HANLEY
MORTGAGE
SERVICES LTD

Hanley Mortgage Services Limited

Directors' report and financial statements

Registered number 3191841

For the year ended 31 August 2017

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Directors' report for the year ended 31 August 2017

The Directors present their annual report and the audited financial statements for the year ended 31 August 2017. 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 the entire mortgage portfolio held by the company was transferred to its parent Society. The date of transfer was 1 March 2017 when the book value of the portfolio was £5,256,701.

The transfer of the mortgages was deemed a settlement of the intercompany liability the company had to the Society and represented a 'dividend in kind'. Accordingly £1,714,351 is recognised as a dividend in kind and treated as a reduction in equity in the company's accounts.

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 2017 there are no future mortgage book acquisitions planned.

Results and dividends

The profit for the financial year ended 31 August 2017 was £75,376 (2016: £100,880) and has been transferred to reserves.

The Directors do not recommend the payment of any further dividend over and above the dividend in kind referred to above (2016: £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 16, 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 (Appointed 31 January 2017)	Mr S Jones
Mr P R Dearing	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 2017 *(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.

Independent auditors

During 2017, in line with best practice, the Board of The Hanley Economic Building Society oversaw the tender process for the position of External Auditor for the year ending 31 August 2018 for the Society and its subsidiaries. Following a structured and objective assessment of the tenders received the Board agreed to appoint KPMG LLP. A resolution to appoint KPMG LLP as External Auditor to the Society will be proposed at the Annual General Meeting. The Directors wish to thank PricewaterhouseCoopers LLP for the services that they have provided to the company during their years as External Auditor.

Directors' report for the year ended 31 August 2017 *(continued)*

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
P R Dearing
Chairman
31 October 2017

Granville House
Festival Park
Hanley
Stoke on Trent
ST1 5TB

Independent auditors' report to the members of Hanley Mortgage Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Hanley Mortgage Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 and of its profit for the year then ended;
- have been properly prepared 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" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 August 2017; the statement of income and retained earnings for the year ended 31 August 2017; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Hanley Mortgage Services Limited *(continued)*

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 August 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for 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.

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.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Hanley Mortgage Services Limited *(continued)*

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Andrew Batty (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
31 October 2017

Statement of income and retained earnings for the year ended 31 August 2017

	Note	Year ended 31 August 2017 £	Year ended 31 August 2016 £
Interest receivable and similar income	4	98,752	236,684
Interest payable and similar charges	5	(13,128)	(46,314)
Net interest receivable		85,624	190,370
Fees and commissions receivable		738	1,752
Administrative expenses	6	(44,126)	(64,759)
Movement on provision for impairment losses	8	50,500	-
Profit before taxation	2	92,736	127,363
Tax on profit	9	(17,360)	(26,483)
Profit for the financial year	15	75,376	100,880
Retained earnings at 1 September		1,804,052	1,703,172
Profit for the financial year		75,376	100,880
Dividend in kind	13	(1,714,351)	-
Retained earnings 31 August		165,077	1,804,052

All results relate to continuing operations.

The following notes on pages 10 to 16 form part of these financial statements.

Balance sheet as at 31 August 2017

	Note	As at 31 August 2017 £	As at 31 August 2016 £
Current assets			
Loans and advances to customers	10	-	5,587,854
Cash at bank and in hand		173,348	71,911
		173,348	5,659,765
Deferred tax	11	-	9,090
Total assets			
		173,348	5,668,855
Creditors: Amounts falling due within one year	12	(8,270)	(27,329)
		165,078	5,641,526
Creditors: Amounts falling due after more than one year	13	-	(3,837,473)
Net assets		165,078	1,804,053
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	165,077	1,804,052
Total shareholders' funds		165,078	1,804,053

The following notes on pages 10 to 16 form part of these financial statements.

These financial statements were approved by the Directors on 31 October 2017 and were signed on its behalf by:

P R Dearing
Chairman
31 October 2017

Registered Number. 3191841

Notes to the financial statements for the year ended 31 August 2017

(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 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 a recognised on an effective interest rate basis. 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 balance sheet 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 balance sheet 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 balance sheet 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;
- the 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 2017 *(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 basis. 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.

Notes to the financial statements for the year ended 31 August 2017 *(continued)*

Accounting policies (continued)

Critical accounting estimates and judgements

Following the transfer of assets in the year to the parent Society as disclosed in notes 10, 13 and 15, 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 2017 was borne by the parent undertaking, The Hanley Economic Building Society, and not recharged to the company. The company's audit fee was £2,500 (excluding VAT), (2016: £2,500). A further £2,119 (2016: £1,000) was paid to the auditor in relation to CASS reporting. 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 Interest receivable and similar income

	Year ended 31 August 2017 £	Year ended 31 August 2016 £
Mortgage interest receivable	98,752	236,684

5 Interest payable and similar charges

	Year ended 31 August 2017 £	Year ended 31 August 2016 £
Interest payable on loan from parent undertaking	13,128	46,314

6 Administrative expenses

	Year ended 31 August 2017 £	Year ended 31 August 2016 £
Staff costs recharged from the parent undertaking	24,000	48,000
Other expenses	20,126	16,759
	44,126	64,759

7 Staff costs

The company employed no staff during the current or prior year.

Notes to the financial statements for the year ended 31 August 2017 *(continued)*

8 Provision for impairment losses on loans and advances to customers

	Year ended 31 August 2017 £
As at 1 September 2016	50,500
Movement of provision	(50,500)
As at 31 August 2017	-

During the year the entire mortgage portfolio was transferred to the company's parent Society in satisfaction of the company's outstanding intercompany amount payable, The Hanley Economic Building Society. As a result as at 31 August 2017 there was no collective impairment provision (2016: £50,500). The amount is disclosed as a movement of provision during the year.

9 Tax on profit

The effective rate of corporation tax for the year is 19.58% (2016: 20%).

	Year ended 31 August 2017 £	Year ended 31 August 2016 £
a) Analysis of charge in year:		
Current tax:	8,270	25,473
Total current tax	8,270	25,473
Deferred tax:		
Origination and reversal of timing differences (note 11)	8,585	1,010
Effect of tax rate change on opening balance	505	-
Tax on profit	17,360	26,483
b) Factors affecting current tax charge in year:		
Profit before taxation	92,736	127,363
Profit multiplied by standard rate of corporation tax in UK of 19.58% (2016: 20%)	18,158	25,473
Effects of:		
Disallowable expenses	(9,888)	-
Total current tax charge	8,270	25,473

Notes to the financial statements for the year ended 31 August 2017 *(continued)*

10 Loans and advances to customers

	Year ended 31 August 2017 £	Year ended 31 August 2016 £
Loans fully secured on residential property	-	5,638,354
Provision for bad and doubtful debts	-	(50,500)
	-	5,587,854
Loans and advances falling due after more than one year	-	5,587,854

On 1 March 2017 the entire mortgage portfolio serviced by the company was transferred to its parent Society in satisfaction of the company's outstanding intercompany amount payable. The book value of the portfolio was £5,256,701. Following the transfer the balance outstanding in respect of loans fully secured on residential property as at 31 August 2017 was £Nil (2016: £5,587,854).

11 Deferred tax

	Year ended 31 August 2017 £	Year ended 31 August 2016 £
At 1 September 2016	9,090	10,100
Release of deferred tax	(9,090)	(1,010)
At 31 August 2017	-	9,090
The deferred tax assets are set out below:		
Collective mortgage loss provision	-	9,090

12 Creditors: Amounts falling due within one year

	As at 31 August 2017 £	As at 31 August 2016 £
Corporation tax	8,270	25,473
Accruals and deferred income	-	1,856
	8,270	27,329

Notes to the financial statements for the year ended 31 August 2017 *(continued)*

13 Creditors: Amounts falling due after more than one year

	As at 31 August 2017 £	As at 31 August 2016 £
Amounts owed to parent undertaking	-	3,837,473

During the year the entire mortgage portfolio held by the company was transferred to its parent company. The date of transfer was 1 March 2017 when the book value of the portfolio was £5,256,701.

The transfer of the mortgages was deemed a settlement of the intercompany liability the company had to the Society and represented a 'dividend in kind'. Accordingly £1,714,351 is recognised as a dividend in kind and treated as a reduction in equity in the company's accounts.

Following the transfer the intercompany loan was settled in full, with no outstanding balance as at 31 August 2017 (2016:£3,837,473).

14 Called up share capital

	As at 31 August 2017 £	As at 31 August 2016 £
Authorised:		
Ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
Ordinary shares of £1 each	1	1

15 Profit and loss account

	£
At 1 September 2016	1,804,052
Profit for the financial year	75,376
Dividend in kind	(1,714,351)
At 31 August 2017	165,077

As detailed in note 13, the transfer of the mortgage portfolio was deemed a settlement of the intercompany liability the company had to the Society and represented a 'dividend in kind'. Accordingly £1,714,351 is recognised as a dividend in kind and treated as a reduction in equity in the company's accounts.

16 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.

Notes to the financial statements for the year ended 31 August 2017 *(continued)*

Financial instruments (continued)

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 2017 the company's maximum credit risk exposure was £173,348 (2016: £71,911).

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 (see notes 10, 13 and 15) on 1 March 2017 the credit risk from loans and advances to customers is £nil (2016: £5,587,854).

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 2017 given that the company has instant access to its current account, which is not interest bearing, then it has no exposure to market risk.

17 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