HANLEY
MORTGAGE
SERVICES LTD

Hanley Mortgage Services Limited

Directors' Report and Financial Statements

Registered number 3191841

For the year ended 31 August 2019

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Directors' report for the year ended 31 August 2019

The Directors present their annual report and the audited financial statements for the year ended 31 August 2019. The Directors' report has been prepared taking advantage of the small companies exemption of Section 415A of the Companies Act 2006. The company is entitled to the small companies exemption from preparing a strategic report of Section 414B of the Companies Act 2006.

Principal activities

The principal activity of the company is to hold and recover debts secured on residential properties.

Review of business and future developments

During the year ended 31 August 2017, the entire mortgage portfolio held by the company was transferred to its parent Society. The transfer of the mortgages was deemed a settlement of the intercompany liability the company had to the Society.

The Directors do not intend to wind up the company, preferring to maintain the company in its present position allowing for the potential of future mortgage book acquisitions. As at 31 August 2019 there are no future mortgage book acquisitions planned.

Results and dividends

The profit for the financial year ended 31 August 2019 was £Nil (2018: £Nil) and has been transferred to reserves.

The Directors do not recommend the payment of a dividend (2018: £Nil).

Principal risks and uncertainties

The Directors ensure that the company maintains a prudent exposure to risk allowing the achievement of its corporate objectives.

Hanley Mortgage Services Limited ('HMS') is part of The Hanley Economic Building Society Group ('the Group'). The Directors of HMS manage the risks of the Group and company at Group rather than at subsidiary level. The Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, position or performance of HMS. Information on the Group's risks can be found in the Annual Accounts of The Hanley Economic Building Society.

Through its normal operations the company is exposed to a number of risks the most significant of which are credit, liquidity and market risk. These are considered fully in Note 6, and are monitored by the Directors on a regular basis.

Directors

The Directors who held office during the year and up to the date of signing of financial statements were:

Mr M E Selby
Mr A Macdonald
Mr R Young
Mr N Jordan
Mr S Woodings
Mrs V Oak

None of the Directors who held office at the end of the financial year had any interests in the shares of the company.

According to the register of Directors' interests, no rights to subscribe for shares or debentures of the company were granted to any of the Directors or their immediate families, or exercised by them, during the financial year.

Directors' report for the year ended 31 August 2019 *(continued)*

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law). 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 financial statements comply with the Companies Act 2006.
The Directors 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.

Disclosure of information to Auditors

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 auditors are 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Going Concern

The Directors are satisfied that the company has adequate resources to continue in business for the foreseeable future. For this reason, the financial statements continue to be prepared on a going concern basis.

On behalf of the Directors

M. E. Selby
Chief Executive & Secretary
22 October 2019

Granville House
Festival Park
Hanley
Stoke on Trent
ST1 5TB

Independent auditor's report to the Members of Hanley Mortgage Services Limited

Opinion

We have audited the financial statements of Hanley Mortgages Services Limited ("the company") for the year ended 31 August 2019 which comprise the statement of income and retained earnings and statement of financial position and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the Members of Hanley Mortgage Services Limited *(continued)*

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the Members of Hanley Mortgage Services Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

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.

Matthew Rowell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
22 October 2019

Statement of income and retained earnings for the year ended 31 August 2019

	Note	Year ended 31 August 2019 £	Year ended 31 August 2018 £
Interest receivable and similar income		-	-
Interest payable and similar charges		-	-
Net interest receivable		-	-
Fees and commissions receivable		-	-
Administrative expenses		-	-
Movement on provision for impairment losses		-	-
Profit before taxation		-	-
Tax on profit		-	-
Profit for the financial year	5	-	-
Retained earnings at 1 September		-	-
Profit for the financial year		-	-
Retained earnings 31 August		-	-

The following notes on pages 9 to 12 form part of these financial statements.

Statement of financial position as at 31 August 2019

	Note	As at 31 August 2019 £	As at 31 August 2018 £
Current assets			
Cash at bank and in hand		165,078	165,078
		165,078	165,078
Deferred tax		-	-
Total assets			
		165,078	165,078
Creditors: Amounts falling due within one year		-	-
		165,078	165,078
Creditors: Amounts falling due after more than one year		-	-
Net assets		165,078	165,078
Capital and reserves			
Called up share capital	4	1	1
Profit and loss account	5	165,077	165,077
Total shareholders' funds		165,078	165,078

The following notes on pages 9 to 12 form part of these financial statements.

These financial statements were approved by the Directors on 22 October 2019 and were signed on its behalf by:

M. E. Selby
Chief Executive & Secretary
22 October 2019

Registered Number. 3191841

Notes to the financial statements for the year ended 31 August 2019

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

Hanley Mortgage Services Limited is a company incorporated in Great Britain and domiciled in the United Kingdom. The financial statements of the company are presented in pounds sterling.

The financial statements have been prepared on the going concern basis, under the historical cost convention and in compliance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, including Financial Reporting Standard ('FRS102') Section 1A 'small entity' and are included in the consolidated Financial Statements of The Hanley Economic Building Society. After making enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore the company continues to adopt the going concern basis in preparing its financial statements.

Interest receivable and payable

Interest income and expense in respect of all financial assets is credited to the statement of income as it becomes receivable with the exception of certain fees and costs that are recognised on an effective interest rate. The effect of the policy is to spread the impact of relevant costs and fees directly attributable to the loan over the effective life of the mortgage. Interest payable on amounts owed to the parent company is accrued on a daily interest basis.

Taxation

Corporation tax is provided on the profit for the financial year, as adjusted for taxation purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is measured on an undiscounted basis.

Creditors: intercompany loan

Creditors relate to amounts owed to the parent undertaking. This is a financial liability measured at amortised cost. The amount owed bears interest at a commercial rate agreed between the company and its parent, which is recognised in interest payable and similar charges.

Impairment of loans and advances to customers and forbearance

At each reporting date, the company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cashflows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower;
- default or delinquency by a borrower;
- restructuring of a loan or advance by the company on terms that the company would not consider otherwise;
- indications that a borrower will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

Notes to the financial statements for the year ended 31 August 2019 *(continued)*

Accounting policies (continued)

The company considers evidence of impairment for loans and advances at both a specific asset and a collective level. All individually significant loans and advances are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In assessing collective impairment, the company uses statistical modelling of historical trends such as forced sale discounts, house price movements, the timing of expected recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cashflows discounted at the asset's original effective interest rate. A range of forbearance options are available to support customers who are in financial difficulty. The purpose of forbearance is to support customers who have temporary financial difficulties and help them get back on track. The main options offered by the company include:

- temporary transfer to an interest only mortgage;
- reduced monthly payment;
- product review;
- capitalisation of arrears; and
- extension of mortgage term.

Customers requesting a forbearance option will need to provide information to support the request which is likely to include a budget planner, statement of assets and liabilities, bank/credit card statements and payslips, in order that the request can be properly assessed. If the forbearance request is granted the account is monitored in accordance with the company's policy and procedures. At the appropriate time the forbearance option that has been implemented is cancelled, with the exception of capitalisation of arrears, and the customer's normal contractual payment is restored.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances to customers. Interest on the impaired assets continues to be recognised through the unwinding of the discount at the original effective interest. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Exemptions for qualifying entities under FRS102

FRS102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- From preparing a Statement of Cash Flow, on the basis that it is a qualifying entity and the consolidated Statements of Cash Flow, included within the financial statements of The Hanley Economic Building Society, includes the company's cash flows; and
- From preparing a reconciliation of the number of shares outstanding at the beginning and end of the period.

Critical accounting estimates and judgements

Following the transfer of assets in 2017 to the parent Society, the Directors' are of the view that there are no critical accounting estimates and judgements impacting the financial statements in the year.

2 Profit before taxation

The auditors' remuneration for the year ended 31 August 2019 was borne by the parent undertaking, The Hanley Economic Building Society, and not recharged to the company. The company's audit fee was £3,000 (excluding VAT), (2018: £3,000). There was no further payment made to the auditor in relation to CASS reporting during the year. There were no other non-audit services.

3 Remuneration of Directors

All of the Directors are also Directors of the company's parent undertaking, The Hanley Economic Building Society. All fees are paid by the Society and Directors do not receive remuneration for their services specific to this company.

4 Called up share capital

	As at 31 August 2018	As at 31 August 2017
	£	£
Authorised:		
Ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
Ordinary shares of £1 each	1	1

5 Profit and loss account

	£
At 1 September 2018	165,077
Profit for the financial year	-
At 31 August 2019	165,077

6 Financial instruments

A financial instrument is a contract which gives rise to a financial asset in one entity and a financial liability of another entity.

The principal risks faced by the company are credit, liquidity and market risk. The company's exposure to each is monitored regularly by the Directors.

All financial instruments are held at amortised cost. The company has neither fixed rate exposures nor any form of derivatives.

The following table summarises the terms and conditions and accounting policies for financial instruments.

Financial Instrument	Terms and Conditions	Accounting Policy
Cash and bank	Short term maturity with instant access. Variable interest rate.	Amortised cost.
Loans and advances to customers	Secured on residential property. Standard contractual term. Variable interest rate.	Amortised cost.
Amounts owed to the parent company	Due after more than one year. Variable interest rate.	Amortised cost.

Credit Risk

Credit risk is the risk of the company incurring a financial loss arising from the failure of a customer or counterparty to meet their contractual obligations.

Amounts due to credit institutions constitute the company's current account facility held with its clearing bank. As at 31 August 2019 the company's maximum credit risk exposure was £165,078 (2018: £165,078).

The Directors monitor the Fitch rating of the bank to ensure no degradation in actual or perceived credit risk exposure. This represents the company's only exposure to a credit institution. The company does not invest in any other lending to credit institutions or alternative investments such as debt securities

Following the transfer of the mortgage assets on 1 March 2017 the credit risk from loans and advances to customers is £Nil (2018: £Nil).

Liquidity Risk

Liquidity risk is the risk that the company will not have sufficient financial resources available to meet its obligations as they fall due under either normal business conditions or a stressed environment. The company holds all of its liquidity in a clearing bank current account, on which it has instant access, in order to meet both day-to-day business needs and any unexpected cash needs, whilst maintaining public confidence.

Market Risk

Market risk is the risk of changes to the company's financial condition caused by market interest rates. As at 31 August 2019 given that the company has instant access to its current account, which is not interest bearing, then it has no exposure to market risk.

7 Ultimate parent company and controlling party

The entire share capital of the company is owed by The Hanley Economic Building Society, the ultimate parent undertaking and controlling party, a building society registered under the Building Societies Act 1986. The only group in which the results of the company are consolidated is that headed by The Hanley Economic Building Society. A copy of the group financial statements may be obtained from:

Granville House
Festival Park
Hanley
Stoke on Trent
ST1 5TB