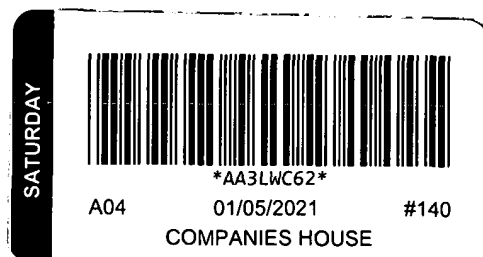


LEEK UNITED HOME LOANS LIMITED

ANNUAL REPORT

31 DECEMBER 2020

REGISTERED NUMBER: 2277333



Leek United Home Loans Limited

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Leek United Home Loans Limited

Directors' report for the year ended 31 December 2020

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2020.

Principal activities

The principal activities of the company are to hold and collect debts secured on residential property and land.

Review of the business and future developments

At 31 December 2020, the company was a direct, wholly owned subsidiary of Leek United Building Society.

The company forms part of the Leek United Building Society Group. Management monitor the key performance indicators at a Group level, therefore it is on this basis that they have been discussed in the Leek United Building Society Annual Report and Accounts and not in the individual company financial statements.

At 31 December 2020 the amount due from Leek United Building Society was £4,656 (2019: due to Leek United £39,914).

The directors do not expect any material change in the trading activities of the company in the foreseeable future.

The only material risk faced by Leek United Home Loans Limited is credit risk arising from its mortgage book. The management of the risk is covered in more detail in note 15.

Having fully considered the financial strength of the company and the current financial market, the directors are satisfied the company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Registered number: 2277333

Results and dividends

The company's loss for the financial year is £4,109 (2019: £7,608).

No dividend was paid in the year ended 31 December 2020 (2019: £nil).

Directors

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

R Court - Chair
A Healy
R Broadbent

Leek United Home Loans Limited

Directors' Report for the year ended 31 December 2020 (continued)

Directors' interests

No director has any beneficial interest in the share capital of the company, all of which is owned by Leek United Building Society. None of the directors had an interest in any contracts with the company during the year.

General information

Leek United Home Loans Limited has a legacy portfolio of residential, interest only mortgages. The Company's book is closed to new customers. The Company has only two remaining loans to residential mortgage customers. The impact of Covid-19 has not had a significant effect on the performance of the Company.

Creditor payment policy

For all trade creditors it is the company's policy to agree the terms of payment at the start of trading with that supplier and to pay in accordance with its contractual and other legal obligations.

Qualifying indemnity provision

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 23A of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The parent undertaking also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of the company and its Directors.

Exemptions for qualifying entities


The company has taken advantage of the exemption in Section 414 A(2) of the Companies Act 2006 from the requirement to prepare a Strategic report for the year in accordance with the small companies' regime.

The company has, also, chosen to take advantage of certain exemptions available to small companies under FRS102. These are detailed in note 2, summary of significant accounting policies.

Independent auditors

The current External Auditor is KPMG LLP who were appointed in April 2017. A resolution to reappoint KPMG LLP as auditors to the company will be proposed at the Annual General Meeting of the parent company on 28th April 2021.

By order of the board



R BROADBENT

Director

21 APRIL 2021

Leek United Home Loans Limited

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company'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 company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the board



R BROADBENT
Director

21 APRIL 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEEK UNITED HOME LOANS LIMITED

Opinion

We have audited the financial statements of Leek United Home Loans Limited ("the Company") for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard, and the provisions available for small entities, in the circumstances set out in note 2 to the financial statements. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks"), we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and of other relevant meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because it is contractual, non-complex loan interest revenue calculations involving minimal management judgement.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of fraud risk management controls. We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation and assessing any significant unusual transactions for business purpose.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including Companies Act legislation and taxation legislation), and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the license to operate. We identified the following areas as those most likely to have such an effect: conduct, money laundering and financial crime and certain aspects of company legislation recognizing the nature of Company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Directors' report

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

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

- we have not identified material misstatements in the directors' report;

- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime, take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Jessica Katsouris (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
 1 St. Peter's Square,
 Manchester,
 M2 3AE

21 April 2021

Leek United Home Loans Limited

Statement of Comprehensive Income for the year ended 31 December 2020

	Note	2020 £	2019 £
Turnover		1,923	2,343
Gross profit		1,923	2,343
Administrative expenses	4	(6,032)	(9,951)
(Loss) on ordinary activities before tax		(4,109)	(7,608)
Tax on (loss) on ordinary activities	5	-	-
(Loss) for the financial year		(4,109)	(7,608)
Retained earnings at 1 January		70,695	78,303
(Loss) for the financial year		(4,109)	(7,608)
Dividends paid		-	-
Retained earnings at 31 December		66,586	70,695

All activity has arisen from continuing operations

The notes on pages 10 to 22 form part of these financial statements.

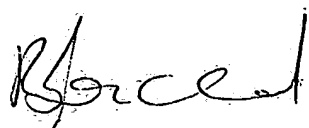
Leek United Home Loans Limited

Statement of Financial Position as at 31 December 2020

	Note	2020 £	2019 £
Current assets:			
Cash at bank and in hand		31,860	76,808
Loans and advances to customers	6	36,170	41,350
Debtors: amounts falling due within one year	7	4,656	
		72,686	118,158
Creditors: amounts falling due within one year	8	(6,000)	(47,363)
Total assets less current liabilities		66,686	70,795
Capital and reserves:			
Called up share capital	9	100	100
Profit and loss account	10	66,586	70,695
Total equity	11	66,686	70,795

The notes on pages 10 to 22 form part of these financial statements.

The accounts on pages 9 to 22 were approved by the board of directors on 21st April 2021 and signed on its behalf by:



R BROADBENT
Director

Registered Number: 2277333

Leek United Home Loans Limited

Notes to the Accounts – for the year ended 31 December 2020

1. General information

Leek United Home Loans Limited is a wholly owned subsidiary of Leek United Building Society. It holds and collects debts secured on residential property and land.

The company is a private company limited by shares and is incorporated in England. The address of its registered office is 50 St Edward Street, Leek, Staffordshire, ST13 5DL.

2. Summary of significant accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and UK Accounting Standards, comprising Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102"), and are included in the consolidated financial statements of Leek United Building Society.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. There were no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

The company has chosen to adopt the recognition and measurement provisions of IAS 39 - Financial Instruments: Recognition and Measurement, and disclosure requirements of section 11 and 12 of FRS 102 in respect of Financial Instruments.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemption:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the parent society's financial statements, includes the company's cash flows.
- disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

The directors have adapted the arrangement of certain headings in the profit and loss account to reflect more effectively and more accurately the nature of the company's activities. In particular turnover represents interest receivable.

The principal accounting policies, which have been consistently applied, are set out below.

Leek United Home Loans Limited

Notes to the Accounts – for the year ended 31 December 2020 (continued)

2. Summary of significant accounting policies (continued)

Turnover

Turnover represents interest income and expense in respect of all Financial Assets which is credited to the income and expenditure account as it becomes receivable with the exception of certain fees and costs that are recognised on an effective interest rate basis. 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 effective life of the mortgage.

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.

Management 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. FRS 102 prohibits discounting of deferred tax.

Impairment of loans and advance to customers

Individual assessments are made of all mortgage loans that are three months or greater in arrears, in possession, or where there is specific concern about the realisation of the underlying collateral and where there is objective evidence that all cash flows will not be received. Based upon these assessments, an individual impairment reduction of these assets is made. In addition, a collective impairment reduction is made against those loans and advances to customers where objective evidence, including forbearance measures, indicates that it is likely that losses may ultimately be realised. The impairment value is calculated by applying various factors to each loan. These factors take into account the Group's expectation of default and delinquency rate, loss emergence periods, regional house price movements, any discount which may be needed against the value of the property thought necessary to achieve a sale, selling costs and any potential recovery of MIG.

Any increases or decreases in projected impairment losses are recognised through the Income Statement. If a loan is ultimately uncollectable, then any loss incurred by the Group on extinguishing the debt is written off against the allowance for loan impairment. Any subsequent recoveries of amounts previously written off are recognised through the Income Statement.

Forbearance strategy

A range of forbearance options are available to support customers who are in financial difficulty, the purpose of which is to support customers who have temporary difficulties to get back on their feet. The main options offered are

- Reduced monthly payment including interest only concession
- An arrangement to clear outstanding arrears
- Payment holiday
- Extension of mortgage term
- Transfer to a new product which could help to reduce monthly payments and, as a last resort
- Capitalisation of arrears

Customers requesting a forbearance option will need to provide information to support the request which is likely to include the completion of an Income and Expenditure Questionnaire, bank statements and payslips

Leek United Home Loans Limited

Notes to the Accounts – for the year ended 31 December 2020 (continued)

2. Summary of significant accounting policies (continued)

in order that the request can be properly assessed. If the forbearance request is granted the account is monitored in accordance with our policy and procedures.

3. Directors' emoluments

None of the directors received any remuneration or pension entitlements for services to the company during the year (2019: nil). A Healy and R Broadbent receives salary and pension entitlements as a factor of their employment by Leek United Building Society. R Court receives fees for the provision of her services as a factor of her Non-Executive Director role in Leek United Building Society. They do not receive any other benefits or pension entitlement.

The company had no employees during the year (2019:nil).

4. Administrative expenses

	2020 £	2019 £
Audit fees payable to the company's auditors	6,000	9,950
Other management costs	32	1
	<u>6,032</u>	<u>9,951</u>

5. Tax on loss on ordinary activities

	2020 £	2019 £
United Kingdom corporation tax at 19% (2019: 19%)		
Current tax		-

There are no items giving rise to deferred tax.

Factors affecting the current tax charge in the year

There is no tax charge for the year ended 31 December 2020 due to the company reporting a loss for the financial year. The trading loss of £4,109 has been surrendered to the parent company in order to obtain group relief.

Leek United Home Loans Limited

Notes to the Accounts – for the year ended 31 December 2020 (continued)

5. Tax on (loss) on ordinary activities (continued)

The differences are explained below:

	2020 £	2019 £
(Loss) on ordinary activities before tax	(4,109)	(7,608)
Tax on (loss) at UK standard rate of tax 19% (2019: 19%)	(781)	(1,446)
Surrendered for group relief	781	1,446
Total current tax charge		-

6. Loans and advances to Customers

Loans and advances to customers represent advances secured on residential property and other advances secured on land and are repayable from the balance sheet date as follows:

	2020 £	2019 £
Repayable within one year	2,074	2,344
Repayable in more than one year	34,096	39,006
	36,170	41,350

The advances are in general for a period of 5 to 25 years, are payable in full at the end of that period and may be redeemed at any time at the option of the borrower. The above analysis may not reflect actual experience of repayments since many mortgage loans are repaid early. At 31 December 2020 there are no loans which with an LTV in excess of 10%. Consequently there are no provisions for losses on loans and advances (2019: £nil).

7. Debtors: amounts falling due within one year

	2020 £	2019 £
Amount due from parent undertaking	4,656	-
	4,656	-

Amounts due to and from the parent undertaking are interest free and repayable on demand.

Leek United Home Loans Limited

Notes to the Accounts – for the year ended 31 December 2020 (continued)

8. Creditors: amounts falling due within one year	2020	2019
	£	£
Accruals and deferred income	6,000	7,449
Amount due to parent undertaking		39,914
	<u>6,000</u>	<u>47,363</u>

Amounts due to the parent undertaking are interest free and repayable on demand.

9. Called up share capital	2020	2019
	£	£
Authorised, allotted, called up and fully paid 100 Ordinary shares (2019:100) of £1 each	100	100

10. Profit and loss account	2020	2019
	£	£
At 1 January	70,695	78,303
(Loss) for the financial year	(4,109)	(7,608)
Dividend paid		-
At 31 December	<u>66,586</u>	<u>70,695</u>

11. Reconciliation of movements in equity shareholders' funds	2020	2019
	£	£
Total shareholders' funds at 1 January	70,795	78,403
Loss for the financial year	(4,109)	(7,608)
Total shareholders' funds at 31 December	<u>66,686</u>	<u>70,795</u>

12. Capital commitments

There is no capital expenditure which has been contracted for that has not been provided for in the financial statements (2019: £nil).

13. Related party transactions

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

14. Controlling party

The controlling party is Leek United Building Society which is registered in England and Wales under the Building Societies Act 1986. It is the parent undertaking of both the largest and the smallest groups of undertakings to consolidate these financial statements at 31 December 2020.

The Report and Accounts of the ultimate parent undertaking may be obtained from the Secretary at 50 St Edward Street, Leek, Staffordshire, ST13 5DL.

Leek United Home Loans Limited

Notes to the Accounts – for the year ended 31 December 2020 (continued)

15. Financial instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity. The company is a retailer of financial instruments in the form of mortgage products and invests its liquid asset balances with retail banks.

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

Financial Instrument	Terms and Conditions	Accounting policy
Cash at bank and in hand	Variable interest rates Short term maturity	Financial assets and liabilities at amortised cost Accounted for at settlement date
Loans and advances to customers	Secured on residential property Standard contractual term of 25 years Variable interest rate	Loans and receivables at amortised cost Accounted for at settlement date

Financial assets and liabilities are measured on an ongoing basis at amortised cost. The carrying value of the financial instruments is equal to their fair value. The tables below analyses the company's assets and liabilities by category under IAS 39.

Carrying values as at 31 December 2020

Financial Assets

Cash at bank and in hand

Loans and advances to customers

Debtors

Total financial assets

Total non-financial assets

Total net assets

Financial Liabilities

Total non-financial liabilities

Equity

Total group reserves and liabilities

Loans and receivables	Financial assets and liabilities at amortised cost	Total
£	£	£
	31,860	31,860
36,170		36,170
4,656		4,656
40,826	31,860	72,686
		72,686
		6,000
		66,686
		72,686

Leek United Home Loans Limited

Notes to the Accounts – for the year ended 31 December 2020 (continued)

15. Financial instruments (continued)

Carrying values as at 31 December 2019	Loans and receivables	Financial assets and liabilities at amortised cost	Total
	£	£	£
Financial Assets			
Cash at bank and in hand	-	76,808	76,808
Loans and advances to customers	41,350	-	41,350
Total financial Assets	41,350	76,808	118,158
Total non-financial assets			-
Total net assets			118,158
Financial Liabilities			
Total Non-financial liabilities			47,363
Equity			70,795
Total group reserves and liabilities			118,158

16. Risk management

Management of the company's risk is performed by the parent society at a consolidated Group level, primarily as the company itself is taking little direct risk. The Group 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 parent society's board, which is charged with the responsibility for managing and controlling the balance sheet exposures and the use of financial instruments for risk management purposes.

The parent society's Board Risk Committee (BRC) is supported by the All Risks Committee (ARC), the Asset and Liability Committee (ALCO) and the Credit Committee (CC).

ARC's main responsibility is to assess the management of operational, credit and conduct risk together with legal and regulatory risk across the Group. Responsibilities of the ARC also include ensuring the detailed application of the risk management framework and the development of key risk policies and indicators.

ALCO supervises the Group's treasury and financial risk management activities and advises and supports the Finance Director in carrying out his responsibilities, including the identification, management and control of the balance sheet risks and the overview and monitoring of relevant risk control frameworks. Management of market, liquidity and funding, and strategic risk has been delegated to the ALCO.

Leek United Home Loans Limited

Notes to the Accounts – for the year ended 31 December 2020 (continued)

16. Risk management (continued)

Credit risk

Credit risk is the risk that the company incurs a financial loss arising from the failure of a customer or counterparty. It is managed by the parent society at a Group level. The company's loan book is closed to new applications. The company's liquid assets represent current and deposit accounts with banks with high credit rating criteria which comply with the parent Society's Treasury policies.

The company's maximum credit risk exposure is detailed in the table below.

	2020 £	2019 £
Cash at bank and in hand	31,860	76,808
Loans and advances to customers	36,170	41,350
Total	68,030	118,158

All values are stated at balance sheet amounts.

a) Cash at bank and in hand

All of the company's liquid assets at both 31st December 2020 and 31st December 2019 were held in current and deposit accounts at banks which meet the criteria set by the parent Society's BRC. All assets were held with UK-based banks and there are no related impairment charges.

b) Loans and advances to customers

The company's loan book is closed to new applications. For existing customers who already have mortgages with the company, ongoing creditworthiness of customers is determined through close monitoring of mortgage accounts, based upon their ability to fully meet their mortgage obligations.

Credit risk management information is comprehensive and is circulated to the parent society's MRC on a monthly basis to ensure that the portfolio remains within the Group's risk appetite. It is the Group's policy to ensure good customer outcomes and lend responsibly by ensuring at the outset that the customer can meet the mortgage repayments. This is achieved by obtaining specific information from the customer concerning income and expenditure but also external credit reference agency data. The company does not have any exposure to the sub-prime market. The maximum credit risk exposure is disclosed in the table above. Loans and advances to customers comprise retail residential loans fully secured against UK property of £41k (2019: £41k). The company operates throughout the United Kingdom. An analysis of the company's geographical concentration is shown in the table below.

Geographic region	2020 £	2020 %	2019 £	2019 %
Outer South East	23,346	65%	23,347	56%
Wales and Northern Ireland	12,824	35%	18,003	44%
Total	36,170	100%	41,350	100%

Retail loans

The average loan to value (LTV) is the mean LTV for the portfolio. Each individual LTV is calculated by comparing the value of the mortgage loan to the value of collateral held adjusted by a house price index.

Leek United Home Loans Limited

Notes to the Accounts – for the year ended 31 December 2020 (continued)

16. Risk management (continued)

The average LTV is 8% (2019: 9%). All loans have an LTV below 7.9% at 31 December 2020 (2019: 11.2%).

The quality of the company's retail mortgage book is reflected in the fact that there are no accounts in arrears at 31 December 2020 (2019: no accounts in arrears). The main factor for loans moving into arrears tends to be the condition of the general economic environment.

The table below provides information on retail loans by payment due status:

	2020 £	2020 %	2019 £	2019 %
Arrears Analysis				
Not impaired				
Neither past due or impaired	36,170	100%	41,350	100%
Impaired				
Past due 6 to 12 months	-	-	-	-
Total	36,170	100%	41,350	100%

	2020 Indexed £	2020 Unindexed £	2019 Indexed £	2019 Unindexed £
Value of Collateral Held				
Neither past due or impaired	469,029	113,500	443,660	113,500
Past due over three months and impaired	-	-	-	-

The collateral consists of residential property. Collateral values are adjusted by the Nationwide price index to derive the indexed valuation at 31 December 2020. This takes into account regional data across 13 regions of the UK. The company uses the index to update the property values of its residential portfolio on a quarterly basis.

The status 'past due over three months and impaired' includes assets where an individual provision has been allocated where appropriate. The amount included is the entire loan amount rather than just the overdue amount.

The loan book is comprised of both interest only and repayment residential loans.

Leek United Home Loans Limited

Notes to the Accounts – for the year ended 31 December 2020 (continued)

16. Risk management (continued)

Arrangement payment plans are agreed to enable customers to reduce their arrears balances by an agreed amount per month which is paid in addition to their standard monthly repayment.

Loan terms can be extended to allow customers additional time to fully repay their loans.

Capitalisations occur where arrears are added to the capital balance outstanding for the purposes of re-structuring the loan, allowing the customer to repay the arrears over the remaining term of the loan.

All forbearance arrangements are formally discussed and agreed with the customer. By offering customers in financial difficulty the option of forbearance, the company 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.

All forbearance arrangements are reviewed and monitored on a monthly basis to assess the ongoing potential risk, suitability and sustainability to the company. The level and different types of forbearance activity are reported to the parent society's ARC on a monthly basis. There were no cases in forbearance at 31 December 2020 or 31 December 2020.

Liquidity risk

Liquidity risk is the risk that the company is unable to meet its financial obligations as they become due, resulting in an inability to support normal business activity or a failure to meet liquidity regulatory requirements.

Stress tests are undertaken by the parent society on a Group basis to measure the Group's ability to meet adverse cash flows on a regular basis. This activity is overseen by the parent society's Asset and Liability Committee.

Leek United Home Loans Limited

Notes to the Accounts – for the year ended 31 December 2020 (continued)

16. Risk management (continued)

The table below analyses the company's assets and liabilities into relevant maturity groupings, based on the remaining period to contractual maturity on an undiscounted basis at the statement of financial position date. This is not representative of the company's management of liquidity. Loans and advances to customers rarely run their full course. The actual repayment profile is likely to be significantly different from that shown in the analysis. For example most mortgages have a contractual maturity of around 25 years but are generally repaid much sooner.

	On demand £	Not more than three months £	More than three months but less than one year £	More than one year but not more than five years £	More than five years £	Non Cash £	Total £
Residual maturity as at 31 December 2020							
Financial Assets							
Cash at bank and in hand	31,860						31,860
Loans and advances to customers		519	1,556	32,754	1,341		36,170
Other Assets	4,656						4,656
Total assets	36,516	519	1,556	32,754	1,341		72,686
Non-Financial Liabilities							
Other liabilities						6,000	6,000
Equity						66,686	66,686
Total Liabilities and Reserves						72,686	72,686
Net Liquidity Gap	36,516	519	1,556	32,754	1,341	(72,686)	

Leek United Home Loans Limited

Notes to the Accounts – for the year ended 31 December 2020 (continued)

16. Risk management (continued)

	On demand £	Not more than three months £	More than three months but less than one year £	More than one year but not more than five years £	More than five years £	Non Cash £	Total £
Residual maturity as at 31 December 2019							
Financial Assets							
Cash at bank and in hand	76,808	-	-	-	-	-	76,808
Loans and advances to customers	-	586	1,758	34,107	4,899	-	41,350
Total assets	76,808	586	1,758	34,107	4,899	-	118,158
Non-Financial Liabilities							
Other liabilities	-	-	-	-	-	47,363	47,363
Equity	-	-	-	-	-	70,795	70,795
Total Liabilities and Reserves	-	-	-	-	-	118,158	118,158
Net Liquidity Gap	76,808	586	1,758	34,107	4,899	(118,158)	-

There are no gross contractual cash flows payable under financial liabilities.

Market risk

Market risk is the risk of changes to the company's financial condition caused by market interest rates. The company is exposed to limited market risk in the form of changes (or potential changes) to interest rates. Exposure is limited to variable interest rates on bank deposit accounts and variable interest rates on its administered mortgage portfolio. The company has no exposure to fixed interest rates.

Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for its parent and benefits for other stakeholders, to maintain an optimal capital structure and to meet relevant regulatory requirements. The company's capital consists of share capital and audited retained earnings. At 31 December 2020, the company's total capital was £66,686 (2019: £70,795).