Landmark Mortgages Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2018

CONTENTS

DIRECTORS AND OTHER INFORMATION

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

Solicitor

Linklaters LLP
One Silk Street
London
EC2Y 8HQ

Secretary and Registered Office

H S Young
Admiral House
Harlington Way
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Hampshire
GU51 4YA

Registered Number: 03273685

Banker

Royal Bank of Scotland
Drummond House
1 Redheughs Avenue
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EH12 9JN

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 2018.

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 Crossflats, 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 had no subsidiaries, associates or joint venture companies in 2018 or in the prior year.

The Company continues to develop a framework to maintain a master-servicing and oversight business that is based upon good customer outcomes with fair and consistent treatment of our customers. The Company has invested in full-time outsourced staffing, with 16 members of staff most of whom provide first line oversight onsite as part of the delegated master servicing agreement.

LML continued to carry on the legacy customer remediation issues that were recognised as a liability on the Statement of Financial Position as a provision for customer redress. The customer remediation of £23.9m is indemnified and managed directly by UK Asset Resolution Limited ("UKAR") with LML providing oversight of the remediation transactions. The indemnity protection given by UKAR regarding redress claims is split between LML and Landmark Bidco Limited ("Bidco"), its immediate parent undertaking.

LML recorded a loss after tax of £10.9m in 2018 (2017: profit of £9.2m), mainly due to the reduction in the net interest income due from parent undertakings, lower legal title and master servicing net fee income due to an amortising loan portfolio, and reduction in the taxable current year profits; offset by a lower net provision charge for customer redress on a number of legacy issues including Payment Protection Insurance ("PPI").

The Company continues to focus on improving customer service 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.

STRATEGIC REPORT - continued

Key performance indicators

Key performance indicators utilised by the Company are:

	2018 £ in million	2017 £ in million
Legal title and master servicing fee income	10.8	12.5
(Loss)/profit before tax	(10.3)	14.1
Number of Complaints	2,940	3,454

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 a zero risk appetite for conduct risk that could lead to unfair customer outcomes. The senior management as delegated by the Board of Directors manage conduct risk to ensure that it has been integrated into the business decision making and strategy.

Operational risk
This is the potential for financial or reputational loss if key internal controls were to fail. It includes loss from theft, error and systems breakdown. The Company's Risk department are tasked with the monitoring and control of such risk throughout the Company. A self-assessment process of risk mapping is conducted formally each month by management and testing of key areas of these controls is performed periodically by the Company's risk department.

Supplier Risk
The Company is dependent on 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.

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. The Company's finance department actively monitors its cash flow profile to mitigate its exposure to liquidity risks as far as possible and ensure that the maturities of assets and liabilities are matched.

Capital management
LML operates under MIPRU regulatory status. At 31 December 2018, LML maintained capital in excess of the minimum capital requirement of 10% of the Company's total income. The Directors believe it appropriate to hold a higher level of capital buffer in recognition of potential future risks in the business.

STRATEGIC REPORT - continued

Principal risks and uncertainties - continued

Brexit
LML has identified Brexit risk being the risk of an economic downturn in light of the UK leaving the European Union ("EU") on 29 March 2019, which is proposed to be extended to 12 April 2019. The Company has created scenarios for the potential eventuality that the UK leaves the EU with or without a deal, this includes, tax regulations and any other regulatory impact.

The Company is UK focused business with no key reliance on EU trade or suppliers as well as the Company's primary assets being amounts due from a UK parent and indemnified remediation cost receivables, which are not affected by Brexit.

Going concern

The Directors have assessed, taking into consideration the principal risks and uncertainties set out in note 14 of the financial statements, the future strategic plans, the anticipated economic conditions, and the Company's ability to continue as a going concern.

Having made due enquiries and 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 March 2019 and signed on behalf by

H S Young
Company Secretary

28 March 2019

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 2018.

Dividends

An interim dividend of £Nil was declared and paid during the year (2017: £554.6m).

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	
J A Mayer	Non-Executive Director	(resigned 30 March 2018)
C M Insinger	Non-Executive Director	(appointed 14 June 2018)
M J A Hejimeijer	Non-Executive Director	(appointed 8 June 2018)
P J Schancupp	Non-Executive Director	(appointed 28 February 2019)
H S Young	Company Secretary	

M J A Hejimeijer is a Director of Cerberus European Residential Holdings B.V. which is the ultimate parent Company (note 16) 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

In line with businesses of similar size and nature, 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 60 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 (2017: 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 ought to have taken as a Director to make himself 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

There have not been any reportable subsequent events between the Statement of Financial Position 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 2018.

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 March 2019 and signed on behalf by

H S Young
Company Secretary

28 March 2019

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 Strategic Report, 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 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 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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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.

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

Qualified Opinion

We have audited the financial statements of Landmark Mortgages Limited ("the company") for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

With respect to indemnity assets receivable from NRAM Limited having a carrying amount of £23.9m (2017: £50.9m) and Assets due from parent undertakings of £21.9m (2017: £39.5m) within a total carrying amount of £64.5m (2017: £94.2m) within the Statement of Financial Position as at 31 December 2018, and the increase in indemnity assets of £9.5m (2017: £8.4m) within the movement in the net provision for customer redress of £13.1m (2017: £20.5m) in the Statement of Comprehensive Income for the year then ended , the audit evidence available to us was limited.

The agreements entered into relating to the sale of the Company to its current parent ("Bidco") in 2016 resulted in the total indemnity given by the seller regarding redress claims being split between the Company and 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 asset due from parent undertakings. 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 2017 with regard to this same limitation.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our qualified opinion.

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

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

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

Going concern

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

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

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

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. Based solely on that work:

- except for the possible consequential effects of the matter described in the basis for qualified opinion section of our report:
    - we have not identified material misstatements in the strategic report and the directors' report; and
    - in our opinion those reports have been prepared in accordance with the Companies Act 2006.
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements.

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to indemnity assets, Assets due from parent undertakings and the movement in indemnity assets described 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.

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:

- 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 nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, 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.

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 March 2019

STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Interest income		3,108	34,603
Interest expense		-	(7)
Net interest income	2	3,108	34,596
Legal title and master servicing fee income		10,751	12,479
Servicing fee costs		(8,129)	(9,359)
Administrative expenses	3	(2,904)	(3,122)
Net other operating expense		(282)	(2)
Operating profit		2,826	34,594
Movement in net provision for customer redress	11b	(13,103)	(20,511)
(Loss)/profit before taxation		(10,277)	14,083
Taxation	4	(592)	(4,845)
(Loss)/profit for the financial year		(10,869)	9,238
Other comprehensive income		-	-
Total comprehensive (loss)/profit for the year		(10,869)	9,238

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 £'000	2017 £'000
Assets			
Cash at bank – restricted		19,747	6,553
Cash at bank – unrestricted		3,245	2,339
Current tax assets		683	1,424
Due from parent undertakings	6	64,496	94,218
Indemnity assets	7	23,858	50,854
Other assets	8	2,147	2,379
Property and equipment	9	78	133
Total assets		114,254	157,900
Liabilities			
Other liabilities	10	22,179	9,228
Provisions	11a	46,710	92,438
Total liabilities		68,889	101,666
Equity			
Share capital	12	20,000	20,000
Retained earnings		25,365	36,234
Total equity attributable to equity holders of the Company		45,365	56,234
Total liabilities and equity		114,254	157,900

The financial statements on pages 12 to 35 were approved by the Board of Directors on 28 March 2019 and were signed on its behalf by:

L J Kelly
Director

Company Registered Number: 03273685

STATEMENT OF CHANGES IN EQUITY
Year Ended 31 December 2018

For the year to 31 December 2017

	Share Capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	123,990	403,185	7,299	67,113	601,587
Profit for the financial period	-	-	-	9,238	9,238
Capital Reduction	(103,990)	(403,185)	(7,299)	514,474	-
Dividend	-	-	-	(554,591)	(554,591)
Balance at 31 December 2017	20,000	-	-	36,234	56,234

For the year to 31 December 2018

	Share Capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'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

STATEMENT OF CASH FLOWS
Year Ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
(Loss)/profit before tax for year		(10,277)	14,083
Adjustments for			
Depreciation	3	57	57
Other non-cash movements		(13,786)	(7,871)
		(24,006)	6,269
(Increase)/decrease in assets			
Due from parent undertakings		29,722	554,417
Indemnity assets		26,996	31,926
Other assets		232	781
Increase/(decrease) in liabilities			
Other liabilities		12,951	(1,234)
Provisions		(45,728)	(35,148)
Tax repaid/(paid)		741	(4,712)
Net cash flows from operating activities		908	552,299
Cash flows from investing activities			
Purchase of property and equipment		(2)	(2)
Net cash flows from investing activities		(2)	(2)
Cash flows from financing activities			
Interim dividend distribution		-	(554,591)
Net cash flows from financing activities		-	(554,591)
Net movement in cash and cash equivalent		906	(2,294)

STATEMENT OF CASH FLOWS – continued
Year Ended 31 December 2018

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

Analysis of changes in cash and cash equivalents in the year to 31 December 2017

	Non-restricted cash £'000
At start of year	4,633
Movement in year	(2,294)
At end of year	2,339

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 and calculation of the customer redress provisions. 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 17.

Going Concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has 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 current state of the statement of financial position, future projections of profitability, cash flows and capital resources and the longer-term strategy of the business.

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. In addition, note 14 to the financial statements include the Company's financial risk management objectives, policies and processes for managing its capital.

Having made due enquiries and 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting Policies - continued

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 Company.

Legal title income and master servicing fee income

Legal title income and master servicing fee income arising from mortgage administration services provided to third parties are recognised on an accrual basis when the service has been provided to which the fee relates.

Cash and cash equivalents and restricted cash balances

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 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.

(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.

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 warranty and indemnity, the associated indemnity asset is recognised, measured and valued in accordance with the requirements of IAS 37.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting Policies - continued

Determination of fair value of financial instruments - continued

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.

An analysis of the fair values of financial instruments and further details as to how they are measured is provided in note 13.

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 other 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.

Adoption of new and revised reporting standards

The new standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2018 are not considered to have a material impact on the Company.

1 Accounting Policies - continued

IFRS 15 Revenue from Contracts with Customers

The Company has applied these amendments for the first time in the current year. IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

Its adoption does not have an effect on the Company results or financial position.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. It introduces significant changes for the classification and measurement of financial instruments. IFRS 9 also amends other standards dealing with financial instruments, including IFRS 7 Financial Instruments: Disclosures.

Classification and measurement
The classification of financial assets will be based on the objectives of the Company's business model and the contractual cash flow characteristics of the instruments. Financial assets will then be classified as held at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL"). In most instances, the measurement outcomes will be similar to those under IAS 39 and therefore, any changes from the accounting treatment currently followed by the Company under IAS 39 are not expected to be significant. The classification of financial liabilities is essentially unchanged from the treatment under IAS 39. The adoption of IFRS 9 has no impact on the Company results or financial position as the Company has currently no assets that require reclassification or remeasurement. All assets of the Company are classified as amortised cost. All financial assets before 1 January 2018 were classified as loans and receivables.

Impairment of financial assets
Impairment provisions requirements of IFRS 9 are to move to expected losses rather than incurred losses under IAS 39. The adoption of IFRS 9 has no material impact on the Company results or financial position as the Company expected credit losses are not significant.

Hedge accounting
The hedge accounting requirements of IFRS 9 are designed to create a stronger link with financial risk management. The Company has no current exposure on hedging instruments. Accordingly, its adoption has no impact on its results or financial position.

New reporting standards not yet adopted

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective. IFRS 16, 'Leases' will require 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 are 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 will be adjusted as operating leases payments 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 is not expected to have a material impact on its results or financial position.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting Policies - continued

The standard is effective for annual periods beginning on or after 1 January 2019. Its adoption is not expected to have a material impact on its Statement of Comprehensive Income or Statement of Financial Position.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Net interest income

	2018 £'000	2017 £'000
Interest receivable		
On intercompany loans	3,108	34,603
Total interest receivable	3,108	34,603
Interest expense		
On intercompany loans	-	(7)
Total interest expense	-	(7)
Net interest income	3,108	34,596

3 Administrative expenses

	2018 £'000	2017 £'000
Directors fee	213	252
Outsourced and professional services	263	262
Depreciation and amortisation	57	57
Management and staff recharge from CHL	1,792	1,725
Other administrative expenses	579	826
Total administrative expenses	2,904	3,122

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 16 staff in 2018 (2017: 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 £96k (2017: £131k). 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:

	2018 £'000	2017 £'000
Fees payable to Company auditors for the statutory audit of the Company	83	278
Total	83	278

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Taxation

The tax (charge)/credit for the financial year comprises:	2018 £'000	2017 £'000
Current tax:		
- on loss/profit for the year	(592)	(2,747)
- adjustments in respect of prior periods	-	314
Total current tax (charge)/credit	(592)	(2,433)
Deferred tax		
- origination and reversal of temporary differences	-	(2,412)
Total deferred tax charge	-	(2,412)
Total taxation (charge)/credit per the Income Statement	(592)	(4,845)

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
(Loss)/profit before taxation	(10,277)	14,083
Loss/(profit) by standard rate of corporation tax in UK	1,953	(2,711)
Effects of:		
- expenses not deductible for tax purposes	(2,628)	(2,448)
- Group relief not paid for	83	-
- adjustments in respect of prior periods	-	314
Total taxation (charge)/credit for the year	(592)	(4,845)

5 Dividends paid

An interim dividend of £Nil was declared and paid during the year (2017: £554.6m). This was paid in line with the Company's Dividend Policy.

6 Due from parent undertakings

	2018 £'000	2017 £'000
Amounts due from Landmark Bidco Limited ("Bidco")	64,496	94,218
	64,496	94,218

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

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Indemnity assets

	2018 £'000	2017 £'000
Indemnity receivable from NRAM Limited	23,858	50,854

During the year, further indemnity assets of £9.5m (2017: £8.4m) were recognised.

8 Other assets

	2018 £'000	2017 £'000
Prepayments and accrued income	153	164
Amounts due from related parties	1,993	2,214
Other	1	1
	2,147	2,379

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Property and equipment

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

31 December 2017	Computer equipment, fixtures and fittings £'000	Total £'000
Cost		
At beginning of year	226	226
Additions in year	2	2
At end of year	228	228
Depreciation		
At beginning of year	38	38
Charge for year	57	57
At end of year	95	95
Net book value		
At 31 December 2017	133	133
At 31 December 2016	188	188

10 Other liabilities

	2018 £'000	2017 £'000
Accruals and deferred income	563	529
Trade creditors	21,616	8,686
Other creditors	-	13
	22,179	9,228

11 Provisions

(a) Statement of Financial Position movement

	Customer redress £'000	Total £'000
At 1 January 2018	92,438	92,438
Utilised in the year	(68,338)	(68,338)
Charged in the year	29,424	29,424
Released in the year	(6,814)	(6,814)
At 31 December 2018	46,710	46,710

	£'000	£'000
At 1 January 2017	127,586	127,586
Utilised in the year	(63,939)	(64,035)
Charged in the year	48,783	48,783
Released in the year	(19,992)	(19,896)
At 31 December 2017	92,438	92,438

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.

NRAM Limited hosts monthly tripartite remediation governance committee forums and provides regular remediation action notices for review as appropriate to enable the Company to make an informed decision on customer contact protocols and customer outcomes ahead of remediation activities being mobilised.

An additional provision of £29.4m (2017: £48.8m) has been recognised during the year, of which £27.3m (2017: £45.5m) relates to an increase in PPI provisions.

All customer redress payments are expected to be processed during the year to 31 December 2019, the majority of the PPI is expected to be processed by Autumn 2019 following publication of the complaint time-bar of 29 August 2019.

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.

A provision is recognised when the criteria are all met in accordance with the relevant accounting standards (see accounting policies). In some cases, it will not be possible to form a view, for example because the facts are unclear or because further time is needed to properly assess the merits of the case, and no provisions are held in relation to such matters. The Company does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Provisions - continued
(b) Statement of Comprehensive Income Movement

To the extent that the provision in the Company is covered by warranty and indemnity, the associated indemnity asset is recognised, measured and valued in accordance with the requirements of IAS 37. The amount not covered by the indemnity is recognised through the Statement of Comprehensive Income, these are shown below:

	2018 £'000	2017 £'000
Increase in provision for customer redress (per note 11a)	(22,610)	(28,887)
Increase in indemnity assets (per note 7)	9,507	8,376
Movement in net position for customer redress as reported in Statement of Comprehensive Income	(13,103)	(20,511)

12 Share capital

Issued and fully paid	Number	2018 £'000	Number	2017 £'000
Ordinary shares of 25p each	80,000	20,000	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.

13 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. Assets are generally presented at bid prices, whereas offer prices are used for liabilities. The accounting policy note 1 sets out the key principles used for estimating the fair values of financial instruments. Note 17 provides some additional information in respect of the methodologies used.

At 31 December 2018	Loans and 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
Total financial assets	48,843	48,843	48,843

	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

13 Financial instruments - continued

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

At 31 December 2017	Loans and receivables £'000	Total carrying value £'000	Fair value £'000
Financial assets:			
Cash at bank - restricted	6,553	6,553	6,553
Cash at bank - unrestricted	2,339	2,339	2,339
Other financial assets	2,215	2,215	2,215
Indemnity asset	50,854	50,854	50,854
Total financial assets	61,961	61,961	61,961

	Liabilities at amortised cost £'000	Total carrying value £'000	Fair value £'000
Financial liabilities:			
Other financial liabilities	8,699	8,699	8,699
Total financial liabilities	8,699	8,699	8,699

(b) Fair value measurement

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

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
	22,992	1,993	-	24,985

	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

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Financial instruments - continued

(b) Fair value measurement - continued

31 December 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets:				
Cash at bank - restricted	6,553	-	-	6,553
Cash at bank - unrestricted	2,339	-	-	2,339
Other financial assets	-	2,215	-	2,215
	8,892	2,215	-	11,107

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial liabilities:				
Other financial liabilities	-	8,699	-	8,699
Total	-	8,699	-	8,699

The following table sets out the fair values of financial instruments that the Company holds at 31 December 2018. 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 13(a) are calculated on the following bases:

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

Cash at bank and in hand
Fair value is estimated by using discounted cash flows applying either market rates where practicable or rates offered by other financial institutions for accounts with similar characteristics. The fair value of floating rate placements, fixed rate placements with less than six months to maturity and overnight deposits is estimated to be their carrying amount.

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

14 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:

	2018 £'000	2017 £'000
On Statement of Financial Position:		
Cash at bank - restricted	19,747	6,553
Cash at bank - unrestricted	3,245	2,339
Other financial assets	2,147	2,379
Total on Statement of Financial Position	25,139	11,271

(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 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	-	2,147	-	-	-	-	2,147
Total financial assets	22,992	2,147	-	-	-	-	25,139
Financial liabilities:							
Other financial liabilities	-	22,179	-	-	-	-	22,179
Total financial liabilities	-	22,179	-	-	-	-	22,179

14 Financial risk management – continued

(b) Liquidity risk - continued

At 31 December 2017	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	6,553	-	-	-	-	-	6,553
Cash at bank - unrestricted	2,339	-	-	-	-	-	2,339
Other financial assets	-	2,379	-	-	-	-	2,379
Total financial assets	8,892	2,379	-	-	-	-	11,271
Financial liabilities:							
Other financial liabilities	-	9,228	-	-	-	-	9,228
Total financial liabilities	-	9,228	-	-	-	-	9,228

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 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

At 31 December 2017	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	-	9,228	-	-	-	-	9,228
Total	-	9,228	-	-	-	-	9,228

14 Financial risk management – continued

Foreign currency risk

At 31 December 2018 and 31 December 2017, 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 a zero risk appetite for conduct risk that could lead to unfair customer outcomes. The senior management as delegated by the Board of Directors manage conduct risk to ensure that it has been integrated into the business decision making and strategy.

15 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 (2017: £nil).

A summary of the Company's share of the remuneration of the 7 (2017: 8) 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	2018 £'000	2017 £'000
Short-term employee benefits	770	838
Total	770	838

(b) Fellow subsidiary

During the current year CHL recharged a total of £1.8m to the Company (2017: £1.7m).

At 31 December 2018 the Company owed £0.1m to CHL (2017: £0.1m).

15 Related party disclosures - continued

(c) Parent Company

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:	2018 £'000	2017 £'000
Balances with Landmark Bidco Limited	64,496	94,218
Legal title and master servicing fees (CERH)	160	212
	64,656	94,430

Income/(expense) during the year:	2018 £'000	2017 £'000
Interest receivable on intercompany loan (CERH)	-	25,066
Interest receivable on intercompany loan (Bidco)	3,108	9,537
Interest payable on intercompany loan	-	(7)
Consultancy and secondment fee	14	-
CERH legal title and master servicing fee	2,481	2,969
	5,603	37,565

(d) Affiliates of Cerberus

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
- Towd Point Mortgage Funding 2016-Granite2 plc
- Towd Point Mortgage Funding 2016-Granite3 plc
- Bawag P.S.K. Bank
- Feldspar 2017-1 plc
- Hastings Warehouse Borrower Limited

Balances as at year end:	2018 £'000	2017 £'000
Assets		
Servicer fee income receivable	1,785	1,954
Legal title and master servicing fee receivable	46	48
	1,831	2,002

Income/(expense) during the year/period:	2018 £'000	2017 £'000
Servicer fee income	7,653	8,797
Legal title and master servicing fees	617	713
	8,270	9,510

NOTES TO THE FINANCIAL STATEMENTS - continued

16 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.

17 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**
Going concern	Details set out in basis of preparation note.
Provisions	Disclosures in relation to the Company's provisions can be found in notes 11a and 11b, with the Company held provisions in respect of the following estimated payables: • payment protection insurance provision of £44.5m at 31 December 2018 (2017: £86.2m); and • other customer redress provision of £2.2m at 31 December 2018 (2017: £6.3m). 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 2018.
Indemnity Asset	Disclosures in relation to the Company's indemnity assets can be found in note 7. To the extent that the provision in the Company is covered by warranty and indemnity, the associated indemnity asset is recognised, measured and valued in accordance with the requirements of IAS 37.
Amounts due from Parent Company	At 31 December 2018, the Company held assets of £64m due from its immediate parent Company, Landmark Bidco Limited ("Bidco"). Management are of the view that the amount due from the parent company is likely to be realised in full amount at which it is recorded in the financial statements as at 31 December 2018. Accordingly, no adjustments have been made to the financial statements relating to the recoverability of the asset carrying amounts.

18 Events after the reporting period

There have been no other significant events affecting the Company since the year end.