

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Mortgage Agency Services Number One Limited

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Mortgage Agency Services Number One Limited

Company information

Directors

L J Britnell

N S Slape (Resigned 22 July 2022)

R M Hiom (Appointed 22 July 2022)

Secretary

C E Green

Independent auditor

Ernst & Young LLP

25 Churchill Place

London

E14 5EY

Registered office

PO Box 101

1 Balloon Street

Manchester

M60 4EP

Registered number

02317853

Mortgage Agency Services Number One Limited

Strategic report

The Directors present their strategic report for the year ended 31 December 2022.

Principal activities and business overview

Mortgage Agency Services Number One Limited (the 'Company') was incorporated in England and Wales (registered number 02317853). The Company was previously engaged in mortgage and corporate lending, but no longer holds the beneficial interest in any mortgages following the transfer of business to its immediate parent company, The Co-operative Bank p.l.c. (the 'Bank') during 2016. As a result it is no longer trading, although it continues to hold the legal title to mortgages where the beneficial title is held by the Bank. The Company is part of The Co-operative Bank Holdings Limited group (the 'Group'), with The Co-operative Bank Holdings Limited being the ultimate parent company of the Bank and the Company.

The result for the year after taxation amounted to £nil (2021: £nil). The net assets of the Company at 31 December 2022 were £141k (2021: £141k).

Following the transfer of business activity to the Bank on 1 October 2016 the Company balance sheet has comprised an intercompany balance and a surrendered loss debtor relating to the surrender of group relief between the entities in the Bank's tax group and entities in the Co-op Group's tax group. During 2021, the surrendered loss debtor was settled at book value of £9,544k, which was subsequently used to settle the Company's intercompany payable with the remainder used to pay a dividend to the Bank. There were no transactions in 2022.

Strategy and future outlook

The Company has ceased to trade and will not be originating new business or purchasing any new mortgage portfolios in the immediate future, and is comprised solely of an intercompany receivable. The Directors have no intention to liquidate the Company currently due to the prohibitive costs involved in such a liquidation and the administrative burden to change the legal title of each mortgage to the Bank.

The Directors have considered the Company's business activities together with its financial position and the factors likely to affect its future development and performance. Consequently, after making enquiries, the Directors are satisfied that the Company has sufficient resources to continue in business for the foreseeable future and have therefore decided to adopt the going concern basis in preparing the financial statements. Further consideration is noted in note 1.2 on page 11.

Principal risks and uncertainties

It is the responsibility of management to effectively manage the risk within the business, and the Company has a formal structure in place for monitoring risks.

The Company has not been significantly impacted by the current cost of living crisis and economic uncertainty in the UK and does not expect any such impacts on its business in the future, although management continue to monitor any emerging risks according to the Group's Risk Management Framework.

The principal risks faced by the Company are credit risk and regulatory risk. A summary of these risks is included below, with further detail provided in note 8 on page 14 to the Company financial statements:

- Credit risk is the risk to earnings and capital arising from a counterparty's failure to meet their legal and contractual obligations. Credit risk arises on amounts due from Group undertakings, although as the counterparty is the Bank which has historically repaid debt and is the Company's parent, credit risk is deemed low.
- Regulatory risk - the risk of fines, public censure, limitation on business, or restitution costs arising from failure to understand, interpret, implement and comply with UK regulatory requirements.

Key performance indicators (KPIs)

The Directors monitor the progress of the Company by reference to KPIs. The only KPI monitored is the Company's capital to ensure regulatory requirements continue to be met. The Company's capital position at year end was as expected as there were no transactions in the year. The equity of the Company at 31 December 2022 was £141k (2021: £141k).

Approved by the Board of Directors on 20 April 2023 and signed on its behalf by:



Louise Britnell
Director

Mortgage Agency Services Number One Limited

Directors' Report

The Directors present their report and the audited financial statements of Mortgage Agency Services Number One Limited (Registered Company No. 02317853) for the year ended 31 December 2022.

Future developments

The Company has ceased to trade and will not be originating new business or purchasing any new mortgage portfolios in the immediate future, and is comprised solely of an intercompany receivable. The future developments of the Company are discussed further in the strategic report on page 2.

General information

- The Company is a private company limited by shares, incorporated in England and Wales.
- The main objectives of the Company are to hold the legal title to mortgages where the beneficial title is owned by The Co-operative Bank p.l.c. and its subsidiaries.
- The parent is The Co-operative Bank p.l.c.
- The ultimate controlling party is The Co-operative Bank Holdings Limited.

Dividends

The Directors did not propose or pay a dividend in the year ended 31 December 2022 (2021: £5,650k).

Directors' details

The Directors who held office during the year and current appointments are disclosed on page 1.

No Director had a beneficial interest in the share capital of the Company at any time during the year under review.

Going concern

The accounts have been prepared on a going concern basis. See the strategic report on page 2 and note 1.2 on page 11 for further information.

Risks associated with financial instruments

The risks associated with financial instruments are outlined in note 8 on page 14.

Insurance and indemnities

During 2022 the Company maintained appropriate Directors' liability insurance in respect of legal action against its Directors. In addition, qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in operation during 2022 and are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur in connection with their appointment. The cost has been borne by the Bank and is not recharged.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with UK-adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK-adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance;
- in respect of the Company financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

Mortgage Agency Services Number One Limited

Directors' Report (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Statement on employees

The Company had no employees during the current or prior year. All staff are employed by The Co-operative Bank p.l.c. (the main operating company in the Group). The Directors are employed by the Bank and their remuneration is not recharged. The Bank Board considered its approach to its employees and an explanation of how the Bank's Board has carried out these responsibilities is set out on page 62 of the Group's 2022 Annual Report and Accounts, which does not form part of this report.

Other stakeholders

From the perspective of the Company's Board, as a result of the Group's governance structure, engagement with other stakeholders is considered at group level, and is therefore overseen by the Bank's Board. The Company's operations are aligned to those of the Group in respect of the Company's other stakeholders. The Board of the Company has also considered relevant matters where appropriate. An explanation of how the Directors on the Bank Board have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, is set out (for the Group and for the entity) on page 63 of the Group's 2022 Annual Report and Accounts, which does not form part of this report.

Statement on disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

The auditor, Ernst & Young LLP is deemed to have been reappointed in accordance with section 487 of the Companies Act 2006.

Approved by the Board of Directors on 20 April 2023 and signed on its behalf by:



Louise Britnell
Director

Mortgage Agency Services Number One Limited

Independent auditor's report to the members of Mortgage Agency Services Number One Limited

Opinion

We have audited the financial statements of Mortgage Agency Services Number One Limited for the year ended 31 December 2022 which comprise of the Balance Sheet, Statement of changes in Equity, Statement of Cash Flows and the related notes 1 to 10, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2022 and of its results for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 30th June 2024.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and Directors' Report have been prepared in accordance with applicable legal requirements.

Mortgage Agency Services Number One Limited

Independent auditor's report to the members of Mortgage Agency Services Number One Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, Tax Legislation and Financial Conduct Authority rules.
- We understood how the Company is complying with those frameworks by reviewing relevant committee minutes, holding discussions with the Company's legal team and inquiring as to whether there were any known instances of non-compliance or suspected non-compliance with laws and regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company have established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved inquiries of legal counsel and management, testing of manual journals using data analytics tools and exercising professional scepticism in performing our audit procedures.

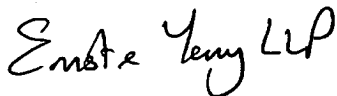
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Mortgage Agency Services Number One Limited

Independent auditor's report to the members of Mortgage Agency Services Number One Limited (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

James Billingham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
21 April 2023

Mortgage Agency Services Number One Limited

Balance sheet

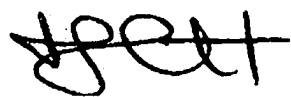
At 31 December 2022

	Notes	2022 £000	2021 £000
Assets			
Amounts due from Group undertakings	5	141	141
Total assets and net assets		141	141
Equity			
Called-up share capital	7	-	-
Retained earnings		141	141
Total equity and liabilities		141	141

The accounting policies and notes on pages 11 to 15 form part of these financial statements.

There were no transactions in the current or prior year and consequently a statement of comprehensive income has not been presented.

Approved by the Board of Directors on 20 April 2023 and signed on its behalf by:



Louise Britnell
Director

Registered Number: 02317853

Mortgage Agency Services Number One Limited

Statement of changes in equity

For the year ended 31 December 2022

	Called-up share capital £000	Retained earnings £000	Total £000
2022			
At 1 January 2022 and at 31 December 2022	-	141	141

	Called-up share capital £000	Retained earnings £000	Total £000
2021			
At 1 January 2021	-	5,791	5,791
Dividends paid	-	(5,650)	(5,650)
At 31 December 2021	-	141	141

The share capital of the Company is disclosed in note 7 on page 13.

The accounting policies and notes on pages 11 to 15 form part of these financial statements.

Mortgage Agency Services Number One Limited

Statement of cash flows

For the year ended 31 December 2022

	2022	2021
	£000	£000
Cash flows from in operating activities:		
Profit before taxation	-	-
Changes in operating assets and liabilities:		
Decrease in surrendered loss debtor	-	9,544
Increase in other receivables	-	(141)
Decrease in amounts due to parent undertaking	-	(3,753)
Net cash flows generated from operating activities	-	5,650
Cash flows used in financing activities:		
Dividends paid	-	(5,650)
Net cash flows used in financing activities	-	(5,650)
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning and end of the year	-	-

The accounting policies and notes on pages 11 to 15 form part of these financial statements.

Mortgage Agency Services Number One Limited

Notes to the financial statements

1 Basis of preparation and significant accounting policies

1.1 Basis of preparation

Mortgage Agency Services Number One Limited (the 'Company') is a private company limited by shares and incorporated, registered and domiciled in England and Wales (Registered Number: 02317853). The address of its registered office is P.O. Box 101, 1 Balloon Street, Manchester, M60 4EP.

The financial statements of the Company have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards. The financial statements comprise all audited sections of the accounts.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fair value through other comprehensive income ('FVOCI') and certain other financial assets held at fair value through profit or loss ('FVTPL').

1.2 Going concern

IAS 1 (Presentation of Financial Statements) requires directors to make an assessment of a company's ability to adopt the going concern basis of accounting in the future. IAS 1 states that the information should cover 12 months from the end of the reporting period but not be limited to that period. Financial Reporting Council ('FRC') guidelines state that the information should consider a period of at least 12 months from the date the financial statements are authorised for issue.

The going concern period assessed by the Directors is to 30 June 2024. The Directors have concluded that on the basis that the Company continues to hold the legal title to mortgages for the Group and has only assets and no liabilities, and does not expect to incur any future significant expenses that will not be covered by its assets, the Company will be able to continue to operate as a going concern for the going concern period.

1.3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods, inclusive of assets recognised where the Company is subject to the substantial risks and rewards of those assets.

1.3.1 Financial instruments

a) Recognition

Financial assets and financial liabilities are initially recognised in the balance sheet at fair value when the Company becomes party to the contractual provisions of the instrument. Subsequently, financial instruments are classified as follows: amortised cost, fair value through profit or loss, or fair value through other comprehensive income.

b) Financial instruments measured at amortised cost

Financial assets measured at amortised cost are those for which the business model objective is to hold to collect the contractual cash flows, and the contractual cash flows are solely payments of principal and interest. Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Unless designated at FVTPL, the classification and subsequent measurement of the financial asset is based on the business model and contractual cash flows of the asset.

Amortised cost is the default category for financial liabilities.

Amortised cost financial instruments are subsequently measured at the amount at which the financial instrument was measured at initial recognition, less principal repayments, plus or minus the cumulative amortisation using the effective interest method of the difference between that initial amount and the maturity amount and adjusted for any loss allowance.

c) Financial instruments measured at FVTPL

This category includes the surrendered loss debtor settled in the year ended 31 December 2021. Financial assets at fair value through profit or loss are subsequently measured at fair value.

d) Reclassifications

Debt instruments are only reclassified when the business model for managing such assets is changed. Such changes as a result of external or internal changes must be significant, demonstrable to external parties, and are expected to be rare in occurrence. Financial liabilities cannot be reclassified.

Mortgage Agency Services Number One Limited

1 Basis of preparation and significant accounting policies (continued)

e) Impairment of financial assets

Under IFRS 9, the expected credit loss ('ECL') is assessed on a forward-looking basis for debt instruments carried at amortised cost and FVOCI, for exposures related to loan commitments, and for financial guarantee contracts. Credit risk is measured using probability of default ('PD'), the exposure at default ('EAD') and loss given default ('LGD').

Financial instruments are classified within stage 1 on initial recognition. If a significant increase in credit risk ('SICR') since recognition is identified but the financial instrument is not credit impaired, then the financial instrument transitions to stage 2.

f) Derecognition of financial instruments

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

When a financial asset is derecognised in its entirety, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the income statement.

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability derecognised and the consideration paid is recognised in the income statement.

1.3.2 Functional and presentational currencies

The financial statements are presented in Sterling, which is the Company's functional currency (i.e. the primary currency in which it transacts business) and presentational currency. Amounts are denominated in thousands of pounds unless otherwise stated.

1.4 Critical accounting estimates and judgements in applying accounting policies

There are no critical accounting judgements in applying accounting policies. On 5 February 2021, the surrendered loss debtor was settled and is therefore no longer considered a critical accounting judgment.

2 Standards and interpretations issued but not yet effective

Major new IFRSs: The IASB has published a new standard, IFRS 17 (Insurance Contracts). The new standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. The standard became effective for reporting periods beginning on or after 1 January 2023, following endorsement by the UK Endorsement Board. The Company is unaffected by the new standard as it does not issue insurance contracts.

Other: The IASB has issued a number of other minor amendments to IFRSs that came into effect for periods commencing 1 January 2023. The Company does not anticipate any of these amendments will have a significant impact on the Company.

3 Auditor remuneration

Auditor remuneration for the year was as follows:

	2022	2021
	£000	£000
Fees for the audit of the Company's financial statements	5	3

Auditor remuneration of £5k (2021: £3k) was borne by the Bank and is not recharged. Audit fees are stated excluding VAT.

4 Directors' emoluments

The Directors received emoluments from the Bank for qualifying services rendered to all companies consolidated within the Group, including those provided to the Company. Emoluments are not recharged to individual companies, as the services provided are not deemed to be a significant portion of the overall time spent on the Group.

At 31 December 2022, none of the Directors were accruing pension benefits (2021: none).

Mortgage Agency Services Number One Limited

5 Amounts due from Group undertakings

	2022	2021
	£000	£000
Amounts due from Group undertakings	141	141

Amounts due from Group undertakings are all due from the Bank. No ECL arises on these amounts (2021: nil).

6 Contingent liabilities

Legal proceedings

Various legal proceedings exist involving claims by and against the Bank and its subsidiaries, including the Company, which arise in the ordinary course of business, including debt collection, mortgage enforcement, consumer claims and contractual disputes. It is not expected that the ultimate resolution of any of these proceedings will have a material adverse effect on the operating results, cash flows or the financial position of the Bank's subsidiaries, including the Company.

7 Called-up share capital

	2022	2021
	£	£
Authorised, issued and fully paid		
1 ordinary share of £1 each (2021: 1)	1	1

The Company's funding consists of share capital and intercompany funding provided by The Co-operative Bank p.l.c. Capital is managed by The Co-operative Bank p.l.c., which is subject to the capital requirements imposed by its regulator, the Prudential Regulation Authority ('PRA').

8 Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity. The Company's financial instruments consist of an intercompany receivable from its parent undertaking.

The carrying values of financial assets and liabilities measured at fair value are determined in compliance with the accounting policies in note 1 to the financial statements and analysed in the following tables by the three level fair value hierarchy defined as follows:

- Level 1 – Quoted market prices in active markets
- Level 2 – Valuation techniques using observable inputs
- Level 3 – Valuation techniques using unobservable inputs

Key considerations in the calculation of fair values for financial assets and liabilities measured at fair value are as follows:

Level 1 – Quoted market prices in active markets

Financial instruments with quoted prices for identical instruments in active markets. The best evidence of fair value is a quoted market price in an actively traded market.

Level 2 – Valuation techniques using observable inputs

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 – Valuation techniques using unobservable inputs

This is used for financial instruments valued using models where one or more significant inputs are not observable.

As at 31 December 2022 and as at 31 December 2021, the Company's financial instruments consist of intercompany receivables due from its parent undertaking. The Company did not have any assets or liabilities carried at fair value on the balance sheet. No additional disclosure has been presented regarding the fair value of assets or liabilities as at 31 December 2022 as the fair value of all assets of the Company are deemed to be materially equal to their carrying value.

The surrendered loss debtor of £9,544k as at 1 January 2021 was classified as FVTPL and valued using unobservable inputs (level 3). The fair value was considered to be the agreed exit price of the asset under the terms of the deed of termination and settlement. On 5 February 2021 the Group signed the deed of termination and settlement relating to the surrendered loss debtor with the Co-op Group. The asset was settled at its carrying value of £9,544k and no profit or loss was recorded.

Mortgage Agency Services Number One Limited

8 Financial instruments (continued)

Movements in fair values of instruments with significant unobservable inputs (level 3) in 2021 were:

£000	Fair value at the beginning of the year	Purchases and transfers in	Sales, transfers out and repayments	Other comprehensive income	Income statement	Fair value at the end of the year
2021						
Other assets	9,544	-	(9,544)	-	-	-
	9,544	-	(9,544)	-	-	-

Risk management

The financial risks faced by the Company include credit risk and regulatory risk.

As a subsidiary of The Co-operative Bank p.l.c., and ultimately controlled by The Co-operative Bank Holdings Limited, the Company applies The Co-operative Bank Holdings Limited group's formal structure for managing risk. The Bank's Board has established a Risk Committee of the Board and the Bank's management has established senior oversight committees whose responsibilities include:

- overseeing the risk management process;
- identifying the key risks facing the business; and
- assessing the effectiveness of planned management actions.

Specific authority has been delegated to the Risk Committee of the Board and the Chief Executive Officer of the Bank (CEO) who may, in turn, delegate authority to appropriate Executive Directors and their senior line managers. This includes:

- setting limits for individual types of risk; and
- approving (at least annually) and monitoring compliance with risk policies and delegated levels of authority.

Credit risk

Credit risk is the risk that a customer or counterparty will not be able to meet its obligations to the Company as they become due. Credit risk arises on amounts due from Group undertakings.

The table below represents maximum exposure to credit risk of the Company at 31 December 2022 and 2021, without taking into account any collateral held or other credit enhancements attached. The exposures are based on carrying amounts as reported in the balance sheet.

Category	Class	2022 £000	2021 £000
Loans and receivables	Amounts due from Group undertakings	141	141

Amounts due from Group undertakings

Amounts due from Group undertakings are all due from the Company's parent, the Bank. There is no formal agreement and therefore no repayment schedule for these monies, which are repayable on demand. Due to the way the parent manages the intercompany balances the credit risk on these loans is considered to be minimal. These amounts were stage 1 for impairment purposes as at 31 December 2022 (2021: stage 1) and did not transfer stage during the current or previous year. Nil impairment was recognised as at 31 December 2022 (2021: £nil). The fair value of amounts due from Group undertakings approximates their carrying value due to the short term nature of the asset.

Regulatory risk

Regulatory risk is the risk of fines, public censure, limitation on business, or restitution costs arising from failure to understand, interpret, implement and comply with UK regulatory requirements. Management of regulatory risk entails on-going compliance with existing obligations and early identification and effective management of changes in legislative and regulatory requirements that may affect the Company.

Capital management

The Company's primary objective in respect of capital management is to ensure that it has sufficient capital now and in the future to support the risks in the business. The entity is compliant with capital requirements on an FCA regulated basis. The solvency of the Company is managed on a stand-alone basis and the Company has exceeded its minimum regulatory solvency position.

Mortgage Agency Services Number One Limited

8 Financial instruments (continued)

Further information regarding the Group's risk governance structure and processes is included in the Group's 2022 Annual Report and Accounts.

9 Ultimate parent undertaking and controlling entity

The Company's immediate parent undertaking and controlling entity at 31 December 2022 was The Co-operative Bank p.l.c., a company incorporated and registered in England and Wales. As at 31 December 2022, the Directors regard The Co-operative Bank Holdings Limited as the ultimate parent company. The largest group in which the results of the Company are consolidated is The Co-operative Bank Holdings Limited, which is incorporated and registered in England and Wales. The financial statements of this group are available from <http://www.co-operativebank.co.uk/investorrelations/financialresults> and from its registered office at P.O. Box 101, 1 Balloon Street, Manchester, M60 4EP.

10 Related party transactions

The Directors of the Company consider The Co-operative Bank Holdings Limited and its subsidiaries to be related parties of the Company. Transactions with related parties in the period are disclosed below:

	Net balance due to the Company
2022	£000
The Co-operative Bank p.l.c.	141
2021	
The Co-operative Bank p.l.c.	141

The balance represents intercompany receivables of £141k (2021: £141k) and intercompany payables of £nil (2021: £nil).