

Annual Report & Accounts

for the year ended 31 August 2024



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Annual Business Statement

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

Copies of the Society's Annual Report & Accounts are available on request from the Registered Head Office or from the Hanley Economic website.

Member of the Building Societies Association
Shares and deposits in this Society are trustee investments
Established 1854

Registered Head Office:
Granville House, Festival Park, Hanley, Stoke-on-Trent, ST1 5TB

Tel:
(01782) 255000

Email:
mortgageservices@thehanley.co.uk
savingservices@thehanley.co.uk





£528m

Total Assets

£380m

Mortgage Balances



£2.5m

PROFIT

(before tax)

£480m

RETAIL SAVINGS

£34k

CHARITABLE DONATIONS

Members rated us

4.76



173

VOLUNTEERING
DAYS

100+

employees

Chair's Statement



I am delighted to present the Annual Report and Accounts of our Society for 2024. We are very much aware that it has been a challenging year again for many of our Members as interest rates have remained at their highest levels for over 10 years, affecting particularly those with mortgages, but everyone has had to manage the impact of inflation on the cost of living. As I am preparing this introduction, however, there are some more positive signs emerging with inflation significantly reduced from its peak and nearing the Bank of England's target, and the Base Rate having finally started on the long hoped for downward path. That said, we know that the effects of the post pandemic environment will take more time to be worked through and remain committed to supporting our Members, who need help as we have continued to do over the last year.

Against this backdrop, we are therefore very pleased to report another strong year for your Society, with a growing balance sheet and profit ahead of budget. You may well have read that there has been reduced demand for mortgages given the interest rate environment, which has led to a very competitive market amongst mortgage providers. We are happy as a result to have delivered lending products that have met our Members' needs whilst at the same time ensuring we maintain a sustainable business model with strong capital levels, healthy liquidity and a good pipeline of new business into our next financial year. There is no doubt that the investment your Society made into the core systems over the last three years, enabling the introduction of online and digital access, as well as reliability and

efficiency of operations has positioned us well this year and will underpin our plans for sustainable growth looking forward, which your Board will be reviewing in the coming months.

Mark our CEO, will share more detail in his report, but it has also been a busy year for all our colleagues at the Society as we have been preparing for and implementing the New Consumer Duty regime as required by the Financial Conduct Authority. This enables us to focus even more closely on the impact of our interactions with all our Members and ensure that you remain at the heart of our thinking. As a mutual membership-owned organisation, we hope that this is embedded in our behaviours, and the new rules will help us define, demonstrate and report on how well we are achieving this.

Finally, I would like as ever to acknowledge and thank on your behalf the effort, commitment and hard work of all our colleagues who work for the Society. We could not deliver for you without their contribution and loyalty to The Hanley and all its Members, and we are delighted that we continue to attract outstanding new colleagues to join our experienced team and continue to set the high standards for which we have become known. The Hanley is remarkably in its **170th year and well placed for the future**, and we owe our greatest thanks to you our Members for your continuing support and loyalty, which we hope to sustain for many years to come.

N. M. Jordan Chair

23 October 2024



Anytime
anywhere, with online banking





Chief Executive's Business Review

This year's AGM takes place after **the 170th anniversary of Hanley Economic Building Society**. Until 1930 the Society was called 'The Staffordshire and Potteries Permanent Building Society'. Any CEO of the Society must be aware that we are just brief stewards of this very special organisation.

Our responsibility is to ensure the Society is stronger when we leave, looks after Members and remains a great place to work for local people. It is part of the fabric of Stoke-on-Trent, and we know some families in the area have had accounts since the Society began in 1854. We still have the hand-written minutes from the first Board meeting. The very first loan of £75 over a 60 year term, was given to Mr Joseph Shenton in 1855.

It is therefore pleasing to be able to share a good set of results for 2024 despite a year of significant challenges in the market and economy. Asset growth has been strong, we have achieved budget on net lending and profit. Some attractive savings rates have supported liquidity and give the business a strong basis on which to grow lending in 2025 and future years.

I want to thank the whole team and all our colleagues for what has been a tough, challenging but ultimately successful year.

Supporting Members Struggling with their Mortgages

The Society has a low-risk attitude to lending and we are careful to ensure people applying for mortgages can afford their repayments. Inevitably, Members experience life events that impact upon their financial well-being. We have always been very good at supporting Members struggling with their mortgages and helping people keep

their homes and recover their account's performance. Despite the pressures on the cost of living, the number of accounts in arrears has remained stable during the year. We have also helped a small number of Members with forbearance arrangements, where necessary.

Colleague Engagement

Colleague satisfaction has remained strong this year and turnover has returned to pre-Covid levels. There are now around one hundred people working for Members at the Society. We are aware our colleagues are facing the same cost of living pressures as everyone else, and we strive to ensure our salaries reflect inflation and match packages elsewhere in the region. We work with an independent salary benchmarking organisation and check the salary of every role, every year to ensure we remain aligned to market rates.

Charities

In 2024, as we have for many years, we have donated significantly to the Dougie Mac Hospice through the support of our Dougie Mac Savings account. This year, we have given £25,000 and more than £336,000 over the years. In addition to this, through our Charity Saver Account interest donation made by the Society, we have donated £9,000, split between our four partner charities – Alice, Glow, Dougie Mac and YMCA. Since 2019, we have donated over £51,000.

We announced last year that we would be partnering with the Community Foundation for Staffordshire and launching the 'Hanley at Home Fund'. Via the foundation, we are making donations to local projects and charities that are aligned to the Society's mission – 'Helping Members save for their

futures and own their own homes'. As a pilot project, we have allocated £15,000, with £8,000 already being donated to projects across the city and county.

Climate Change

As we have for the last few years, we are continuing to make choices to reduce the Society's impact on the environment. We use significantly less paper, less printing and we have converted to low-voltage LED lighting, where possible. We have also had our carbon footprint assessed and we are examining opportunities to reduce the environmental impact of our business. In addition, we continue to monitor the impact of climate change on our Balance Sheet (the homes we hold mortgages for) to determine ways in which we can support borrowers to improve the efficiency of their homes. For example, we offer self-build applications additional benefit for building more energy efficient homes. It is also important we understand the risks to the Society through the properties we lend against e.g. subsidence, coastal erosion etc.

The Board's objective now is to develop a plan to reduce our carbon footprint as much as possible and align ourselves to goals that support our environment and limiting climate change. The Board regularly reviews the requirement for additional capital to protect the Society from the risks associated with climate change.

Outlook

Since 2023, the war in Ukraine has continued, but the energy and other price shocks from the invasion have abated. As a result, inflation has fallen, and The Bank of England has begun to reduce its Base Rate. The Housing market is showing some small signs of improvement. As a Member-owned business, we always try to get the balance right between moving savings and mortgage rates. We have held savings rates despite falls in Bank Base Rate. This is a difficult balance when we also have a requirement to make a minimum margin to protect our capital reserves (capital reserves protect the Society in the event of an economic downturn or a significant increase in defaults or arrears). I hope that the recent improvement in the economic outlook signifies an upcoming period of stability. However there remain several potential shocks in the global economy and the impact of the new government's fiscal plans are not yet clear. The Board and I will remain vigilant to these risks and our responsibilities to the health of the business and the interests of our Members.

As the team are preparing these accounts, I am mindful that the new government have been predicting a budget that will need to either raise more tax, or make savings on spending. Depending on the details of those announcements, the UK economic outlook may change materially and we will need to respond appropriately.

Key Performance Indicators

	Society			
	2024	2023	2022	Movement
	£'000	£'000	£'000	%
Operating Profit	2,506	923	979	171.55%
Profit after tax	2,112	1,143	894	84.80%
Liquidity	141,086	158,464	121,954	(10.97%)
Mortgage balances	379,624	345,849	337,492	9.77%
Retail savings	480,376	461,533	417,061	4.08%
Reserves	32,612	30,383	29,146	7.34%

170
YEARS

M. E. Selby Chief Executive Officer

23 October 2024

Directors' Report



**Mortgages
tailored
to you**

thehanley.co.uk



Directors' Report

The Directors are pleased to present their Annual Report, together with the Society Accounts and Annual Business Statement, for the year ended 31 August 2024.

Business Strategy and Objectives

The Society's principal business objectives are the provision of mortgage finance for the purchase and improvement of residential property, savings products for private individuals and local businesses, related services and other financial services.



The Board has continued to focus on its strategy to deliver its vision of growing “a strong and sustainable business helping Members buy their own homes and save for their futures”.



Key Performance Indicators

The Board use a number of key performance indicators to monitor the development, performance and position of the Society on an ongoing basis. These are included to give Members a more comprehensive understanding of the Society's progress over the last three years. The Directors are satisfied with the Society's performance, summarised as one of long-term sustained growth in both savings and mortgages, together with a positive contribution to the Society's capital base.

	Society		
	2024	2023	2022
Total Assets (£'000)	527,844	515,239	470,203
Asset Growth	2.45%	9.58%	(0.14%)
New Mortgage Lending (£'000)	95,044	91,282	60,711
Mortgage Growth	9.77%	2.48%	(7.94%)
Retail Shares Balance net increase / (decrease) (£'000)	18,843	44,472	1,854
Total Retail Shares and Deposit Growth	2.08%	9.97%	0.89%
Post-tax profit (£'000)	2,112*	1,143	894
Gross Capital (% of shares and deposit liabilities)	6.62%	6.29%	6.64%
Free Capital (% of shares and deposit liabilities)	5.65%	5.29%	5.42%
Liquid Assets (% of shares and deposit liabilities)	28.62%	32.81%	27.77%
Management Expenses (% of mean total assets)	1.65%	1.75%	1.47%

* £0.98m of dividend income is included in the Society's profit following the closure of the Hanley Financial Services subsidiary within the financial year.

Directors' Report

Assets

Total assets have increased during the year by 2.45% (2023: 9.58%) from £515.24m to £527.84m, principally because of the significant growth seen in retail savings balances of £18.84m. This planned growth was utilised to support the increase in mortgage business, which at 9.77%, was above that of retail, meaning surplus liquidity acquired in the prior year was also utilised as originally intended.

Lending

Mortgage balances have increased by £33.77m in the year to £379.62m (2023: £345.85m), with gross lending (the total value of all new mortgage advances) of £95.04m (2023: £91.28m). Increased growth in lending was a primary goal of the core system migration, allowing for efficiencies in process and automation gains to be realised.

In keeping with the Society's mutual status, new lending in the year has been predominately secured on residential property to owner occupiers with 89.35% of the total advanced over the financial year (2023: 82.51%). The remaining 10.65% (2023: 17.49%) has been secured against residential buy to let or self-build properties. Redemptions in the year were £50.39m (2023: £64.80m), indicative of a consistent year on year performance of retention of Members reaching the end of their incentivised product period despite the challenging economic conditions. Furthermore, the Society has continued to maintain its position within core lending arenas focusing on helping both aspiring first-time buyers to get on to the property ladder and supporting existing homeowners with their re-mortgage aspirations.

The Society continues to champion supporting Members in its heartland through the provision of local Mortgage Advisors. Alongside this the importance of the mortgage broker role is also recognised, with 78.12% (2023: 59.50%) of advances sourced through intermediary network. The Board remains committed to providing local Members with a range of competitive

products to cover both mortgages and retail savings in order to expand and develop our community reach.

The Society's exposure to residential properties by way of mortgages, excluding any fair value adjustment for hedged risk, is 99.27% (2023: 99.11%). Included in loans secured on residential property is 1 case (2023: 1), with a balance outstanding of £0.07m (2023: £0.35m), which is in possession. As at 31 August 2024, there is no specific impairment provisions (2023: £0.23m) held against this exposure. As part of the Society's ongoing strategy to dispose of legacy loans under possession, the final remaining legacy loan of £0.34m was disposed of during the year, generating a profit of £41k after the utilisation of the existing impairment provisions held against the loan.

Advances in the year



The Society applies a prudent lending policy combined with a sympathetic and efficient arrears procedure to ensure that arrears are kept to a minimum. However, despite our prudent and responsible lending policy, individual borrowers' circumstances can change which occasionally leads to difficulties in meeting their normal monthly mortgage payments. The Society reviews each case individually where borrowers are experiencing difficulties and offers forbearance measures where it is appropriate for the borrower. The aim of these forbearance measures is to reduce the risk of the borrower ultimately losing their home.

Directors' Report

At 31 August 2024 there were 2 cases (2023: 0) where the borrowers were 12 months or more in arrears, with a balance outstanding of £45.89k (2023: £nil). The value of mortgage accounts in arrears, past due by 3 months or more or impaired, as a percentage of the overall portfolio was 2.99% (2023: 3.37%). In certain circumstances the Society uses forbearance measures to assist those borrowers who are experiencing financial difficulty. In each case an individual assessment is made to ensure forbearance is in the best interests of both the borrower and the Society. It is expected that the borrower will resume normal payments once they are able. As at 31 August 2024, there were 14 cases (2023: 4) under forbearance measures with total balances of £3.24m (2023: £0.68m) and arrears totalling £41.92k (2023: £60.79k).

The Board assesses the impact of forbearance measures regularly and considers that if there is a possibility of loss, a provision is made in accordance with the Society's policies. The main options offered by the Society include: temporary transfer to an interest only mortgage; reduced monthly payment; product review; and the extension of mortgage term. Looking forward, the Board remains committed to the traditional nature of its loan portfolio as residential property is the core market which the Society knows well, enabling prudent and practical lending decisions to continue to be made.

Given the macroeconomic pressures facing the UK, the Society continues to maintain a prudent outlook which is reflected in the level of both collective and individual impairment provisions held. Further information is available in Note 10.

Funding

As a mutual, the Society continues to be predominantly funded by retail savings, which increased to £480.38m by year end (2023: £461.53m). Savings balances from individuals accounted for 97.44% (2023: 95.57%) of our total funding and has been driven through the Society's commitment to providing competitive rates of interest relative to high street peers to its Members, in conjunction with its well established branch network and newly established online functionality. Alongside retail savings the

Society maintains retail deposits with small and medium size companies of £12.62m (2023: £18.35m) but does not currently hold any funds sourced from wholesale markets (2023: £3.05m). The Society does not have any exposures to central bank term funding schemes.

Shares & Deposits



The Board remains committed to its strategic objective of supporting the Society's lending growth through retail savings. The Board is mindful of the potential challenge to both attract and retain retail deposits in a competitive interest rate environment and with respect to the macroeconomic climate in light of cost of living pressures and evolving customer behaviours. As part of the Society's commitment to retail savers, Members can now transact digitally or through the existing branch network.

Net Interest Margin

Net interest margin is interest receivable less interest payable, expressed as a percentage of the simple average of the Society's total assets at the beginning and end of the financial year. As a result of increasing market competition, both in respect of mortgages and savings, the Society has historically found it challenging to increase its interest margin whilst growing both its mortgage and retail savings base.

Net interest margin fell to 1.97% (2023: 2.23%) due to the reductions in Sterling Over Night Indexed Average (SONIA) yield curve throughout the financial year and its repricing impact on the Society's interest rate swap portfolio and treasury assets. The actual 25bps reduction in Bank of England Base Rate in August 2024, also had an immediate and adverse effect on margin

Directors' Report

through the repricing of the Reserve Account. Interest receivable from mortgage yields widened in line with the benefit of additional specialised lending streams but was offset with increases in the cost of funding driven by higher market pricing.

The Society continues to experience significant competition for mortgage business, with competition in the prime residential lending arena expected to heighten despite challenging economic forces. The Board will continue in its objective to widen net interest margin appropriately, and in line with both its asset and capital growth expectations.

Capital

Total reserves at 31 August 2024 of £32.61m (2023: £30.38m) grew by 7.34%, sourced from retained profits for the year of £2.11m.

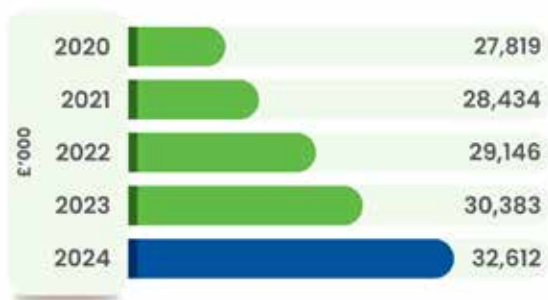
Gross capital is defined as general reserves as shown in the Society's Statement of Financial Position, and free capital as the aggregate of gross capital and general loss provisions less tangible fixed assets. The Directors ensure that a satisfactory level of capital is maintained to protect the Society against adverse market movements or changes in economic conditions. At the year end the ratio of gross capital as a percentage of total shares and deposit liabilities was 6.62% (2023: 6.29%) and free capital was 5.65% (2023: 5.29%).

The Society continues to maintain an excess of capital resources above that defined in its risk appetite. The Core Tier 1 (unaudited) ratio stood at 15.55% (2023: 15.26%) and the Leverage ratio (unaudited) stood at 5.57% (2023: 5.29%). Tier 1 Capital was £29.80m (2023: £28.17m) and Tier 2 Capital £0.26m (2023: £0.30m), providing total Capital resources of £30.06m (2023: £28.47m).

The Board complies with the Basel IV Capital Requirements Directive (CRD) which requires the Society to assess the adequacy of its capital strength through an Internal Capital Adequacy Assessment Process (ICAAP). Through the ICAAP, the Board is satisfied that the Society holds a level of capital more than sufficient to satisfy the CRD's Pillar 1 minimum capital requirements and additional

identified Pillar 2 capital to mitigate the principal risks to which the Society is exposed. The Board approves the ICAAP on an annual basis, and it is reviewed by the Prudential Regulation Authority (PRA) in setting the Society's capital requirements as Total Capital Requirement (TCR). Regulatory Capital required to be held by the year end was £23.95m, therefore actual capital held is in excess of that required by the Regulator.

Total Reserves



Liquidity

The Society held total liquidity of £141.09m (2023: £158.46m) representing 28.62% (2023: 32.81%) of shares and deposit liabilities as at the year end. Total liquidity balances include £56.50m (2023: £101.00m) deposited with the Bank of England's Reserve Account.

This investment is deemed as high-quality liquid assets and qualifies towards the Society's liquidity buffer. The reduction in funds held in the Bank of England Reserve in the year was as a result of the successful lending growth strategy of the Society post core system migration. Furthermore, the Society has increased its exposure to Treasury Bills through active liquidity management and high-quality liquid assets portfolio diversification. This has also has the effect of providing some mitigation to Bank Base Rate reductions, which have affected our Reserve account.

The Society undertakes an Internal Liquidity Adequacy Assessment Process (ILAAP) at least annually, which is reviewed by the Board. The ILAAP identifies all the major liquidity risks faced by the Society and assesses the quantity and quality of liquid assets it is required to hold under both normal and stressed conditions, ensuring

Directors' Report

adequate liquidity levels are maintained. Although the Society has not experienced any difficulties in obtaining funding in the challenging market conditions that have existed in recent years, we fully recognise the importance of maintaining a strong liquidity position. The Society has remained in excess of both the Board's internal assessment of minimum requirements, and the minimum regulatory requirements, throughout the year. The Society monitors both the short-term liquidity ratio, Liquidity Coverage Ratio (LCR), and long-term liquidity ratio, Net Stable Funding Ratio (NSFR). The Society maintained liquidity quantity and quality in excess of both internal and regulatory limits in consideration of these metrics.

Profit

Post-tax profit for the year of £2.11m (2023: £1.14m) was transferred to reserves as, being a mutual, we aim to maintain an appropriate level of profit to further strengthen our capital position and support our growth in lending.

Post-tax profit ratio measures the proportion that these net earnings bear to the simple average of total assets at the beginning and end of the financial year. The Society returned a post-tax profit ratio of 0.40% (2023: 0.23%).

Included in the Society's profit for the financial year is £0.98m of dividend income as a result of the closure of the Society's wholly owned subsidiary, Hanley Financial Services Limited, in the financial year. The dividend income comprises the net assets of the subsidiary.

The underlying long term future profitability of the Society is anticipated to remain relatively stable, despite the projected interest margin compression and increase in costs.

Management Expenses

Management expenses are the Society's administrative expenses and represent the ordinary costs of running the organisation. They comprise mainly the costs of employing and investing in colleagues, maintaining the branch network, ongoing enhancements in IT and the increasing costs of regulation. The Board is committed to ensuring cost efficiency to sustain a level of profitability to protect Members' interests. During the

year, administrative expenses increased to £7.99m (2023: £7.70m), principally due to a combination of general inflationary pressures, cost of living rises and business growth, the increased cost of regulatory compliance and continued investment in staffing across the Society to ensure excellent customer service and appropriate skill at all levels of the business. The Society prides itself on being a "great place to work" and as such has made a commitment to its people that all roles across the Society will be benchmarked against market rates at least annually to ensure fair pay. In addition, an all-staff bonus scheme has been introduced this year which is linked to overall business performance.

Management Expenses as a % of mean total assets



The overall management expenses ratio measures the proportion that these expenses bear to the simple average of total assets at the beginning and end of the financial year. The management expenses ratio is one simple measure of the efficiency with which the Society is run. The Board seeks to control this ratio while at the same time ensuring the Society has sufficient resources to operate effectively in a competitive and heavily regulated market. Overall, the management expenses ratio has decreased to 1.65% (2023: 1.75%) in line with the planned sustainable long-term growth in assets. Over the coming financial years, the Society expects further increases to its costs base as it continues to invest to ensure long-term sustainability.

Other Indicators

Financial ratios are just one measure of the Society's performance. It is important to the Directors that the Society is also successful in terms of the quality of customer service and Member satisfaction. The Society's Member Forum is held on a regular basis to seek Member feedback.

Directors' Report

Risk Management Report

Risk management and governance arrangements provide processes for identifying and managing the most significant risks to the Society's objectives. These processes allow the Society to be aware of these risks at an early stage and as far as possible, mitigate them. The ability to properly identify, measure, monitor and report risk is vital in ensuring financial strength, appropriate customer outcomes and the ongoing security of Members' funds.

Risk Governance and Strategy

Risks arise naturally while doing business and especially within the financial services industry. To mitigate these risks to acceptable levels, the Board has put in place a Risk Management Framework which covers all aspects of the Society's operations. The Board is responsible for all areas of the Society's business. Its role is to focus on the Society's strategy and to ensure that the necessary resources are in place to meet its objectives. The Board is likewise responsible for the design and operational effectiveness of controls within the Society.

The Risk Committee, comprising at least three Non-Executive Directors, considers all risk matters relating to the ongoing safety and soundness of the Society. Full details of the Society's governance committee structure are included in the Corporate Governance report. Through its governance structure the Board operates an open and honest culture when identifying and monitoring risks. This culture is underpinned by appropriate risk training for colleagues, good risk identification and escalation procedures and a robust whistleblowing mechanism. The Risk Committee has clear sight of both current and emerging risks. Underpinning this strategy is a clear statement of the Board's risk appetite, which is captured in a Board Risk Appetite Dashboard. This dashboard is kept under continual review and is presented to each Board and Risk Committee meeting.

Financial Risk Management

The Society has a formal structure for managing financial risk which is closely

monitored and controlled by the Board, supported by the Audit and Compliance Committee, Risk Committee and the Assets and Liabilities Committee. The Society uses financial instruments for risk management purposes, details of which are set out in Note 30.

Risk Management Framework

The Society's risk management framework comprises five elements:

1. Articulation of the Society's risk appetite by the Board of Directors

The Board sets an overarching risk appetite statement for the Society. This is supported by a series of risk appetite statements for key risks faced which, together with measurable limits, provide a framework for decision making and to identify and articulate the risks that the Board is willing to take in delivering the corporate plan of the Society. The Society operates as a prudent organisation in the level of risk it is willing to take to achieve strategic goals. This approach is cascaded from the Board throughout the Society, thereby clearly communicating the risk culture. This culture ensures the tone from the top, set by the Board, is reflected in behaviours and decision-making. Additionally, the Board has prudently managed set a condition to be able to withstand a severe but plausible stress and continue to report an accounting profit and meet minimum capital requirements. The Society utilises early warning triggers through a variety of Key Performance Indicators, Board limits and regulatory limits to highlight any area of concern or potential breach of risk appetite. The Society's performance against Board limits and early warning triggers is reviewed at each Risk Committee and Audit and Compliance Committee on a quarterly basis.

2. Board committee structures overseeing the risk management and internal control framework

The Risk Committee oversees the risk management framework (including internal controls) within the Society and supports and provides guidance to the Leadership

Directors' Report

Team, comprising the Executive Directors and Senior Managers, in the execution of their respective roles.

3. Internal governance framework

The Society operates an internal governance framework that includes a 'three lines of defence' model, together with structured Non-Executive and Executive Committees with defined authorities, terms of reference and reporting lines as detailed in the Corporate Governance report.

Three lines of defence

The Society has a formal structure for managing risks and operates a 'three lines of defence' model which is recognised as an industry standard for risk management.

First line of defence

The Leadership Team own and manage risks as the first line of defence. They are responsible for identifying, assessing, controlling and mitigating risks by implementing corrective actions to address process and control deficiencies.

Second line of defence

The Society's Risk function is the second line of defence which monitors and reports on risk and compliance to the relevant committee. It helps to ensure the Society complies with applicable laws and regulations and that policies and procedures are contemporary and operating as intended.

Third line of defence

Internal Audit provide the third line of defence providing the Audit and Compliance Committee and Board with comprehensive assurance based on a level of independence and objectivity which is not available in the second line of defence.

4. Appropriate management information

Management information is provided to the Board and relevant committees based on reporting parameters defined between the Board and Executive Team and it is directly related to the risk appetite and strategic objectives defined by the Board.

5. Continuous process of risk assessment

It is important that the Society can respond to changes in the macro-economic environment, new competition and regulatory change and that the Society's risk management framework supports a continuous approach to risk assessment and the determination of risk appetite and strategy. The 'three lines of defence model' ensures that there is an effective assessment of risks within the Society. The information provided to the Board by the Executive Team directly and via the relevant committees continually supports the Board's consideration of the current and future risks attached to the Society's business, the nature and strength of internal controls and the strategic options.

Review of risks and internal controls

The Risk Committee reviews and discusses management information covering prudential, operational and conduct risks. This has been enhanced to provide the Committee with more meaningful data and analysis in support of the Society's internal controls and risk management activities.

Risk appetite statements

These have been reviewed and revised during 2024 to help keep them measurable and relevant.

Emerging risks

As a standing agenda item, the Risk Committee looks ahead at emerging risks, whether stemming from regulatory, legal, political, social or economic initiatives. In the main, this results in changes to processes and procedures but there is the potential for changes to arise which could have a greater impact upon the Society's strategy. This year specifically saw risk relating to the way the Society is addressing climate change, cyber security, increases to the cost of living and a rising interest rate environment, therefore impact on Members, customers and colleagues.

Principal risks and uncertainties

Building societies operate within a highly competitive financial services market,

Directors' Report

consequently many of the risks arise simply from competing within such an environment. The Society, like all businesses, faces several risks and uncertainties and seeks to actively manage these risks. The Society has an overall prudent approach to risk, which helps to maintain Member confidence particularly in difficult market conditions. The identification and management of risk is a high priority and is integral to strategy and operations. The principal risks inherent in the Society's business are detailed below.

Credit risk

Credit risk is the risk of a customer or counterparty not meeting their financial obligations to the Society as they fall due. This risk is most likely to arise in the potential inability of a customer to make repayments on their mortgage.

Mortgage credit risk is managed through the Society's underwriting process which seeks to ensure that customers can afford to repay their debt. All mortgage applications are rigorously assessed with reference to the Society's Lending Policy. Changes to policy are approved by the Board following reviews by Credit Committee, and challenge by the Risk Committee. All applications are supported by an independent valuation sourced from the Society's authorised panel of valuers. In the unfortunate event of customers experiencing financial difficulties the Society is highly proactive in providing support which is outlined in the Board approved Arrears, Forbearance and Possession Policy. They can include working with borrowers to clear arrears, making arrangements, or forbearance. In respect of properties under possession, the Society may take a longer-term approach to the management of these loans. Whilst the Society is not a signatory to the Mortgage Charter, it seeks to apply its principles and also offers additional support to mortgage borrowers.

The preparation of the Society's financial statements in accordance with FRS102 (previously UK GAAP) requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported value of such assets. Due to the inherent uncertainty in making estimates, actual results reported

in future periods may differ from current estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. This is further explained in Note 1 to the accounts.

Treasury credit risk

Treasury credit risk is the risk of loss if a treasury counterparty fails to make timely repayment of a loan or other credit commitment. Treasury credit risk is controlled through adherence to the Board-approved Treasury Policy. The Policy defines prudent limits, relating to quality and quantity of credit exposures to single counterparties and groups of counterparties. The counterparty limits are developed predominantly by reference to credit ratings and other market and financial data.

Liquidity risk

Liquidity risk is the risk that the Society is not able to meet its financial obligations as they fall due. The Society's Treasury Policy is to maintain adequate liquid resources, both in amount and quality, to cover cash flow imbalances and fluctuations in funding, to maintain full public confidence in the solvency of the Society and to meet its financial obligations. Liquidity risk is controlled in accordance with the Board's approved Treasury Policy, which details the approved Liquidity Risk limits set by the Board, which are reviewed daily by the finance team and monitored monthly by the Assets and Liabilities Committee. Periodic stress testing is performed to ensure obligations can be met in both normal and stressed circumstances. Compliance with Risk Appetite is monitored by the Assets and Liabilities Committee.

Interest rate risk

Interest rate risk represents the Society's exposure to movements in interest rates, specifically the risk of movements of underlying market rates in variable rate products in relation to those with a fixed rate. Interest rate risk is managed through the utilisation of derivative financial instruments, where appropriate, and in accordance with the Board approved Structural Financial

Directors' Report

Risk Management Policy. Interest rate risk is monitored by Assets and Liabilities Committee monthly. The interest rate sensitivity exposure of the Society is set out in Note 30 to the Annual Accounts. The Society has no direct exposure to foreign currency exchange rates.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. The Society mitigates this risk through having a robust and effective internal control framework, including internal audit and the Society's risk function, which are overseen by the Audit and Compliance Committee and Risk Committee, respectively.

Regulatory and legal risk

Regulatory risk represents a failure of the Society to meet its obligations under the regulatory and statutory system, including those of the PRA, FCA, Bank of England, HMRC, Information Commissioner's Office and the Health and Safety Directorate. The Board monitors these risks and their potential increase through the Risk Committee and the Audit and Compliance Committee. Considering the increasing regulatory demands faced by the sector, the Board is alert to the potential increase posed by regulatory risk.

Conduct risk

The Board defines conduct risk as risk arising from our conduct in our direct relationship with retail customers, or where firms we work with have a direct duty to retail customers. That is the risk of failing to treat its customers fairly which results in detriment to those customers. The Board acknowledges the requirement to fully embrace the Financial Conduct Authority's Principles and Consumer Duty outcomes. The principles of achieving good consumer outcomes are firmly embedded within the Society's culture and working practices. The Society recognises that failure to manage conduct risk can lead to unfair treatment of Members or mishandling of Members' accounts and may adversely affect its business operations, threaten its objectives and strategies and

the objectives of the Regulator. A structured approach to the consideration of conduct risk management enables the Executive Team and the Board to make fully informed conduct decisions which prevent the Society or its Members from becoming exposed. The objective of the Society declaring and implementing a Conduct Risk Policy and strategy is to ensure that appropriate actions will be taken by the Executive Team to identify, and manage effectively the conduct risks to which the Society and its Members may be exposed. The Society implemented the Financial Conduct Authority's (FCA) new Consumer Duty Regulations in July 2023. This focused on the areas of products and services, price and value and ensuring customers and Members understand the products they have and receive appropriate support when needed. This multi-workstream implementation project involved a considerable amount of effort from many colleagues working across different departments. It concluded in the Board report confirming the project outcomes were successfully delivered as set by the FCA.

The Society will continue to further develop and invest in its systems, processes and people to drive forward and maintain positive customer outcomes.

Financial Crime risk

This is described as a risk of knowingly or unknowingly allowing parties to commit or to further any illegal or criminal activity related to money, financial services or markets, including: fraud (internal and external), handling the proceeds of crime, the financing of terrorism and acts of bribery or corruption.

The Society has a Financial Crime Policy, a board risk appetite and regular reporting in place which provides clarity and visibility on the effectiveness of the controls in place. In addition, on an annual basis, the Money Laundering Reporting Officer provides a report to the Audit and Compliance Committee on the effectiveness of the framework in place.

Directors' Report

Technology Risk

The Society continues to enhance its technology estate to better serve Members in the evolving financial services markets. Our core banking system now includes live platforms for Mortgage and Savings, alongside a fully operational Online banking portal and Mobile Banking App for our Members. We have invested heavily in migration to cloud and continue to invest in hardware and software that will enhance our technology estate.

The Society is aware of technological risk from hardware and software failure resulting from human error, processes, software and hardware, supplier or cyber-attack as well as natural disasters. It threatens assets and processes vital to the Society. It may also prevent compliance with regulations, impact profitability and damage the Society's reputation in the marketplace. Regulatory fines and legal proceedings from Members and/or third parties are also possible.

The Society has an IT strategy and Cyber Security Policy which is reviewed by the Executive Committee with the Risk Committee providing challenge on behalf of the Board. The Society conducts a comprehensive cyber security testing programme which is reported to the Risk Committee.

IT and Information Security

Over the recent year we have continued our journey of securing our security posture by enhancing our Security Operations Centre (SOC). We have also refreshed our Wide Area Network (WAN) with additional security built in, we have additional controls over processes such as strong passwords enforced to colleagues, user training on cyber security, phishing email campaigns and email encryption. All this resulted in the Society being awarded Cyber Essentials Plus Accreditation.

Recognising the significant cyber threats facing the banking sector, especially cybercrime aimed at system access denial and data compromise, the Society has invested in advanced detective and preventative cybersecurity measures. These enhancements ensure that our cyber controls continuously evolve to counter the growing complexity and unpredictability of cyber threats, safeguarding both Society assets and Members' interests.



Directors' Report

Continued

Climate change

The Society recognises the increasing risks of climate change, both on the world as a whole and the arena in which the Society operates. The Society has developed an initial approach to its own climate footprint and has conducted analysis of financial assets against climate changes. There is a climate change action plan in place to assess the impact of climate change on the mortgage back book, to ensure the suppliers we use are considerate of their impact on climate change and to reduce our own emissions.

As part of that approach the Society has assessed the mortgage book against physical and transitional climate change risks. Results of this assessment confirmed a relative low risk in comparison to our peer group and the country wide housing stock. However, the board agreed to provide additional capital to mitigate any future risk. The Society has defined a risk appetite for the proportion of properties located within medium and high flood risk areas. The Board and Risk Committee receive an annual report on the proportion of properties within high and medium combined climate risk impact areas, coupled with properties with lower Energy Performance Certificate (EPC) ratings.

In addition, the management of this risk, which presents itself predominantly as a credit risk, is continually evolving, in line with shifts in regulation, consumer "buy in" and advancements in technology with specific respect to environmental protection. The product offering, for both mortgage and savings, is constantly under review including green lending initiatives within the 2024-2025 roadmap.

The Society benchmarks its own business carbon footprint and has established future plans to reduce it.

Directors' Report

People risk

There is the risk that the Society does not recruit, engage, manage, reward and develop its people in a way that delivers the Society's core values, and supports the delivery of current and future strategy. The Society recognises that in order to meet the needs of Members it requires a skilled and motivated workforce. To achieve this, detailed recruitment and selection processes are in place along with competitive remuneration packages. Having attracted the right individuals, there is a focus on training and development as a retention tool. A detailed succession plan is in place for all key roles to address potential vacancies over the short, medium and long term. To aid retention, the Society engage with and manage all colleagues in a way that will support the delivery of the objectives set out in the Strategy.

Charitable and Political Donations

The Society's Charity Saver Account and the historic Dougie Mac Account had balances totalling £8.56m (2023: £9.40m) at the Statement of Financial Position date. Donations of £34k (2023: £41k) were made to the Society's partner charities with the majority of money raised through retail accounts and Annual General Meeting (AGM) voting donations.

During the financial year Society colleagues gave 173 days of their time to local charity and community groups.

No contributions were made for political purpose.

Directors

The following persons were Directors of the Society during the year and/or up to the date of signing the Annual Accounts:

Non-Executive Directors	
N. M. Jordan (Chair)	R. I. Henley
G. M. Davidson	M. J. Hoccom
S. Shardlow	R. M. Young
Executive Directors	
M. E. Selby BA, MBA (Chief Executive)	L. Payne ACMA, CGMA (Finance Director)

Mr M. E. Selby, Mr N. M. Jordan and Mr R. M. Young retire by rotation in accordance with the Society's rule 26(1) and being eligible offer themselves for re-election.

Acknowledgements

We would like to thank our Members for their continued loyalty and acknowledge that the Society's success could not be achieved without their support.

Going Concern

The Society prepares detailed forecasts ('Corporate Plan') for the three years following the year ended in these financial statements. The forecasts reflect the uncertain economic environment, specifically with reference to changing interest rates, inflationary pressures and changes in customer behaviour driven by the cumulative cost of living impact and evolving confidence in online/app-based distribution channels. Furthermore, the Society models the impact of severe but plausible scenarios on capital and liquidity through robust stress testing and analysis of changes on key sensitivities. The Board is satisfied that, based on empirical evidence and current market data, the severe but plausible stress scenarios are more severe than that encountered in recent times.

These severe but plausible stresses are established and defined in detail during the annual ICAAP and ILAAP, in line with PRA requirements. Considerations are given to a range of factors, including but not limited to house price index (HPI) fluctuations, changes in customer propensity of default, unemployment, interest rate changes and circumstances that may give rise to funding outflows either on an idiosyncratic level or sector wide.

The Society maintains a surplus over regulatory limits for both capital and liquidity throughout the stresses. The Board, therefore, is satisfied that the Society has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements.

Directors' Report

Continued



Executives and colleagues

The Society maintains an open recruitment and colleague development policy, affording equal opportunities regardless of age, gender, race, religion or disability. Colleague communication and training continue to remain priorities for the Society. The Board wish to record their thanks to the colleague for their commitment, support, co-operation and flexibility, particularly during yet another challenging year, which is so essential to the ongoing success of Hanley Economic and for the benefit of the communities in which we operate.

Directors' Report

Post Statement of Financial Position Events

The Directors do not consider that there have been any events since the year end that have a material effect on the financial position of the Society.

Auditors

At the Annual General Meeting held on 13 December 2023, a resolution to re-appoint Forvis Mazars LLP as External Auditors to the Society was passed.

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 information of which the Society's auditors are unaware.

Each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant information and to establish that the Society's auditors are aware of that information.

Directors Indemnity

All Directors have access to independent professional advice if required. Directors and Officers insurance has been put in place by the Society.

On behalf of the Board:

N. M. Jordan Chair

23 October 2024



Our Values



MEMBERS
FIRST



WE DO THE
RIGHT THING



SUPPORT OUR
COMMUNITY



ACCOUNTABILITY



WE NOT ME

170 Years of The Hanley



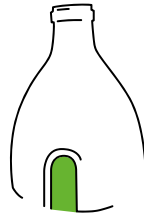
1854

HANLEY FOUNDED



1910

FEDERATION
OF 6 TOWNS



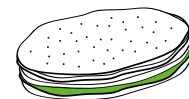
1880

EXPANSION OF
POTTERY INDUSTRY



1878

FORMATION OF
PORT VALE FC



1920

STAFFORDSHIRE
DATLAKE BOOM

The Hanley has a deep-rooted history in Stoke-on-Trent, and as it celebrates its 170th anniversary, it is fitting to pay tribute to some highlights from this year's accounts report.

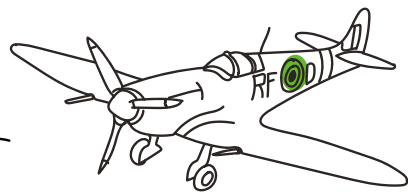
In 1839, Lord Granville founded the Shelton Iron and Steel Company, established to support the rapidly growing industrial revolution. However, Granville was not only focused on influencing the industrial revolution but also on supporting the community with housing. Consequently, in 1854, Granville founded 'The Staffordshire Potteries Economic Permanent Benefit Building Society'. At that time, most people did not even have a bank account, let alone the opportunity to buy a house or invest. The Society aimed to foster thrift among its employees and help make housing more accessible. Lord Granville's generosity proved to be a valuable initiative for the Hanley community.

The Society's first annual report recorded that 142 ¾ shares had been subscribed for and that assets totalled £629, which was described as 'a year of great commercial depression and embarrassment'. However, by 1859, the Society was already flourishing, having more than doubled its assets. Twenty years later, the assets had increased nearly eightfold to £4,725.



OUR FIRST ANNUAL
REPORT

OUR 1953 PASSBOOK



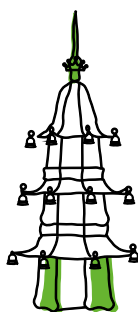
1939

SPITFIRE PRODUCTION
IN STAFFORDSHIRE



1956

STANLEY MATTHEWS
WINS BALON D'OR



1986

ETRURIA HOLDS THE
NATIONAL GARDEN FESTIVAL



2008

STOKE CITY PROMOTED
TO THE PREMIER LEAGUE

As the industry grew throughout the late 19th and early 20th centuries, the Society attracted new Members from a much wider area of Stoke. By 1930, its name had been shortened to its current form and it had also taken over premises at Cheapside in Hanley, which remained the business headquarters until the move to Granville House in 1992. Another key moment in the Society's history came in 1974 when it was granted permission to use its own crest. The stone tower represents strength, the portcullises symbolise safety, and the ermine-coated squirrels are symbols of thrift.

Today, as it enters its 171st year, the Society continues to flourish with an increased balance sheet and profits exceeding targets. While we now have many more Members than when the Society was first founded, our core values remain the same. We are committed to continuing Lord Granville's legacy of providing accessible mortgages and lending to the local community and beyond, ensuring the highest standards possible. We hope to continue earning your support in the future.



2024

HANLEY 170 YEARS OLD

Directors' Profiles

Non-Executive Directors



Nick Jordan

Nick is a graduate of Oxford University and pursued an executive career in banking for over 35 years. He initially joined the Royal Bank of Canada and subsequently joined The Royal Bank of Scotland (RBS).

Nick worked in a variety of leadership roles at RBS, most recently in Risk Management, as a Chief Risk Officer and Chief Credit Officer and Board Member of the RBS Corporate Banking business, including as alternate Chair of RBS Group Credit Risk Committee.

He is an experienced Non-Executive Director and Chair with a portfolio that has spanned businesses both within financial services and in the energy, transport and infrastructure industries.

Nick is married with two adult children.



Gill Davidson

Gill joined the Board in 2022 as a Non-Executive Director and has served on the Risk Committee and the Audit & Compliance Committee this year. She is the Board Consumer Duty Champion, supporting the Board and Executive team to deliver great customer outcomes.

Starting her career in legal private practice in the Midlands, Gill spent over 20 years in the financial services industry focusing on legal, risk, compliance and governance disciplines. She holds a number of Non-Executive and voluntary roles, as well as sitting as a Magistrate.

Gill is a law graduate of the University of Birmingham, is married and has two grown up children, recently becoming a grandparent too. In addition to an increasing volume of 'baby sitting' duties, she enjoys exploring the countryside as a keen walker and developing her baking skills.



Ian Henley

Ian joined the Board in 2020 as a Non-Executive Director and became Chair of the Risk Committee in April 2020. He has over 40 years' experience in financial services, leading client-facing teams in the UK, Europe and the US.

He has experience serving on, and chairing, credit and risk committees. His most recent executive experience was Global Head of Lending and Transaction Management at HSBC, from which he retired in 2018. He serves as a 'Protector' on behalf of the National Lottery Community Fund, providing oversight over a charity it has endowed, the Centre for Ageing Better. He has a number of voluntary roles, including mentoring and acting as the Treasurer for his local Parochial Church Council.

Ian is a graduate of Cambridge University in Modern Languages, is married with three children and spends his spare time golfing, skiing and walking.

Directors' Profiles

Non-Executive Directors



Martyn Hoccom

Martyn joined the Board in September 2023 as a Non-Executive Director and is also a member of the Risk Committee. His career has been primarily working in the Treasury areas of major UK and overseas banks.

Martyn grew up in Birmingham and one of his first jobs was working as an economist at the Severn Trent Water Authority. He later moved into banking where he worked in the treasury departments of major UK and international banks. Financial training and education have been a focus throughout his career, working with the Asset and Liability Management Association.

Martyn is an economics graduate of the Universities of Birmingham and London. In his spare time he enjoys walking, travel and playing chess. He is married with three grown up children.



Susan Shardlow

Susan has over 30 years' experience working in a variety of businesses under a range of ownership structures, mainly construction related.

She is a qualified accountant, currently working as Chief Finance Officer for a local commercial fleet leasing business. She has previous experience as a NED/Chair of Audit for a local housing association.

Susan has a broad commercial background covering all areas of Finance, but also leading major strategic transformation projects.

Susan has lived in Stoke on Trent for most of her life and is married with a grown up daughter and a grandson. She enjoys supporting various charities and is currently Treasurer for the North West Lighthouse Charity.



Bob Young

Bob joined the Board in May 2017 and has served on various Board sub-committees. He is currently Chair of the Remuneration and Audit and Compliance Committees.

Bob spent his career as an Insolvency and Turnaround Practitioner, for the last 20 years of his career in Stoke-on-Trent, initially as the local Director of PwC's Insolvency Division and later as Senior Partner of the Stoke office of Begbies Traynor.

Bob then became a founder member of Currie Young Ltd from which he has now retired. He is also a Director of family property development and property management businesses.

Bob is also a former President of Staffordshire Chambers of Commerce. Bob lives in Caverswall and is married with 4 children and 7 grandchildren.

Directors' Profiles

Executive Directors



Mark Selby

Mark joined the Society as CEO in November 2016 having previously been COO at Abbey National/Santander, Virgin Money and A Plan Insurance (now Howdens).

Before joining Financial Services, Mark had a career in food retailing, working for Sainsbury's and Greggs. Mark has a master's degree in business from Cranfield University and a first degree from University of East Anglia.

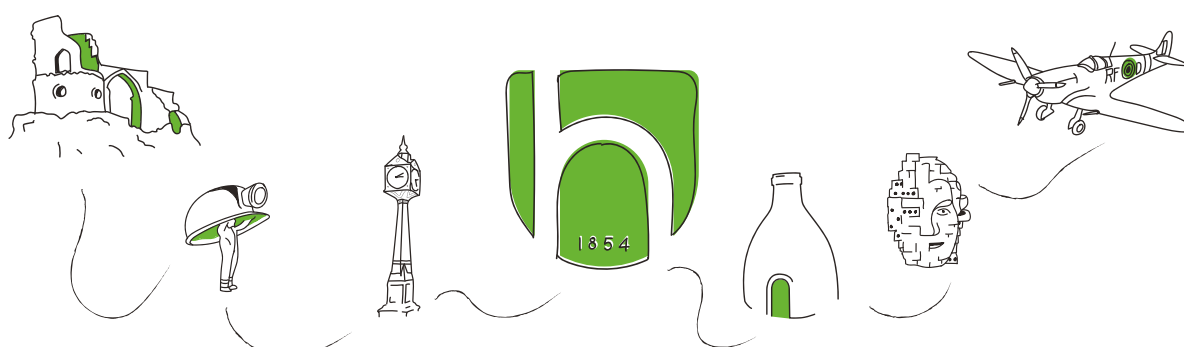
Mark serves as a trustee for Honeycomb Group, a non-profit organisation and a housing charity based in Stoke-on-Trent. They work to provide affordable housing and support services to vulnerable communities.



Larne Payne

Larne joined the Board as Finance Director in 2019 and has over 12 twelve years experience in the building society sector, with a specific focus on strategic planning, regulatory compliance and Member-focused financial management. As a chartered management accountant, Larne is passionate about maintaining the highest standards of financial integrity and stability through prudent oversight and innovation.

Having always lived locally, Larne is dedicated to sustaining the financial strength of the Society and fostering its growth, as well as continuing to expand the support it provides to the community and its Members. Larne enjoys travelling, and exploring new destinations with her husband and is always looking for journeys which offer fresh experiences and opportunities for discovery.



Directors' Remuneration Report

The purpose of this report is to inform Members of the Society about our policy on the remuneration of Executive and Non-Executive Directors. This Policy is reviewed annually by the Board.

The Remuneration Committee is responsible for advising on the remuneration policy for all Executive Directors of the Society, Senior Managers and the Chair of the Society.

It makes recommendations to the Board regarding remuneration and contractual arrangements. In reviewing remuneration, the Committee has regard to both the supervisory statement issued by the Prudential Regulation Authority and the Financial Conduct Authority relating to remuneration and the UK Corporate Governance Code.

The Committee meets at least three times per year. In making its decisions it considers comparative remuneration packages and reviews supporting evidence, including taking external professional advice where appropriate.

Policy for Executive Directors and Executive Team Members

The Board's policy is to obtain advice on remuneration levels which will attract and retain high calibre Executive Directors and Executive Team members, and to encourage excellent performance through rewards directly linked to the achievement of the Society's strategic objectives, financial and non-financial. The main components of remuneration are:

- a) Basic Salary – which considers the role and position of individuals including professional experience, responsibilities, job complexity and market conditions. Basic salary is reviewed annually. All staff within the Society are paid above the national living wage.
- b) Pensions – which involves the Society contributing to the personal pension arrangements of its Executive Directors. The Society does not have a Defined Benefit/Final Salary pension scheme.
- c) Incentive Schemes – which take into account performance of the Society over a range of areas reflecting the mutual

status of the Society, not purely its financial performance. Further, benefits under this scheme are paid over a period of three years and are subject to non-payment or reduced payment if performance targets are missed. All proposed payments are reviewed by the Remuneration Committee before they are made.

- d) Other Benefits – include the provision of a car allowance to each Executive Director and Executive Team member, private medical insurance, income protection and a concessionary mortgage rate on loans up to £500,000.

All benefits are reviewed annually by the Remuneration Committee paying particular regard to the type of behaviours they may promote.

Executive Directors have contractual notice periods of 6 months and so any termination payment would not exceed 6 months' salary and accrued benefits.

The individual performances of the Executive Board members are reviewed on an annual basis by the Remuneration Committee.

One off special payments were agreed by the Committee in 2023 for the Chief Executive and the Finance Director in recognition of the successful implementation of the new digital banking platform system. This has been a major change project to future proof the Society and has taken 4 years to design and implement. This award was given to recognise the exceptional effort made by the CEO and FD over several years to ensure the success of this project.

Policy for Non-Executive Directors

The remuneration of all Non-Executive Directors is reviewed on an annual basis using external benchmarking data for other comparable building societies, and by a performance review process undertaken by the Society's Chair. The level of remuneration for Non-Executive Board members is set by the Chair and the Chief Executive.

The Chair's performance review is conducted by the Senior Independent Director and his remuneration is reviewed and set by the Remuneration Committee.

Directors' Remuneration Report

There are no bonus or incentive schemes for Non-Executive Directors and they do not contractually qualify for pension entitlement or other benefits. Non-Executive Directors do receive as part of their remuneration a travel allowance for travel to meetings at head office and may claim expenses in accordance with the Society's prevailing expenses policy.

Emoluments of the Society's Directors are listed below.

Non-Executive Directors	Society	
	2024	2023
	£'000	£'000
N. M. Jordan	46	45
G. M. Davidson	29	28
R. I. Henley	31	30
M. J. Hoccom (from 01/09/2023)	29	-
A. S. Macdonald (to 31/08/2023)	-	33
S. Shardlow	28	28
R. M. Young	33	29
	196	193

Executive Directors	Salary	Benefits	Sub-Total	Pension Contribution	Total
2024	£'000	£'000	£'000	£'000	£'000
M. E. Selby	260	76	336	33	369
L. Payne	140	39	179	17	196
	400	115	515	50	565
2023	£'000	£'000	£'000	£'000	£'000
M. E. Selby	260	114	374	33	407
L. Payne	130	46	176	16	192
	390	160	550	49	599

Society	
2024	2023
£'000	£'000
Directors' emoluments:	
For services as a Non-Executive Director	196
For executive services	599
	792

R. M. Young
Chair of Remuneration Committee
 23 October 2024

Corporate Governance



thehanley.co.uk

Corporate Governance

The Society is committed to best practice in Corporate Governance. Our approach is based on the principles and provisions of the UK Corporate Governance Code 2018 (the Code) published by the Financial Reporting Council (FRC) which applies to listed companies. Whilst the Society is not a listed company, the Board has regard to the recommendations of the Code and follows those elements that are considered to be appropriate and proportionate to the Society. This report sets out how the Society operates and conducts its business in a prudent and efficient manner, thereby maintaining high standards of governance for the benefit of its Members, both current and future. An external Board effectiveness review is in progress.

The Directors are satisfied that the Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for Members to assess the Society's performance, business model and strategy. The Audit and Compliance Committee reviewed and challenged the assumptions, estimates and sensitivities to key accounting estimates and are satisfied that the results are appropriately presented.

The Board Roles and Responsibilities

The Society's Rules require that the Board should comprise between five and nine Directors. The Board currently comprises a Chair, five Non-Executive Directors and two Executive Directors.

The roles of the Chair and Chief Executive are held by different people and are distinct in their purpose. The Chair is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role. The Chair is responsible for setting the Board's agenda and promoting a culture of openness and debate and the Board strongly supports the Society's aim to look after its employees to deliver the best service levels possible at all times.

The role of Non-Executive directors is to bring independent judgement and perspective to the Board debates and decisions, as well as constructively challenging the work and proposal of the Executive Directors and the

Executive Team at management level. In doing so, Non-Executive Directors apply the highest standards of conduct, integrity and probity. As Members of the Board and committees, they assist in the discharge of the duties and obligations in line with the Terms of Reference.

All Directors have access, if required, to independent professional advice and access to the services of the Society Secretary.

The Board meets at least 8 times per year and convenes a separate strategy meeting where the Society's strategic objectives are agreed, together with financial and operational resources to deliver these objectives. For each meeting, comprehensive Board packs are circulated in a timely manner to ensure Board members can perform their duties effectively.

Certain responsibilities are delegated to several Board committees, each one having clear and detailed Terms of Reference. Powers are delegated from the Board through documented delegated authorities and set of responsibilities, decision making and approval powers of the Executive Directors, Executive and Management Teams.

Matters reserved for the Board for which the Board is collectively responsible:

- Setting the Society's Strategy, policy, internal limits, risk appetite and risk management framework;
- Safeguarding Members' interests;
- Monitoring progress of the Society's strategy and business performance;
- Robust risk management systems;
- Ensuring that robust financial and internal controls are in place;
- Ensuring that the Society operates within its rules, the rules and guidance issued by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA); and
- Leading, developing and overseeing the Society's culture.

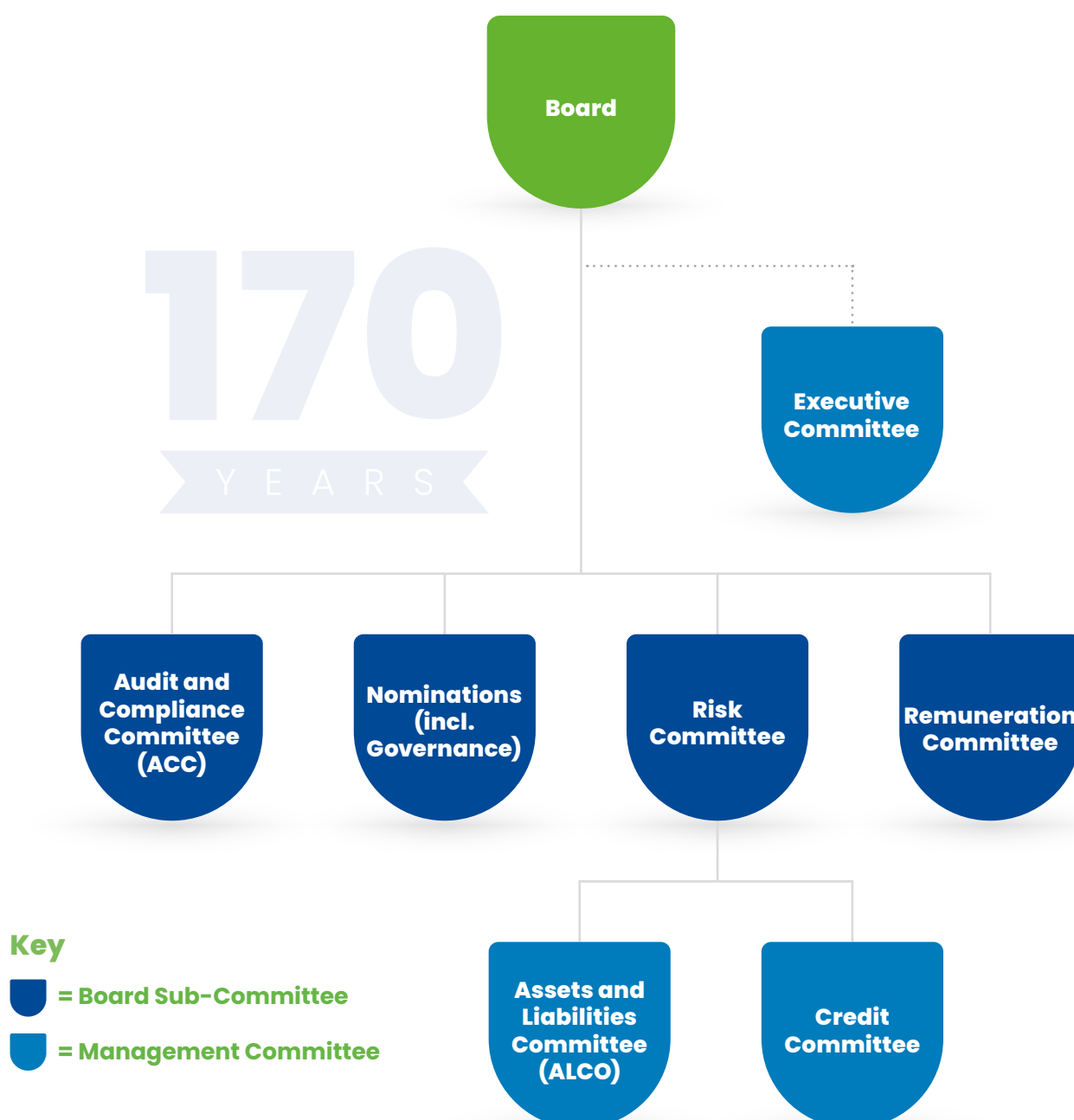
Corporate Governance

In discharging its responsibilities, the Board approves:

- Development and changes to the strategy;
- Corporate Plan and budget;
- Review of the effectiveness of the systems and controls; and
- Liquidity and Capital requirements.

Board Committees

The Board has 4 main sub-committees and 3 management committees.



Corporate Governance

Audit and Compliance Committee

The Audit and Compliance Committee (ACC) meets quarterly and reviews the adequacy and effectiveness of internal controls, the compliance function and the Society's risk management function. It considers and recommends the appointment of the internal and external auditors and monitors their effectiveness and independence. Internal Audit act as the third line of defence, providing an independent challenge to the overall management of the Risk Management Framework and providing assurance to the Board, Audit and Compliance Committee and Executive team on the adequacy of both the first and second lines of defence. It ensures that risks are appropriately managed in accordance with policy and within the limits of the Board's stated risk appetite and provides assurance that the Society is adhering to regulatory risk requirements by monitoring actions taken to resolve any risk control weaknesses or failings in the Society's strategy, operations, and performance (please refer to the Audit and Compliance report on page 40 for further information). For the year to 31 August 2024 the Committee comprised three Non-Executive Directors. Also in attendance are CEO, Finance Director, and the Head of Risk.

Risk Committee

The Risk Committee meets quarterly and reviews and monitors risk outcomes in accordance with the Board's stated risk appetite and Risk Management Framework. The Society's risk management function is based on three lines of defence to ensure appropriate responsibility is allocated to the management for the reporting and escalation of risks. The business areas provide the first line of defence which includes ensuring the Society complies with policies, risk appetite and limits, stress testing, self-assessment, and development of risk registers. The Risk and Compliance functions comprise the second line of defence, developing the Risk Framework and

undertaking risk monitoring, challenge, and oversight. The Committee comprises three Non-Executive Directors. Also in attendance are Head of Risk, CEO and Members of the Executive team attend by invitation.

Remuneration Committee

The Remuneration Committee (RemCo) meets at least half yearly and independently reviews and recommends changes to the terms and conditions of employment of the Non-Executive, Executive Directors, and other Executive Team members. For the year to 31 August 2024 the Committee comprised three Non-Executive Directors. Also in attendance are CEO and Head of People and Culture (please refer to the Directors' Remuneration Report on page 29 for further information).

Nominations Committee

The Nominations (Inc. Governance) Committee meets half yearly to consider Board appointments and to ensure that it comprises sufficient Directors who are fit and proper, independent and who can meet the collective and individual responsibilities of Board members. All Directors of the Society are members of the Nominations Committee. The Committee reviews the independence of Non-Executive Directors and ensures that the Board remains 'fit for purpose' in terms of skills, knowledge, expertise and experience required at any given time. The Committee also ensures suitable succession planning is in place.

Before any appointment is made by the Board, the Nominations Committee evaluates the balance of skills, knowledge, experience, gender and diversity on the Board, and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee considers candidates from all ethnicities and backgrounds to create an inclusive workplace.

Corporate Governance

Attendance at Board and Committee meetings for the year to 31 August 2024 has been recorded as follows :

Board Attendance	Board	Audit and Compliance	Nominations	Remuneration	Risk
Non-Executive Directors:					
N. M. Jordan (Chair)	8 (8)	0 (0)	3 (3)	3 (3)	3 (4)
R. I. Henley	8 (8)	0 (0)	3 (3)	3 (3)	3 (4)
R. M. Young	7 (8)	5 (5)	2 (3)	3 (3)	0 (0)
G. M. Davidson	8 (8)	2 (3)*	3 (3)	0 (0)	3 (4)
S. Shardlow	7 (8)	5 (5)	3 (3)	0 (0)	0 (0)
M. J. Hoccom	8 (8)	0 (0)	3 (3)	0 (0)	4 (4)
Executive Directors:					
L. Payne	8 (8)	5 (5)	0 (0)	0 (0)	3 (4)
M. E. Selby	8 (8)	4 (5)	0 (0)	0 (0)	3 (4)

() = number of meetings eligible to attend

*Gill Davidson joined ACC in November 2023

The Executive Committee is a management committee with a dotted reporting line to the Board.

The Credit Committee and Assets and Liabilities Committees are management committees reporting to the Risk Committee.

Board and Committee Effectiveness

Conflict of Interest and Directors' Independence

The Board is satisfied that its current and intended composition is appropriate for the proper direction of the Society's business activities. The Board considers that all its Non-Executive Directors are independent and carry out their duties with complete objectivity. Furthermore, if any Non-Executive Director meets the following criteria, further information is obtained to ensure independence:

- If they have been an employee of the Society in the last 5 years;
- If they have or had a material business relationship with the Society in the last 3 years;
- If they receive or received additional remuneration from the Society (apart from the Director's fee) are a member of the pension scheme or receive Performance Related Pay (PRP);

- If they have family ties with any of the company's advisors, Directors or Executive Team members;
- If they hold cross-directorship or have significant links with other Directors; and
- If they have served on the Board for more than 9 years.

The Board considers that neither the Chair, nor any Director, had a material conflict of interest to declare, which would impact the effective discharge of their responsibilities, during the year ended 31 August 2024. The Board considers that all individual Directors have sufficient time to discharge their duties at the Society and they do not hold more than the prescribed number of directorships under Article 91 of the Capital Requirements Directive IV.

Appointments to the Board

There is a formal, rigorous and transparent procedure for the appointment of new Directors, using professional external search and recruitment consultants when appropriate.

The Nominations Committee makes appointments having considered the balance of skills, experience, availability and core competencies required, having regard for the benefits of diversity so as to offer a depth and breadth of insight, perspective

Corporate Governance

and experience on the Board. New Directors receive formal introduction training and all Directors are encouraged to attend industry events, seminars and training courses to maintain an up to date knowledge of the industry and the regulatory framework within which the Society operates. All Directors must meet the test of fitness and propriety as laid down by the Regulators as 'Approved Persons' to fulfil their Senior Manager Function as Directors. The Board acknowledges that best practice in UK Corporate Governance 2018 is continuously evolving and alignment to emerging standards should be expected for the Society.

Assessment of Directors

Performance and evaluation reviews are carried out for each Director on an annual basis by the Chair with the Senior Independent Director carrying out a 360 degree review of the Chair to ensure the Society complies with Principle A of the Code. This ensures we retain an effective and entrepreneurial Board who promote the long-term sustainable success of the Society, generating value for Members and contributing to our community. In addition, there is also an annual evaluation of the Board as a whole and a Board Skills Matrix is prepared to assess areas of strengths and weaknesses.

Board Changes and Elections/Re-elections

The Society's rules require all Directors to submit themselves for election by the Members at the first opportunity after their appointment and for re-election every three years. Where a Director has served six years or more, the Board has agreed that they should put themselves forward for annual re-election by the Members.

Board and Senior Managers Diversity

All Board appointments are based on merit against objective criteria, the skill and experience of the Board as a whole, with regards to the benefit of diversity. In 2023 the Nominations Committee considered the Society's approach and measures to diversity including gender, age and ethnicity representation.

Communications and Member Engagement

The Board encourages communications with its Members through annual customer forum meetings where the Executive Directors speak informally on the main business developments and Members present can raise any questions. This year a Member Forum took place in February 2024.

The Society holds its Annual General Meeting (AGM) in December and details of the AGM are sent to all eligible voting Members who are encouraged to attend and to use their vote or appoint a proxy to vote if they choose not to, or are unable to, attend the meeting. Voting results are published on the Society's website.

For the year to 31 August 2024 Bob Young was the Senior Independent Director available to Members to address any concerns or issues they may wish to raise. However, all Directors are happy to make themselves available to Members for such purposes. You can contact the Directors via directors@thehanley.co.uk or by post to Directors, Hanley Economic Building Society, Granville House, Festival Park, Stoke-on-Trent, ST1 5TB.

Culture

The Chair promotes a culture of openness and debate and sets the direction of the Board, facilitating and encouraging effective contribution and challenge from Directors, and maintaining constructive relations between Non-Executive and Executive Directors. Evidence is contained within Board and Board Committee minutes which are approved by all Committee members.

The Board continues to monitor culture using a range of strategic risk assessment measures. The Society's values help to promote our mutual culture, encouraging behaviours that are in the best interests of our Members. All colleagues receive regular information and examples of our values and how these should be central to the work and attitudes. To support this further, the colleague annual appraisal process requires all to demonstrate the Society values and behaviours. The 2024 colleague survey demonstrated high colleague engagement,

Corporate Governance

which helps to maintain a mutual culture and encourages appropriate behaviours throughout the business.

To measure colleague performance and behaviours, there is a robust performance management approach in place. All have a personal objective plan which links personal objectives to corporate objectives, supported by a personal development plan.

Workforce Reward and Investment

The Society is committed to investing and rewarding its workforce. Annual salary benchmarking is conducted for all roles. We offer all colleagues the following benefits:

- Society pension scheme;
- Generous holiday allowance based on length of service;
- Private health care for all colleagues plus Medicash healthcare plan;
- Performance related pay awards;
- Cycle to Work Scheme;
- Colleague mortgage product;
- Regular Saver colleague product;

• Building Stars – Reward and recognition platform; and

• Annual Training and development plan linked to individual needs and Society strategy.

Whistleblowing

The Society recognises that colleagues are usually the first to become aware of conduct or activities taking place within an organisation which constitutes misconduct or malpractice. The Society operates a Whistleblowing Policy approved by the board on an annual basis. All colleagues and stakeholders are encouraged to raise a concern without fear of retribution, victimisation or detriment to job prospects. Regular training is provided to all colleagues including how to raise concerns, both internally and externally and directly with regulators.

Under the Senior Manager's Regime, the Senior Independent Director and the Chair of the Audit and Compliance Committee has been appointed as the Whistleblowing Champion. He oversees the Society's whistleblowing policies and procedures. Externally led training is provided to the Chair of ACC, Head of Risk and Head of People and Culture to ensure controls and processes are up to date and in line with expectations.



**Helping Members save for their futures
and own their homes... Since 1854**



In the Community

173 Days Volunteering

At the Hanley, community is at the heart of what we do, ensuring Members benefit is essential!

To celebrate the Society's 170th anniversary in 2024, colleagues have taken part in our initiative to give 170 days of volunteering to charities in our local communities. Of course, we smashed this target!

Whilst volunteering has taken place for our partner charities Dougie Mac, Glow, Alice Charity and the YMCA, we think it's important that our colleagues give their time and energy to a charity which is close to their hearts, and they didn't disappoint.



Some of our colleagues have also helped in charity shops across the county, done leaflet drops, mentored young people, been Trustees, read stories to children, helped at fun days and lots more.

We are incredibly proud to have had such an impact and we are continuing our volunteering into the next financial year with a strong start.





We are thrilled that the Hanley at Home Fund has made its first set of donations to local charities!

The fund was launched in April 2024 in conjunction with the Community Foundation for Staffordshire and Shropshire.

We want to help people in our local communities learn life skills to manage and maintain their own homes, to support people to remain in their own homes and encourage people into housing to whom this would otherwise not be an option.

Each grant is up to £2,000 and we are delighted that the following charities received their awards during August:



These charities are all helping people in our local communities with all aspects of housing, from teaching life skills to providing support for those living alone to supporting young people leaving care and those with multiple disabilities.

Each of these charities received £2,000 from the Hanley at Home fund. But that's not the end! We will be re-launching the fund during October 2024 until January 2025 to give more awards.





Audit and Compliance Committee Report

The Audit and Compliance Committee is an essential part of the Society's governance framework to which the Board has delegated oversight of financial reporting, internal controls, internal audit and external audit together with oversight of regulatory compliance. All the current members of the Committee are independent Non-Executive Directors with extensive experience of the financial services sector and other industries too. This report provides an overview of the Committee's work and details of how it has discharged its responsibilities during the year.

The responsibilities of the Committee are in line with the provisions of the Financial Reporting Council (FRC) Guidance on Audit Committees. The main function of the Committee is to assist the Board in fulfilling its oversight responsibilities, specifically the ongoing review, monitoring and assessment of:

- The integrity of the financial statements, any formal announcements relating to financial performance and significant financial reporting judgements contained therein;
- The effectiveness of the system of internal control processes;
- The internal audit and external audit processes;
- The appointment, re-appointment and removal of the external auditors and the periodic review of their performance and independence;
- The policy on the use of external auditors for non-audit work; and

- Oversight and obtaining assurance that the Society is meeting its regulatory compliance responsibilities.

Following each Committee meeting, the minutes of the meeting are distributed to the Board and the Committee Chair provides an update to the Board on key matters discussed by the Committee.

The composition of the Committee is detailed on page 34. The Chief Executive, Finance Director and the Head of Risk attend the meeting by invitation. Representatives of PwC (internal auditor), Forvis Mazars LLP (external auditor), are also invited to each meeting. The Committee are free to meet with internal and external auditors without management being present. There are usually 4 meetings per year and the Committee sometimes meets on an adhoc basis where necessary.

The Committee met 5 times during the year and focused on the following matters:

Financial Reporting

The primary role of the Committee in relation to financial reporting is to review and assess with management and the external auditor the integrity and appropriateness of the annual financial statements concentrating on amongst other matters:

- The quality and acceptability of accounting policies and practices;
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements including advising the Board on whether the Annual Report and Accounts, when taken as a whole, are fair, balanced and

Audit and Compliance Committee Report

understandable and provide information sufficient for Members to assess the Society's performance, business model and strategy; and

- The material areas in which significant judgements have been applied.
- The primary areas of judgement considered by the Committee in relation to the 2024 accounts were:
- Loan loss provisions: Review of judgements used to determine timing of recognition and valuation of loan loss provisions in line with IAS 39, specifically HPI forecasts, disposal terms and anticipated rental income and fees;
- Interest income recognition: Review of the design, implementation and effectiveness of controls around the calculation of interest income and charges, including the timing of applicable fees and commission recognition and behavioural life under effective interest rate methodologies; and
- Hedge accounting: Review of systems and processes used to calculate effectiveness of hedges and impact on the Income Statement and Statement of Financial Position under IAS 39, including appropriate yield curves and matching rules.

The Committee considered whether the 2024 Annual Report and Accounts were fair, balanced and understandable. The Committee did this by satisfying itself that there was a robust process of review and challenge to ensure balance and consistency. The Audit and Compliance Committee fully discharged its responsibilities in relation to financial reporting of the Annual Report and Accounts 2024.

Internal Audit

The Committee is responsible for monitoring internal audit activities and effectiveness and ensuring that sufficient resources are in place.

To provide the scalability and flexibility of

specialist resources required within internal audit, the Society continues to outsource this role to PwC.

Key reviews were completed through their agreed work programme during the year including areas of internal control significance, (e.g., ICAAP, Governance, Marketing, Human Resources, New Consumer Duty and Model Risk Management).

Internal audit findings and thematic issues identified were considered by the Committee, as well as management's response and the tracking and completion of outstanding actions.

The Committee considers the guidance from the Chartered Institute of Internal Auditors entitled 'Effective Internal Audit in the Financial Services Sector' when ensuring that the internal auditors and the Committee were fulfilling their obligations in a robust manner.

The Committee also approved the fee for the programme of internal audit work for the year having reviewed the scope of the work programme in detail.

PwC operate in accordance with an Internal Audit Charter. This Charter may be found on the Society's website.

The Committee is satisfied PwC satisfy the required skills and resource to fulfil the role.

System of Internal Controls

The Board recognises the importance of sound systems of internal control in the achievement of its objectives and the safeguarding of Members' and Society assets. Internal control also facilitates the effectiveness and efficiency of operations, helps to ensure the reliability of internal and external reporting and assists in compliance with applicable laws and regulations.

The Society operates in a dynamic business environment and, as a result, the risks it faces are continually changing. The internal control framework has been designed to ensure thorough and regular evaluation of the nature and extent of risk and the Society's ability to react accordingly.

Audit and Compliance Committee Report

It is the role of management to implement the Board's policies on risk and control. It is also recognised that all employees have responsibility for internal control as part of their accountability for achieving objectives. Staff training and induction is designed to ensure that they are clear on their accountabilities in this area and are competent to operate and monitor the internal control framework.

The internal audit function provided independent assurance to the Board on the effectiveness of the internal control framework through the Audit and Compliance Committee.

The Committee reviewed the internal controls regime through regular reporting from management, the Society's internal auditor and the external auditor. The main internal control matters which were reviewed by the Committee in the financial year were:

- Conduct related issues;
- Prudential related issues;
- Internal audit plans;
- The status of issues raised in control reports which were tracked closely. During the year, the volume and age profile of issues raised remained within appropriate parameters;
- Whistleblowing arrangements. The Committee reviews the use of the confidential reporting channels in the Society each year. Awareness of 'whistleblowing' arrangements is maintained in several ways including internal communications and training modules; and
- Oversight and delivery of the Financial Conduct Authority's Consumer Duty.

The information received and considered by the Committee provided reasonable assurance that during the financial year, there were no material breaches of control or regulatory standards and that, overall, the Society maintained an adequate internal

control framework that met the principles of the Code.

The Committee considers the reappointment of the internal auditor, including rotation of the audit partner, each year and also assesses their independence on an ongoing basis. The internal auditor is required to rotate the auditor partner responsible for the Society's audit at least every seven years.

Given that PwC have been in place as Internal Auditors for five years, the Committee also considered the need to change internal auditors. Upon consideration and acknowledging a change in all individuals in the PwC audit team, the Committee is satisfied with the objectivity and independence of PwC and has invited them to continue in the role for a further two years.

External Audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification and at the start of the audit cycle the Committee receives from Forvis Mazars LLP a detailed audit plan, identifying their assessment of the key risks. Forvis Mazars LLP have been the Society's external auditor since 2020 and relevant terms of engagement, remuneration, assessment of independence and the audit cycle is agreed by the Committee each year. There has been a change in audit partner in 2024. At the start of the audit cycle, a review is undertaken by the Committee of the Audit Strategy presented by the external auditor. A formal conclusion of the Interim and Final Audit, including details of any material control weaknesses, is received by the Committee. The Committee ensures the provision of non-audit services as well as the performance, objectivity and independence of the external auditor is strictly applied.

The Chair of the Committee holds regular private meetings with the external auditor. This provides the opportunity for open dialogue and feedback from the Committee and the auditor without management being present.

Audit and Compliance Committee Report

Matters typically discussed include the auditor's assessment of financial reporting risks and management's activity in relation to these risks, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management and the independence of their audit.

The Committee approved the fees for audit services for 2024 after a review of the level and nature of the work to be performed and being satisfied that the fees were appropriate for the scope of the work required.

Audit and Compliance Committee Effectiveness

The Committee conducted a self-assessment review to monitor its effectiveness which concluded that the Committee had operated effectively and in accordance with its Terms of Reference. The Committee's Terms of Reference were reviewed during the year and found to be fit for purpose.



R. M. Young

Chair of Audit and Compliance Committee

23 October 2024

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Annual Business Statement, Directors' Report and the Annual Accounts in accordance with applicable law and regulations.

The Building Societies Act 1986 ("the Act") requires the Directors to prepare Society annual accounts for each financial year. Under that law they have elected to prepare the Society annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Society annual accounts are required by law to give a true and fair view of the state of affairs of the Society as at the end of the financial year and of the income and expenditure of the Society for the financial year.

In preparing the Society annual accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts;
- assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

In addition to the annual accounts the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the Society.

Directors' Responsibilities for Accounting Records and Internal Controls

The Directors are responsible for ensuring that the Society:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society, in accordance with the Act; and
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the UK governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.



On behalf of the Board

N. M. Jordan Chair

23 October 2024

Independent Auditors' Report to the Members

Opinion

We have audited the annual accounts of Hanley Economic Building Society (the 'Society') for the year ended 31 August 2024 which comprises the Income Statement and Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Members Interests, the Statement of Cash Flow and notes to the annual accounts, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the annual accounts:

- give a true and fair view of the state of the Society's affairs as at 31 August 2024 and of the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

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 annual accounts" section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the annual accounts in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard as applied to public interest entities, 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 annual accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the annual accounts is appropriate. Our audit procedures to evaluate the directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Society's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Society's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts by reviewing supporting and contradictory evidence in relation to these key

Independent Auditors' Report to the Members

assumptions and assessing the directors' consideration of severe but plausible scenarios. This included assessing the Society's latest ICAAP (Internal Capital Adequacy Assessment Process), ILAAP (Internal Liquidity Adequacy Assessment Process) and its reverse stress testing;

- Performing a sensitivity analysis by incorporating various stress scenarios to assess the impact on the capital and liquidity position of the Society;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Assessing and challenging key assumptions and mitigating actions put in place in response to the current economic situation, including but not limited to, the 'cost of living crisis', inflation levels and interest rates;
- Considering the consistency of the directors' forecasts with other areas of the annual accounts and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the annual accounts on going concern.

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 Society's ability to continue as a going concern for a period of at least twelve months from when the annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter in forming our audit opinion above, together with an overview of the principal audit procedures performed to address the matter and our key observations arising from those procedures.

This matter together with our findings, was communicated to those charged with governance through our Audit Completion Report.

Independent Auditors' Report to the Members

Key Audit Matter	How our scope addressed this matter
<p>Credit risk – Allowance for impairment losses on loans and advances to customers (2024: £1,412k, 2023: £1,738k)</p> <p><i>Refer to page 61 for accounting policy, page 68 for the disclosures on provisions for impairment losses on loans and advances to customers (note 10), and page 81 for credit risk disclosures.</i></p> <p>Under IAS 39, the Directors are required to assess whether there is objective evidence of impairment of any financial assets that are measured at amortised cost. If there is objective evidence of impairment, management should recognise an impairment loss within the income statement immediately.</p> <p>As per note 16, the Society currently holds total loans and advances to customers on its balance sheet in relation to residential mortgages of £379,566k (2023: £345,849k). As at 31 August 2024, the Society held provisions against residential mortgages of £1,412k (2023: £1,738k), per note 10. This comprises of a collective provision for losses incurred but not reported of £263k (2023: £300k) and a specific provision for loans where there has been an observable impairment trigger of £1,149k (2023: £1,438k).</p> <p>The Society has limited actual loss experience and therefore, determining impairment provisions against loans and advances to customers is a judgemental area requiring an estimate to be made of the losses incurred within the residential mortgage lending portfolios. This requires the formulation of assumptions relating to potential impairment indicators, customer default rates and property values and movements, all of which may be sensitive to changes in the economic environment.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Evaluating the design and implementation and testing the operating effectiveness of the key controls operating at the Society in relation to the credit processes (loan origination and approval, loan redemptions and arrears monitoring), and the impairment calculation; Testing the completeness and accuracy of loans that are subject to individual provision including independently recalculating the provision charge; Assessing the relevance and accuracy of external data used in the provisioning model, House Price Index ('HPI'), based on our understanding of the Society's portfolio. Comparing the Society's key assumptions (PD (Probability of Default) and FSD (Forced Sale Discount)) with Society's internal empirical data as well external data from lenders and loan portfolios with similar characteristics to critically assess the reasonableness and relevance of the assumptions applied; Challenging the reasonableness of the cost-of-living overlay applied on the PDs; Testing the integrity of the spreadsheet model used to calculate the impairment provision. This includes testing of input data (HPI, PD and FSD) used in the model; Developing an auditor's point estimate of the collective provision using reasonable alternative assumptions relevant to the Society's portfolio; Engaging our internal property valuation expert to challenge the reasonableness of valuations for a selection of properties held as collateral against loans; Assessing the adequacy of the Society's disclosures in relation to the estimation and uncertainty involved in arriving at the provision for impairment losses on loans and advances to customers; and Performing a stand-back assessment of the resulting individual and collective impairment estimates to assess their appropriateness. <p>Our observations</p> <p>Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision as at 31 August 2024 to be reasonable and in compliance with FRS 102.</p>

Independent Auditors' Report to the Members

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual annual account line items and disclosures and in evaluating the effect of misstatements, both individually and on the annual accounts as a whole. Based on our professional judgement, we determined materiality for the annual accounts as a whole as follows:

Overall materiality	£322k (2023: £316k)
How we determined it	1% of net assets (2023: 1% of net assets)
Rationale for benchmark applied	<p>We consider that net assets is the most appropriate benchmark to use for the Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximization.</p> <p>Further, net assets as a benchmark is supported by the fact that regulatory capital is a key benchmark for management and regulators, where net reserves is an approximation of regulatory capital resources.</p>
Performance materiality	<p>Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the annual accounts exceeds materiality for the annual accounts as a whole.</p> <p>Performance materiality of £225k (2023: £221k) was applied in the audit based on 70% (2023: 70%) of overall materiality.</p> <p>In determining the performance materiality, we considered a number of factors, including the effectiveness of internal controls and the history of misstatements, and concluded that an amount toward the upper end of our normal range was appropriate</p>
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £9k (2023: £9k) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the annual accounts, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the annual accounts as a whole. We used the outputs of a risk assessment, our understanding of the Society, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all annual accounts line items.

Independent Auditors' Report to the Members

Other information

The other information comprises the information included in the annual report and accounts, other than the annual accounts and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in 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 there is a material misstatement in the annual accounts 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 in this regard.

Opinions on the Annual Business Statement and the Directors' Report

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

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the Building Societies Act 1986;
- the information in the Directors' Report for the financial year is consistent with the accounting records and the annual accounts; and
- the information given in the Annual Business Statement (other than the information on which we are not required to report) gives a true representation of the matters in respect of which it is given.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Building Societies Act 1986 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the Society's annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities set out on page 44, the directors are responsible for the preparation of the annual accounts 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 annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going

Independent Auditors' Report to the Members

concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 annual accounts.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Society and its industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory and supervisory requirements of the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ('FCA') and anti-money laundering regulations, and we considered the extent to which non-compliance with these laws and regulations might have a material effect on the annual accounts.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance with laws and regulations, our procedures included but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Society, the industry in which it operates, and considering the risk of acts by the Society which were contrary to the applicable laws and regulations including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Society is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities, including the PRA and FCA;
- Reviewing minutes of directors' meetings in the year;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and
- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the annual accounts from our general commercial and sector experience and through discussions with the directors and Head of Risk, from inspection of the Society's regulatory and legal correspondence and review of minutes of meetings of the Board of Directors, Risk Committee and Audit and Compliance Committee held during the period and up to the signing date of the annual accounts

We also considered those other laws and regulations that have a direct impact on the preparation of annual accounts, such as the Building Societies Act 1986 and UK tax legislation.

Independent Auditors' Report to the Members

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the annual accounts, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the Effective Interest Rate (EIR) adjustment in relation to fees), and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Being sceptical to the potential of management bias through judgements and assumptions in significant accounting estimates, in particular in relation to EIR.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities is available on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit and Compliance Committee, we were appointed by the Directors on 21 April 2021 to audit the annual accounts for the year ended 31 August 2021 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 August 2021 to 31 August 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Society and we remain independent of the Society in conducting our audit.

Our audit opinion is consistent with our additional report to the Audit and Compliance Committee.

Use of the audit report

This report is made solely to the Society's members as a body in accordance with section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body for our audit work, for this report, or for the opinions we have formed.

Independent Auditors' Report to the Members

Michael Davidson (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
3 Wellington Place
Leeds
LS1 4AP
23 October 2024



Income Statement & Statement of Comprehensive Income

For the year ended 31 August 2024

Society			
		2024	2023
		£'000	£'000
	Notes		
Interest receivable and similar income	2	27,601	18,764
Interest payable and similar charges	3	(17,305)	(7,622)
Net Interest Income		10,296	11,142
Fees and commissions receivable	4	112	116
Fees and commissions payable	5	(218)	(149)
Net losses from derivative financial instruments	6	(68)	(306)
Other Income	7	41	(139)
Total net income		10,163	10,664
Administrative expenses	8	(7,985)	(7,703)
Depreciation and amortisation	18/19	(619)	(904)
Other operating charges		(62)	(24)
Dividend	17	979	-
Operating profit before impairment losses and provisions		2,476	2,033
Impairment losses on loans and advances	10	110	(1,110)
Provisions for liabilities	23	(80)	-
Profit on ordinary activities before tax		2,506	923
Tax on profit on ordinary activities	11	(394)	220
Profit for the financial year		2,112	1,143

The notes on pages 40 to 67 form part of these accounts.

The above results are all derived from continuing operations. The profit for the financial year is attributable to the Members of the Society.

Society			
		2024	2023
		£'000	£'000
	Notes		
Profit for the financial year		2,112	1,143
Items that may be subsequently reclassified to the Income Statement			
Net Gains from changes in financial assets	27	117	94
Other Comprehensive Income for the year net of tax		117	94
Total Comprehensive Income for the financial year		2,229	1,237

Statement of Financial Position

Society			
		2024	2023
		£'000	£'000
	Notes		
Assets			
Liquid Assets			
Cash in hand and balances with the Bank of England	12	57,061	101,858
Loans and advances to credit institutions	13	8,534	8,451
Treasury Bills	14	27,543	2,955
Debt securities	14	47,948	45,200
		141,086	158,464
Derivative Financial Instruments	15	1,122	4,529
Loans and advances to customers	10/16	379,624	345,849
Investments in subsidiary undertakings	17	-	-
Tangible Fixed Assets	18	2,318	2,410
Intangible Fixed Assets	19	2,721	2,729
Other assets – taxation	25	94	488
Prepayments and accrued income	20	879	770
Total assets		527,844	515,239
Liabilities			
Shares	21	480,376	461,533
Amounts owed to other customers	22	12,622	21,401
Derivative financial instruments	15	754	97
Other Liabilities	23	80	-
Accruals	24	1,400	1,825
Total liabilities		495,232	484,856
Reserves			
General Reserves	26	32,598	30,486
Available for sale reserves	27	14	(103)
Total Reserves attributable to Members of the society		32,612	30,383
Total liabilities and reserves		527,844	515,239

The notes on pages 40 to 67 form part of these accounts.

Approved by the Board of Directors on 23 October 2024

N. M. Jordan

Chair

M. E. Selby

**Chief Executive & Society
Secretary**

L. Payne

Finance Director

Statement of Changes in Members' interests

For the year ended 31 August 2024

		Society		
		General Reserve	Available for Sale Reserve	Total
		£'000	£'000	£'000
	Notes			
At 31 August 2022	26/27	29,343	(197)	29,146
Profit for the year		1,143	-	1,143
Net gains from changes in financial assets		-	94	94
At 31 August 2023	26/27	30,486	(103)	30,383
Profit for the year		2,112	-	2,112
Net gains from changes in financial assets		-	117	117
At 31 August 2024	26/27	32,598	14	32,612



Statement of Cash Flow

For the year ended 31 August 2024

	Society	
	2024	2023
	£'000	£'000
Cash flows from operating activities		
Profit before tax	2,506	923
Depreciation & amortisation	619	904
(Increase) / Decrease in fair value of derivatives	68	306
Decrease/(Increase) in effective interest rate adjustment	(116)	(80)
(Profit) / Loss on sale of loans and advances to customers	(41)	139
Interest adjustment on provision	49	-
Charge on impairment on loans and advances	(110)	1,110
Net gain on debt securities held	(337)	(631)
	2,638	2,671
Changes in operating assets and liabilities		
(Increase) / Decrease in loans and advances to customers	(29,722)	(10,265)
Increase / (Decrease) in accruals and deferred income	(425)	465
(Increase) / Decrease in prepayments and accrued income	(109)	(450)
Increase / (Decrease) in amounts owed to other customers	(8,779)	(700)
Increase / (Decrease) in amounts owed to credit institutions	(1,495)	(1,521)
Increase/(Decrease) in other liabilities	80	(536)
Increase in shares	18,843	44,472
Cash received on sale of properties in possession	161	645
Taxation (paid) / refunded	-	71
Net cash generated / (used in) by operating activities	(21,446)	32,181
Cash flows from investing activities		
Purchase of tangible fixed assets	(79)	(56)
Purchase of intangible fixed assets	(440)	(532)
Purchase of debt securities	(83,682)	(47,366)
Maturities of debt securities	56,800	37,941
Net cash (generated)/ used in investing activities	(27,401)	(10,013)
Net increase in cash and cash equivalents	(46,209)	24,839
Cash and cash equivalents at 1 September	107,286	82,447
Cash and cash equivalents at 31 August	61,077	107,286

Notes to the Accounts



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Notes to the Accounts

Note 1

Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of Preparation

The Annual Accounts have been prepared in compliance with Financial Reporting Standard 102 (FRS102), IAS 39 Financial Instruments: Recognition and Measurement (IAS39), the Building Societies Act 1986 and the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended).

Going Concern

The Society prepares detailed forecasts ('Corporate Plan') for the three years following the year ended in these financial statements. Furthermore, the Society models the impact of severe but plausible scenarios on capital and liquidity through robust stress testing and analysis of changes on key sensitivities. The Board is satisfied that based on empirical evidence, and current market data, the severe but plausible stress scenarios are in fact more severe than that previously or currently experienced by the Society, particularly in reference to COVID-19 and/or Brexit and the financial crisis of 2007/2008.

These severe but plausible stresses are established and defined in detail during the annual ICAAP and ILAAP, in line with PRA requirements. Considerations are given to a range of factors, including but not limited to HPI fluctuations, changes in customer propensity of default, unemployment, interest rate changes and circumstances that may give rise to funding outflows either on an idiosyncratic level or sector wide.

The Society maintains a surplus over regulatory limits for both capital and liquidity throughout the stresses. The Board, therefore, is satisfied that the Society has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

Basis of Accounting

The Annual Accounts have been prepared on a going concern basis under the historical cost convention with the exception of the following:

- Available for sale assets are held at fair value.
- Derivatives are held at fair value, and underlying hedged items are held at fair value, with respect to interest rate risk.

The financial statements are presented in Sterling (£). There are no foreign currency transactions.

Interest Income and Expense

Interest income and expense in respect of all financial assets is credited to the Income Statement as it becomes receivable, with an additional calculation on interest of incentivised products and certain fees and costs that are recognised on an effective interest rate basis. These include cashback, application fees, valuation fees, broker fees and higher lending fees. The effect of the policy is to spread the impact of relevant costs and fees directly attributable and incremental to setting up the loan, over the expected life of the mortgage, which broadly equates to the incentive period of the mortgage.

Interest payable on shares and amounts owed to credit institutions and other customers is accrued on a daily interest basis.

Fees and Commissions

Fees payable and receivable other than relating to mortgage loans (which are recognised in accordance with effective interest rate), including sales commission, are recognised when the relevant service is provided.

Financial Assets

The Society has chosen to adopt the recognition and measurement provisions of IAS39, and disclosure requirements of section 11 and 12 of FRS102 in respect of Financial Instruments.

Notes to the Accounts

a) Loans and receivables

Loans and receivables are predominantly mortgage loans to customers and money market advances held for liquidity purposes. They are initially measured at fair value plus incremental direct transact costs, then subsequently recorded amortised cost, including any effective interest rate adjustment, less any impairment losses other than where an adjustment is made as part of a fair value hedging arrangement.

b) Financial assets at fair value through the Income Statement

The Society uses derivatives only for interest rate risk management purposes. It does not use derivatives for trading purposes. A fair value hedge is used to hedge exposures to variability in the fair value of financial assets and liabilities, such as fixed rate mortgages.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at their fair value. Fair values of derivative financial instruments are calculated by discounted cash flow models using yield curves that are based on observable market data. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognised immediately in the Income Statement together with changes in the fair value of the hedged item that are attributable to the hedged risk within net gain/(losses) from derivative financial instruments.

All derivatives entered into by the Society are for the purposes of providing an economic hedge. Hedge accounting is an optional treatment but the specific rules and conditions in IAS39 have to be complied with before it can be applied. When transactions meet the criteria specified in IAS39, the Society applies fair value hedge accounting so that changes in the fair value of the underlying asset or liability that are attributable to the hedged risk are recorded in the Income Statement to offset the fair value movement of the related derivative. The Society has classified all of its derivatives as fair value hedges. To qualify

for hedge accounting at inception the hedge relationship must be clearly documented. At inception the derivative must be expected to be highly effective in offsetting the hedged risk, and effectiveness must be tested throughout the life of the hedge relationship.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, hedge accounting is discontinued prospectively. If the underlying instrument is sold or repaid, the unamortised fair value adjustment is immediately recognised in the Income Statement and therefore as a consequence within the Statement of Changes in Members' Interests. A summary of the effects of hedging and the associated fair value adjustments can be found in Notes 15 and 30.

c) Available for sale assets – debt securities

Available for sale assets are non-derivative assets that are intended to be held for an indefinite period of time. They may be sold in response to needs for changes in liquidity or changes in interest rates. The Society's debt securities are classified as available-for-sale assets. The Society measures debt securities at fair value, with subsequent changes in fair value being recognised through the Statement of Comprehensive Income and presented in the available for sale reserve within equity, except for impairment losses which are recognised in the Income Statement. When the asset is sold, the change in fair value accumulated in the equity is released to the Income Statement.

Further information regarding how fair values are determined can be found in Note 30 to the accounts. Upon sale or maturity of the asset, the cumulative gains and losses recognised in other comprehensive income are removed from available-for-sale reserves and recycled to the Income Statement.

d) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on

Notes to the Accounts

a net basis or to realise the asset and settle the liability simultaneously. No such assets or liabilities are offset in the Statement of Financial Position.

e) Financial Liabilities

Financial liabilities are measured at amortised cost, and are recognised in the Statement of Financial Position when the Society becomes a party to the contractual provision of the instrument. Financial liabilities are derecognised when the liability is extinguished which is when the contractual obligation is discharged or expires.

Taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

The Finance Team periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised providing for temporary differences between the carrying amount of certain assets and liabilities for accounting purposes and for taxation purposes. Deferred tax is provided using tax rates enacted or substantively enacted at the Statement of Financial Position date, depending on the date at which they are expected to reverse. Deferred tax assets are only recognised where it is probable that future taxable profit will be available against which temporary differences can be utilised.

Deferred tax has been recognised in respect of all timing differences at the reporting date, with the exception of permanent differences, other than those arising on business combinations.

FRS102 prohibits discounting of deferred tax.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Where parts of an item of tangible fixed assets have

different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Society assesses at each reporting date whether any tangible fixed assets are impaired.

Depreciation is provided to write off the cost, less the estimated residual value, of tangible fixed assets over their estimated useful economic lives as follows:

- Freehold buildings and leasehold properties (long) – 50 years on a straight line basis:
- Leasehold land and leasehold properties (short) – Life of lease on a straight line basis:
- Equipment, fixtures and fittings – 5 to 10 years on a straight line basis: and
- Vehicles – 25% on the reducing balance.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Society expects to consume an asset's future economic benefit.

Intangible Assets

The costs of computer software acquired where the Society will derive future economic benefit are capitalised at the acquisition date. Amortisation is charged to the Income Statement on a straight line basis over the estimated useful lives. Computer software is amortised from the date it is available for use. The estimated useful lives are within a range of 1 to 10 years based on historical experience.

The Society reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flow, cash and cash equivalents comprise balances with less than 3 months to maturity at the Statement of Financial Position date,

Notes to the Accounts

including cash in hand and balances with the Bank of England and loans and advances to credit institutions.

Dividend Income

Dividend income is recognised when the right to receive payment is established. Where the substance of the dividend is a return of capital, that element of the dividend is offset against the carrying value of the investment. In all other cases, dividend income is taken to the Income Statement.

The previous financial year results were disclosed on a consolidated basis at Group level, which included the former wholly owned subsidiary Hanley Financial Services Limited. Due to the closure of this subsidiary in the year ending 31 August 2024, the current financial reporting has instead been disclosed on a Society only basis, with a consistent restatement of prior year results by way of comparison. Dividend income received by the Society resulting from this closure is detailed in Note 17.

Leases

Operating lease rentals are charged to the Income Statement account on a straight line basis over the period of the lease. The Society has no finance lease agreements.

Impairment of Loans and Advances to Customers and Forbearance

At each reporting date, the Society assesses whether there is objective evidence that financial assets not carried at fair value through the Income Statement 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 Society on terms that the Society

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.

The Society 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. The Society considered specific impairments to be those which are subject to forbearance, in possession, with a loan to value greater than 90% with a balance equating to greater than 5% of the Society's eligible capital or one month or more in arrears. 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 Society 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 Society include:

Notes to the Accounts

- 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 are required 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 Society'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 the Income Statement 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 rate. 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 the Income Statement.

Impairment Losses on Debt Securities

At each Statement of Financial Position date the Society assesses whether or not there is objective evidence that individual debt instruments are impaired. In determining whether there is any objective evidence of impairment the Society takes into account a number of factors including:

- Significant financial difficulties of the issuer or obligor;
- Any breach of contract or covenants;
- The granting of any concession or

rearrangement of terms;

- The disappearance of an active market;
- Any significant downgrade of ratings of the issuer or obligor; and
- Any significant reduction in market value of the instrument.

In some cases a significant adverse change in one of the above factors will cause the Society to determine that there is objective evidence of impairment. In other cases it may not be possible to identify a single event that identifies impairment. The Society may additionally determine that there is impairment where there are several factors contributing to that view.

Where the Society determines that there is objective evidence of impairment or that trigger events exist at the Statement of Financial Position date, then, in the case of available for sale instruments, the cumulative loss that had been recognised directly in reserves is removed from reserves and recognised in the Income Statement. In the case of held to maturity instruments an appropriate charge is made to the Income Statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be related to an event occurring after the impairment loss was recognised through the Income Statement, the impairment loss is reversed, with the amount of the reversal recognised through the Income Statement.

Pension Costs

The Society contributes to personal pension plans of its staff. The Society's contributions are charged against profits in the year to which they relate. The charge to the Income Statement for the year is shown in Note 8 to the accounts.

Incentive Schemes

The Society offers Executive Team members a medium-term incentive plan, with the awards of the scheme payable over 3 years. Schemes may run concurrently, with the associated accounting treatment considering each award with different

Notes to the Accounts

service periods charges against profits in the period to which they relate. Should a member exit the Society's employment, future payments are immediately forfeited.

Critical Accounting Estimates and Judgements

As a part of the preparation of the Annual Report and Accounts the Society makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on many factors including historical experience and expectations of future events that are believed to be reasonable under the circumstances.

These estimates and judgements are described below:

a) Impairment losses and advances

The Society reviews its mortgage portfolio to assess the adequacy of its impairment provisions at least on a quarterly basis. In undertaking this review, the Society makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before such decrease in an individual loan can be identified. This evidence may include observable data indicating that there has been an adverse change in the payment status or borrower's local economic conditions, including forbearance measures such as a transfer to interest only payment and term extensions that correlate with defaults on assets in the Society.

The Society also assesses the loss on loans and advances as a result of expected movements in house prices and the forced sale discount on properties in possession as well as the likely time taken to recover a loan through the sale of collateral. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimise any differences between loss estimates and actual loss experience.

The expected date of disposal of the individually impaired mortgage asset is an

important assumption in determining the level of impairment provision. If the date of disposal was within 1 year of the Statement of Financial Position date, it would result in the impairment provision being increased from £1.1m to £1.2m. Alternatively an assumed 9 year disposal plan would result in the impairment provision being reduced from £1.1m to £0.7m.

Forecast movements in house price indices is a second important assumption in determining the level of impairment provision required. Currently the impairment provisioning models include HPI assumptions drawn from a variety of external sources. Assuming no rise in HPI in the next 5 years, would result in the impairment provisioning being increased from £1.1m to £1.2m. Conversely assuming annual growth in HPI of 5% over the next 5 years would result in the impairment provisioning model being increased from £1.1m to £1.2m.

b) Effective Interest Rate ('EIR')

FRS102 requires that all of the cash flows directly associated with financial instruments must be recognised in the Income Statement using the effective interest rate method. When this approach is applied to a mortgage portfolio, judgements must be made to estimate the average life of each mortgage where a product fee is attached. These judgements are applied taking into account factors including the terms of the particular products, historical repayment data and economic conditions. These estimates are updated in each reporting period to reflect the portfolio's actual performance.

c) Hedge Accounting and the fair values of derivatives

As a risk management tool, the Society uses interest rate derivatives as a hedging instrument against mortgage exposures in accordance with IAS 39. Qualifying hedging relationships are assessed on an ongoing basis, with the relationship required to be within 80-125% effective to qualify. If effective the changes in fair value of mortgage asset are offset by the changes in value of the derivative. This process is formally documented.

Notes to the Accounts

d) Fair values of derivatives and financial assets

The Society employs the following techniques in determining the fair value of its derivatives and financial assets:

- Available for sale – measured at fair value using market prices. The Society holds a portfolio of high-quality liquid assets and certificates of deposit in its management of liquidity risk; and
- Derivative financial instruments – calculated by discounted cash flow models using yield curves that are based on observable market data. These assets are held by the Society in its management of interest rate risk.

2. Interest receivable and similar income	Society	
	2024	2023
	£'000	£'000
On loans fully secured on residential property	16,687	11,640
On other loans	188	151
On debt securities- interest and other income	3,053	1,237
On other liquid assets- interest and other income	5,184	3,098
Net interest income on derivative financial instruments	2,489	2,638
	27,601	18,764

3. Interest payable and similar charges	Society	
	2024	2023
	£'000	£'000
On shares held by individuals	16,570	6,925
On deposits and other borrowings	735	697
	17,305	7,622

4. Fees and commissions receivable	Society	
	2024	2023
	£'000	£'000
Insurance commissions	33	27
Fees receivable	75	87
Rentals and sundry income	4	2
	112	116

Notes to the Accounts

5. Fees and commission payable	Society	
	2024	2023
	£'000	£'000
Bank charges	190	118
Other fees payable	28	31
	218	149

6. Net losses from derivative financial instruments	Society	
	2024	2023
	£'000	£'000
Derivatives in designated fair value hedge relationships	(4,062)	(55)
Adjustments to hedging items in fair value hedge accounting relationships	3,996	(94)
Derivatives not in designated fair value hedge relationships	(2)	(157)
	(68)	(306)

The net losses from derivative financial instruments represents the net fair value movement on derivative instruments that are matching risk exposure on an economic basis. Some accounting volatility arises on these items due to accounting ineffectiveness on designated hedges, or because hedge accounting is not achievable on certain items. This gain or loss will tend to zero over time and this is taken into account by the Board when considering the Society's underlying performance.

7. Other Income	Society	
	2024	2023
	£'000	£'000
Profit/(Loss) generated from sale of properties in possession	41	(139)
	41	(139)

Notes to the Accounts

8. Administrative expenses and staff numbers		Society	
		2024	2023
		£'000	£'000
Administrative expenses			
Directors' emoluments:			
(i) Fees		196	193
(ii) For executive services		565	599
Remuneration and expenses of staff:			
(i) Salaries and wages		3,516	3,054
(ii) Social security costs		424	396
(iii) Other pension costs		234	187
Remuneration of external auditors *			
For audit work		162	145
Operating leases- land and buildings		60	60
Other administrative expenses		2,828	3,069
		7,985	7,703

* Remuneration of the external auditors disclosed above excludes VAT.

Staff numbers	2024		2023	
The average monthly number of persons employed during the year:	Full time	Part time	Full time	Part time
At head office	49	15	39	12
At branch offices	19	7	20	15
Society	68	22	59	27

Notes to the Accounts

9. Directors' and Key Managers Remuneration

Total remuneration of the Society's Directors for the year was £761,000 (2023: £792,000). Full details are given in the Directors' Remuneration Report on page 19. Remuneration of key management personnel, who are not Executive Directors, for the year was £962,000 (2023: £812,000). The Society does not contribute to Non-Executive Directors' pensions. Directors' loans and transactions (a) As at 31 August 2024 there were 2 (2023: 4) outstanding mortgage loans granted in the ordinary course of business to Directors and connected persons, amounting in aggregate to £455,341 (2023: £1,049,741). As at 31 August 2024 a total of £119,433 (2023: £36,981) was held in Society savings by the Directors. (b) During the year there were no services provided to the Society by any connected business of a serving director. At 31 August 2024, there were no amounts outstanding to any connected businesses (2023: £nil). There were no significant contracts with the Society subsisting during or at the end of the financial year in which a director of the Society (or a person connected with a director of the Society) is, or was, interested.

Notes to the Accounts

10. Provisions for impairment losses on loans and advances to customers				Society	
	Loans fully secured on residential property	Other loans fully secured on land	Total		
	£'000	£'000	£'000		
Individual position					
At 1 September 2023	1,438	-	1,438		
Amounts utilised	(216)	-	(216)		
Increase in the year	-	-	-		
Release in the year	(73)	-	(73)		
At 31st August 2024	1,149	-	1,149		
Collective provision					
At 1 September 2023	288	12	300		
Reduction in the year	(37)	-	(37)		
At 31st August 2024	251	12	263		
Individual provision					
At 1 September 2022	1,053	-	1,053		
Amounts utilised	(518)	-	(518)		
Increase in the year	910	-	910		
Release in the year	(7)	-	(7)		
At 31st August 2023	1,438	-	1,438		
Collective provision					
At 1 September 2022	88	12	100		
Increase in the year	200	-	200		
At 31 August 2023	288	12	300		
Total provision					
31 August 2024	1,400	12	1,412		
31 August 2023	1,726	12	1,738		

Included in loans secured on residential property is a total of 1 case (2023: 1), with a balance outstanding of £0.07m (2023: £0.35m), which is in possession. As at 31 August 2024 total specific impairment provisions of £nil (2023: £0.23m) are held against this exposure.

The net losses from derivative financial instruments represents the net fair value movement on derivative instruments that are matching risk exposure on an economic basis. Some accounting volatility arises on these items due to accounting ineffectiveness on designated hedges, or because hedge accounting is not achievable on certain items. This gain or loss will tend to zero over time and this is taken into account by the Board when considering the Society's underlying performance.

Notes to the Accounts

11. Tax on profit on ordinary activities		Society	
	2024	2023	
	£'000	£'000	
a) Analysis of charge in year:			
Current tax	-	-	
Origination and reversal of timing differences (see note 25)	394	(220)	
Tax on profit on ordinary activities	394	(220)	
b) Factors affecting current tax charge in year:			
Profit on ordinary activities before tax	2,506	923	
Tax on profit on ordinary activities	626	199	
Effects of:			
Fixed Asset Differences	14	86	
Income not subject to tax	(432)	-	
Adjustments to tax charge in respect of previous periods	(2)	-	
Timing differences not recognised in tax computation	188	-	
Remeasurement of deferred tax	-	46	
Movement in deferred tax not recognised	-	(551)	
Current tax charge for year	394	(220)	

The standard rate of Corporation Tax in the UK was 25.00% and accordingly the Society's profits have been taxed at this effective rate (2023: 21.52%). Deferred tax has been measured based on the substantively enacted rate of 25.00%. Further details on deferred tax are included in Note 25.

12. Cash in hand and balances with the Bank of England		Society	
	2024	2023	
	£'000	£'000	
Cash in hand	312	400	
Bank of England Reserve Account	56,749	101,458	
	57,061	101,858	

Cash and cash equivalents on the Statements of Cash Flow constitutes cash in hand and balances with the Bank of England and loans and advances to credit institutions with maturities of less than three months. This totals £61,077k (2023: £107,286k) for the Society.

Notes to the Accounts

13. Loans and advances to credit institutions	Society	
	2024	2023
	£'000	£'000
Loans and advances to credit institutions remaining maturities as follows:		
Repayable on demand	4,016	5,428
Not more than three months	-	-
In more than three months but not more than one year	4,518	3,023
	8,534	8,451

The Society has five Credit Support Annexes (CSA) for its derivative instruments which typically provides for the exchange of collateral on a daily basis to mitigate net mark to market credit exposure. As at 31 August 2024, there is £450k of pledged collateral (2023: Nil) included within loans and advances to credit institutions and are repayable on demand.

14. Debt securities	Society	
	2024	2023
	£'000	£'000
Treasury bills issued by UK Government	27,543	2,955
Certificates of deposits	47,948	45,200
	75,491	48,155

The Board consider the primary purpose of holding securities is prudential. The securities held as liquid assets are held with the intention of use on a continuing basis in the Society's activities.

14. Debt securities	Society	
	2024	2023
	£'000	£'000
Movements in debt securities during the year are summarised as follows:		
At 1 September 2023	48,155	38,005
Additions	83,682	47,366
Disposals and maturities	(56,800)	(37,941)
Movement in premium and accrued interest	337	631
Gains/ (losses) in fair value recognised other comprehensive income	117	94
	75,491	48,155

Notes to the Accounts

15. Derivative financial instruments	Society		
	Contract Notional Amount	Fair Value Assets	Fair Value Liabilities
	£'000	£'000	£'000
At 31 August 2024			
Unmatched derivatives- Interest rate swaps	15,500	40	-
Derivatives designated as fair value hedges interest rate swaps	90,500	1,082	754
	106,000	1,122	754
At 31 August 2023			
Unmatched derivatives- Interest rate swaps	6,450	108	66
Derivatives designated as fair value hedges interest rate swaps	115,000	4,421	31
	121,450	4,529	97

Unmatched derivatives related to swaps which had not been matched against mortgages for hedge accounting purposes as at the relevant year end date.

16. Loans and advances to customers	Society	
	2024	2023
	£'000	£'000
Loans and advances to customers comprise:		
Loans fully secured on residential property	377,250	347,140
Loans fully secured on land	2,788	3,118
Fair value adjustment for hedged risk	(414)	(4,409)
	379,624	345,849

Notes to the Accounts

Loans and advances to customers are held at amortised cost (with the exception of loans in a hedging relationship), with interest and the associated costs being recognised in the interest receivable and similar income line of the Statement of Comprehensive Income on an effective interest rate basis.

Fair value hedging adjustments of £414k (2023: £4,409k) have been made to certain fixed rate mortgages that are in fair value hedging relationships.

The maturity of loans fully secured on residential property and loans fully secured on land from the date of Statements of Financial Position is as follows:

	Society	
	2024	2023
	£'000	£'000
Repayable on demand	66	340
In not more than three months	539	56
In more than three months but not more than one year	1,090	1,600
In more than one year but not more than five years	18,329	20,143
In more than five years	360,742	329,289
	380,766	351,428
Provisions for bad and doubtful debts (See Note 10)	(1,412)	(1,738)
Fair value adjustment for hedged risk	(414)	(4,409)
Effective Interest Rate Adjustment	684	568
	379,624	345,849

This analysis assumes that each mortgage account will continue under its current terms and, in particular, that it will not be redeemed before the contractual maturity date. However, the Society's mortgage conditions give the Society the right to demand repayment of the mortgage debt in full after three months written notice to the borrower. When the borrower is in default repayment is due immediately.

Included in loans secured on residential property is a total of 1 case (2023: 1), with a balance outstanding of £0.07m (2023: £0.35m), which is in possession. As at 31 August 2024 total specific impairment provisions of £nil (2023: £0.23m) are held against this exposure.

17. Investments in subsidiary undertakings

During the financial year ended 31 August 2024, the Society closed its wholly owned subsidiary, Hanley Financial Services Limited, as a result of which £0.98m of dividend income is included in the Society's profit for the financial year. The dividend income comprises the net assets of the subsidiary.

This closure followed the sale of income rights to future commission streams which took place in the financial year ending 31 August 2023, as disclosed under Note 20.

Notes to the Accounts

18. Tangible fixed assets		Society			
		Land and Buildings			
2024		Freehold	Long Leasehold	Short Leasehold	Equipment, Fixtures, Fittings & Vehicles
		£'000	£'000	£'000	£'000
Cost at 1 September 2023		1,031	2,124	249	1,191
Additions during the year		5	-	-	74
Disposals during the year		-	-	-	(1)
Cost at 31 August 2024		1,036	2,124	249	1,264
Depreciation at 1 September 2023		409	550	249	977
Charge for the year		21	39	-	111
Disposals during the year		-	-	-	(1)
Depreciation at 31 August 2024		430	589	249	1,087
Net book value:					
At 31 August 2023		622	1,574	-	214
At 31 August 2024		606	1,535	-	177

All land and buildings, with exception of one part-occupied building, are fully occupied by the Society for its own activity.

19. Intangible fixed assets		Society
		2024
		£'000
Cost as at 1 September 2023		4,090
Additions during the year		440
Disposals during the year		-
Cost as at 31 August 2024		4,530
Amortisation as at 1 September 2023		1,361
Charge for the year		448
Disposals during the year		-
Amortisation as at 31 August 2024		1,809
Net Book Value		
At 31 August 2023		2,729
At 31 August 2024		2,721

Notes to the Accounts

20. Prepayments and accrued income	Society	
	2024	2023
	£'000	£'000
Prepayments	609	489
Accrued Income	270	281
	879	770

Included in Accrued Income as at 31 August 2024 is £95,000 (2023: £175,000) in relation to the income rights to future commission streams of the Society's former subsidiary Hanley Financial Services sold for £245,000 during the financial year ended 31 August 2023. In accordance with the sale, payment is staggered over 3 years.

21. Shares	Society	
	2024	2023
	£'000	£'000
Held by individuals	480,376	461,533
	480,376	461,533

Repayable from the date of the balance in the ordinary course of business as follows:		
Accrued interest	4,384	2,005
Repayable on demand	279,499	282,598
In not more than three months	89,520	104,665
In more than three months but not more than one year	54,182	39,903
In more than one year	52,791	32,362
	480,376	461,533

22. Amounts owed to other customers	Society	
	2024	2023
	£'000	£'000
Repayable from the date of the balance in the ordinary course of business as follows:		
Accrued interest	-	45
Repayable on demand	12,380	17,635
In not more than three months	242	1,721
In more than three months but not more than one year	-	2,000
In more than one year but not more than five years	-	-
	12,622	21,401

Notes to the Accounts

23. Other Liabilities	Society	
	2024	2023
	£'000	£'000
Corporation tax due within one year	-	-
Provisions for liabilities	80	-
	80	-

As at 31 August 2024, the Society holds a provision of £0.08m (2023: £nil), which reflects managements best estimate of costs required to settle obligations in relation to associated legal claims and regulatory audits.

24. Accruals	Society	
	2024	2023
	£'000	£'000
Accruals	1,400	1,825
	1,400	1,825

25. Deferred Taxation	Society	
	2024	2023
	£'000	£'000
Current tax asset	76	76
Deferred tax asset	18	412
Total tax assets	94	488

Composition of the deferred tax balance:

Fixed asset timing differences	(559)	(603)
Short term timing differences	188	376
Losses and other deductions	389	639
	18	412
Deferred taxation at 1 September 2023	412	193
Fixed asset timing differences	46	382
Short term timing differences	(188)	(188)
Losses and other deductions	(252)	25
Effect of change on tax rate	-	-
At 31 August 2024	18	412

The deferred tax asset is recognised at the substantively enacted tax rate of 25.00% (2023: 25.00%). Recognition of deferred tax assets depends on the availability of future taxable trading profits. Further details are included in Note 1.

Notes to the Accounts

26. General reserves		
	Society	
	2024	2023
	£'000	£'000
At 1 September as previously stated	30,486	29,343
Profit for the financial year	2,112	1,143
	32,598	30,486

27. Available for sale reserves		
	Society	
	2024	2023
	£'000	£'000
At 1 September	(103)	(197)
Net gain from change in fair value	117	94
	14	(103)

28. Guarantees and other financial commitments		
	Society	
	2024	2023
	Land and buildings	Land and buildings
	£'000	£'000
Operating leases which expire:		
Within one year	56	47
Within two to five years	116	50
	172	97

29. Country by Country Reporting	
Total Operating Income	£10.3m (2023: £11.1m)
Profit before tax	£2.5m (2023: £0.9m)
FTE	83 (2023: 78)
Corporation Tax paid or due in the year	£Nil (2023: £Nil)
Public subsidies received during the year	£Nil (2023: £Nil)

Notes to the Accounts

30. Financial instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability of another entity. The Society is a retailer of financial instruments in the form of mortgage and savings products, and also uses wholesale financial instruments to invest liquid asset balances, raise wholesale funding and manage the risks arising from its operations.

The Society has a formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Assets and Liabilities Committee. Instruments used for risk management purposes include derivative financial instruments ("derivatives"), which are contracts or agreements whose value is derived from one or more underlying price, rate or index inherent in the contract or agreement, such as interest rates. Derivatives are only used by the Society in accordance with the Building Societies Act 1986, to reduce the risk of loss arising from changes in interest rates. Derivatives are not used in trading activity or for speculative purposes.

The only derivatives used in balance sheet risk management are interest rate swaps which are used to hedge Society Statement of Financial Position exposures arising from fixed rate mortgage lending products.

The Society applies fair value hedging techniques to reduce its interest rate risk as follows:

Activity	Risk	Fair value interest rate hedge
Fixed rate mortgages	Increase in interest rates	Society pays fixed, receives variable
Fixed rate savings	Decrease in interest rates	Society receives fixed, pays variable

The fair value of these hedges at 31 August 2024 and 31 August 2023 are shown in Note 15.

The following table sets out a summary of terms and conditions and accounting policies for financial instruments.

Financial Instrument	Terms & Conditions	Accounting Policy
Loans and advances to credit institutions	Fixed interest rates Fixed term Short to medium term maturity	Loans and receivables at amortised cost Accounted for at settlement date
Debt securities	Fixed interest rates Fixed term Short to medium term maturity	Loans and receivables at amortised cost Accounted for at settlement date
Loans and advances to customers	Secured on residential property or land Standard contractual term Fixed or variable interest rate	Loans and receivables at amortised cost
Shares	Variable term Fixed or variable interest rates	Amortised cost Accounted for at settlement date
Amounts owed to credit institutions	Fixed interest rates Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Amounts owed to other customers	Fixed interest rates Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Derivative financial instruments	Fixed interest received/paid converted to variable interest paid/received Based on notional value of derivative	Fair value through the Income Statement Accounted for at trade date

Notes to the Accounts

Financial assets and liabilities are measured on an ongoing basis either at fair value or amortised cost. Note 1 describes how the classes of financial instruments are measured, and how income and expenses, including fair value and gains and losses, are recognised. The tables below analyse the Society's assets and liabilities by financial classification.

30. Financial instruments		Society				
Carrying values by category 31 August 2024	Held at amortised cost			Held at fair value		
	Loans and receivables	Cash and financial assets and liabilities at amortised cost	Available-for-sale	Derivatives designated as fair value hedges	Unmatched derivatives	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Cash in hand and balances with Bank of England	-	57,061	-	-	-	57,061
Loans and advances to credit institutions	8,534	-	-	-	-	8,534
Debt securities	-	-	75,491	-	-	75,491
Derivative financial instruments	-	-	-	1,082	40	1,122
Loans and advances to customers	379,624	-	-	-	-	379,624
Total financial assets	388,158	57,061	75,491	1,082	40	521,832
Total non-financial assets	-	-	-	-	-	6,012
Total Society assets	388,158	57,061	75,491	1,082	40	527,844
Financial liabilities						
Shares	-	480,376	-	-	-	480,376
Amounts owed to other customers	-	12,622	-	-	-	12,622
Derivative financial instruments	-	-	-	754	-	754
Total financial liabilities	-	492,998	-	754	-	493,752
Total non-financial liabilities	-	-	-	-	-	1,480
General and other reserves	-	-	-	-	-	32,612
Total Society liabilities	-	492,998	-	754	-	527,844

Notes to the Accounts

Society						
Carrying values by category 31 August 2023	Held at amortised cost			Held at fair value		
	Loans and receivables	Cash and financial assets and liabilities at amortised cost	Available-for-sale	Derivatives designated as fair value hedges	Unmatched derivatives	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Cash in hand and balances with Bank of England	-	101,858	-	-	-	101,858
Loans and advances to credit institutions	8,451	-	-	-	-	8,451
Debt securities	-	-	48,155	-	-	48,155
Derivative financial instruments	-	-	-	4,421	108	4,529
Loans and advances to customers	345,849	-	-	-	-	345,849
Total financial assets	354,300	101,858	48,155	4,421	108	508,842
Total non-financial assets	-	-	-	-	-	6,397
Total Society assets	354,300	101,858	48,155	4,421	108	515,239
Financial liabilities						
Shares	-	461,533	-	-	-	461,533
Amounts owed to other customers	-	21,401	-	-	-	21,401
Derivative financial instruments	-	-	-	31	66	97
Total financial liabilities	-	482,934	-	31	66	483,031
Total non-financial liabilities	-	-	-	-	-	1,825
General and other reserves	-	-	-	-	-	30,383
Total Society liabilities	-	482,934	-	31	66	515,239

Notes to the Accounts

30. Financial instruments continued		Society			
Fair values of financial assets and liabilities carried at fair value		Level 1	Level 2	Level 3	Total
		£'000	£'000	£'000	£'000
31 August 2024	Notes				
Financial assets					
Available-for-sale					
Debt securities	14	75,491	-	-	75,491
Derivative financial instruments					
Interest rate swaps	15	-	1,122	-	1,122
		75,491	1,122	-	76,613
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	15	-	754	-	754
		-	754	-	754
31 August 2023					
Financial assets					
Available-for-sale					
Debt securities	14	48,155	-	-	48,155
Derivative financial instruments					
Interest rate swaps	15	-	4,529	-	4,529
		48,155	4,529	-	52,684
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	15	-	97	-	97
		-	97	-	97

Fair values of financial assets and liabilities

Fair value is the value for which an asset or liability could be exchanged or settled between knowledgeable willing parties in an arm's length transaction. The estimated fair value of the financial assets and liabilities above has been calculated using a hierarchy valuation methodology which is split into three levels as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data. The Society does not hold any level 3 assets or liabilities.

Notes to the Accounts

Credit Risk

Credit risk is the risk that the Society incurs a financial loss arising from the failure of a customer or counterparty to meet their contractual obligations. The Society structures the level of credit risk it undertakes, by maintaining a governance framework involving delegated approval authority levels and credit procedures, the objective of which is to build and maintain asset portfolios of high quality. The Society's maximum credit risk exposure is detailed in the table below:

The Assets and Liabilities Committee is responsible for approving treasury counterparties for derivatives and investment purposes. Limits are placed on the amount of risk accepted in relation to a single counterparty, or groups of counterparties, and to industry sectors. This is managed within a framework to ensure risk exposure is managed within the risk appetite set by the Board. The Society's Treasury Policy only permits lending to central government (which includes the Bank of England), banks with a high credit rating and building societies. This involves the use of strict mandates, counterparty risk assessments and monitoring. An analysis of the Society's treasury asset concentration is shown in the tables below:

30. Financial instruments continued	Society	
	2024	2023
Credit risk	£'000	£'000
Credit risk exposure		
Cash in hand and balances with Bank of England	57,061	101,858
Loans and advances to credit institutions	8,534	8,451
Debt securities	75,491	48,155
Derivative financial instruments	1,122	4,529
Loans and advances to customers	379,624	345,849
Total statement of financial exposure	521,832	508,842
Off balance sheet exposure - mortgage commitments	35,288	39,641
Total statement of financial exposure	557,120	548,483

30. Financial instruments continued		Society			
	2024	2024	2023	2023	
	£'000	%	£'000	%	
Industry sector					
Banks	51,512	36.63	50,628	31.95	
Building Societies	4,518	3.21	3,023	1.91	
Central Bank	84,604	60.16	104,813	66.14	
Central Government	-	-	-	-	
	140,634	100.00	158,464	100.00	

Notes to the Accounts



The Society has no exposure to foreign exchange risk. All instruments are denominated in Sterling. The Society's derivative financial instruments are analysed by geographical origin and credit rating of counterparty in the table below:

	Society						
	2024	AA-	A+	A	A-	Other	2023
Geographic region	£'000	%	%	%	%	%	£'000
United Kingdom	110,531	51.62	19.37	-	-	29.01	135,983
Europe	21,317	-	100.00	-	-	-	11,224
Australia	4,041	100.00	-	-	-	-	4,054
Canada	4,745	100.00	-	-	-	-	7,203

All mortgage loan applications are assessed with reference to the Society's credit risk appetite statement and Board approved Lending Policy, which includes assessing applicants for potential fraud risk. When deciding on the overall risk appetite that the Society wishes to adopt, both numerical and non-numerical considerations are taken into account, along with data on the current UK economic climate and competitor activity. The Lending Policy must comply with all the prevailing regulatory policy and framework.

The lending portfolio as originated is monitored by the Board to ensure that it remains in line with the stated risk appetite of the Society, including adherence to the lending principles, policies and lending limits. Credit risk management information is comprehensive and is circulated to relevant Board committees on a regular basis to ensure that the portfolio remains within the Society's risk appetite.

Notes to the Accounts

The Society operates throughout England and Wales and an analysis of the Society's geographical concentration is shown in the table below:

30. Financial Instruments continued	Society	
Loans and advances to customers	2024	2023
	%	%
Geographical analysis		
East Anglia	4	4
East Midlands	6	6
London and South East	33	32
North East	3	4
North West	11	11
South West	7	7
Wales	3	3
West Midlands	21	22
Yorkshire and Humberside	6	6
Scotland	6	5
	100	100

	Society	
Loan to Value ('LTV') analysis	2024	2023
	%	%
0% - 50%	36	38
>50% - 60%	13	13
>60% - 70%	13	14
>70% - 80%	14	17
>80% - 90%	9	6
>90% - 100%	13	9
>100%	2	3
	100	100
Average loans to value of mortgage loans (%)	30	39

Notes to the Accounts

All loans with a LTV exceeding 100% are regularly monitored by the Credit Committee. Further, all loans with a LTV exceeding 100% are included in the individual impairment provisioning model used to determine the adequacy of the Society's overall impairment provision. Further information is available in Note 1.

30. Financial instruments continued		Society			
	2024	2024	2023	2023	
	£'000	%	£'000	%	
Arrears analysis					
Not impaired:					
Neither past due or impaired	367,662	96.56	337,172	95.93	
Past due up to 3 months	1,727	0.45	2,448	0.70	
Past due 3 - 6 months	496	0.13	902	0.26	
Past due 6 - 12 months	408	0.11	627	0.18	
Past due over 12 months	46	0.01	-	-	
Impaired:					
Not past due	7,475	1.96	7,489	2.13	
Past due up to 3 months	-	-	-	-	
Past due 3 - 6 months	2,885	0.76	2,450	0.70	
Past due 6 - 12 months	-	-	-	-	
Past due over 12 months	-	-	-	-	
Possessions and LPA receiverships	67	0.02	340	0.10	
Total as per Note 16	380,766	100.00	351,428	100.00	
	Indexed	Unindexed	Indexed	Unindexed	
	£'000	£'000	£'000	£'000	
Value of collateral held:					
Neither past due or impaired	1,239,097	1,041,829	1,051,951	865,503	
Past due but not impaired	6,759	3,984	10,471	6,628	
Impaired	8,703	8,574	7,908	7,565	
	1,254,559	1,054,387	1,070,330	879,696	

The Society uses HPI indexing to update the property values of its mortgage portfolio on a quarterly basis. Collateral values are adjusted by the Nationwide price index to derive the indexed valuation at 31 August. The collateral consists of UK property and land.

The quality of the Society's mortgage book is reflected in the value of mortgage accounts in arrears as a percentage of the overall portfolio of 1.46% (2023: 1.84%).

Notes to the Accounts

With collateral capped to the amount of outstanding debt, the value of collateral held against 'Impaired' assets at 31 August 2024 is £8,703k (2023: £7,908k) against outstanding debt of £10,427k (2023: £10,279k). Any shortfall in collateral on impaired mortgage exposures is a key consideration in the assessment of the adequacy of individual impairment provisions. See Note 1.

Mortgage indemnity insurance acts as additional security. It is taken out for all residential loans where the borrowing exceeds 80% of the value of the total security at the point of origination.

The status 'past due up to three months but not impaired' and 'past due over three months but not impaired' includes any asset where a payment due is received late or missed but no individual provision has been allocated. The amount included is the entire loan amount rather than just the overdue amount.

Possession balances represent those loans where the Society has taken action to realise the underlying security. The Society has various forbearance options to support customers who may find themselves in financial difficulty.

Forbearance

This is where reduced monthly payment concessions allow a customer to make an agreed underpayment for a specific period of time. Forbearance is offered to customers who are experiencing specific cases of difficulty.

The concession, which is a reduced payment, is usually a temporary transfer to interest only which allows the customer to pay only the interest of the loan without reducing the capital. At the end of the concessionary period the Society works constructively with the customer to identify the most suitable payment plan to manage their monthly mortgage payments going forward.

Examples of these payment plans include increasing their normal monthly payment, subject to affordability, or extending the term of the mortgage again in order to reduce the mortgage payment to an affordable level for the customer based on their current financial circumstances.

All forbearance arrangements are formally discussed with the customer and are reviewed by the Customer Services Team prior to acceptance of the forbearance arrangement. By offering customers in financial difficulty the option of forbearance the Society potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment and/or potentially placing the customer into a detrimental position at the end of the forbearance period.

Regular monitoring of the forbearance activity is reported to the Board at regular intervals. In addition, all forbearance arrangements are reviewed and discussed with the customer on a regular basis to assess the ongoing potential risk to the Society and suitability of the arrangement for the customer.

At 31 August 2024 the Society had 14 cases (2023: 4) subject to forbearance measures with total balances of £3.24m (2023: £0.68m). In each instance the loans were not impaired and were subject to interest only or reduced payment concessions at the year end.

Notes to the Accounts

Liquidity risk

Liquidity risk is the risk that the Society 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 Society's Treasury Policy requires that a significant amount of its total assets are carried in the form of cash and other readily realisable assets in order to:

- Meet day-to-day business needs;
- Meet any unexpected cash needs;
- Maintain public confidence; and
- Ensure maturity mismatches are provided for.

Monitoring of liquidity, in line with the Society's Treasury Policy, is performed daily. Compliance with the policy is reported monthly to both Assets and Liabilities Committee and to the Board.

The Society's Treasury Policy is designed to ensure the Society has sufficient liquid resources to withstand a range of stressed scenarios.

A series of liquidity stress tests have been developed as part of the liquidity risk assessment process. They include scenarios that fulfil the specific requirements of the Prudential Regulation Authority (the idiosyncratic, market-wide and combination stress tests). The stress tests are performed monthly and reported to Assets and Liabilities Committee to allow them to confirm the Treasury Policy remains appropriate.

The Society's liquid resources comprise high quality liquid assets, including a Bank of England Reserve Account, certificates of deposit and term deposits, supplemented by an amount of UK Government Treasury Bills purchased by the Society. At the end of the year the ratio of liquid assets to shares and deposit liabilities was 28.62% (2023: 32.81%).

Notes to the Accounts

30. Financial instruments continued							
Residual maturity as at 31 August 2024	Society						Total
	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Non cash	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets							
Liquid assets							
Cash in hand and balances with Bank of England	57,061	-	-	-	-	-	57,061
Loans and advances to credit institutions	4,016	-	4,518	-	-	-	8,534
Debt securities	-	12,391	63,100	-	-	-	75,491
Total liquid assets	61,077	12,391	67,618	-	-	-	141,086
Derivative financial instruments	-	-	-	-	-	1,122	1,122
Loans and advances to customers	66	539	1,090	18,329	360,742	(1,142)	379,624
Tangible assets	-	-	-	-	-	2,318	2,318
Intangible assets	-	-	-	-	-	2,721	2,721
Other assets	-	-	-	-	-	973	973
Total assets	61,143	12,930	68,708	18,329	360,742	5,992	527,844
Financial liabilities and reserves							
Shares	280,117	90,619	55,234	53,290	1,116	-	480,376
Amounts owed to credit institutions and other customers	12,380	242	-	-	-	-	12,622
Derivative financial instruments	-	-	-	-	-	754	754
Other liabilities	-	-	-	-	-	1,480	1,480
Reserves	-	-	-	-	-	32,612	32,612
Total liabilities	292,497	90,861	55,234	53,290	1,116	34,846	527,844
Net liquidity gap	(231,354)	(77,931)	13,474	(34,961)	359,626	(28,854)	-

Notes to the Accounts

30. Financial instruments continued		Society					
Residual maturity as at 31 August 2023	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Non cash	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets							
Liquid assets							
Cash in hand and balances with Bank of England	101,858	-	-	-	-	-	101,858
Loans and advances to credit institutions	5,428	-	3,023	-	-	-	8,451
Debt securities	-	9,376	38,779	-	-	-	48,155
Total liquid assets	107,286	9,376	41,802	-	-	-	158,464
Derivative financial instruments	-	-	-	-	-	4,529	4,529
Loans and advances to customers	340	56	1,600	20,143	329,289	(5,579)	345,849
Tangible assets	-	-	-	-	-	2,410	2,410
Intangible assets	-	-	-	-	-	2,729	2,729
Other assets	-	-	-	-	-	1,258	1,258
Total assets	107,626	9,432	43,402	20,143	329,289	5,347	515,239
Financial liabilities and reserves							
Shares	283,054	105,427	40,352	31,106	1,594	-	461,533
Amounts owed to credit institutions and other customers	17,635	1,735	2,031	-	-	-	21,401
Derivative financial instruments	-	-	-	-	-	97	97
Other liabilities	-	-	-	-	-	1,825	1,825
Reserves	-	-	-	-	-	30,383	30,383
Total liabilities	300,689	107,162	42,383	31,106	1,594	32,305	515,239
Net liquidity gap	(193,063)	(97,730)	1,019	(10,963)	327,695	(26,958)	-

30. Financial instruments continued		Society					
Gross Cashflows as at 31 August 2024	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Non cash	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
31 August 2024							
Financial liabilities							
Shares	280,144	91,022	56,495	59,542	1,447	-	488,650
Amounts owed to credit institutions and other customers	12,382	243	-	-	-	-	12,625
Derivative financial instruments	-	-	-	-	-	754	754
Total liabilities	292,526	91,265	56,495	59,542	1,447	754	502,029

Notes to the Accounts

30. Financial instruments continued							
Society							
Gross Cashflows as at 31 August 2023	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Non cash	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
31 August 2023							
Financial liabilities							
Shares	283,079	105,745	41,127	33,535	1,952	-	465,438
Amounts owed to credit institutions and other customers	17,636	1,747	2,097	-	-	-	21,480
Derivative financial instruments	-	-	-	-	-	97	97
Total liabilities	300,715	107,492	43,224	33,535	1,952	97	487,015

The Society only uses derivatives for interest rate risk management purposes, it does not use derivatives for speculative trading purposes. A fair value hedge is used to hedge exposures to variability in the fair value of the Society's fixed rate mortgages. Derivatives are initially recognised at fair value on the date at which a derivative contract is entered into and are subsequently re-measured at its fair value at each reporting period. Fair values of derivatives are calculated by using discounted cash flow models using yield curves that are based on observable market data, an asset arises when the fair value is positive and a liability when the fair value is negative. The fair values of the Society's derivatives are as follows:

All derivatives entered into by the Society are for the purposes of providing an economic hedge. Hedge accounting is an optional accounting policy, but its use must be in accordance with the specific rules and conditions in IAS39. The Society pays fixed and receives SONIA on all of its derivatives at 31 August 2024.

30. Financial instruments continued			
Fair value of derivatives			
Assets	Liabilities	Assets	Liabilities
2024	2024	2023	2023
£'000	£'000	£'000	£'000
1,122	754	4,529	97

Annual Business Statement

Statutory Percentages	Society	
	2024	Statutory Limit
Proportion of business assets not in the form of loans fully secured on residential property (the 'lending limit')	0.89	25
Proportion of shares and deposits not in the form of shares held by individuals (the 'funding limit')	2.56	50

The percentages are calculated in accordance with, and the statutory limits are those prescribed by, sections 6 and 7 of the Building Societies Act 1986 as amended by the Buildings Societies Act 1997. Business assets are the total assets of the Society as shown in the Statement of Financial Position plus provisions for bad and doubtful debts, less fixed assets and liquid assets. Loans fully secured on residential property are the amount of principal owing by borrowers and interest accrued not yet payable. This is the amount shown in the Statement of Financial Position plus provisions for bad and doubtful debts.

Other Percentages	Society	
	2024	2023
	%	%
Gross capital as a percentage of shares and borrowings	6.62	6.29
Free capital as a percentage of shares and borrowings	5.65	5.29
Liquid assets as a percentage of shares and borrowings	28.62	32.81
As a percentage of mean assets:		
Profit after taxation	0.40	0.23
Management Expenses	1.65	1.75

The above percentages have been prepared from the Society's accounts and in particular:

- 'Shares and borrowings' represent the total of shares, amounts owed to credit institutions and amounts owed to other customers. The Society has exposures to retail shares, retail deposits (corporate customers) and wholesale deposits;
- 'Gross capital' represents general reserves;
- 'Free capital' represents the aggregate of gross capital and collective loan loss impairment provision for bad and doubtful debts less tangible and intangible fixed assets;
- 'Mean total assets' represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year;
- 'Liquid assets' represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities;
- 'Management expenses' represent the aggregate of administrative expenses, depreciation and amortization; and
- 'Cost/income' represents the aggregate of administration expenses, depreciation and amortisation expressed as a percentage of total income less other operating charges.

Documents may be served on the above named Directors at the Forvis Mazars LLP, 3 Wellington Place, Leeds, LS1 4AP.

Annual Business Statement

Directors of the Society

Name	Occupation	Date of Appointment	Directorships
N. M. Jordan	Society's Chair	1/5/2018	Bank of America Europe DAC Nordisk Renting AB
R. I. Henley	Society Director	1/1/2020	-
L. Payne AGMA, CGMA	Society's Finance Director	18/6/2019	-
M. E. Selby BA, MBA	Society's Chief Executive	14/11/2016	Honeycomb Group
R. M. Young MIPA	Company Director and Consultant	5/5/2017	Caverswall Park Developments Limited Caverswall Park Management Company Limited
G. M. Davidson	Society Director	26/7/2022	-
S. Shardlow ACMA	Chief Financial Officer	1/9/2022	-
M. J. Hoccom	Society Director	1/9/2023	EI Waterside Management Company Limited

Service Contracts

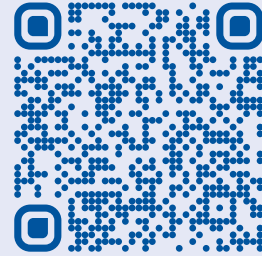
Mr M. E. Selby and Mrs L. Payne are employed under a contract that is terminable by either the Society or the Director on 6 months' notice.

The Officers of the Society are referred to as Senior Managers and, along with the Executive Directors, constitute the Executive Team.

Name	Occupation	Directorships
A. Guy Dip (Comp), MICA	Head of Risk	-
D. Lownds BSc (Hons), MSc	Head of Products and Marketing	-
L. Olszewski Assoc CIPD	Head of People and Culture	-
T. A. Ratcliffe	Head of Commercial Performance	-
O. G. Ward CeMap	Head of Operations	-
P. S. Rayet BSc (Hons)	Head of Technology	-

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Outstanding Service!

"From the beginning of our contact with the Hanley we have received outstanding service and help. Buying a house is known as a very stressful experience and so having the support really helped to give us the reassurance..."



Experience was excellent!

"Experience was excellent. Staff were Friendly and professional. Pace of delivery was efficient and customer focused. Would have no hesitation in recommending to anyone who wanted a clear, friendly and informative experience..."



Highly Recommend!

"Can't recommend my Mortgage Adviser Lana highly enough! Throughout the process she was knowledgeable, professional, personable and efficient. I found the RIO product attractive as there are no penalty charges for early repayment."





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