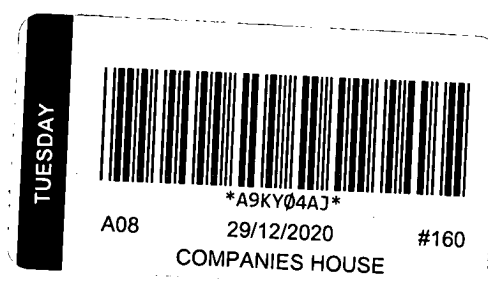


Registered number: 05798184

Landmark Mortgage Securities No. 1 plc

**Reports and audited financial statements
for the year ended 31 March 2020**



Landmark Mortgage Securities No. 1 plc

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Landmark Mortgage Securities No. 1 plc

Company information

Directors	Intertrust Directors 1 Limited Intertrust Directors 2 Limited D M R Jaffe
Company secretary	Intertrust Corporate Services Limited
Registered office	1 Bartholomew Lane London EC2N 2AX
Independent auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Registered number	05798184
Trustee	BNY Mellon Corporate Trustee Services Limited One Canada Square London E14 5AL

Landmark Mortgage Securities No. 1 plc

Strategic report for the year ended 31 March 2020

The directors present their strategic report on Landmark Mortgage Securities No. 1 plc (the "Company" or "Issuer") for the year ended 31 March 2020.

Principal activities

The Company, a public company limited by shares was incorporated on 27 April 2006 in England, United Kingdom and is registered in England and Wales under the Companies Act 2006. The Company is a special purpose vehicle which acts as an issuer in a residential mortgage backed securitisation transaction. The principal activity of the Company is the investment in mortgage assets secured by first charges over properties within the United Kingdom.

On 26 July 2006, the Company purchased £200,000,000 of mortgage assets from Investec Bank plc, a fellow group company. Further consideration in the form of deferred consideration may be payable to the beneficial owners of the mortgages dependent on their future performance. The acquisition of these mortgage assets has been accounted for as detailed in note 2.5 of the financial statements. To facilitate the purchase, the Company issued a series of loan notes on 26 July 2006. These loan notes are issued on Euronext Dublin and are due in 2038.

The mortgage servicing, cash bond administration and accounting services are provided by Kensington Mortgage Company Limited, a fellow group company.

Business review

The results for the year ended 31 March 2020 are set out on page 17. Both the level of business during the year and the financial position of the Company at the end of the year were satisfactory given the nature of the Company and its limited recourse liability.

At the year end, the mortgage assets balance after the effective interest rate adjustment, expected credit losses and unamortised discount and premium on acquisition was £35,918,000 (2019: £39,724,000) on 291 mortgages. The estimated weighted average remaining life of the mortgage assets is 6.1 years (2019: 6.5 years).

After considering property values, anticipated future losses and future income associated with the mortgage assets, over and above the principal figure shown above, the directors consider the mortgage assets together with the other related assets of the Company such as cash, to be adequate collateral against the mortgage backed loan notes in issue. The weighted average funding costs are 1.14% (2019: 1.01%) above LIBOR and the weighted average interest on mortgage assets is 4.10% (2019: 4.10%).

At year end the Company held the following principal balances of mortgage assets.

	2020 Principal balance £'000	2020 Number of loans	2019 Principal balance £'000	2019 Number of loans
First charge mortgages	33,472	291	36,793	319
	<u>33,472</u>	<u>291</u>	<u>36,793</u>	<u>319</u>

These mortgages provide security against loan notes in issue totalling £13,754,000 and €29,478,000 (2019: £15,940,000 and €31,224,000) as at the year end excluding accrued interest.

The directors have concluded that the Company will continue as a going concern and set out the basis for this conclusion in the going concern section of the directors' report.

Landmark Mortgage Securities No. 1 plc

Strategic report for the year ended 31 March 2020

Key performance indicators

The key performance indicator of the Company is the quarterly arrears profile of the mortgage assets:

	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Delinquencies days	%	%	%	%	%
Current	77.68	78.18	78.44	81.45	74.83
>30<=60	9.21	7.13	7.48	3.34	6.44
>60<=90	2.88	3.85	3.42	3.85	3.52
>90<=120	2.45	2.09	1.41	2.65	2.90
>120	7.78	8.75	9.25	8.71	12.31
Total	100.00	100.00	100.00	100.00	100.00

The value of mortgages in repossession at the year end is £66,000 (2019: £89,000).

Cash flow calculations are prepared to determine the extent to which deferred consideration will be payable and a creditor is recognised classified at amortised cost. Interest payable on this creditor is recognised on an effective interest rate basis. Under the terms of the waterfall payments, any deferred consideration would only be paid when there are sufficient revenue funds available and all other liabilities in the waterfall have been satisfied. Based on these calculations, the directors have determined that nil (2019: nil) consideration was payable at the year end.

Principal risks and uncertainties

Financial instrument risk

The financial instruments held by the Company comprise mortgage assets, borrowings, cash and various other items (such as other debtors and other creditors) that arise directly from its operations.

The Company also enters into derivative transactions where necessary to manage its interest rate and currency risk. Details of any derivatives held by the Company are disclosed in note 17.

It is and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign exchange risk, interest rate risk and operational risk. The directors review and agree policies for managing each of these risks and they are summarised below.

(a) Credit risk

Credit risk is the risk that borrowers will not be able to meet their obligations as they fall due. All mortgage assets were required to adhere to specific lending criteria. The ongoing credit risk of the mortgage portfolio (and particularly in respect of accounts in arrears) is closely monitored through an assessment of each customer and the prevailing macroeconomic environment. Probability of default of the customer and the loss given default is calculated and impairment provisions raised where necessary. The mortgage portfolio is recognised as collateralised non-recourse mortgage loans as explained in note 2.

In addition, where derivatives are held by the Company, there is a credit risk associated with the ability of the swap counterparty to meeting its obligations under the swap agreement. In some instances, this may be mitigated by the payment of cash collateral to the Company. Details of any cash collateral held by the Company are included in note 17.

The directors continue to closely monitor the economic landscape to ensure the Company is best placed to respond to any pressures that may impact portfolio performance and proactively consider strategies to mitigate any adverse portfolio impact should these pressures occur.

Landmark Mortgage Securities No. 1 plc

Strategic report

for the year ended 31 March 2020

From 1 April 2019, the Company has calculated expected credit loss provisions under an IFRS 9 approach. The Company continues to closely monitor IFRS 9 impairment coverage levels:

	Gross carrying amount £'000	Provisions £'000	Coverage ratio %
At 31 March 2020			
Stage 1	18,514	4	0.02
Stage 2	8,000	64	0.80
Stage 3	5,240	148	2.82
POCI	4,380	-	0.00
Total	<u>36,134</u>	<u>216</u>	<u>0.60</u>
At 31 March 2019			
Stage 1	16,022	3	0.02
Stage 2	17,480	86	0.49
Stage 3	<u>6,436</u>	<u>125</u>	<u>1.94</u>
Total	<u>39,938</u>	<u>214</u>	<u>0.54</u>

(b) Liquidity risk

The Company's policy is to manage liquidity risk by matching the timing of the cash receipts from the mortgage assets with those of the cash payments due on the loan notes. In addition the Company holds a minimum cash balance to manage short term liquidity requirements.

(c) Foreign exchange risk

Foreign exchange risk exists where the loan notes are denominated in a currency which is different to the underlying Sterling mortgage loans. Where this exists, the Company minimises its exposure to foreign currency risk by ensuring that the currency characteristic of its assets and liabilities are similar. Where this is not possible the Company has used derivative financial instruments to mitigate any foreign exchange risk. Details of foreign exchange exposures and any related derivatives held by the Company are disclosed in note 17.

(d) Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. Where this is not possible the Company has used derivative financial instruments to mitigate any residual interest rate risk. Details of interest rate risk exposures and any related derivatives held by the Company are disclosed in note 17.

(e) Operational risk

Operational risk is defined as any instance where there is potential or actual impact to the Company resulting from inadequate or failed internal processes, people, systems, or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

The Company operates under a controls and governance framework provided by the servicer of the mortgage assets. This includes regulatory and compliance functions and internal audit. The business is covered by the servicer's business continuity management capability.

Landmark Mortgage Securities No. 1 plc

Strategic report for the year ended 31 March 2020

Operational risk is currently heightened by the impact of COVID-19 which has driven working from home and changes in processes to meet new regulatory requirements including the provision of payment holidays. The mortgage assets are serviced by staff, employed by another Group entity, working from home due to COVID-19. However, the nature of the risks to which the Company is exposed remain similar to those when all staff were working from the office locations prior to COVID-19. Additional focus has been required on the controls appropriate for the altered working environment caused by COVID-19. The technology solutions required for all staff to function from home continue to be reviewed with additional controls implemented and guidance provided to staff with regard to the technology. The focus on the technology and working environment will continue as the Company responds to the adjusted way of working during the remainder of the COVID-19 situation and afterwards.

The customer response to COVID-19 has driven more interaction with the Company, whether implementing full payment holidays or other measures as customers respond to the impact of COVID-19 on their financial situation. The Company has undertaken a variety of activity to support consistent implementation of payment holidays and to manage the customer experience as they end their payment holiday. Monitoring of customer service quality has been maintained to mitigate the operational risks associated with the increased customer interaction and new processes related to payment holidays.

Future business developments and strategy

The directors expect the business will continue in its principal activities described above for the foreseeable future and will ensure that customers continue to be serviced on a business as usual basis.

The business is subject to a number of risks under the principal risks and uncertainties section, which could adversely affect the business in future years, and the directors will continue to monitor and manage those risks.

The UK financial markets and economy have seen significant reduction in volatility post UK election results and Brexit finally happening in January 2020; despite the optimism economic growth is expected to be subdued and uncertainty around EU deal still remains. This could lead to a change in the behavioural characteristics of the mortgage assets including default expectations and the unwind period of the Effective Interest Rate ("EIR") adjustments. To the extent that the impact of this situation can be predicted, changes in these behavioural characteristics have been reflected in the cash flow models which underpin the expected default and EIR adjustments as at 31 March 2020.

However, due to the limited recourse nature of the loan notes issued by the Company, any impact of this uncertainty on the results of the Company will not impact on its ability to continue to operate as a going concern.

Subsequent to the reporting date, extensions to lockdown periods have been announced following the COVID-19 crisis, and the UK Government introduced 'Payment holiday scheme' in March 2020, in an attempt to mitigate the economic impact of COVID-19.

As of 31 October 2020, 23 loans have taken up the payment holiday scheme which represents 8.24% of the total loans and 10.78% of the total balance.

There are no other significant events occurring after the statement of financial position date, up to the date of approval of the financial statements that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 March 2020.

Landmark Mortgage Securities No. 1 plc

Strategic report for the year ended 31 March 2020

Section 172 statement

Section 172(1) of Companies Act 2006 requires the directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the company's employees,
- c) the need to foster the company's business relationships with suppliers, customers and others,
- d) the impact of the company's operations on the community and the environment,
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the company.

As a special purpose vehicle the governance structure of the Company is such that the key policies have been predetermined at the time of issuance. The directors have had regards to the matters set out in section 172(1) of Companies Act 2006 as follows:

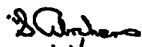
With reference to the likely consequences of any decision in the long term, the transaction documents have been formulated to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and in accordance with relevant securitisation legislation.

The matters set out in subsections (b)–(f) have limited or no relevance to the Company for the following reasons:

- the Company has no employees;
- the Company has appointed various professional third parties to perform certain roles governed by the transaction documents;
- as a special purpose vehicle, the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment; and
- the Company has a sole member with the issued shares all held on a discretionary trust basis for charitable purposes.

In accordance with s. 426B Companies Act 2006 a copy of this statement is available at <https://www.intertrustgroup.com/our-services/capital-markets-services/public-transactions>.

This report was approved by the Board on 21 December 2020 and signed on its behalf by:



Sue Abrahams per pro Intertrust Directors 1 Limited

As Director

Date: 21 December 2020

Landmark Mortgage Securities No. 1 plc

Directors' report for the year ended 31 March 2020

The directors present their report together with the audited financial statements of the Company for the year ended 31 March 2020.

Results and dividends

The loss for the year, after taxation, amounted to £155,000 (2019: loss of £1,988,000).

The directors do not recommend the payment of a dividend (2019: nil).

Future developments

An assessment of the Company's future developments is described in the strategic report under the future business developments and strategy section.

Financial instruments

An assessment of the Company's financial instruments is described in the strategic report under the principal risks and uncertainties section.

Directors

The directors who held office during the year and up to the date of the approval of the financial statements, except as noted, are given below:

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
D M R Jaffe

None of the above directors have any interest in the shares of the Company. There are no directors' interests requiring disclosure under the Companies Act 2006.

Company secretary

Intertrust Corporate Services Limited continued to act as company secretary for the year ended 31 March 2020 and up to the date of signing the financial statements.

Going concern

The Company has reported a loss for the current year and is in a net liability position as at 31 March 2020.

The financial statements have been prepared on the going concern basis, as defined in IAS 1 – 'Presentation of Financial Statements'. In order to prepare financial statements on this basis the directors must conclude that management does not intend to liquidate the Company or cease trading, and that the Company has the ability to continue to trade and will be able to satisfy its liabilities as they fall due.

A call option exists over the loan notes issued by the Company which may be exercised at the sole discretion of the Issuer once the outstanding mortgage backed loan notes reach 10% of the original issued amount. At this point, the call option permits the Issuer, at any interest payment date, to repay all of the outstanding external borrowings at their carrying value at the time.

In order for the call option to be exercised the directors must certify to the Trustee of the loan notes that the Issuer will be able to repay all amounts due and payable on the interest payment date on which the option would take effect.

Landmark Mortgage Securities No. 1 plc

Directors' report for the year ended 31 March 2020

The exercise of the call option would result in the effective cessation of the Company's trade, followed by the orderly settlement of any remaining assets and liabilities and ultimately the dissolution of the Company.

As at 31 March 2020, the Company had net liabilities of £2,247,000 and as a result, it may not be able to repay all of its liabilities when the Company's principal liabilities, the floating rate notes, reach their final repayment date. However, the repayment of the principal liabilities of the Company, the floating rate notes, are limited to available principal cash received on the Company's loan portfolio until the final repayment date. Should the total cash flows be insufficient at this date, the Company may default on loan note payments due. In such circumstances, the Trustee may choose to dispose of the Company's assets, and, potentially wind up the Company.

The cash currently held by the Company, together with other structural features of the borrowing arrangements, gives the Company the ability to pay any interest actually due in cash over the next 12 months. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in existence and satisfy any liabilities as they fall due for at least the next 12 months.

On this basis, the directors have concluded that it is appropriate to continue to adopt the going concern basis in the preparation of these financial statements.

The Company's forecasts and projections, in the context of COVID-19 and taking into account possible changes in trading performance and funding availability, and including stress testing and scenario analysis, show that the Company will be able to operate at adequate levels of both liquidity and capital for the next 12 months and will be in a position to meet its obligations to external stakeholders.

Post statement of financial position date events

Subsequent to the reporting date, extensions to lockdown periods have been announced following the COVID-19 crisis, and the UK Government introduced 'Payment holiday scheme' in March 2020, in an attempt to mitigate the economic impact of COVID-19.

As of 31 October 2020, 23 loans have taken up the payment holiday scheme which represents 8.24% of the total loans and 10.78% of the total balance.

There are no other significant events occurring after the statement of financial position date, up to the date of approval of the financial statements that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 March 2020.

Principal risks and uncertainties

The business is subject to a number of risks, described in the strategic report under the principal risks and uncertainties section, which could adversely affect the business in future years and the directors will continue to monitor and manage those risks.

Fair value

Note 17 discloses the fair values of the mortgage assets and loan notes. The directors noted that as at 31 March 2020 the respective fair values of the mortgage assets were lower than and loan notes were lower than the carrying values recorded in the statement of financial position.

As no liquid market exists for either the mortgage assets or loan notes, the directors have ascribed an approximate fair value based on an internal discounted cash flow model that is used to value non-securitised mortgage loan receivables. This model takes into account expected prepayment rates, arrears levels, house price movements, level of repossessions, losses and discount rates based on the most recent available information.

Landmark Mortgage Securities No. 1 plc

Directors' report for the year ended 31 March 2020

Corporate governance

The directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the Company. The governance structure of the Company is such that the key policies have been predetermined at the time of the transaction documents issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage, rather than eliminate the risk of failure to achieve business objectives, whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued on Euronext Dublin, the directors are satisfied that there is no requirement to publish a corporate governance statement and that the Company is largely exempt from the requirements of the Irish Corporate Governance Annex and the provisions of the UK Corporate Governance Code do not apply to the Company.

Employees

The Company does not have any employees (2019: none). Primary and Special servicing of the mortgage assets is carried out by Kensington Mortgage Company Limited, a direct subsidiary of Kensington Holdco Limited and a fellow subsidiary of Koala (Cayman) Limited. Kensington Mortgage Company Limited acts as the cash bond administrator.

Issued capital and capital contribution

Details of the share capital are set out in note 18 to the financial statements. The issued share capital consists of £12,501 comprising 50,000 ordinary shares of £1 each with 1 ordinary share being fully paid and 49,999 ordinary shares being quarter paid up.

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions for the benefit of the directors, in accordance with section 234 of the Companies Act 2006, were in force during the year under review and remain force as at the date of approval of the strategic report, directors' report and financial statements.

Disclosure of information to the auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

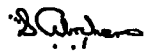
Landmark Mortgage Securities No. 1 plc

Directors' report for the year ended 31 March 2020

Auditor

The auditor, KPMG LLP, has indicated its willingness to continue in office and pursuant to section 489 of the Companies Act 2006, a resolution concerning its re-appointment will be considered at the Annual General Meeting.

This report was approved by the Board on 21 December 2020 and signed on its behalf by:



Sue Abrahams per pro Intertrust Directors 1 Limited
As Director
Date: 21 December 2020

Landmark Mortgage Securities No. 1 plc

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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 member of Landmark Mortgage Securities No. 1 plc

1 Our opinion is unmodified

We have audited the financial statements of Landmark Mortgage Securities No.1 PLC ("the Company") for the year ended 31 March 2020 which comprise the statement of Comprehensive income, statement of financial position, statement of changes in equity, and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31st March 2020 and of the its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 9 March 2018. The period of total uninterrupted engagement is for the 3 financial years ended 31 March 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key Audit Matter	Our Response
<p>The impact of uncertainties due to the UK exiting the European Union on our audit</p> <p>Risk vs 2019: ▲</p> <p><i>Refer to the Strategic Report</i></p> <p>Unprecedented levels of uncertainty</p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in valuation of deemed loan and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Company's prospects and performance.</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:</p> <p>— Our Brexit knowledge: We considered the directors' assessment of Brexit-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.</p> <p>— Sensitivity analysis: When addressing valuation of deemed loan, and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecasts cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.</p>

Independent auditor's report to the member of Landmark Mortgage Securities No. 1 plc

<p>Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.</p>	<p>— Assessing transparency: As well as assessing individual disclosures as part of our procedures on valuation of deemed loan on our audit we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.</p> <p>Our results</p> <p>As reported under valuation of deemed loan, we found the resulting estimates and related disclosures of valuation of deemed loan, and disclosures in relation to going concern to be acceptable. 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.</p>
<p>Impairment of mortgage assets</p> <p>Risk vs 2019: ◀▶</p> <p>(£216,000; 2019: £214,000)</p> <p><i>Refer to the accounting policy note 2.5, 3.2 and note 10 (financial disclosures).</i></p> <p>Subjective estimate</p> <p>The impairment provision relating to the Company's mortgage assets requires the directors to make significant judgements and estimates in order to determine incurred losses on those assets.</p> <p>The impairment provision is derived from a model that uses observable data relating to the mortgage assets such as adverse changes in payment status of the borrower, or economic conditions that correlate with defaults in the mortgage assets. The model also incorporates historical data on similar types of mortgage assets.</p> <p>As the probability of default ('PD') and loss given default ('LGD') are calculated at an individual loan level, the directors assess all impairment provisions on an individual basis.</p> <p>There is a risk that the impairment provision is not reflective of the incurred losses at the end of the period due to the time that it takes for incurred losses to emerge, changes in customer credit quality or other market factors not sufficiently incorporated into the judgement, such as house prices.</p>	<p>Our audit procedures included:</p> <p>— Controls testing: We performed end to end process walk-throughs to identify the key systems, applications and controls used in the loan impairment process. We tested the relevant general IT and application controls over key systems used in the loan impairment process.</p> <p>— Test of details: Key aspects of our testing involved</p> <ul style="list-style-type: none"> - Developing a point estimate based on the historical credit performance of the Company to evaluate the directors' impairment of mortgage asset estimate. - For a sample of specific loans identified based on risk characteristics of current or historical arrears, indexed loan to value and loan type, we evaluated whether they had been adequately provided for. <p>— Sensitivity analysis: We performed sensitivity analysis over the Company's PDs and LGDs to help us assess the reasonableness of the assumptions used.</p> <p>— Assessing transparency: We evaluated whether the disclosures appropriately reflect and address the uncertainty which exists when determining the impairment of mortgage assets. As part of this, we assessed the sensitivity analysis that is disclosed. In addition, we challenged whether the disclosure of the key judgements and assumptions made was sufficiently clear.</p> <p>Our results</p> <p>The results of our testing were satisfactory and we considered the impairment charge, provision recognised and the related disclosures to be acceptable.</p>

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

Materiality for the Company financial statements as a whole was set at £0.29 million (2019: £0.3 million), determined with reference to a benchmark of Company total assets (of which it represents 0.75% (2019: 0.75%)).

Independent auditor's report to the member of Landmark Mortgage Securities No. 1 plc

We agreed to report to Those Charged with Governance any corrected or uncorrected identified misstatements exceeding £0.015 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above.

4 We have nothing to report on 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").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. 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.

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 evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, 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.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the member of Landmark Mortgage Securities No. 1 plc

6 We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 11, the Directors are responsible for: the preparation of the financial statements including 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 other irregularities (see below), 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, other irregularities 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.

Irregularities – ability to detect

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

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

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

Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

These limited procedures did not identify actual or suspected non-compliance.

Independent auditor's report to the member of Landmark Mortgage Securities No. 1 plc

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 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.



Karl Pountney (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

22 December 2020

Landmark Mortgage Securities No. 1 plc

Statement of comprehensive income for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Interest receivable and similar income	4	1,226	(377)
Interest payable and similar expenses	5	(741)	(765)
Net interest receivable/(payable)		485	(1,142)
Operating expenses		(469)	(357)
Other operating income/(expenses)	6	11	(15)
		27	(1,514)
Net fair value gain/(loss) on derivatives		238	(1,117)
Unrealised exchange (loss)/gain on retranslation of loan notes		(420)	643
Loss before taxation	7	(155)	(1,988)
Tax on loss	8	-	-
Loss and total comprehensive expense for the financial year		(155)	(1,988)

All amounts relate to continuing operations.

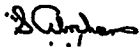
There were no items of other comprehensive income for 2020 or 2019 and therefore no separate statement of other comprehensive income has been presented.

The notes on pages 20 to 49 are an integral part of these financial statements.

Landmark Mortgage Securities No. 1 plc**Statement of financial position
as at 31 March 2020**

	Note	2020 £'000	2019 £'000
Non-current assets			
Debtors: amounts falling due after more than one year	11	35,003	38,926
Current assets			
Debtors: amounts falling due within one year	12	1,254	1,134
Derivative financial instruments	17	5,843	5,619
Cash and cash equivalents	14	3,427	3,148
Total current assets		<u>10,524</u>	<u>9,901</u>
Current liabilities			
Creditors: amounts falling due within one year	15	(606)	(761)
Derivative financial instruments	17	(7)	(21)
Total assets less current liabilities		<u>44,914</u>	<u>48,045</u>
Non-current liabilities			
Creditors: amounts falling due after more than one year	16	(47,161)	(50,137)
Net liabilities		<u>(2,247)</u>	<u>(2,092)</u>
Capital and reserves			
Called up share capital	18	13	13
Accumulated losses		(2,260)	(2,105)
Total deficit		<u>(2,247)</u>	<u>(2,092)</u>

These financial statements were approved and authorised for issue by the Board on 21 December 2020 and were signed on its behalf by:



Sue Abrahams per pro Intertrust Directors 1 Limited
As Director
Date: 21 December 2020

The notes on pages 20 to 49 are an integral part of these financial statements.

Landmark Mortgage Securities No. 1 plc

Statement of changes in equity for the year ended 31 March 2020

	Called up share capital £'000	Retained earnings/ (accumulated losses) £'000	Total equity/(deficit) £'000
Balance at 1 April 2018	13	(117)	(104)
Loss for the financial year	-	(1,988)	(1,988)
Balance at 31 March 2019	13	(2,105)	(2,092)
Balance at 1 April 2019	13	(2,105)	(2,092)
Loss for the financial year	-	(155)	(155)
Balance at 31 March 2020	13	(2,260)	(2,247)

The notes on pages 20 to 49 are an integral part of these financial statements.

Landmark Mortgage Securities No. 1 plc

Notes to the financial statements for the year ended 31 March 2020

1 General information

The principal activity of the Company is the investment in mortgage assets secured by first charges over properties within the United Kingdom.

The Company is a public limited company and was incorporated on 27 April 2006 and is domiciled in England, United Kingdom. Its principal place of business is its registered office located at 1 Bartholomew Lane, London, EC2N 2AX.

2 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

2.1. Basis of preparation and statement of compliance with FRS 101

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the financial assets and liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006. The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 10(d), 10(f), 16, 38(c)-(d), 40(a)-(d), 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- The Company has taken advantage of the exemptions conferred by FRS 101: 8 (j) & (k) "Related party disclosures", the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures, and transactions with other wholly owned group companies are not disclosed separately.

The preparation of financial statements in conformity with FRS 101 requires the use of certain significant accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.1.1 Going concern

The financial statements have been prepared on the going concern basis, as defined in IAS 1 – 'Presentation of Financial Statements'. In order to prepare financial statements on this basis the directors must conclude that management does not intend to liquidate the Company or cease trading, and that the Company has the ability to continue to trade and will be able to satisfy its liabilities as they fall due.

A call option exists over the loan notes issued by the Company which may be exercised at the sole discretion of the Issuer once the outstanding mortgage backed loan notes reach 10% of the original issued amount. At this point, the call option permits the Issuer, at any interest payment date, to repay all of the outstanding external borrowings at their carrying value at the time.

In order for the call option to be exercised the directors must certify to the Trustee of the loan notes that the Issuer will be able to repay all amounts due and payable on the interest payment date on which the option would take effect.

Landmark Mortgage Securities No. 1 plc

Notes to the financial statements for the year ended 31 March 2020

The exercise of the call option would result in the effective cessation of the Company's trade, followed by the orderly settlement of any remaining assets and liabilities and ultimately the dissolution of the Company.

As at 31 March 2020, the Company had net liabilities of £2,247,000 and as a result, it may not be able to repay all of its liabilities when the Company's principal liabilities, the floating rate notes, reach their final repayment date. However, the repayment of the principal liabilities of the Company, the floating rate notes, are limited to available principal cash received on the Company's loan portfolio until the final repayment date. Should the total cash flows be insufficient at this date, the Company may default on loan note payments due. In such circumstances, the Trustee may choose to dispose of the Company's assets, and, potentially wind up the Company.

The cash currently held by the Company, together with other structural features of the borrowing arrangements, gives the Company the ability to pay any interest actually due in cash over the next 12 months. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in existence and satisfy any liabilities as they fall due for at least the next 12 months.

On this basis, the directors have concluded that it is appropriate to continue to adopt the going concern basis in the preparation of these financial statements.

The Company's forecasts and projections, in the context of COVID-19 and taking into account possible changes in trading performance and funding availability, and including stress testing and scenario analysis, show that the Company will be able to operate at adequate levels of both liquidity and capital for the next 12 months and will be in a position to meet its obligations to external stakeholders.

2.1.2. New standards, amendments and IFRIC Interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2020 which have had a material impact on the Company.

2.2. Interest recognition

Interest income on mortgage assets, together with the interest expense on the loan notes, is recognised in the statement of comprehensive income on an EIR basis. The EIR basis recognises revenue and expenses equivalent to the rate that effectively discounts estimated future cash flows throughout the expected life to the net carrying value of the mortgage assets or loan notes.

2.3. Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in total equity. In this case the tax is also recognised in other comprehensive income or directly in total equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns in respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on deductible temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income 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 income tax asset is realised or the deferred income tax liability is settled.

Landmark Mortgage Securities No. 1 plc

Notes to the financial statements for the year ended 31 March 2020

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.4. Foreign currencies

The financial statements are presented in pounds Sterling (£), which is the functional and presentation currency of the Company. All amounts in these financial statements have been rounded to the nearest thousand, unless otherwise indicated.

Transactions in foreign currency are initially converted to Sterling at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange prevailing at the reporting date. All differences on exchange are taken to the statement of comprehensive income.

2.5. Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument and are derecognised on the date it ceases to be a party or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction such that substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company's financial instruments are classified as described below:

Financial assets

Mortgage assets

Mortgage assets are classified within debtors. The initial measurement is at fair value plus transaction costs that are directly attributable to the acquisition of the mortgage assets, with subsequent measurement being amortised cost using the EIR method. The effective interest on the mortgage assets is calculated with reference to the interest earned on the mortgage assets.

Mortgage assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable and similar income in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Financial assets at fair value through profit or loss

At initial recognition, the Company has designated certain financial assets at fair value through profit or loss (FVTPL) because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise. Financial assets at FVTPL include derivative financial instruments held for risk management purposes. Financial assets at FVTPL are measured at fair value in the statement of financial position with changes in fair value recognised in finance revenue or finance expense in the statement of comprehensive income.

Landmark Mortgage Securities No. 1 plc

Notes to the financial statements for the year ended 31 March 2020

Debtors

Debtors including amounts owed by group undertakings and other debtors, with no stated interest rate and receivable within one year are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions for receivables are made specifically where there is evidence of a risk of non-payment, taking into account ageing, previous losses experienced and general economic conditions.

Impairment of financial assets

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12 - month expected credit losses). In the event of a significant increase in credit risk since origination, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected losses).

Financial assets where 12 - month expected credit losses are recognised are considered to be stage 1; financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are in stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to stage 3.

Unlike other financial instruments, the mortgage assets is, by its construction, an instrument that incorporates credit enhancement.

The interest due on mortgage assets is only due to the extent it matches the obligations of the Company. All securitisation programmes incorporate credit enhancement in the form of excess spread and various reserve funds for use in the event the excess spread for a particular payment period is insufficient. Expected losses for the mortgage assets would only therefore be recognised where the expected credit losses on the underlying assets were large enough that no credit enhancement remained.

Financial liabilities

Trade and other creditors

Creditors including amounts owed to group undertakings, other creditors and accruals, with no stated interest rate and due within one year, are recorded at transaction price.

Loan notes

All loan notes were initially recognised at fair value, which was their transaction price at the date of issue less directly attributable transaction costs. All loan notes are subsequently re-measured at amortised cost taking into account repayments at interest payment dates where applicable.

Interest payable is recognised using the EIR method with the directly attributable transaction costs being amortised over the expected average life of the facility. Any unamortised issue costs are disclosed in note 16.

Interest payable on the notes during the year and any associated EIR adjustments are included in interest payable and similar expenses.

The repayment of the loan notes is dependent on principal and interest collections on the mortgage loans.

Landmark Mortgage Securities No. 1 plc

Notes to the financial statements for the year ended 31 March 2020

Deferred consideration

Deferred consideration is initially recognised at fair value and is then subsequently measured at amortised cost under the effective interest rate method.

Under the terms of the securitisation the Company earns a maximum annual profit for the year ended 31 March 2020 in an amount equal to 0.01% of revenue ledger.

Cash flow calculations are prepared to determine the extent to which deferred consideration will be payable and a creditor is recognised classified at amortised cost. Interest payable on this creditor is recognised on an effective interest rate basis. Under the terms of the waterfall payments, any deferred consideration would only be paid when there are sufficient revenue funds available and all other liabilities in the waterfall have been satisfied. Based on these calculations, the directors have determined that nil (2019: nil) consideration was payable at the year end.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial assets and liabilities

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 reporting date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

Where applicable, the following methods are used to estimate the fair values of the financial instruments:

- i. cash, trade receivables and payables - the carrying value is a good approximation of the fair value;
- ii. fixed and variable rate borrowings - valued as detailed in note 17;
- iii. derivatives - net present value of the future cash-flows, calculated using market data at the statement of financial position date (principally exchange rates and yield curves); and
- iv. mortgage assets - valued as detailed in note 17.

The Company, where appropriate, classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs. A transfer is made between the hierarchy when the inputs have changed or there has been a change in the valuation method.

Landmark Mortgage Securities No. 1 plc

Notes to the financial statements for the year ended 31 March 2020

These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used.

The different levels are identified as follows:

Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments

Where applicable the Company may use derivative financial instruments to hedge its exposure to interest rate risk and foreign exchange risk arising from financing and investment activities. The Company does not hold or issue derivative financial instruments for trading purposes. None of the economic hedge relationships held by the Company qualify for hedge accounting.

All derivative financial instruments are held at fair value through profit or loss. Subsequent to initial recognition, derivatives are remeasured to fair value. Where the value of the derivative is positive, it is carried as a derivative asset and, where negative, as a derivative liability. The gain or loss on remeasurement to fair value is recognised immediately in the statement of comprehensive income.

The fair value of the derivative financial instruments is the estimated amount that the Company would receive or pay to terminate the derivative contract at the statement of financial position date. Where derivative contracts contain collateral agreements which reduce counterparty risk the collateral is held in cash and recorded within creditors: due in less than one year (see note 15).

The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA). The Company's own risk of default is also incorporated into the fair value of derivative positions. This adjustment is known as the debit value adjustment (DVA). Neither adjustment has a material impact on the fair value of derivative positions.

Basis rate swaps

Amortising basis rate swaps may be entered into in order to manage the Company's basis rate exposure that may arise from a difference in reset dates of the mortgage backed loan notes and the mortgage assets. Where applicable, the net interest payable and receivable on the swaps is recorded on an accruals basis and included within interest payable and receivable within the statement of comprehensive income.

Currency swaps

Where the Company holds non-Sterling denominated loan notes, the Company may enter into currency swaps in order to manage the Company's currency rate exposure. Where applicable, the derivative contracts are designed to match the expected profile of the run-off of the non-Sterling denominated loan notes.

Details of any derivatives held by the Company are disclosed in note 17.

Landmark Mortgage Securities No. 1 plc

Notes to the financial statements for the year ended 31 March 2020

2.6. Premium paid on mortgage assets

A premium is recognised where mortgage assets are acquired at amounts in excess of their carrying values. Where this occurs the premium is capitalised by the Company and amortised over the expected repayment period of the mortgage assets. The amortised balance is added to the mortgage assets balance with the costs amortised in the period included in interest receivable and similar income. Details of any unamortised premiums paid on the mortgage assets are disclosed in note 13.

2.7. Segmental analysis

The Company's income and trade are wholly within the United Kingdom and within a single market sector and therefore no segmental analysis has been presented.

2.8. Share capital and capital contributions

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax from the proceeds.

3 Significant accounting estimates and judgements

The preparation of financial statements in accordance with FRS 101 requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1. Significant accounting judgements

Derecognition of mortgage assets

The Company has made a significant accounting judgement in the assessment of the mortgage assets. The Company performed an assessment of the risks and rewards associated with the financial assets acquired, and concluded that the financial assets qualify for derecognition for the originator. In making this assessment the Company considered the retained risks of the seller, in the form of credit enhancement paid in, and rewards, in the form of deferred purchase consideration to be paid out, of that financial asset. This follows the accounting treatment adopted in the sellers' financial statements.

3.2. Significant accounting estimates and assumptions

The Company has identified the following significant accounting policies that involve significant accounting estimates and assumptions:

Impairment of mortgage assets

Significant increase in credit risk for classification in stage 2

The Company's transfer criteria determines what constitutes a significant increase in credit risk ("SICR"), which results in an exposure being moved from stage 1 to stage 2. At the point of recognition, a loan is assigned a lifetime PD estimate. For each monthly reporting date thereafter, an updated lifetime PD estimate is computed for the life of the loan. The Company's transfer criteria analyses relative changes in lifetime PD versus the origination lifetime PD, where if prescribed thresholds are met, an account will be transferred from stage 1 to stage 2.

IFRS 9 includes a rebuttable presumption that if an account is more than 30 days past due it has experienced a significant increase in credit risk. The Company considers more than 30 days past due to be an appropriate back stop measure and therefore has not rebutted this presumption.

A borrower will move back to stage 1 where a significant increase in credit risk is deemed to no longer be satisfied.

Landmark Mortgage Securities No. 1 plc

Notes to the financial statements for the year ended 31 March 2020

Probation period for classification from stage 3 into stage 1 or 2

The Company has set a minimum probation period for which an account must perform before returning to non-defaulted status. The probation period is set judgementally to ensure that only a limited number of accounts default soon after returning to a non-defaulted status, whilst also allowing permanent cures to return to non-default as commensurate with the risk status of the respective assets.

Probability of Default ("PD") models

The Company developed a number of PD models to assess the likelihood of a default event occurring within the next 12 months, utilising historical credit risk information. The Company also computes a lifetime PD estimate for each loan exposure once recognised, underpinned by the 12 month PD estimate.

Loss Given Default ("LGD") model

The Company developed a LGD model, which includes a number of estimated assumptions including propensity of possession given default ("PPGD"), forced sale discount ("FSD") and time to sale and sale cost estimates. The LGD is sensitive to the application of the HPI. A decrease in the House Price Index of 10% spread over the next 2 years increases the mortgage asset impairment provision by £100,000.

Forward-looking macroeconomic scenarios

The forward-looking macroeconomic scenarios affect both the PD and LGD estimates. Therefore the expected credit losses calculations are sensitive to both the scenarios utilised and their associated probability weightings. As the Company does not have an in-house economics function it sources economic forecasts from an appropriately qualified third party. The Company considers eight probability weighted scenarios, including base, upside and downside scenarios as well as a "protracted slump" scenario which would cover eventualities due to Brexit uncertainty.

In ensuring an unbiased, probability-weighted outcome, Kensington uses a number of economic scenarios which include a base case as well as a range of upside and downside scenarios. These scenarios include the forecast of the macroeconomic variables that have been identified as relevant to the Company's exposures, including, but not limited to:

- Regional UK House Prices
- 3-month GBP LIBOR
- UK GDP
- UK Unemployment Rate

The economic scenarios used are sourced externally and probability weights have been reviewed internally to ensure that they are plausible and consistent with economic forecasts used for other purposes.

Effective Interest Rate ("EIR")

The EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The cash flows used to calculate the EIR in this analysis include directly attributable transaction costs, premiums, discounts and the impact of changes from introductory to reversionary interest rates. Further details are disclosed in note 4.

Landmark Mortgage Securities No. 1 plc

Notes to the financial statements for the year ended 31 March 2020

The book value of the mortgage assets is measured at amortised cost using the EIR method, with a provision made for impairment. The current model used to estimate future cash flows in the EIR is sensitive to certain key assumptions, the most important of which is the constant prepayment rate ("CPR").

An increase of 1% in the CPR assumed would result in a debit of £78,000 to the statement of comprehensive income.

Fair value measurement

Where applicable, the Company measures financial instruments, such as derivatives, at fair value at each statement of financial position date. For the valuation of derivative financial instruments, a discounted cash flow model is used based on a current interest rate yield curve. The yield curve is the primary determinant of the valuation and is constructed by benchmarking to generic instruments in the market that are sensitive to overnight index swap ("OIS") movements. Details of the fair value measurement of any derivative financial instruments held by the Company are included in note 17.

4 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable on mortgage assets	1,499	1,605
Amortisation of premium on mortgage assets	(280)	(1,987)
Other interest	7	5
	<u>1,226</u>	<u>(377)</u>

Interest has accrued for the year in relation to impaired financial assets at 4.39% (2019: 4.39%) of the principal balance.

5 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest expense on loan notes	741	765
	<u>741</u>	<u>765</u>

Within interest payable on mortgage backed loan notes nil (2019: nil) relates to amounts due to group companies.

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Notes to the financial statements for the year ended 31 March 2020

6 Other operating income/(expense)

	2020 £'000	2019 £'000
Sundry fee income/(expense)	11	(15)
	<u>11</u>	<u>(15)</u>

7 Loss before taxation

	2020 £'000	2019 £'000
Loss before taxation is stated after charging/(crediting):		
Auditor's remuneration for statutory audit	27	10
Impairment charge/(credit) on mortgage assets	2	(57)
Deferred consideration	-	(205)
Mortgage administration fees	<u>109</u>	<u>359</u>

Statutory information on remuneration for other services provided by the Company's auditors to the Koala (Cayman) Limited Group is given in the consolidated financial statements of Koala (Cayman) Limited, which is the largest group into which the results of this Company are consolidated. There are no non audit services specifically related to the Company.

The Company's operations are managed by Kensington Mortgage Company Limited, a fellow group company.

8 Taxation

	2020 £'000	2019 £'000
Analysis of tax expense for the year		
Current tax		
UK corporation tax expense on loss for the year	-	-
Total current tax	<u>-</u>	<u>-</u>

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Notes to the financial statements for the year ended 31 March 2020

Factors affecting taxation

The tax assessed for the year is higher than (2019: higher than) the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%).

	2020 £'000	2019 £'000
Loss before tax	(155)	(1,988)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(29)	(378)
Effects of:		
Application of Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006	29	378
Tax for the year at the small companies rate of corporation tax for 19% (2019: 19%) on the actual retained profit for the year	-	-
Tax for the year	-	-

The Company is taxed in accordance with Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006 which requires that tax is charged on the profits 'retained by the Issuer'. The Issuer required profit for the year amounted to £153 (2019: £600).

9 Directors and employees

The Company does not have any employees other than the directors (2019: none). The directors' did not receive any remuneration in the year (2019: nil).

During the year, fees of £27,000 (2019: £8,000) were paid and accrued to Intertrust Management Limited in respect of corporate services provided to the Company, this included the provision of the directors to the Company.

10 Mortgage assets

	Mortgage assets £'000	Impairment £'000	Mortgage assets, net of impairment £'000
At 1 April 2018	45,625	(271)	45,354
Movement in the year	(5,687)	57	(5,630)
At 31 March 2019	39,938	(214)	39,724
Movement in the year	(3,804)	(2)	(3,806)
At 31 March 2020	36,134	(216)	35,918

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Notes to the financial statements for the year ended 31 March 2020

The mortgage assets are denominated in Sterling and bear interest at a variable rate. They are secured on the beneficial interest in the portfolio of residential mortgage loans.

The current mortgage loans in the pool have contractual loan periods of between 1 to 192 (2019: 1 to 204) months remaining with current interest rates ranging from 1.72% to 5.50% (2019: 1.61% to 5.50%) per annum.

Gross carrying amount

	2020 Buy to let £'000	2020 Residential £'000	2020 Total £'000	2019 Buy to let £'000	2019 Residential £'000	2019 Total £'000
Stage 1	2,055	16,459	18,514	1,757	14,265	16,022
Stage 2	95	7,905	8,000	610	16,870	17,480
Stage 3	150	5,090	5,240	198	6,238	6,436
POCI	192	4,188	4,380	-	-	-
Total	<u>2,492</u>	<u>33,642</u>	<u>36,134</u>	<u>2,565</u>	<u>37,373</u>	<u>39,938</u>

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	POCI £'000	Total £'000
At 1 April 2018	16,488	20,374	8,763	-	45,625
Repayments and write-offs	(2,150)	(2,625)	(912)	-	(5,687)
Transfers:					
- To stage 1	2,366	(2,223)	(143)	-	-
- To stage 2	(682)	3,219	(2,537)	-	-
- To stage 3	-	(1,265)	1,265	-	-
At 31 March 2019	<u>16,022</u>	<u>17,480</u>	<u>6,436</u>	<u>-</u>	<u>39,938</u>
Transfer to POCI	(509)	(1,513)	(2,450)	4,472	-
Repayments and write-offs	(1,136)	(1,815)	(761)	(92)	(3,804)
Transfers:					
- To stage 1	5,862	(5,862)	-	-	-
- To stage 2	(978)	1,544	(566)	-	-
- To stage 3	(747)	(1,834)	2,581	-	-
At 31 March 2020	<u>18,514</u>	<u>8,000</u>	<u>5,240</u>	<u>4,380</u>	<u>36,134</u>

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Notes to the financial statements for the year ended 31 March 2020

Expected credit loss

The Company's ECL by segment and IFRS 9 stage is shown below:

	2020 Buy to let £'000	2020 Residential £'000	2020 Total £'000	2019 Buy to let £'000	2019 Residential £'000	2019 Total £'000
Stage 1	1	3	4	-	3	3
Stage 2	2	62	64	26	60	86
Stage 3	12	136	148	6	119	125
Total	15	201	216	32	182	214

The table below shows the movement in the ECL by IFRS 9 stage during the year. ECL on originations reflect the IFRS 9 stage of loans originated during the year as at 31 March 2020 and not the date of origination.

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 April 2018	4	90	177	271
Repayments and write-offs	2	(18)	(41)	(57)
Transfers:				
- To stage 1	-	-	-	-
- To stage 2	(3)	36	(33)	-
- To stage 3	-	(22)	22	-
At 31 March 2019	3	86	125	214
Repayments and write-offs	23	18	(39)	2
Transfers:				
- To stage 1	1	(1)	-	-
- To stage 2	(3)	38	(35)	-
- To stage 3	(20)	(77)	97	-
At 31 March 2020	4	64	148	216

The book value of the mortgage assets are measured at amortised cost using the EIR method, with a provision made for impairment. The impairment model used to estimate future cash flows in the impairment calculation is sensitive to certain key assumptions as detailed in the accounting policies section.

The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired.

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Notes to the financial statements for the year ended 31 March 2020

11 Debtors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Mortgage assets net of impairment (note 10)	35,003	38,926
	<u>35,003</u>	<u>38,926</u>

12 Debtors: amounts falling due within one year

	2020 £'000	2019 £'000
Mortgage assets net of impairment (note 10)	915	798
Amounts due from group companies	325	323
Prepayments and accrued income	1	-
Other debtors	13	13
	<u>1,254</u>	<u>1,134</u>

Amounts due from group undertakings are interest free and repayable on demand.

Mortgage assets, net of impairment represent the portion of the mortgage book expected to be receivable over the next 12 months based on behavioural assumptions.

13 Premium on mortgage assets

	2020 £'000	2019 £'000
Premium on mortgage assets		
At the beginning of the year	1,771	3,758
Movement in the year	(280)	(1,987)
At the end of the year	<u>1,491</u>	<u>1,771</u>

The premium paid on mortgage assets is amortised in line with the amortisation profile of the mortgage assets. The amortisation charges are recognised within interest receivable in the statement of comprehensive income.

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Notes to the financial statements for the year ended 31 March 2020

14 Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	3,427	3,148
	<u>3,427</u>	<u>3,148</u>

The expected credit loss of the Cash at bank and in hand is deemed to be zero.

Cash at bank earns interest at the rates specified in note 17.

15 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Accruals and deferred income	-	12
Note interest accruals	16	17
Other creditors	6	10
Amounts owed to group undertakings	118	76
Discount reserve swap	466	646
	<u>606</u>	<u>761</u>

Amounts due to group undertakings are interest free and payable on demand.

Cash flow calculations are prepared to determine the extent to which deferred consideration will be payable and a creditor is recognised classified at amortised cost. Interest payable on this creditor is recognised on an effective interest rate basis. Under the terms of the waterfall payments, any deferred consideration would only be paid when there are sufficient revenue funds available and all other liabilities in the waterfall have been satisfied. Based on these calculations, the directors have determined that nil (2019: nil) consideration was payable at the year end.

The Discount Reserve Swap (DRS) is a cash flow instrument that was entered into when the Company was incorporated to subsidise cash received while mortgages were in their initial fixed rate period. The cash flow received from this swap during that period is now payable to the DRS provider as a cash flow in the Interest priority of payments ranking junior to the Class D note interest shown in note 16.

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Notes to the financial statements for the year ended 31 March 2020

16 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
GBP Denominated Mortgage backed loan notes due 2038 - Class Aa	5,131	7,170
EUR Denominated Mortgage backed loan notes due 2038 - Class Ac	2,670	3,935
EUR Denominated Mortgage backed loan notes due 2038 - Class B	19,393	19,233
GBP Denominated Mortgage backed loan notes due 2038 - Class Ca	3,500	3,560
EUR Denominated Mortgage backed loan notes due 2038 - Class Cc	3,773	3,742
GBP Denominated Mortgage backed loan notes due 2038 - Class D	5,123	5,210
Total loan notes	39,590	42,850
Subordinated loans	7,571	7,287
	47,161	50,137

The loan notes due in 2038 are secured over the portfolio of mortgage assets secured by first charges over residential properties in the United Kingdom.

The mortgage backed loan notes are repaid as the underlying portfolio redeems. The terms and conditions of the mortgage backed loan notes provide that the loan note holders will receive interest and principal only to the extent that sufficient funds are generated from the mortgage assets.

None (2019: none) of the mortgage backed loan notes are owed to a related party.

Whilst the mortgage backed loan notes are subject to mandatory redemption in part at each Interest Payment Date in an amount equal to the principal received or recovered in respect of the mortgage assets, the mortgage backed loan notes are classified and presented as amounts falling due after one year in accordance with the contractual maturity dates due to the uncertainty in the expected principal repayments or recoveries of the mortgages. If not otherwise redeemed or purchased and cancelled, the mortgage backed loan notes will be redeemed at their principal amount outstanding on the Interest Payment Date falling in 2038.

The priority and amount of claims on the portfolio proceeds are determined in accordance with a strict priority of payments. The mortgage backed loan notes are repayable out of capital receipts from the mortgage assets, with the Class A Notes ranking in priority to the Class B Notes, which rank in priority to the Class C Notes, which rank in priority to the Class D Notes.

Interest on the loan notes is payable quarterly in arrears at the following annual rates for three month deposits:

Class Aa	Sterling LIBOR + 0.79%
Class Ac	EURIBOR + 0.22%
Class B	EURIBOR + 0.60%
Class Ca	Sterling LIBOR + 1.00%
Class Cc	EURIBOR + 1.00%
Class D	Sterling LIBOR + 4.25%

A call option exists over the loan notes issued by the Company which may be exercised at the sole discretion of the Issuer once the outstanding mortgage backed loan notes reach 10% of the original issued amount. At this point, the call option permits the Issuer, at any interest payment date, to repay all of the outstanding external borrowings at their carrying value at the time.

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Notes to the financial statements for the year ended 31 March 2020

In order for the call option to be exercised the directors must certify to the Trustee of the loan notes that the Issuer will be able to repay all amounts due and payable on the interest payment date on which the option would take effect.

17 Financial Instruments and risk management

Nature and extent of risks arising from financial statements

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and operational risk as explained in the strategic report. Financial instruments used by the Company for risk management purposes include derivative instruments. Such instruments are used only for commercial hedging purposes, not for trading or speculative purposes. The principal derivative instruments used by the Company in managing its risks are basis rate swaps and foreign currency swaps. The maturity profile of the derivative instruments reflects the nature of exposures arising from underlying business activities. All of the Company's derivatives activities are contracted with financial institutions.

During the year, the Company recognised a loss of £182,000 (2019: loss of £474,000) due to the movements in the fair value of derivatives and exchange rate movements on the loan notes.

a) Credit risk

Credit risk is the risk that borrowers of the mortgage assets will not be able to meet their obligations as they fall due. All mortgage assets are required to adhere to specific lending criteria. The payments in respect of the financial instruments are dependent upon the performance of the mortgage assets. The ongoing credit risk of the mortgage portfolio (and particularly in respect of accounts in arrears) is closely monitored by the directors.

The level of arrears in the mortgage portfolio has largely stabilised, which the directors consider is consistent with the improvement in the market conditions experienced in the past few years in the United Kingdom mortgage market. Arrears management and recovery processes are performed with the aim of maximising customer rehabilitation. Whilst there has been strong arrears performance, the directors acknowledge that market conditions, resulting in a benign interest rate environment, has partly contributed to the strong portfolio performance. With this in mind, the directors continue to closely monitor the economic landscape to ensure the Company is best placed to respond to any pressures that may impact portfolio performance and proactively consider strategies to mitigate any adverse portfolio impact should these pressures occur.

Credit quality of the mortgage assets is assessed by an assessment of each customer and the prevailing macroeconomic environment. Probability of default of the customer and the loss given default is calculated and impairment provisions raised where necessary.

Before taking account of any collateral, the maximum exposure to credit risk as at 31 March 2020 was:

	2020 £'000	2019 £'000
Mortgage assets	36,134	39,938
Cash and cash equivalents	3,427	3,148
Derivative financial instruments	5,843	5,619
	<u>45,404</u>	<u>48,705</u>

The Company reviews the mortgage assets to assess impairment at least on a yearly basis. The credit quality of the financial assets is also reviewed on a monthly basis by the Company.

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Notes to the financial statements for the year ended 31 March 2020

The fair value of the deferred consideration as at 31 March 2020 is nil. The deferred consideration provides headroom to the noteholders.

Mortgage assets and asset credit quality

All mortgage assets are categorised, as either 'stage 1', 'stage 2' or 'stage 3'. A loan is considered past due when the borrower has failed to make a payment when due under the terms of the loan contract.

	2020 Gross carrying amount £'000	2020 Capped collateral held £'000	2019 Gross carrying amount £'000	2019 Capped collateral held £'000
Stage 1	18,514	18,514	16,022	16,022
Stage 2	8,000	8,000	17,480	17,480
Stage 3	5,240	5,240	6,436	6,436
POCI	4,380	4,364	-	-
	<u>36,134</u>	<u>36,118</u>	<u>39,938</u>	<u>39,938</u>

Credit risk profile by internal PD grade for mortgage assets at amortised cost:

2020

	PD range %	Gross carrying amount			POCI £'000	Total £'000
		Stage 1 £'000	Stage 2 £'000	Stage 3 £'000		
Credit quality description						
Very strong	0%-1%	13,091	-	-	54	13,145
Strong	1%-5%	4,651	40	-	100	4,791
Satisfactory	5%-10%	642	943	-	36	1,621
Higher risk	10%-99.9%	130	7,017	-	1,589	8,736
Credit impaired	100%	-	-	5,240	2,601	7,841
Total		<u>18,514</u>	<u>8,000</u>	<u>5,240</u>	<u>4,380</u>	<u>36,134</u>

	PD range %	Allowance for ECL			Total £'000
		Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	
Credit quality description					
Very strong	0%-1%	1	-	-	1
Strong	1%-5%	2	-	-	2
Satisfactory	5%-10%	1	1	-	2
Higher risk	10%-99.9%	-	63	-	63
Credit impaired	100%	-	-	148	148
Total		<u>4</u>	<u>64</u>	<u>148</u>	<u>216</u>

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Notes to the financial statements for the year ended 31 March 2020

	PD range %	Net exposure £'000	ECL coverage %
Credit quality description			
Very strong	0%-1%	13,144	0.01
Strong	1%-5%	4,789	0.04
Satisfactory	5%-10%	1,619	0.12
Higher risk	10%-99.9%	8,673	0.72
Credit impaired	100%	7,693	1.89
Total		35,918	0.60

2019

		Gross carrying amount			
	PD range %	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Credit quality description					
Very strong	0%-1%	7,557	-	-	7,557
Strong	1%-5%	8,338	1,008	-	9,346
Satisfactory	5%-10%	41	2,808	-	2,849
Higher risk	10%-99.9%	86	13,664	-	13,750
Credit impaired	100%	-	-	6,436	6,436
Total		16,022	17,480	6,436	39,938

		Allowance for ECL			
	PD range %	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Credit quality description					
Very strong	0%-1%	1	-	-	1
Strong	1%-5%	2	-	-	2
Higher risk	10%-99.9%	-	86	-	86
Credit impaired	100%	-	-	125	125
Total		3	86	125	214

	PD range %	Net exposure £'000	ECL coverage %
Credit quality description			
Very strong	0%-1%	7,556	0.01
Strong	1%-5%	9,344	0.02
Satisfactory	5%-10%	2,849	0.00
Higher risk	10%-99.9%	13,664	0.63
Credit impaired	100%	6,311	1.94
Total		39,724	0.54

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Notes to the financial statements for the year ended 31 March 2020

As at 31 March 2020, the ageing analysis of mortgage assets is as follows:

2020	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	POCI £'000	Total £'000
Not past due	16,672	4,430	756	912	22,770
Past due < 1 month	1,842	1,869	441	458	4,610
Past due 1 to 3 months	-	1,701	844	772	3,317
Past due 3 to 6 months	-	-	2,093	749	2,842
Past due 6 to 12 months	-	-	657	1,222	1,879
Past due over 12 months	-	-	397	267	664
Possessions	-	-	52	-	52
Total mortgage assets before provisions	<u>18,514</u>	<u>8,000</u>	<u>5,240</u>	<u>4,380</u>	<u>36,134</u>

2019	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Not past due	16,022	14,553	1,178	31,753
Past due 1 to 3 months	-	2,927	1,010	3,937
Past due 3 to 6 months	-	-	2,083	2,083
Past due 6 to 12 months	-	-	1,016	1,016
Past due over 12 months	-	-	1,041	1,041
Possessions	-	-	108	108
Total mortgage assets before provisions	<u>16,022</u>	<u>17,480</u>	<u>6,436</u>	<u>39,938</u>

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Notes to the financial statements for the year ended 31 March 2020

The mortgage assets have the following loan to value ("LTV") profile based on indexed valuations of the underlying properties, giving an indication of their credit quality:

LTV analysis by band for all loans:

	2020 £'000	2020 %	2019 £'000	2019 %
0%-10%	105	0.29	86	0.21
10%-20%	262	0.73	481	1.20
20%-30%	1,233	3.41	1,162	2.91
30%-40%	3,945	10.92	3,808	9.53
40%-50%	6,193	17.14	7,754	19.42
50%-60%	9,748	26.98	9,987	25.01
60%-70%	6,715	18.58	6,993	17.51
70%-80%	5,687	15.74	5,439	13.62
80%-90%	1,786	4.94	3,589	8.99
90%-100%	330	0.91	415	1.04
>100%	130	0.36	224	0.56
Total mortgage assets before provisions	<u>36,134</u>	<u>100.00</u>	<u>39,938</u>	<u>100.00</u>

Geographic analysis by region

	2020 £'000	2020 %	2019 £'000	2019 %
Region				
East Anglia	1,724	4.77	1,867	4.68
East Midlands	2,463	6.82	3,041	7.61
London	7,036	19.47	7,592	19.01
North	406	1.12	423	1.06
North West	3,514	9.72	3,816	9.56
Northern Ireland	241	0.67	257	0.64
Other South East	4,240	11.73	5,018	12.57
Outer Metro	5,127	14.20	5,461	13.67
South West	1,497	4.14	1,586	3.97
Wales	1,208	3.34	1,219	3.05
West Midlands	3,799	10.51	4,330	10.84
Yorkshire and the Humber	4,879	13.51	5,328	13.34
Total mortgage assets before provisions	<u>36,134</u>	<u>100.00</u>	<u>39,938</u>	<u>100.00</u>

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Notes to the financial statements for the year ended 31 March 2020

Forbearance measures undertaken

Forbearance type	2020 Number of accounts	At 31 March 2020 £'000	2019 Number of accounts	At 31 March 2019 £'000
None	291	36,134	319	39,938
Total	291	36,134	319	39,938

Loan type	2020 Number of accounts	At 31 March 2020 £'000	2019 Number of accounts	At 31 March 2019 £'000
First charge owner occupier	271	33,642	298	37,373
Buy to let	20	2,492	21	2,565
Total	291	36,134	319	39,938

b) Liquidity risk

The undiscounted estimated cash flows associated with financial liabilities were as follows:

As at 31 March 2020	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Total
Financial liabilities	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan notes	2,619	2,736	1,567	2,582	1,860	68,671	80,035
Subordinated loan	356	274	269	246	200	6,226	7,571
Derivative financial instruments	7	-	-	-	-	-	7

As at 31 March 2019	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Total
Financial liabilities	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan notes	3,965	4,346	4,017	2,996	3,509	26,250	45,083
Subordinated loan	527	416	300	230	164	4,303	5,940
Derivative financial instruments	21	-	-	-	-	-	21

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Notes to the financial statements for the year ended 31 March 2020

There is no contractual obligation to pay down the loan notes other than as set out in note 16.

The estimated future cash flows are sensitive to certain key assumptions being the expected probability of default, the expected time to move through the arrears/repossession cycle and expected recovery rates on losses incurred. Future cash flows have been estimated using a combination of macro environmental factors, including market observable data, and individual borrower data. However, it is not expected that the loans will repay at a constant rate until maturity, that all of the loans will prepay at the same rate or that there will be no defaults or delinquencies on the loans, therefore the amounts disclosed above are only estimates of the possible future cash outflows on the loan notes.

In addition, the Company holds a minimum cash balance to manage short term liquidity requirements which can be used in certain circumstances. The undiscounted cash flows have been estimated by previously applying a constant (per annum) prepayment rate to the principal balance of the mortgage loans and using the weighted average interest rate prevailing at the statement of financial position date.

The loan notes in the above table will not agree to the liability in statement of financial position as the table incorporates both principal and interest payments on an undiscounted basis (see note 16 for maturity dates). For the current and the prior year, all loan notes are due in more than 5 years, and all other non-derivative creditors are repayable on demand.

The Company's policy is to manage liquidity risk by matching cash payments due on the loan notes to cash receipts from the mortgage assets.

c) Foreign currency risk

With the exception of certain mortgage backed loan notes and cross currency swaps, as shown below, all financial instruments are denominated in Sterling. The outstanding mortgage backed loan notes include the following foreign currency denominated balances:

	2020 Notional amount €'000	2019 Notional amount €'000
EUR Denominated Mortgage backed loan notes due 2038 - Class Ac	3,267	4,566
EUR Denominated Mortgage backed loan notes due 2038 - Class B	21,942	22,316
EUR Denominated Mortgage backed loan notes due 2038 - Class Cc	4,269	4,342
	<u>29,478</u>	<u>31,224</u>

A series of currency swaps have been entered into, in order to manage the Company's currency rate exposure in relation to non-Sterling denominated backed loan notes.

The following is the profile of the Company's currency swaps:

	2020 Notional amount €'000	2019 Notional amount €'000
Euro denominated currency swaps	<u>29,478</u>	<u>31,224</u>

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Notes to the financial statements for the year ended 31 March 2020

The Company is not materially exposed to foreign exchange risk as the currency swap notional amount matches the notional amount of the euro denominated mortgage backed loan notes.

The fair value of the currency swaps are disclosed in note 17 (this note) Fair value of derivatives. The maturity profile of the foreign currency swaps is consistent with the mortgage backed loan notes.

d) Interest rate risk

Interest rate risk profile of financial assets

	Total £'000	Total variable rate £'000	Total fixed rate £'000	Swap receive rate %	Swap paying rate %	Weighted average interest rate* %	Weighted average time for which rate is fixed Years
2020							
Mortgage assets	36,134	36,134	-	-	-	4.10	-
Cash and cash equivalents	3,427	-	3,427	-	-	0.16	0.25
Currency swaps	5,843	5,843	-	-	-	-	-
2019							
Mortgage assets	39,938	39,938	-	-	-	4.10	-
Cash and cash equivalents	3,148	-	3,148	-	-	0.38	0.25
Basis rate swaps	-	-	-	0.91	0.95	-	-
Currency swaps	5,619	5,619	-	-	-	-	-

* This is the weighted average spread above LIBOR.

** The derivatives are shown at fair value. The corresponding notional amounts are disclosed in note 17 (this note): Fair value of derivatives.

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Notes to the financial statements for the year ended 31 March 2020

Interest rate sensitivity analysis on financial assets

	Increase in basis points	Effect on equity £'000	Effect on result before tax £'000
2020			
Mortgage assets	25	90	90
Cash and cash equivalents	25	9	9
2019			
Mortgage assets	25	100	100
Cash and cash equivalents	25	8	8

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market conditions. In assessing the effect on financial assets of interest rate sensitivity, management have used a benchmark of 25 bps.

Interest rate risk profile of financial liabilities

	Total £'000	Total variable rate £'000	Swap receive rate %	Swap paying rate %	Weighted average interest rate %
2020					
Loan notes	39,590	39,590	-	-	1.14
Subordinated loans	7,571	7,571	-	-	4.00
Basis rate swaps	7	7	0.79	0.95	-
2019					
Loan notes	42,850	42,850	-	-	1.01
Subordinated loans	7,287	7,287	-	-	4.00
Basis rate swaps	21	21	0.91	0.95	-

Basis rate swaps are used to manage the interest rate risk on the mortgage book.

Interest payable on the loan notes and receivable on the mortgage assets are both based on LIBOR while interest rate swaps hedge differences in timing. Whilst certain mortgage backed loan notes are denominated in foreign currency and incur interest based on EURIBOR (EUR notes) the Company has entered into currency swap agreements which allows the Company to settle its note liability obligations with reference to LIBOR. The Company thus has limited exposure to interest rate risk.

The interest rate risk profile of the mortgage backed loan notes in issue can be found in note 16. The Company's approach to managing interest rate risk is included in the principal risks and uncertainties section of the strategic report.

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*The derivatives are shown at fair value. The corresponding notional amounts are disclosed in note 17 (this note) Fair value of derivatives.

Interest rate sensitivity analysis on financial liabilities

	Increase in basis points	Effect on equity £'000	Effect on result before tax £'000
2020			
GBP loan notes	25	(34)	(34)
EUR loan notes	25	(65)	(65)
2019			
GBP loan notes	25	(58)	(58)
EUR loan notes	25	(67)	(67)

In assessing the effect on financial liabilities of interest rate sensitivity, management have used a benchmark of 25 bps.

The Company also has certain financial instruments included within debtors (note 12) and creditors (note 15) which are not subject to interest rate risk as they bear no interest.

Interest income and expense on financial instruments that are not at fair value through profit and loss

	2020 £'000	2019 £'000
Interest receivable on mortgage assets	1,499	1,605
Interest expense on loan notes	(741)	(765)
	<u>758</u>	<u>840</u>

e) Operational risk

Operational risk is defined as any instance where there is potential or actual impact to the Company resulting from inadequate or failed internal processes, people, systems, or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

The Company operates under a controls and governance framework provided by the servicer of the mortgage assets. This includes regulatory and compliance functions and internal audit. The business is covered by the servicer's business continuity management capability.

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Operational risk is currently heightened by the impact of COVID-19 which has driven working from home and changes in processes to meet new regulatory requirements including the provision of payment holidays. The mortgage assets are serviced by staff, employed by another Group entity, working from home due to COVID-19. However, the nature of the risks to which the Company is exposed remain similar to those when all staff were working from the office locations prior to COVID-19. Additional focus has been required on the controls appropriate for the altered working environment caused by COVID-19. The technology solutions required for all staff to function from home continue to be reviewed with additional controls implemented and guidance provided to staff with regard to the technology. The focus on the technology and working environment will continue as the Company responds to the adjusted way of working during the remainder of the COVID-19 situation and afterwards.

The customer response to COVID-19 has driven more interaction with the Company, whether implementing full payment holidays or other measures as customers respond to the impact of COVID-19 on their financial situation. The Company has undertaken a variety of activity to support consistent implementation of payment holidays and to manage the customer experience as they end their payment holiday. Monitoring of customer service quality has been maintained to mitigate the operational risks associated with the increased customer interaction and new processes related to payment holidays.

f) Fair values of financial assets and liabilities

	2020 Book value £'000	2020 Fair value £'000	2019 Book value £'000	2019 Fair value £'000
Financial assets				
Mortgage assets	35,918	34,478	39,724	37,851
Cash and cash equivalents				
Reserve and contingency funds	3,000	1,423	3,000	1,034
Other cash balances	427	427	148	148
	<u>3,427</u>	<u>1,850</u>	<u>3,148</u>	<u>1,182</u>
Derivative financial instruments	<u>5,843</u>	<u>5,843</u>	<u>5,619</u>	<u>5,619</u>
	<u>45,188</u>	<u>42,171</u>	<u>48,491</u>	<u>44,652</u>
Financial liabilities				
Mortgage backed loan notes	39,590	33,099	42,850	36,075
Derivative financial instruments	7	7	21	21
Subordinated loan	<u>7,571</u>	<u>3,755</u>	<u>7,287</u>	<u>2,528</u>
	<u>47,168</u>	<u>36,861</u>	<u>50,158</u>	<u>38,624</u>

All financial assets and liabilities are held at amortised cost, except for derivative financial instruments that are held at fair value. There were no transfers between categories in both periods. Management have assessed all other assets and liabilities and consider book value to be equal to fair value.

Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents. There are no material differences between their book values and fair values.

The directors have considered the fair values of the Company's main financial instruments which are mortgage assets, loan notes, derivative financial instruments and cash.

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Notes to the financial statements for the year ended 31 March 2020

The fair value of the mortgage backed loan notes has been based upon their quoted prices; where available, or prices interpolated using latest available market data. The fair value of the mortgage assets has been based upon the fair value of the mortgages underlying the loan notes, and expected residual cash flows. It is the opinion of the directors that this methodology is appropriate as the market is more liquid than in prior years.

As part of the process of assessing fair value, management have refined the assumptions used. This has been achieved using a combination of macro environmental factors including market observable data and individual borrower data resulting in a more accurate reflection of the estimated cash flows used for computing fair value.

Loan notes and mortgage assets are classified as level 2 and level 3 respectively.

Fair value of derivatives

	2020 Notional amount £'000	2020 Assets £'000	2020 Liabilities £'000	2019 Notional amount £'000	2019 Assets £'000	2019 Liabilities £'000
Currency swaps	20,448	5,843	-	21,657	5,619	-
Basis rate swaps	13,143	-	7	15,369	-	21
		<u>5,843</u>	<u>7</u>		<u>5,619</u>	<u>21</u>

The Company recognised a gain on the fair value of derivatives of £238,000 during the year (2019: loss of £1,117,000).

For the valuation of derivative financial instruments, a discounted cash flow model is used based on a current interest rate yield curve. The yield curve is the primary determinant of the valuation, and is constructed by benchmarking to generic instruments in the market that are sensitive to Overnight Index Swap ("OIS") movements. Consequently, the Company deems all its derivative financial instruments to be level 2.

The Company does not have other financial instruments held at fair value and there have been no transfers between levels within the fair value hierarchy.

The rates of interest receivable and payable on variable rate financial instruments, with the exception of the non-Sterling denominated mortgage backed loan notes, are set with reference to the London Interbank Offer Rate ("LIBOR"). The rates of interest payable on the mortgage backed loan notes are set as detailed in note 16.

The basis rate swap has a contractual maturity of 17 March 2038.

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Notes to the financial statements for the year ended 31 March 2020

18 Share capital

	2020 £	2019 £
Allotted, issued and fully paid:		
1 ordinary 100% issued and fully paid share of £1 each	<u>1</u>	<u>1</u>
Allotted, issued and partly paid:		
49,999 ordinary 25% issued and paid shares of £1 each	<u>12,500</u>	<u>12,500</u>

19 Related party transactions

The transactions and outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing. None of the outstanding balances have been impaired.

	Amount expensed 2020 £'000	Amount outstanding 2020 £'000	Amount expensed 2019 £'000	Amount outstanding 2019 £'000
The Northview Group Limited				
Amounts due to group undertakings	-	(66)	-	(66)
Kayl Holdco				
Subordinated notes	(283)	(7,571)	-	-
Kensington Mortgage Company Limited				
Amounts due from group undertakings	-	325	-	323
Amounts due to group undertakings	-	(52)	-	(10)
Mortgage administration fees	-	-	(16)	-
Kayl Residuals S.à r.l.				
Deferred consideration	-	-	205	-
Subordinated notes	-	-	(262)	(7,287)
St. James's Park Mortgage Funding Limited				
Discount reserve swap	-	(466)	-	(646)
Intertrust Management Limited				
Corporate administration services	(27)	-	(8)	-
	<u>(310)</u>	<u>(7,830)</u>	<u>(81)</u>	<u>(7,686)</u>

Details of loan notes and interest accrued on the loan notes is shown in note 16 and note 5.

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Notes to the financial statements for the year ended 31 March 2020

20 Parent undertaking and control

The Company's immediate parent undertaking is Landmark Mortgage Securities No.1 Holdings Limited which is registered in England, United Kingdom and has its registered office located at 1 Bartholomew Lane, London, EC2N 2AX. The entire issued share capital of Landmark Mortgage Securities No.1 Holdings Limited is held by the legal parent company Intertrust Corporate Services Limited, a company incorporated in England, United Kingdom, which holds the shares of the Company on trust for charitable purposes.

An affiliate company, Kayl Residuals S.à r.l., retains an interest in the cash flows and profits of the Company. The Company's operations are managed by Kensington Mortgage Company Limited, a fellow group company.

The largest and smallest group in which the results of the Company are consolidated is Koala (Cayman) Limited, a Company incorporated in the Cayman Islands. The consolidated financial statements of Koala (Cayman) Limited are available to the public and may be obtained from 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, the Cayman Islands.

The Company's ultimate controlling party is Koala (Cayman) Limited, which is incorporated in the Cayman Islands, and is the ultimate parent undertaking of Kayl Residuals S.à r.l..

21 Capital management

The Company is not subject to any externally proposed capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

The Company's capital consists of share capital contributed by investors. Due to the structural features of the securitisation process, where cash paid out to noteholders cannot exceed cash received, and where the holder of the deferred consideration certificate is entitled to any excess deferred consideration, the amount of share capital is not expected to fluctuate over time. Accordingly, the objective of capital management is to hold constant the amount of share capital, and this objective is achieved by the structural features of the securitisation transaction documented in the offering circular and other legal documentation.

22 Post statement of financial position date events

Subsequent to the reporting date, extensions to lockdown periods have been announced following the COVID-19 crisis, and the UK Government introduced 'Payment holiday scheme' in March 2020, in an attempt to mitigate the economic impact of COVID-19.

As of 31 October 2020, 23 loans have taken up the payment holiday scheme which represents 8.24% of the total loans and 10.78% of the total balance.

There are no other significant events occurring after the statement of financial position date, up to the date of approval of the financial statements that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 March 2020.