Landmark Mortgages Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2019

CONTENTS

DIRECTORS AND OTHER INFORMATION

Directors

L J Kelly
C M Insinger
H R Patel
D R Clinton
P J Schancupp
A Kloosterman

Solicitor

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EC2Y 8HQ

Secretary and Registered Office

H S Young
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Harlington Way
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GU51 4YA

Registered Number: 03273685

Banker

Royal Bank of Scotland
Drummond House
1 Redheughs Avenue
Edinburgh
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Statutory Auditor

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2019.

Principal activities

Landmark Mortgages Limited ("LML" or "the Company") primarily operates as a master servicer and legal title holder, providing oversight of mortgage loans secured on residential properties (and of associated services) and unsecured loans. The servicing of the mortgage loans had been sub-delegated to an outsourced mortgage servicing supplier. The Company is registered in Fleet and has an operational presence in Crossflatts, United Kingdom. It is authorised and regulated by the Financial Conduct Authority ("FCA").

Business review, results and future developments

The Company during the year has remained in its role as the Master Servicer and Legal Title Holder providing oversight to the acquired loan portfolios by affiliates of Cerberus Capital Management LP ("Cerberus"). The beneficial title to the entire Cerberus acquired loan portfolios had been transferred outside of the Company in 2016.

The Company continues to develop a framework to maintain a master-servicing and oversight business that is based upon good and appropriate customer outcomes with fair and consistent treatment of our customers. The Company has invested in an oversight model based on three lines of defence, the first line has 10 FTE and is based on-site at Crossflatts, West Yorkshire. The day to day servicing is sub-delegated to a market leading service provider, based on an underlying long-term servicing agreement.

During November 2019, the Company issued share capital of £20m in response to a significant increase in its remediation provisioning on Payment Protection Insurance ("PPI") in the run-up to the complaint's deadline on 29 August 2019. After the year-end date, the Company issued further share capital of £18m in July 2020 in response to an HMRC enquiry into its 2017 tax returns. Whilst the Company fully intends to challenge the contentions raised by HMRC pursuant to this enquiry, if HMRC's contentions are finally determined to be correct, this may result in potential additional tax liabilities of £16.2m in respect of the Company's 2016 to 2019 accounting periods. This has been recognised as a liability as at 31st December 2019.

LML continued to manage and oversee legacy customer remediation issues which were, and still are, recognised as liabilities on the Statement of Financial Position as a provision for customer redress. The provision for customer redress balance at year end was £89.7m (2018: £46.7m) primarily for the claims from customers regarding alleged mis-selling of PPI by Northern Rock. In connection with the acquisition of the Company by Cerberus in May 2016, NRAM Limited ("NRAM"), which is wholly owned by UK Asset Resolution Limited ("UKAR") (which in turn is wholly owned by HM Treasury) provided full indemnity protection against PPI related customer remediation. Accordingly, all PPI related customer redress is managed and settled directly by NRAM under the relevant sale agreements and LML has not paid any amounts in respect of PPI related customer redress since 2016. Since LML does not hold any PPI related information for data protection reasons, the arrangement with NRAM since acquisition date is such that LML receives an aggregate summary table which mirrors the exact PPI redress provisions held by NRAM. The indemnity protection given by NRAM regarding redress claims is split for accounting purposes between LML and Landmark Bidco Limited ("Bidco"), its immediate parent undertaking. LML's deemed direct indemnity allocation at year end was £46.5m (2018: £23.9m), this split having been calculated on the basis of a fixed ratio determined at the acquisition date in 2016. This ratio is not updated due to limitations in data available and the methodology of NRAM's PPI redress calculation model.

LML recorded a loss before tax of £53.2m in 2019 (2018: loss of £10.3m), mainly due to surge in the indemnified PPI claims ahead of the August 2019 deadline which subsequently resulted in a significant increase in LML's customer redress provision.

STRATEGIC REPORT - continued

Business review, results and future developments – continued

The Company continues to focus on improving customer service and outcomes with appropriate oversight of the delegated sub-servicer's servicing activities through active monitoring and review of customer activities, underpinned by a strong culture of risk and control, as well as treating customers fairly. Following an outbreak of the Coronavirus ("Covid-19") pandemic, LML has made available its support to its affected customers. LML has introduced a range of special measures in line with the latest regulatory guidance to tailor individual customer treatment. The firm's support included the provision of customer payment deferrals including any further extensions up to the end October 2020 and a moratorium on possession activity. LML management believes that the business' response to the challenging Covid-19 environment has and will continue to provide good customer service resulting in a positive customer outcome.

Key performance indicators

Key performance indicators utilised by the Company are:

	2019	2018
Legal title and master servicing fee income (£m)	9.3	10.8
Loss before tax (£m)	(53.2)	(10.3)
Number of Complaints (excluding PPI claims)	2,209	2,940

Principal risks and uncertainties

The principal risks and uncertainties to which the Company is exposed, and which could impact significantly on its ability to conduct its business successfully are summarised below.

Conduct risk
This is the risk of treating customers unfairly associated with the failure to deliver appropriate customer outcomes which could impact the Company's reputation and its financial performance. The Company has an averse risk appetite for conduct risk. The desire to manage conduct risk is a guiding principle of LML and the Board regards the fair and consistent treatment of our customers as an overriding principle of the business.

Operational risk
Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people or systems or from external events. In line with the definition of operational risk adopted by LML, the Board will seek to manage the three main elements of operational risk by:

- maintaining a robust governance framework under which policies and procedures are regularly reviewed, including at least annually.
- deploying succession planning, strong recruitment processes and continuous professional development to maintain a competent and engaged workforce capable of delivering the strategic objectives of the organisation.
- maintaining a comprehensive, resilient and flexible IT platform.

Supplier Risk
The Company has material outsourcing contracts and partners. The Company is exposed to the risk that any outsourcing arrangements are not properly managed by the Company, or that the supplier may default on or otherwise seek to avoid its contractual obligations. In addition, if any of the Company's key outsourcing partners cannot or will not continue to provide the outsourced functions and services for a sufficient time and with provision of adequate assistance to enable transfer to an alternative provider, then the Company may face significant disruption to its services and functions, reputational damage and possible regulatory scrutiny, which may adversely affect the Company's operating results and financial condition.

STRATEGIC REPORT - continued

Principal risks and uncertainties – continued

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet financial commitments arising from the cash flows generated by its business activities. This risk can arise from mismatches in the timing of cash flows relating to assets and liabilities or unexpected events or liabilities. The Company's finance department actively monitors its cash flow profile to mitigate its exposure to liquidity risks as and ensure that the maturities of assets and liabilities are matched.

Capital management
The Company's policy is to remain adequately capitalised to meet current regulatory requirements and to support its ongoing business operations. The Company manages its capital structure and makes adjustment to it, in light of changes in economic condition and needs of the business. The minimum regulatory capital that the Company is required to hold is determined by the rules and guidance established by the FCA under MIPRU which is 10% of the Company's total income. At the balance sheet date LML reported a deficit equity position due to an increase in its corporation tax liability provisions following LML's correspondence with HMRC, in relation to an enquiry of its historical tax returns and thus it does not meet the minimum FCA regulatory capital requirement. During March 2020, the Company made this disclosure to the FCA and provided its commitment to replenish its capital position on a timely basis as required. The Company subsequently issued new share capital of £18m in July 2020 to ensure that LML continues to satisfy the minimum regulatory capital requirement. Following the new share capital issuance, LML maintains an adequate capital in excess of the required level.

Brexit
The Company has identified Brexit risk, being the risk of an economic downturn in light of the UK leaving the European Union ("EU") on 31 December 2020, following the transition period, without an agreed trade deal. This could impact customers' ability to pay monthly subscriptions or re-pay outstanding balances, security values and the regulatory environment.

The Company has prepared scenario plans for the potential eventuality that the UK leaves the EU without a trade deal in place, this includes reviewing the impact on customers' ability to pay, tax regulations and any other regulatory impact.

The Company operates in the UK with limited direct impact from the UK leaving the EU, so believe that even though the UK economy would be impacted by Brexit, there would be a smaller operational impact to the Company and its suppliers.

Coronavirus Risk
The Coronavirus outbreak has caused the global economy to have a significant downturn and in particular in the UK where there is staff shortages and disruption to the business supply chain, as well as, UK Government intervention. LML continues to monitor real-time developments arising from the rapid spread of the virus and regularly provide updates to its employees, as well as, continuously assessing its business continuity planning. The business has taken measures to manage the virus contagion risk by initially forming a Crisis Management Team which then evolved into the Business and Operational Resilience Committee, which meets on a fortnightly basis to discuss and make appropriate decisions.

In line with the latest UK Government guidance, the Company has taken the steps necessary to relocate our colleagues with the majority now working remotely from home, ensuring that we can continue to provide effective service and support to our customers and business partners during this difficult time. LML management are working closely with industry bodies and monitoring relevant regulatory guidance and where appropriate implementing changes to our policies in order to support our customers who are impacted by Coronavirus. These include the adoption of measures to support the Government's announcement on payment deferrals of up to three months and then the subsequent announcement of a further 3-month extension up to October 2020. LML, in line with the Government guidance has also announced a moratorium on any repossession activity until the end of October 2020 – both new instruction and inventory currently being processed through the court system. Arrears fees and unpaid direct debit fees have also been temporarily paused until the end of October 2020.

LML has reduced its mortgage standard variable rate effective from 1 April 2020, in line with the Bank of England base rate reduction of 65bps.

STRATEGIC REPORT - continued

Principal risks and uncertainties – continued

Coronavirus Risk - continued

The Company has considered the adverse impact of Coronavirus on its business model. As noted above, the Company are taking measures to ensure staff safety while continuing to provide the support that customers require. LML has also been in constant communication with its key suppliers, to ensure they can continue to provide the service required during this time. The Company believe through these measures it will be able to continue effectively servicing its customers throughout this period.

The Company's main source of revenue is legal title holding and servicing fee income of the securitised Mortgage portfolios. Most of this fee income is payable by securitisation vehicles. LML notes that the Granite securitisation shelf has been structured to withstand extreme liquidity stresses. There are a variety of liquidity mechanisms which can be used for support and protection including liquidity facilities and reserves. Servicing fees are classified as senior expenses in the transaction revenue priority of payments waterfall – e.g. above triple-A note interest.

During the first half of 2020, LML management has continued to monitor the cash flows and liquidity of the Granite portfolios to establish the true impact of the Coronavirus payment deferrals. Actual customer's payment deferral rates remain below the threshold that would give rise to a liquidity stress concern. As the pandemic is still a live event and given the general uncertainty, LML management continues to closely monitor the situation and regularly update its business and operational resilience plans for business continuity, disaster recovery and crisis management to provide an effective response to these events.

Going concern

The Directors have assessed, taking into consideration the principal risks and uncertainties set out in note 13 of the financial statements, the future strategic plans, the anticipated economic conditions including the Coronavirus impact, and the Company's ability to continue as a going concern. This included the financial support expected by CERH via its comfort letter and a fund guarantee in relation to the ongoing HMRC tax enquiry. Both the financial support and the fund guarantee have now been formally confirmed to LML.

Having assessed the impact on the Company's principal risks on the basis of current financial projections including stressed scenario analysis, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board on 28 August 2020 and signed on behalf by

H S Young
Company Secretary

28 August 2020

DIRECTORS' REPORT

The Directors present their annual report on the affairs of Landmark Mortgages Limited, together with the financial statements and auditor's report, for the year ended 31 December 2019.

Dividends

An interim dividend of £Nil was declared and paid during the year (2018: £Nil).

Directors and secretary

The Directors and secretary, who held office during the year and up to the date of signing of these financial statements, except as stated below, were as follows:

Name		
D R Clinton	Chairman, Non-Executive Director	
H R Patel	Non-Executive Director	
L J Kelly	Chief Executive, Executive Director	
C M Insinger	Non-Executive Director	
M J A Heijmeijer	Non-Executive Director	(resigned 30 April 2020)
P J Schancupp	Non-Executive Director	(appointed 28 February 2019)
A Kloosterman	Non-Executive Director	(appointed 15 May 2020)
H S Young	Company Secretary	

M J A Heijmeijer, C M Insinger, and A Kloosterman are Directors of Cerberus European Residential Holdings B.V. which is the ultimate parent Company (note 15) or had beneficial interests in the share capital of the Company. No other Directors above are Directors of Cerberus European Residential Holdings B.V.

Directors' indemnities and Directors' and Officers' liability insurance

During the year, the Company paid a premium for a contract insuring the Directors and Officers of LML against personal liabilities which may arise in the course of the performance of their duties, as well as protecting the Company itself to the extent that it is obligated to indemnify Directors and Officers for such liability.

Corporate governance

The Board has established Audit and Risk Committees which are composed of Non-executive Directors of the Company. The Audit Committee has independent oversight of the external audit relationship, financial reporting and the internal audit function. The Risk Committee has independent oversight of the internal control systems, the risk management framework, and appropriateness of the Company's risk culture, to ensure it supports its stated risk appetite.

Policy on payment of creditors

The Company is responsible for agreeing terms and conditions under which business transactions with suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with these terms, normally between 30 and 90 days, provided that the supplier is also complying with all relevant terms and conditions.

Political and charitable contributions

The Company made no political or charitable contributions during the year (2018: nil).

Employees

The Non-Executive Directors have service contracts with LML. All Executive Directors and staffing of relevant business functions are employed by Capital Home Loans Limited (CHL) and provided to LML through an outsourced services arrangement during the year and in the prior year.

DIRECTORS' REPORT – continued

Disclosure of information to auditor

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

Events occurring after Statement of Financial Position date

The speed of the Coronavirus spreading globally has resulted in the UK Government announcing emergency measures including reducing the Bank Base Rate to 10bps and several other stimuluses to cushion the adverse economic impact. LML like many other businesses in the UK have taken steps in accordance with Government guidance and in particular have carried out scenario assessments to determine its resiliency in the event that this Coronavirus pandemic does not abate any time soon.

During July 2020, the Company issued share capital of £18m to replenish the net equity deficit to a net positive equity position to ensure the Company is compliant with the minimum FCA regulatory capital requirements.

Other than the Coronavirus pandemic and new share capital issuance disclosure, there have been no further reportable subsequent events between the balance sheet date and the date of signing this report that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 December 2019 and for the year then ended.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board on 28 August 2020 and signed on behalf by

H S Young
Company Secretary

28 August 2020

Company Registered Number: 03273685

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare group and parent Company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANDMARK MORTGAGES LIMITED

Disclaimer of opinion

We were engaged to audit the financial statements of Landmark Mortgages Limited ("the company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement, and related notes, including the accounting policies in note 1.

We do not express an opinion on the financial statements. Due to the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

The audit evidence available to us was limited because we were unable to obtain sufficient appropriate audit evidence in relation to the indemnity receivable from NRAM Limited having a carrying amount of £46.5m (2018: £23.9m), the amount due from Landmark Bidco Limited ("Bidco") of £33.7m (2018: £64.5m), tax liability of £16.3m (2018: tax asset of £0.7m) and associated interest accrual of £0.85m (2018: £nil) within the Statement of Financial Position as at 31 December 2019, the increase in indemnity asset of £57.2m (2018: £9.5m), the current tax charge of £16.3m (2018: £0.6m) and associated interest charge of £0.85m (2018: £nil) within the Statement of Comprehensive Income for the year then ended.

The agreements entered into relating to the acquisition of Landmark Mortgages Limited ("LML") by Bidco in 2016 resulted in the total indemnity given by the seller regarding certain redress claims being split between the Company and its parent, Bidco. Owing to the nature of the Company's and Bidco's records, we were unable to obtain sufficient appropriate evidence regarding the amount of the indemnity assets allocated to the Company. Any adjustment to this amount would have a consequential effect on the movement in the indemnity assets and the amount due from Bidco, and the related tax liability and tax charge for the year. We were unable to obtain sufficient appropriate audit evidence over these amounts by using other audit procedures.

We qualified our audit opinion on the financial statements for the period ended 31 December 2018 with regard to this same limitation.

Strategic report and directors' report

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

Our responsibility is to read the strategic report and 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.

Due to the significance of the matter described in the basis for disclaimer of opinion paragraph, and the consequential effect on the related disclosures in the Strategic Report and Directors' Report, although in our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements, we do not express an opinion on the preparation of those reports in accordance with the Companies Act 2006 or whether we have identified material misstatements in those reports.

Matters on which we are required to report by exception

In respect solely of the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANDMARK MORTGAGES LIMITED – continued

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

- 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.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law 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 responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (UK), and to issue an auditor's report.

However, due to the significance of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard.

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.

A Simpson

Alexander Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St. Peters Square
Manchester
M2 3AE
28 August 2020

STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Interest income		2,174	3,108
Net interest income	2	2,174	3,108
Legal title and master servicing fee income		9,285	10,751
Servicing fee costs		(7,074)	(8,129)
Administrative expenses	3	(3,725)	(2,904)
Financing costs	4	(850)	-
Net other operating expense		(2,364)	(282)
Operating (loss)/profit		(190)	2,826
Movement in net provision for customer redress	10b	(53,054)	(13,103)
Loss before taxation		(53,244)	(10,277)
Taxation	4	(16,256)	(592)
Loss for the financial year		(69,500)	(10,869)
Other comprehensive income		-	-
Total comprehensive loss for the year		(69,500)	(10,869)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Cash at bank – restricted		12,714	19,747
Cash at bank – unrestricted		2,956	3,245
Current tax assets		-	683
Due from parent undertakings	5	53,802	64,496
Indemnity assets	6	46,486	23,858
Other assets	7	1,995	2,147
Property and equipment	8	60	78
Total assets		118,013	114,254
Liabilities			
Other liabilities	9	16,146	22,179
Current tax liabilities		16,266	-
Provisions	10a	89,736	46,710
Total liabilities		122,148	68,889
Equity			
Share capital	11	40,000	20,000
Retained earnings		(44,135)	25,365
Total equity attributable to equity holders of the Company		(4,135)	45,365
Total liabilities and equity		118,013	114,254

The financial statements on pages 12 to 36 were approved by the Board of Directors on 28 August 2020 and were signed on its behalf by:

L J Kelly
Director

Company Registered Number: 03273685

STATEMENT OF CHANGES IN EQUITY
Year Ended 31 December 2019

For the year to 31 December 2018

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 January 2018	20,000	36,234	56,234
Loss for the financial year	-	(10,869)	(10,869)
Balance at 31 December 2018	20,000	25,365	45,365

For the year to 31 December 2019

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 January 2019	20,000	25,365	45,365
Loss for the financial year	-	(69,500)	(69,500)
Issuance of share capital	20,000	-	20,000
Balance at 31 December 2019	40,000	(44,135)	(4,135)

STATEMENT OF CASH FLOWS
Year Ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Loss before tax for year		(53,244)	(10,277)
Adjustments for			
Depreciation	3	60	57
Loss on the sale of property and equipment		4	-
Other non-cash movements		-	(591)
		(53,180)	(10,811)
(Increase)/decrease in assets			
Cash at bank – Restricted		7,034	(13,195)
Due from parent undertakings		30,694	29,722
Indemnity assets		(22,628)	26,996
Other assets		151	232
Increase/(decrease) in liabilities			
Other liabilities		(6,032)	12,951
Provisions		43,025	(45,728)
Tax repaid		692	741
Net cash flows from operating activities		(244)	908
Cash flows from investing activities			
Purchase of property and equipment		(45)	(2)
Net cash flows from investing activities		(45)	(2)
Cash flows from financing activities			
Interim dividend distribution		-	-
Net cash flows from financing activities		-	-
Net movement in cash and cash equivalent - unrestricted		(289)	906

STATEMENT OF CASH FLOWS – continued
Year Ended 31 December 2019

Analysis of changes in cash and cash equivalents in the year to 31 December 2019

	Non-restricted cash £'000
At start of year	3,245
Movement in year	(289)
At end of year	2,956

Analysis of changes in cash and cash equivalents in the year to 31 December 2018

	Non-restricted cash £'000
At start of year	2,339
Movement in year	906
At end of year	3,245

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies

Statement of compliance
The statutory financial statements set out herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The standards adopted by the Company are those that are effective and adopted by the European Union as of the date of the Statement of Financial Position.

The financial statements also comply with the relevant provisions of the Companies Act 2006. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of preparation
Landmark Mortgages Limited is a Company incorporated in the United Kingdom and is limited by shares. Its principal activities are outlined in the Strategic Report.

The financial statements have been prepared on the historical cost basis except for derivative financial instruments held in the prior year, which have been stated at their fair value. The presentation and functional currency of the Company is pounds sterling. Except where otherwise indicated, financial information presented in pounds sterling has been rounded to the nearest thousand (£ '000').

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reflected in the judgements made about the carrying amounts of assets and liabilities. Actual results may differ from the estimates made. The estimates and assumptions are reviewed on an ongoing basis and where necessary are revised to reflect current conditions. The principal estimates and assumptions made by management relate to recoverability of the amount due from parent Company, calculation of the customer redress provisions and uncertain tax positions. Judgements made by management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the year are discussed in note 16.

Going Concern
The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company have the resources to continue in business for at least 12 months following the signing of the financial statements. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the impact of the Coronavirus pandemic, the current state of the statement of financial position, future projections of profitability, liquidity, capital resources, operational disruptions and the longer-term strategy of the business. The Company's business activities, together with the factors likely to affect their future development, performance and position, are set out in the Strategic Report. The intention to support LML has been formally confirmed to the Company by Cerberus European Residential Holdings B.V. ("CERH") who is the Ultimate Parent Company, including a fund guarantee in relation to ongoing tax enquiry. The financial support and fund guarantee is only required if specific tax liabilities are due to HMRC. The uncertain tax position is disclosed in note 4 and 16.

In addition, note 13 to the financial statements include the Company's financial risk management objectives, policies and processes for managing its capital. At year end LML reported a deficit equity position due to an increased corporation tax liability position following LML's correspondence with HMRC in December 2019 in relation to an enquiry of its historical tax returns and thus it does not meet the minimum FCA regulatory capital requirement. During March 2020, the Company made this disclosure to the FCA and provided its commitment to replenish its capital on a timely basis, should the need arise to increase its 2019 corporation tax provisions. The Company subsequently issued new share capital of £18m in July 2020 to ensure that LML continues to fully meet the minimum capital requirement. Following new share capital issuance, LML maintains an adequate capital in excess of the required level.

The Company have assessed the Coronavirus risk impact on the business model. During the current market stress, LML have activated their Business Continuity Plans. LML have taken measures to ensure its outsourced staff safety, with all seconded staff presently working from home until further notice. LML has also assessed its own operational resilience, focussed on its technology capability, including its servicing oversight functions, which has enabled LML to continue in its role as the legal title holder and master servicer of Landmark mortgages.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting Policies – continued

Going Concern - continued

LML key management have been in constant communication with its key suppliers to understand their operational resilience to operate under the current stressed environment. LML has been on regular contact with its delegated servicer Computershare to ensure its continuity in operating its mortgage servicing activities on behalf of LML during this time. Any identified key supplier risks are monitored, and appropriate mitigating actions are proposed to ensure continuity of the services and/or supplies to LML during this time.

LML are closely monitoring the FCA, UK Finance and other relevant regulatory guidance, and where appropriate implementing changes to our forbearance policies in order to support our customers who are impacted by Coronavirus. These include the adoption of measures to support the Government's recent announcement on payment holiday up to three months. LML have also reduced its mortgage standard variable rate effective from 1 April 2020, in line with the Bank of England base rate reduction of 65bps.

Based on its liquidity stress tests analysis and its current cash balance position, LML has sufficient liquidity headroom for a period not less than 12 months from the date of this report, excluding the potential HMRC investigation liability. The final outcome of the HMRC tax enquiry is not expected within the next 12 months from the date of this report as the enquiry was only made in December 2019. The Company's main source of revenue is the legal title holding and servicing fee income of the securitised mortgage portfolios. The majority of this fee income is payable by securitisation vehicles. The securitisation vehicles have been structured to withstand liquidity stresses through a variety of liquidity mechanisms, which are used to support and protect the transaction, including liquidity facilities and reserves available to fully cover senior expenses in the transactions. LML servicing fee income is classified as a senior expense in the securitisation's priority of payment waterfall. The stress testing methodology covers a number of scenarios, primarily focused on severe but plausible forecast of reducing servicing fee income cash inflow and increasing administrative and non-recurring expense cash outflows. Additionally, management has also undertaken further scenarios analysis involving market shocks of no servicing fee cash inflows for 3 or 6 months when in reality this is deemed to be a remote probability due to a variety of liquidity mechanisms in place as noted above. The securitisation vehicles are only required to pay the principal on the notes and interest on the junior notes when income is received, as these would be deferred until first optional redemption date. Default on the vehicle can only happen from non-payment of the senior expenses and interest on the Class A bonds, which is covered by the liquidity facility. The first optional redemption dates for the securitisation vehicles are April 2024. The Company has sufficient liquidity available to continue as going concern even in severe but plausible scenarios.

Having assessed the impact on the Company's principal risks and on the basis of current financial projections including stressed tests analysis, the Directors have a reasonable expectation that the Company will have sufficient funds, as well as access to funding from CERH, to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. Interest income is received on the amount due from parent undertakings.

Legal title and master servicing fee income

Legal title and master servicing fee income which are not an integral part of the effective interest rate are recognised as income as the Company fulfils its performance obligations. These fees are received, and the Company provides the service, monthly of which these fees are recognised as income based on the contractual rate and referenced to the mortgage loan portfolio outstanding balance.

Servicing fee cost

Servicing fee costs are recognised as expense as and when they are incurred to generate the master servicing fee income based on the contractual rate as defined in accordance to the material outsourced long-term servicing agreement and other contractual terms for card payment and other banking processing fees.

1 Accounting Policies – continued

Administrative expenses

Administrative expenses are recognised as expenses as and when they are incurred. The details of these expenses are disclosed in the note 3 to the financial statement.

Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than investing or other purposes. Cash and cash equivalents consist of cash and balances with banks that are freely available and non-equity investments with a maturity of three months or less from the date of acquisition and any bank overdrafts.

Restricted cash balances

Restricted cash comprises cash held on trust for a short holding period to be transferred across to the respective beneficial owners of the mortgage loan portfolios under a servicing contract with the Company. These amounts are separate from any of the Company's own (unrestricted) cash balances in the Statement of Financial Position or in the Statement of Cash Flows.

Taxation

(i) Current tax

The charge for taxation is based on the result for the period and takes into account taxation deferred or accelerated arising from temporary differences between the carrying amounts of certain items for taxation and for accounting purposes. Tax relating to items which are taken directly to reserves is also taken directly to reserves. The accounting policy for uncertain tax positions is set out on page 22.

(ii) Deferred tax

Deferred tax is calculated using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions, and changes in accounting basis on adoption of IFRS.

Deferred tax assets are recognised when it is probable that future taxable profits will be available against which these temporary differences can be utilised.

Deferred tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting Policies – continued

Provisions, contingent liabilities and Indemnity assets

Provisions are recognised when, and only when, the following criteria are all met:

- There is a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and are released if they no longer meet the above criteria.

Provisions are discounted to net present value using rates which reflect the risks specific to the provision, if the effect of discounting is material.

To the extent that the provision in the Company is covered by a relevant indemnity, the associated indemnity asset is recognised, measured and valued in accordance with the requirements of IAS 37. NRAM Limited provided an indemnity for all PPI matters as part of the sale of the Company in 2015-16.

The netted off amount of provisions not covered by the relevant indemnity protection is recognised through the Statement of Comprehensive Income. The indemnity asset is based upon a proportionate split of the provision between the Company and Landmark Bidco Limited.

Contingent liabilities are possible obligations whose existence depends upon the outcome of uncertain future events or are present obligations where the outflows of resources are uncertain or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

Determination of fair value of financial instruments

The Company measures financial instruments, such as derivative financial instruments, trading financial instruments and other financial instruments designated at fair value through profit or loss, certain risks in hedged financial instruments, financial assets classified as available for sale, investment properties and share-based payments at fair value on initial recognition.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability which is accessible to the Company.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole described as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques such as discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

1 Accounting Policies – continued

Determination of fair value of financial instruments

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

None of LML's financial instruments are measured at fair value, but at amortised cost.

Property and equipment

Property and equipment are shown at cost less accumulated depreciation and impairment losses. Depreciation is provided at rates calculated to write off the cost, less the estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Fixtures and fittings	Over ten years
Computer equipment	Over four years

Subsequent costs are included in the assets' carrying amounts only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Property and equipment is assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognised in the statement of comprehensive income. The depreciation charge for the asset is then adjusted to reflect the asset's revised carrying amount.

Assets in the course of construction are not depreciated until they have been completed and transferred to the appropriate category of property, plant and equipment. The costs of financing assets in the course of construction are not included in the costs of the assets. Assets in the course of construction are included within the impairment test referred to above where appropriate.

A previously recognised impairment charge on an asset may be reversed in full or in part where a change in circumstances leads to a change in the estimates used to determine its recoverable amount. The carrying value of the asset will not be increased above the carrying value at which it would have been held had the impairment not been recognised.

Dividends

Interim and final dividends on ordinary shares are recognised as a liability and deducted from the equity in the period in which they are approved by the Company's Board of Directors. Dividends for the current financial year that are approved after the balance sheet date are disclosed as an event after the balance sheet date.

Financial liabilities

Financial liabilities include borrowings from the Company's parent undertaking, and in the prior year from banks and credit institutions, debt securities and subordinated debt issued. Financial liabilities are initially recorded at fair value and then subsequently measured at amortised cost calculated on an effective interest basis.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting Policies – continued

Adoption of new and revised reporting standards

The new standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2019 are not considered to have a material impact on the Company.

IFRS 16 Leases

The Company has applied these amendments for the first time in the current year. IFRS 16, 'Leases' deals with the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 supersedes IAS 17. IFRS 16, requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet).

The right to use asset is initially measured at cost and subsequently measured at costs (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows are adjusted as operating leases payments that were under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. The Company has no current exposure on leases and accordingly, its adoption had no impact on its results or financial position.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 'Uncertainty over Income Tax Treatments' clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The IFRIC 23 has no effect on the amount recognised under IAS 12 for uncertain tax positions in the year as disclosed in note 4.

LML considers each uncertain tax treatment separately or together with one or more uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. If the Company concludes that it is not probable that a taxation authority will accept an uncertain tax treatment, the Company reflects the effect of the uncertainty in determining the related taxable profit, tax bases, unused tax losses, unused tax credits or tax rate. The Company reflects the effect of uncertainty for each uncertain tax treatment using an expected value approach or a most likely approach depending on which method the Company expects to better predict the resolution of the uncertainty. The unit of account for recognition purposes is the income tax/deferred tax assets or liabilities and the Company does not provide separately for uncertain tax positions.

2 Interest Income

	2019 £'000	2018 £'000
Interest Income		
On intercompany loans	2,174	3,108
Total interest Income	2,174	3,108

3 Administrative expenses

	2019 £'000	2018 £'000
Directors fees	197	213
Outsourced and professional services	903	263
Depreciation and amortisation	60	57
Management and staff recharge from CHL	2,082	1,792
Other administrative expenses	483	579
Total administrative expenses	3,725	2,904

The Company had no employees during the current year or prior year as services were provided to the Company by employees of CHL on a seconded basis.

The Company had engaged a full-time equivalent (seconded from CHL) of 15 staff in 2019 (2018:16 staff).

The Directors' fee shown in the above analysis were amounts in respect of non-executive Directors paid during the current year and in the prior year. The highest paid Director amounted to £81k (2018: £96k). None of the Directors accrued retirement benefits during the year or in the prior year.

Auditor's remuneration

The following costs are included within administrative expenses:

	2019 £'000	2018 £'000
Fees payable to Company auditors for the statutory audit of the Company	92	83
Total	92	83

4 Taxation

The tax charge for the financial year comprises:	2019 £'000	2018 £'000
Current tax:		
- on loss for the year	(9,409)	(592)
- adjustments in respect of prior periods	(6,847)	-
Total taxation charge per the Income Statement	(16,256)	(592)

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 19.00% (2018: 19.25%). The differences are explained below:

	2019 £'000	2018 £'000
Loss before taxation	(53,244)	(10,277)
Loss by standard rate of corporation tax in UK	10,116	1,953
Effects of:		
- expenses not deductible for tax purposes – conduct charges	(19,922)	(2,619)
- expenses not deductible for tax purposes – other	(3)	(9)
- Group relief not paid for	400	83
- adjustments in respect of prior periods – conduct charges	(6,847)	-
Total taxation charge for the year	(16,256)	(592)

An adjustment has been made to increase the potential Company's corporation tax liability position following LML's correspondence with HMRC in December 2019 in relation to an enquiry of its historical tax returns. The adjustments in respect of prior periods relates to historic tax return enquiry from HMRC. The significant judgement and assumption are disclosed in note 16.

Included within the Statement of Comprehensive Income are the financing costs on late tax payment interest accrual associated with the above historic tax return HMRC enquiry.

5 Due from parent undertakings

	2019 £'000	2018 £'000
Amounts due from Landmark Bidco Limited ("Bidco")	33,731	64,496
Amounts due from Cerberus European Residential Holdings B.V ("CERH")	20,071	-
	53,802	64,496

The amounts due from parent undertakings noted above are interest bearing and are charged interest at 3% for Bidco and 1.75% for CERH per annum plus 12m LIBOR.

6 Indemnity assets

	2019 £'000	2018 £'000
Indemnity receivable from NRAM Limited	46,486	23,858

During the year, further indemnity assets of £57.2m (2018: £9.5m) were recognised.

7 Other assets

	2019 £'000	2018 £'000
Prepayments and accrued income	146	153
Amounts due from related parties	1,781	1,993
Other	68	1
	1,995	2,147

8 Property and equipment

31 December 2019	Computer equipment, fixtures and fittings £'000	Total £'000
Cost		
At beginning of year	230	230
Additions in year	46	46
Disposals in year	(9)	(9)
At end of year	267	267
Depreciation		
At beginning of year	152	152
Charge for year	60	60
Elimination on disposal	(5)	(5)
At end of year	207	207
Net book value		
At 31 December 2019	60	60
At 31 December 2018	78	78

8 Property and equipment – continued

31 December 2018	Computer equipment, fixtures and fittings £'000	Total £'000
Cost		
At beginning of year	228	228
Additions in year	2	2
At end of year	230	230
Depreciation		
At beginning of year	95	95
Charge for year	57	57
At end of year	152	152
Net book value		
At 31 December 2018	78	78
At 31 December 2017	133	133

9 Other liabilities

	2019 £'000	2018 £'000
Accruals and deferred income	1,599	563
Trade creditors	1,833	1,869
Other creditors	12,714	19,747
	16,146	22,179

The other creditors relate to the cash at bank – restricted as a result of this cash being held in trust and payable to the beneficial title holders of the mortgage loan portfolios under a servicing contract with the Company.

10 Provisions

(a) Statement of Financial Position movement

	Customer redress £'000	Total £'000
At 1 January 2019	46,710	46,710
Increase in the year	110,295	110,295
Utilised in the year	(67,269)	(67,269)
At 31 December 2019	89,736	89,736
At 1 January 2018	92,438	92,438
Increase in the year	22,610	22,610
Utilised in the year	(68,338)	(68,338)
At 31 December 2018	46,710	46,710

The customer redress provision relates to a number of legacy issues including PPI, which are indemnified in respect of the costs by NRAM Limited and managed by our material outsource provider on behalf of the Company.

An additional provision of £166.6m (2018: £29.4m) has been recognised during the year, of which £166.0m (2018: £27.3m) relates to an increase in PPI provisions and links to an increase in claims in line with PPI deadline and the wider sector experience

All customer redress payments are expected to be processed during the year to 31 December 2020.

The Company, in addition to the above, is also subject to other complaints and legal proceedings, as well as legal and regulatory reviews, challenges, investigations and enforcement actions. All such material matters are periodically reassessed and professional expert advice is taken on these assessments where appropriate.

(b) Statement of Comprehensive Income Movement

To the extent that the provision in the Company is covered by a relevant indemnity, the associated indemnity asset is recognised, measured and valued in accordance with the requirements of IAS 37. NRAM Limited provided indemnity in relation to all PPI matters as part of the sale of the Company in 2015-16. The amount not covered by the relevant indemnity protection is recognised through the Statement of Comprehensive Income, these are shown below:

	2019 £'000	2018 £'000
Increase in provision for customer redress (per note 10a)	(110,294)	(22,610)
Increase in indemnity assets (per note 6)	57,240	9,507
Movement in net position for customer redress as reported in Statement of Comprehensive income	**(53,054)**	**(13,103)**

c) Contingent Liabilities

Following an FCA visit to the Company in Q1 2019, LML has been reviewing the way in which redress amounts payable to customers in respect of legacy remediation issues were applied in practice. The review has been particularly complex and has involved an analysis of the impact of those payments on the legal requirements relating to the issue of Notices of Sums in Arrears. Following this analysis LML does not believe that further redress will be required, although changes may have to be made to the way in which LML identifies and communicates with customers in potential financial difficulty. The cost of these changes is anticipated to be less than £100k. No provision has been made.

11 Share capital

Issued and fully paid		2019		2018
Ordinary shares of 25p each				
	Number	£'000	Number	£'000
In issue at 1 January	80,000	20,000	80,000	20,000
New issuance	80,000	20,000	-	-
In issue at 31 December	160,000	40,000	80,000	20,000

In accordance with the Companies Act 2006, the Company no longer has authorised capital other than its issued capital.

The ordinary shares rank equally in respect of rights attached to voting, dividends and in the event of a winding up.

During November 2019, the company issued 80,000,000 ordinary shares of nominal value of 25 pence each at the subscription price of £20m, this was settled through a set off agreement with its ultimate parent company (CERH). This has been recorded in the cash flow as a non-cash transaction under financing activities.

After the year-end date, the Company issued 72,000,000 ordinary shares of nominal value of 25 pence each at the subscription price of £18m in July 2020, this was settled through a set off agreement with its ultimate parent company (CERH).

12 Financial instruments

(a) Categories of financial assets and financial liabilities: carrying value compared to fair value

The following table summarises the carrying amounts and fair values of financial assets and liabilities. The accounting policy note 1 sets out the key principles used for estimating the fair values of financial instruments. Note 16 provides some additional information in respect of the methodologies used.

At 31 December 2019	Receivables £'000	Total carrying value £'000	Fair value £'000
Financial assets:			
Cash at bank - restricted	12,714	12,714	12,714
Cash at bank - unrestricted	2,956	2,956	2,956
Other financial assets	1,849	1,849	1,849
Indemnity asset	46,486	46,486	46,486
Due from parent undertakings	53,802	53,802	53,802
Total financial assets	117,807	117,807	117,807

	Liabilities at amortised cost £'000	Total carrying value £'000	Fair value £'000
Financial liabilities:			
Trade Creditors	1,833	1,833	1,833
Other Creditors	12,714	12,714	12,714
Total financial liabilities	14,547	14,547	14,547

12 Financial Instruments – continued

(a) Categories of financial assets and financial liabilities: carrying value compared to fair value - continued

At 31 December 2018	Receivables £'000	Total carrying value £'000	Fair value £'000
Financial assets:			
Cash at bank - restricted	19,747	19,747	19,747
Cash at bank - unrestricted	3,245	3,245	3,245
Other financial assets	1,993	1,993	1,993
Indemnity asset	23,858	23,858	23,858
Due from parent undertakings	64,496	64,496	64,496
Total financial assets	113,339	113,339	113,339

	Liabilities at amortised cost £'000	Total carrying value £'000	Fair value £'000
Financial liabilities:			
Other financial liabilities	21,616	21,616	21,616
Total financial liabilities	21,616	21,616	21,616

(b) Fair value measurement

Financial assets and liabilities carried at fair value are valued on the following bases:

31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets:				
Cash at bank - restricted	12,714	-	-	12,714
Cash at bank - unrestricted	2,956	-	-	2,956
Other financial assets	-	1,849	-	1,849
Indemnity asset	-	46,486	-	46,486
Due from parent undertakings	-	-	53,802	53,802
	15,670	48,335	53,802	117,807

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial liabilities:				
Trade Creditors	1,833	-	-	1,833
Other Creditors	12,714	-	-	12,714
Total	14,547	-	-	14,547

12 Financial Instruments – continued

(b) Fair value measurement - continued

31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets:				
Cash at bank - restricted	19,747	-	-	19,747
Cash at bank - unrestricted	3,245	-	-	3,245
Other financial assets	-	1,993	-	1,993
Indemnity asset	-	23,858	-	23,858
Due from parent undertakings	-	-	64,496	64,496
	22,992	25,851	64,496	113,339

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial liabilities:				
Other financial liabilities	21,616	-	-	21,616
Total	21,616	-	-	21,616

The following table sets out the fair values of financial instruments that the Company holds at 31 December 2019. It categorises these securities into the relevant level of the fair value hierarchy.

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, whether directly (ie as price) or indirectly (ie derived from the implications of prices).

Level 3: Inputs for the asset or liability that are not based on observable market data or have significant unobservable inputs.

In each case the fair value is calculated by discounting future cash flows using observable market parameters including swap rates, interest rates and currency rates.

For financial assets and liabilities which are not carried at fair value, the fair values disclosed in note 12(a) are calculated on the following bases:

Valuation methods for calculations of fair values in the table above are as follows:

Other financial assets and liabilities
Fair value approximates to carrying value because the balances are short term in nature.

13 Financial risk management

A description of the principal risks to which the Company is exposed is provided on pages 4 to 5 which form an integral part of the audited Financial Statements.

(a) Credit risk

Credit risk is the potential for financial loss caused by a party failing to meet an obligation as it becomes due.

The maximum credit risk exposure at the Statement of Financial Position date, before taking account of any collateral netting and other credit enhancements, was as follows:

	2019 £'000	2018 £'000
On Statement of Financial Position:		
Cash at bank - restricted	12,714	19,747
Cash at bank - unrestricted	2,956	3,245
Due from parent undertakings	53,802	64,496
Indemnity asset	46,486	23,858
Other financial assets	1,849	1,993
Total on Statement of Financial Position	117,807	113,339

The indemnity asset of £46.5m (2018: 64.5m) has a low credit risk as it is guaranteed by the UK Government through an associated Company.

(b) Liquidity risk

The Company closely monitor their liquidity position against the Company's liquidity policy. Minimum and target liquidity levels are established through stress testing and cash flow forecasting, taking into consideration an assessment of any emerging and potentially extreme funding conditions.

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings:

At 31 December 2019	On demand £'000	Within three months £'000	After three months but within six months £'000	After six months but within one year £'000	After one year but within five years £'000	After five years £'000	Total £'000
Financial assets:							
Cash at bank - restricted	12,714	-	-	-	-	-	12,714
Cash at bank - unrestricted	2,956	-	-	-	-	-	2,956
Other financial assets	-	1,849	-	-	-	-	1,849
Total financial assets	15,670	1,849	-	-	-	-	17,519
Financial liabilities:							
Accruals and deferred income	-	1,599	-	-	-	-	1,599
Trade Creditors		1,833	-	-	-	-	1,833
Other Creditors		12,714	-	-	-	-	12,714
Total financial liabilities	-	16,146	-	-	-	-	16,146

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Financial risk management - continued

(b) Liquidity risk - continued

At 31 December 2018	On demand £'000	Within three months £'000	After three months but within six months £'000	After six months but within one year £'000	After one year but within five years £'000	After five years £'000	Total £'000
Financial assets:							
Cash at bank - restricted	19,747	-	-	-	-	-	19,747
Cash at bank - unrestricted	3,245	-	-	-	-	-	3,245
Other financial assets	-	1,993	-	-	-	-	1,993
Total financial assets	22,992	1,993	-	-	-	-	24,985
Financial liabilities:							
Other financial liabilities	-	22,179	-	-	-	-	22,179
Total financial liabilities	-	22,179	-	-	-	-	22,179

Other assets and liabilities are included in the above table according to the earliest date that payment can be contractually demanded. It should be noted that many financial instruments are settled earlier than their contractual maturity date.

Non-derivative cash flows

The table below analyses the Company's non-derivative cash flows payable into relevant periods. The amounts disclosed are the contractual undiscounted cash outflows:

At 31 December 2019	On demand £'000	Within three months £'000	After three months but within six months £'000	After six months but within one year £'000	After one year but within five years £'000	After five years £'000	Total £'000
Financial liabilities:							
Accruals and deferred income	-	1,599	-	-	-	-	1,599
Trade Creditors	-	1,833	-	-	-	-	1,833
Other Creditors	-	12,714	-	-	-	-	12,714
Total	-	16,146	-	-	-	-	16,146

At 31 December 2018	On demand £'000	Within three months £'000	After three months but within six months £'000	After six months but within one year £'000	After one year but within five years £'000	After five years £'000	Total £'000
Financial liabilities:							
Other financial liabilities	-	22,179	-	-	-	-	22,179
Total	-	22,179	-	-	-	-	22,179

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Financial risk management - continued

Foreign currency risk

At 31 December 2019 and 31 December 2018, the Company had no net material exposure to foreign exchange rate fluctuations or changes in foreign currency interest rates.

Conduct risk

This is the risk of treating customers unfairly associated with the failure to deliver appropriate customer outcomes which could impact the Company's reputation and its financial performance. The Company has an averse appetite for conduct risk. The desire to manage conduct risk is a guiding principle of LML and the Board regards the fair treatment of customers as an overriding principle of the business.

14 Related party disclosures

(a) Key management personnel

The Company considers the Board of Directors and the members of the Executive Committee to be the key management personnel. There were no amounts owed to or by key management personnel at any time during the year (2018: £nil).

A summary of the Company's share of the remuneration of the 9 (2018:7) key management personnel is set out in the table below. These comprise of the recharging of costs on the seconded members of the Executive Committee during the current year or prior period.

Remuneration of key management personnel	2019 £'000	2018 £'000
Short-term employee benefits	733	631
Total	733	631

(b) Fellow subsidiary

During the current year CHL recharged a total of £2.1m to the Company (2018: £1.8m).

At 31 December 2019 the Company owed £0.2m to CHL (2018: £0.1m).

14 Related party disclosures - continued

(c) Parent Companies

The Company undertook the following transactions in the year with respect to its current parent undertakings, CERH and Landmark Bidco Limited:

Balances at year end:	2019 £'000	2018 £'000
Balances with Landmark Bidco Limited	33,731	64,496
Balances with CERH	20,071	-
Legal title and master servicing fees (CERH)	131	160
Other (CERH)	40	-
	53,973	64,656

Income/(expense) during the year:	2019 £'000	2018 £'000
Interest receivable on intercompany loan (CERH)	71	-
Interest receivable on intercompany loan (Bidco)	2,103	3,108
Consultancy and secondment fee	36	14
CERH legal title and master servicing fee	2,433	2,481
	4,643	5,603

Additionally, the Company had the following balances with, and income/expense arising from, transactions with affiliates of Cerberus in the year as follows:

- Towd Point Mortgage Funding 2016-Granite1 plc – Ceased in 2019
- Towd Point Mortgage Funding 2016-Granite2 plc – Ceased in 2019
- Towd Point Mortgage Funding 2016-Granite3 plc – Ceased in 2019
- Towd Point Mortgage Funding 2019-Granite4 plc - Ongoing
- Towd Point Mortgage Funding 2019-Granite5 plc - Ongoing
- Hastings Warehouse Borrower Limited - Ongoing

Balances as at year end:	2019 £'000	2018 £'000
Assets		
Servicer fee income receivable	1,604	1,785
Legal title and master servicing fee receivable	6	46
	1,610	1,831

Income during the year/period:	2019 £'000	2018 £'000
Servicer fee income	6,292	7,653
Legal title and master servicing fees	72	617
	6,364	8,270

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Immediate, penultimate and ultimate parent undertaking

The Company's immediate parent is Landmark Bidco Limited whose registered office is at 35 Great St. Helen's, London, EC3A 6AP and whose penultimate parent Company in the United Kingdom is Landmark Holdco Limited. Landmark Holdco Limited prepare consolidated financial statements for the United Kingdom group which includes Landmark Mortgages Limited and Landmark Bidco Limited. Both companies are private limited companies incorporated and domiciled in the United Kingdom.

The ultimate parent Company is Cerberus European Residential Holdings B.V. whose registered office is at Oude Utrechtseweg 32, 3743 KN Baarn, The Netherlands (incorporated under the laws of The Netherlands with registered number 62579533). Cerberus European Residential Holdings B.V. is owned by certain investment funds managed and advised by Cerberus Capital Management L.P. a global investment manager headquartered in New York City, USA and registered with the United States Securities and Exchange Commission.

16 Significant judgements/estimates made by management

Significant judgements and estimates made by the Company which have a significant impact on the financial statements include the following:

Significant Judgements	**Key details**
Provisions	Disclosures in relation to the Company's provisions can be found in notes 10a and 10b, with the Company held provisions in respect of the following estimated payables: • payment protection insurance provision of £88.8m at 31 December 2019 (2018: £44.5m); and • other customer redress provision of £0.9m at 31 December 2019 (2018: £2.2m). Significant judgement by management is required in determining the key assumptions used to estimate the quantum of the provisions, including the level of complaint volumes (both historic and estimated future volumes), uphold rates (how many claims are, or maybe, upheld in the customers favour) and redress costs (the average payment made to customers). The provision is therefore subject to inherent uncertainties as a result of the subjective nature of the assumptions used in quantifying the overall estimated position at 31 December 2019.
Indemnity Asset	Disclosures in relation to the Company's indemnity assets can be found in note 6. To the extent that the provision in the Company is covered by a relevant indemnity, the associated indemnity asset is recognised, measured and valued in accordance with the requirements of IAS 37. The indemnity asset is based upon a proportionate split of the provision between the Company and Landmark Bidco Limited.
Amounts due from Parent Company	At 31 December 2019, the Company held assets of £53.8m due from its immediate parent Company Bidco and ultimate parent CERH. Management are of the view that the amount due from Bidco is likely to be realised in full amount at which it is recorded in the financial statements as at 31 December 2020. Accordingly, no adjustments have been made to the financial statements relating to the recoverability of the asset carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Significant judgements/estimates made by management - continued

Uncertain tax treatment

At 31 December 2019 the Company recognised corporation tax provisions of £16.2m (2018: £nil) in accordance with IAS 12 and the IFRIC 23: Uncertainty over Income Tax Treatments. HMRC in its letter to LML sent in December 2019 enquired into a certain tax treatment of its submitted tax return. In assessing how an uncertain tax treatment may affect the determination of the taxable profit, the Company assumes that HMRC will examine amounts and have full knowledge of all related information. If the Company concludes it is not probable that HMRC will accept a particular tax treatment, the Company reflects the effect of each uncertainty in determining the taxable profit by using one of the following methods:

- the single most likely amount; or
- the sum of probability-weighted amount in a range of possible outcomes

Given the nature of the matter under enquiry, management deemed that the ultimate outcome will be binary in that the Company will either be successful in its argument such that no further tax is due, or it will not, such that further tax is due. Accordingly, the single most likely amount has been prudently estimated after considering external specialist advice to recognise an uncertain tax position based on assumptions that all relevant periods in which the matter under enquiry existed between 2016 to 2019 inclusive are assessed collectively and treated in the same way based on corporation tax rates that have been enacted in the respective tax periods.

17 Events after the reporting period

The speed of the Coronavirus spreading globally has resulted in the UK Government announcing emergency measures including reducing the Bank Base Rate to 10bps and several other stimuluses to cushion the adverse economic impact. LML like many other businesses in the UK have taken steps in accordance with Government guidance and in particular have carried out scenario assessments to determine its resiliency in the event that this Coronavirus pandemic does not abate any time soon.

During July 2020, the Company issued share capital of £18m to replenish from its year-end net deficit equity to a net positive equity position to ensure the Company's is compliant with the minimum FCA regulatory capital requirements.

Other than the above Coronavirus pandemic and new share capital issuance disclosure, there have been no further reportable subsequent events between the balance sheet date and the date of signing this report that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 December 2019 and for the year then ended.