Registered number: 02466320

COMPUTERSHARE MORTGAGE SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

COMPUTERSHARE MORTGAGE SERVICES LIMITED

COMPANY INFORMATION

Directors	N Oldfield A Jones R Banks T Franklin P Ali
Company secretary	L K Botha, J Dolbear (resigned 23/07/2021), R Esmail (appointed 01/01/22, resigned 27/05/22)
Registered number	02466320
Registered office	The Pavilions Bridgwater Road Bristol Avon BS13 8AE
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

COMPUTERSHARE MORTGAGE SERVICES LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Introduction

Computershare Mortgage Services Limited ("CMS") is a leading provider of UK third party mortgage administration services to the financial services sector. CMS forms part of the Loan Services division within the Computershare Group – Computershare Loan Services ("CLS"). CLS is the market leader in the UK third party mortgage administration services market, with more than 30 years' experience of working with some of the world's largest financial institutions.

Computershare Group have announced that the CLS UK business is held for sale and it is considered to be highly probable that a sale will complete within the next 12 months.

Business review

The directors of CMS report an operating loss of £5,951 thousand compared to a loss of £13,772 thousand for the year ended 30 June 2021. The reduction in operating loss of £7,821 thousand was due to a fall in gross profit of £1,409 thousand, however, this has been more than offset by a reduction in Administration Expenses of £9,309 thousand and in Other Operating Income of £79 thousand. The fall in gross profit was due to Assets Under Management falling to £7.9bn (compared to £9.4bn at prior year end) and a fall in Fixed Fee and Payment Protection Insurance revenue. These have been partly offset by increased client project support revenue and lower Operational costs. The reduction in Administration Expenses was due to a fall of £3,256 thousand in the investment costs associated with the CLS UK Cost Out programme together with a fall in underlying costs reflecting the benefits of the programme and the reduction in Assets Under Management.

The year to 30 June 2022 saw some key developments in the market including:

- The completion of the 3-year CLS UK Cost Out programme with benefits exceeding targets set by management.
- UK gross mortgages advances fell by 4.2% during the year compared to prior year. The value of gross mortgage advances in the final quarter of the current financial year at £77.9bn was 12.6% lower than the final quarter of the prior year.
- Challenger banks continuing to struggle to build market share.

CMS's management team has continued to drive down underlying costs as a result of the CLS UK Cost Out programme which completed during the financial year, with benefits exceeding target. Management will continue to review the cost base, and deliver further operational efficiencies, with headwinds in the origination market expected to persist for some time.

The business currently operates from Doxford, Skipton and Derry. CMS is recharged for occupancy of the sites by other Computershare Group companies.

Principal risks and uncertainties and Financial risk management

Regulatory environment

CMS continues to operate in a highly regulated environment and CMS has systems and controls in place to ensure it effectively manages its regulatory and compliance risks including regulatory change.

Market conditions

The FCA reported that the value of gross mortgage advances in the 12 months to 30 June 2022 were 4.2% lower than the comparable prior year period when they had returned to pre-COVID levels. The value of gross mortgage advances in 2022 Q4 at £77.9bn was 12.6% lower than the final quarter of the prior year. The impact of the UK leaving the EU Single Market and Customs Union with EU law no longer applying continues to have no material direct financial impact due to the composition of the Company's supplier, cost base and client revenue streams.

Operational risk and operational losses

The primary risk type that CMS is exposed to is operational risk and as part of its robust risk management framework, CMS has controls and processes in place to manage operational risk.

Provisions are made for specific operational loss cases as and when the necessary criteria are met (in accordance with IAS 37). Details of the Operational Losses provision can be found in note 16.

Credit risk

The Company is exposed to credit risk to the extent that that counterparties will be unable to pay amounts in full when they fall due and makes provision for Impairment as set out in note 2.9.

Management carefully manages its exposure to credit risk through close client relationships and regular account monitoring. The carrying amount of financial assets net of impairment represents the maximum credit exposure.

At no point in a mortgage's lifespan is the Company exposed to any mortgage underwriting credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company at all times maintains adequate cash facilities in order to meet all its commitments as and when they fall due. The directors believe they have minimal exposure to liquidity risk.

Foreign currency risk

The Company is not exposed to foreign exchange risk.

Inflation and interest rates

The majority of client contracts allow fees to be increased in response to higher inflation although the full impact cannot always be passed on. If client arrears volumes were to rise as a result of macro-economic factors then associated revenues would also increase. If the mortgage market slowed resulting in lower redemptions then associated fees would reduce in the short term but the total assets under management would be higher resulting in increased servicing revenue in the future.

Financial key performance indicators

Financial performance

The results for the year ended 30 June 2022 are shown in the Statement of Comprehensive Income on page 13, and the notes thereto. CMS made an operating loss of £5,951 thousand (2021: loss of £13,772 thousand) for the year ended 30 June 2022. The financial performance is commented on in the Business Review section above.

The Balance Sheet and cash position remain strong with eligible capital at 30 June 2022 in excess of the regulatory minimum at 291% (2021: 431%) and cash at £2,875 thousand (2021; £6,063 thousand).

Key performance indicators (KPIs)

The following KPIs are used by management to monitor the growth and general financial performance of the business.

	2022	**2021**
Assets under management (year end)	£7.9bn	£9.4bn
Loss before tax	£(5,964)k	£(13,707)k
Operating loss	£(5,951)k	£(13,772)k

The decrease in assets under management is due to the natural reduction in the clients' closed books as mortgages redeem.

The reduction in the loss figure is discussed in the Financial Performance commentary above.

Directors' statement of compliance with duty to promote the success of the Company

Under Section 172 (1) of the Companies Act 2006, a director of a company must 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.

Computershare Group have announced that the CLS UK business is held for resale and the directors consider that this is beneficial in securing the longer term success of the company. During the year the 3 year Cost Out Programme was successfully completed with benefits exceeding initial targets set by management.

The following paragraphs summarise how the directors fulfil their duties:

(a) The Company is wholly owned by Computershare Investments (UK) No.3 Limited and the ultimate parent undertaking is Computershare Limited, a Company incorporated in Australia. As such the directors always operates to the standards set by the Computershare Group ('Group') of which it is a member. Any decision taken will be aligned to the strategy of the wider Group and is made in the best interests of all stakeholders. Impacts of any decisions will be determined through ongoing risk assessment conducted with all relevant stakeholders. The Company strategy is regularly reviewed by the Board, is aligned to the key priorities set by Group and is presented to and agreed by Group. The Board has delegated responsibility for the day to day management and administration of the business to the CLS Chief Executive Officer who manages the companies in accordance with the strategy, plans and policies approved by the Board. The Chief Executive Officer chairs weekly Executive Leadership Team meetings where decisions are aligned to the approved Board strategy.

(b) The directors are committed to driving a responsible business. Our behaviour is aligned to our people, clients, investors, communities and society as a whole. Our commitment to our people is aligned to the People disclosures in the Computershare Group Annual Report. We recognise that success is driven by the quality and capabilities of our people and that looking after employees is in the best interests of all stakeholders. The directors undertake regular staff surveys and management build action plans based on the feedback which are reviewed by the Executive Leadership Team, encouraging employee participation. In response to the COVID-19 pandemic over 90% of the Company's workforce were working from home with technology and other support being provided. Employees have now moved to a mixture of office based, home and hybrid working to meet Company and individual needs.

(c) The directors recognise the importance of building strong relationships with suppliers and customers and actively engage with representatives of contracting parties to ascertain their views and take them into account. The Company operates a Supplier Relationship Forum, leverages the wider Computershare Group procurement activity and has dedicated Client Relationships Managers. We also foster strong relationships and have regular contact with the FCA and other regulators.

(d) The directors recognise the importance of social and environmental activities and seek to manage them responsibly. We work closely to support our local community and have supported a number of initiatives and good causes during the year. Our approach to Corporate Responsibility is aligned to the disclosures in the Computershare Group Annual Report. The Company donated to Depaul UK, a youth homelessness charity helping young people who become homeless across the UK, International Community Organisation of Sunderland (ICOS) which exists to improve the quality of life of BME (Black and Minority Ethnic) people in the North East and to enhance community cohesion and intercultural understanding in this area and to Shelter which is a charity that campaigns for tenant rights giving advice, information and advocacy to people in the UK.

The two Yorkshire sites were consolidated into Skipton with the Crossflatts site closing and excess capacity across all sites has been ring-fenced. Both these actions are anticipated to reduce the impact of the Company's operations on the environment.

(e) The Board operates a Computershare Loan Services Governance Framework which sets out the Board governance arrangements. The Board discharges its responsibilities through the following Committees of the Board:

- CLS Audit and Compliance Committee
- CLS Risk Committee
- CLS Remuneration Committee
- CLS Nomination Committee

The directors operate strong risk, governance and oversight controls to ensure that high standards of business conduct are observed.

All employees and directors within the Group are required to follow the Computershare Code of Conduct, that sets out the principles and standards with which they are expected to comply as they perform their functions. We recognise that to protect and enhance our reputation, all employees must conduct themselves in accordance with the highest standards of personal integrity. This is critical to ensuring all stakeholders, from clients to investors and suppliers can have confidence in all aspects of our business.

A copy of the Group's board approved Code of Conduct, and other policies and charters noted above are available from the Corporate Governance section of http://www.computershare.com/governance.

(f) The Company is a wholly owned subsidiary of Computershare Investments (UK) No.3 Limited ('CIN3') and the directors are committed to openly engaging with the Board and Management of CIN3.

This report was approved by the Board on 17 October 2022 and signed on its behalf.

P Ali
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022

The directors present their report and the audited financial statements for the year ended 30 June 2022.

Directors' responsibility statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Results and dividends

The loss for the year, after taxation, amounted to £5,733 thousand (2021 - loss £13,118 thousand).

The directors do not propose a final dividend to be paid (2021: £ nil), nor was an interim dividend paid (2021: £ nil) during the year. New shares were issued during the year to the parent entity for £3,300 thousand.

Directors

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

N Oldfield
A Jones
R Banks
T Franklin
P Ali

Political contributions

The Company made no contributions for political purposes in the year (2021: £nil).

Principal commercial risks and uncertainties

Computershare Group have announced that the CLS UK business is held for sale and it is considered to be highly probable that a sale will complete within the next 12 months. The sales process is currently ongoing.

The other principal risk faced by the company is the ability to maintain/grow the Assets Under Management and offset the natural decline in the assets managed for existing clients.

Financial Risk management

The Company's operations expose it to a variety of risks that include credit and liquidity risk. Further detail on this is provided in the Strategic Report under the principal risks and uncertainties.

Going concern

An assessment has been made of the Company's ability to meet its obligations as they fall due over a 12 month period from the date of signing (of the financial statements) which included plausible downside scenarios including allowance for the current uncertainty in the global economy and the high inflation environment. This assessment supports the fact that, even under these downside scenarios, the Company has the ability to meet those obligations through its current assets and trading although will need to access cash, which is forecast to be available, from fellow CLS companies under the Board approved mandate. The assessment also supports the fact that the company is forecast to continue to comply with its regulatory capital requirements under these downside scenarios.

The Company has net assets of £5,786 thousand as at 30 June 2022 and is forecast to remain in a positive net asset position 12 months from the date of signing the accounts.

However a decision has been made to sell the company, and as such, a process is underway to find a buyer with the objective of a sale completing within 12 months from the date of signing these financial statements. If the company were to remain within the group the directors are satisfied that the company has the resources or access to resources to meet its obligations as they fall due over the 12 month period from date of signing. However, due to the objective of a sale completing within 12 months of the date of signing these financial statements, there is the possibility that the company will be sold within the 12 month going concern assessment period. As a result the directors can not, at the current time, assess with any certainty the operations of the company post any sale or what funding arrangements will be available to the company post any sale. There is therefore a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 5. The financial position of the Company and liquidity position are described in the Company financial statements on pages 13 to 30.

Future developments

Computershare Group have announced that the CLS UK business is held for sale and it is considered to be highly probable that a sale will complete within the next 12 months. The sales process is currently ongoing.

Employees

Details of the number of employees and their related costs can be found in note 8 to the financial statements on page 24.

Engagement with employees

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in maintaining its market leading position. The Group encourages the involvement of employees by means of various communication channels, including a web-based intranet and employee opinion surveys.

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased insurance in respect of itself and its directors.

Greenhouse gas emissions, energy consumption and energy efficiency action

In accordance with UK government's Streamlined Energy and Carbon Reporting ('SECR') policy we provide an update for the year on the Company energy usage and associated greenhouse gas emissions ('GHG').

Computershare are committed to driving change and reducing our carbon footprint where possible across our global business operations. We regularly hold a sustainability forum which looks at ideas to make significant changes and gives an opportunity for those ideas to be turned into commercial business cases.

The total energy consumed in the year was:

	2022	2021
	MWh	MWh
Electricity	1,454	2,637
Gas	1,172	2,945
Total	**2,626**	**5,582**

The total emissions during the year were:

	2022	2021
	Kg CO_2	Kg CO_2
Total emissions	527,991	1,215,271
As a measure of intensity:		
CO_2 emissions per employee	626	1,457

The savings in energy mainly relate to the closure of the Crossflatts and Solar House buildings during the year.

The methodology used to calculate the energy emissions is to apply a BEIS conversion factor to the KWh consumption. The method used for vehicle usage is apply a BEIS conversion factor to the total miles travelled.

Matters covered in the strategic report

The Company's business review, details of the principle risks and uncertainties and the key financial performance indicators are included within the Strategic Report.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

Disclosure of information to auditors

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 auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

A subsidiary of CMS, Specialist Mortgage Services Ireland Limited was dissolved on 14th July 2022.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 17 October 2022 and signed on its behalf.

P Ali
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
OF COMPUTERSHARE MORTGAGE SERVICES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Computershare Mortgage Services Limited 's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2022; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.3 to the financial statements concerning the company's ability to continue as a going concern. A decision has been made to sell the company, and as such, a process is underway to find a buyer with the objective of a sale completing within 12 months from the date of signing these financial statements. It is currently unknown how the company will be operated or what funding will be made available to the company post the completion of a sale. These conditions, along with the other matters explained in note 2.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 June 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibility statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Reviewing correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COMPUTERSHARE MORTGAGE SERVICES LIMITED

- Reviewing minutes of meetings of those charged with governance and internal audit reports;
- Discussions with management and those involved in the legal function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Risk based journal testing with a focus on those journals with attributes which could be indicative of a fraudulent posting; and
- Performed audit procedures which incorporate an element of unpredictability in our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andrew Pye (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
17 October 2022

COMPUTERSHARE MORTGAGE SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 £000	2021 £000
Turnover	4	23,449	28,368
Cost of sales		(14,654)	(18,164)
Gross profit		8,795	10,204
Administrative expenses		(16,981)	(26,331)
Other operating income	5	2,235	2,355
Operating loss	6	(5,951)	(13,772)
Interest (payable)/receivable and similar income	9	(13)	65
Loss before tax		(5,964)	(13,707)
Tax on loss	10	231	589
Loss for the financial year		(5,733)	(13,118)

There was no other comprehensive income for 2022 (2021:£000NIL).

COMPUTERSHARE MORTGAGE SERVICES LIMITED
REGISTERED NUMBER: 02466320

BALANCE SHEET
AS AT 30 JUNE 2022

	Note		2022 £000		2021 £000
Tangible assets	11		588		671
			588		671
Current assets					
Debtors: amounts falling due within one year	13	11,728		14,133	
Cash at bank and in hand		2,875		6,063	
		14,603		20,196	
Creditors: amounts falling due within one year	14	(9,155)		(12,260)	
Net current assets			5,448		7,936
Total assets less current liabilities			6,036		8,607
Debtors: amounts falling due after more than one year	13	227		263	
			6,263		8,870
Provisions for liabilities					
Other provisions	16	(477)		(788)	
			(477)		(788)
Net assets			5,786		8,082

COMPUTERSHARE MORTGAGE SERVICES LIMITED
REGISTERED NUMBER: 02466320

BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2022

	Note	2022 £000	2021 £000
Capital and reserves			
Called up share capital	17	1,000	1,000
Share premium account		15,300	12,000
Other reserves		424	287
Profit and loss account		(10,938)	(5,205)
		5,786	8,082

The financial statements on pages 13 to 30 were approved and authorised for issue by the Board of directors and were signed on its behalf on 17 October 2022.

P Ali
Director

The notes on pages 17 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 July 2020	1,000	-	139	7,913	9,052
Comprehensive expense for the year					
Loss for the financial year	-	-	-	(13,118)	(13,118)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	(13,118)	(13,118)
Shares issued during the year	-	12,000	-	-	12,000
Capital contribution in respect of share-based payments charge	-	-	148	-	148
Total transactions with owners	-	12,000	148	-	12,148
At 30 June 2021	1,000	12,000	287	(5,205)	8,082
Comprehensive expense for the year					
Loss for the financial year	-	-	-	(5,733)	(5,733)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	(5,733)	(5,733)
Shares issued during the year	-	3,300	-	-	3,300
Capital contribution in respect of share-based payments charge	-	-	137	-	137
Total transactions with owners	-	3,300	137	-	3,437
At 30 June 2022	1,000	15,300	424	(10,938)	5,786

The notes on pages 17 to 30 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. General information

Computershare Mortgage Services Limited ("the Company") is a private limited company limited by shares and incorporated in England in the United Kingdom. The Company is domiciled in England in the United Kingdom and its registered office is The Pavilions, Bridgwater Road, Bristol, BS13 8AE.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The directors have taken advantage under section 401 of the Companies Act 2006 not to prepareconsolidated financial statements as the Company is included by full consolidation in the consolidated financial statements of its ultimate parent, Computershare Limited (Australia), a company registered in Australia. The financial statements of Computershare Limited (Australia) are publicly available.

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

The following principal accounting policies have been applied consistently:

2. Accounting policies (continued)

2.3 Going concern

An assessment has been made of the Company's ability to meet its obligations as they fall due over a 12 month period from the date of signing (of the financial statements) which included plausible downside scenarios including allowance for the current uncertainty in the global economy and the high inflation environment. This assessment supports the fact that, even under these downside scenarios, the Company has the ability to meet those obligations through its current assets and trading although will need to access cash, which is forecast to be available, from fellow CLS companies under the Board approved mandate. The assessment also supports the fact that the company is forecast to continue to comply with its regulatory capital requirements under these downside scenarios.

The Company has net assets of £5,786 thousand as at 30 June 2022 and is forecast to remain in a positive net asset position 12 months from the date of signing the accounts.

However a decision has been made to sell the company, and as such, a process is underway to find a buyer with the objective of a sale completing within 12 months from the date of signing these financial statements. If the company were to remain within the group the directors are satisfied that the company has the resources or access to resources to meet its obligations as they fall due over the 12 month period from date of signing. However, due to the objective of a sale completing within 12 months of the date of signing these financial statements, there is the possibility that the company will be sold within the 12 month going concern assessment period. As a result the directors can not, at the current time, assess with any certainty the operations of the company post any sale or what funding arrangements will be available to the company post any sale. There is therefore a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 5. The financial position of the Company and liquidity position are described in the Company financial statements on pages 13 to 30.

2.4 Turnover and other operating income

Turnover is recognised under the principles outlined within IFRS 15. The majority of turnover is earned through the administration of third-party mortgages comprising the underlying servicing of the mortgages and the turnover is billed on a periodic basis. The other turnover stream is client change and on-boarding activity which is derived through agreed client changes outside of the core client service arrangement. These changes support onboarding of incremental new business and subsequent turnover streams.

A fixed fee is also payable by a major contract as part of Computershare's appointment to undertake mortgage servicing activity. The fixed fee is payable over four years for the provision of infrastructure to support core services. Fixed fee revenue is recognised on a percentage of completion method which links the fixed fee revenue recognised to the infrastructure costs incurred in a period as a proportion of the projected total infrastructure costs.

Other operating income is made up of a fixed fee charged to a major contract for business as usual IT services incurred.

Turnover is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. This involves following a 5-step model of turnover recognition.

The 5-step model involves identifying the contract with a customer, identifying performance obligations under the contract, determining the transaction price, allocating the transaction price to

2. Accounting policies (continued)

2.4 Turnover and other operating income (continued)

performance obligations under the contract and recognising turnover when the Company satisfies its performance obligations.

The key area of judgement in recognition of turnover is calculating the scale and timing of future incremental revenue streams.

Turnover is recognised either when the performance obligation in the contract has been performed, or over time as control of the performance obligation is transferred to the customer. For contracts with multiple components to be delivered management applies judgement to consider whether there are separate performance obligations.

Due to the nature of the turnover being derived from mortgage servicing there are no performance obligations in relation to refunds, warranties or similar obligations.

At contract inception the total transaction price is fixed, determined based on management's commercial estimates. Estimates are based upon management's understanding of the complexity of the required service based on their experience of providing similar services. This is then allocated to the identified performance obligations based on the directly incurred development cost of the required service for each contract when those performance obligations are satisfied. Any variations to the scope of the performance obligations are assessed as and when a change is requested, the transaction price is then reassessed.

For some contracts the company incurs development costs in order to meet its performance obligation and these costs are recognised as an asset. The asset is then amortised on a straight line basis over the remaining life of the contract. Judgement is applied in assessing whether these costs are costs to fulfil a contract and this judgement will depend on management's assessment of the nature of the underlying costs and whether they principally relate to a particular contract.

As the customer benefits from the value of the contract throughout the contractual period based upon what the Company do for the customer the output method is appropriately applied by the Company to all turnover streams other than the fixed fee turnover where the cost-to-cost method is applied.

The Company always acts as the principal as there are no arrangements for another party to provide the goods or services.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Long-term leasehold property	- term of lease
Plant and machinery	- 3-8 years
Freehold land	- Freehold land is not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.6 Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised or at fair value through other comprehensive income (FVOCI). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses (ECL) for trade receivables and

2. Accounting policies (continued)

2.9 Financial instruments (continued)

amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.10 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The Company makes estimates and assumptions that affect the reported amount of assets and liabilities within the next financial year. The Company has to make judgments in applying its accounting policies which affects the amounts recognised in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of suture events that are believed to be reasonable under the circumstances.

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £000	2021 £000
Mortgage account servicing (including associated project fees)	23,449	28,368
	23,449	28,368

All turnover arose within the United Kingdom.

The reduction in turnover mainly reflects the decline in assets under management to £7.9bn (2021: £9.7bn), cessation in Fixed Fee revenue and lower Payment Protection Insurance revenue. These have been partly offset by higher client project support revenue.

5. Other operating income

	2022 £000	2021 £000
Other operating income	2,296	2,403
Loss on disposal of tangible assets	(61)	(41)
Loss on disposal of fixed asset investments	-	(7)
	2,235	2,355

Other operating income is primarily outsourced IT revenue.

6. Operating loss

The operating loss is stated after charging/(crediting):

	2022 £000	2021 £000
Depreciation of tangible fixed assets	22	29
Amortisation of intangible assets, including goodwill	-	6
Exchange differences	14	(9)
Defined contribution pension cost	2,100	2,697

7. Auditors' remuneration

	2022 £000	2021 £000
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	70	49
	70	49
Fees payable to the Company's auditors and their associates in respect of:		
Audit related assurance services	113	110
	113	110

8. Employees

The Company has no employees (2021:nil), the costs below are in respect of staff dedicated to Computershare Mortgage Services Limited and their costs are recharged from another group company.

Staff costs were as follows:

	2022 £000	2021 £000
Wages and salaries	7,563	10,148
Social security costs	2,353	2,735
Other pension costs	2,100	2,697
	12,016	15,580

The Company has no employees other than the directors, who did not receive any remuneration (2021 - £NIL).

The emoluments of A Jones are paid by Homeloan Management Limited which makes no recharge to the company. A Jones is also a director of a number of other companies in the Computershare Group and it is not possible to make an accurate apportionment of his emoluments in respect of each of these companies.

The emoluments of N Oldfield are paid by Computershare Corporation which makes no recharge to the company. N Oldfield is also a director of a number of other companies in the Computershare Group and it is not possible to make an accurate apportionment of his emoluments in respect of each of these companies.

The emoluments of P Ali are paid by Computershare Investor Services PLC which makes no recharge to the company. P Ali is also a director of a number of other companies in the Computershare Group and it is not possible to make an accurate apportionment of his emoluments in respect of each of the companies.

The emoluments of T Franklin and R Banks are paid by Computershare Services Limited and are recharged to the company. Accordingly, the above details only include emoluments in respect of these directors, totalling £105 thousand in the year (2021: £114 thousand). This includes £Nil thousand employer contributions to defined contribution pension plans (2021: £Nil).

9. Interest (payable)/receivable and similar income

	2022 £000	2021 £000
Interest (payable)/receivable from group companies	(24)	65
Other interest receivable	11	-
	(13)	65

10. Tax on loss

	2022 £000	2021 £000
Corporation tax		
Current tax on loss before taxation	-	(380)
Adjustments in respect of previous periods	-	(177)
Total current tax	-	(557)
Deferred tax		
Origination and reversal of timing differences	6	(161)
Changes to tax rates	(63)	-
Adjustment in respect of previous periods	(174)	129
Total deferred tax	(231)	(32)
Taxation on loss	(231)	(589)

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%). The differences are explained below:

	2022 £000	2021 £000
Loss on ordinary activities before tax	(5,964)	(13,707)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%)	(1,133)	(2,604)
Effects of:		
Tax rate changes	(63)	-
Adjustments to tax charge in respect of prior periods	(174)	(48)
Share options	26	15
Group relief	1,113	2,048
Total tax credit for the year	(231)	(589)

The Company has surrendered tax losses of £5,858 thousand (2021: £10,779 thousand) with a tax effect of £1,113 thousand (2021: £2,048 thousand) to fellow subsidiary undertakings for no payment.

10. Tax on loss (continued)

Factors that may affect future tax charges

The standard UK corporation tax rate is 19% throughout the year ended 30 June 2022. Following the enactment of Finance Act 2021 the standard UK corporation tax rate will remain at 19% before increasing to 25% from 1 April 2023.

11. Tangible assets

	Freehold land £000	Long-term leasehold property £000	Plant and machinery £000	Total £000
Cost or valuation				
At 1 July 2021	520	205	13	738
Disposals	-	(84)	-	(84)
At 30 June 2022	520	121	13	654
Depreciation				
At 1 July 2021	-	54	13	67
Charge for the year on owned assets	-	22	-	22
Disposals	-	(23)	-	(23)
At 30 June 2022	-	53	13	66
Net book value				
At 30 June 2022	520	68	-	588
At 30 June 2021	520	151	-	671

12. Fixed asset investments

Specialist Mortgage Services Ireland Limited ("SMS Ireland") was incorporated in November 2013 with the issued share capital of €2. Following the decision by a Client not to proceed with engaging SMS Ireland relating to a specific contract that followed on from a pilot exercise, management has reviewed the carrying value of SMS Ireland and has impaired the €2 investment.

Specialist Mortgage Services Ireland Limited was dissolved on 14th July 2022.

12. Fixed asset investments (continued)

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Specialist Mortgage Services Ireland Limited	3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82	Ordinary	100%

The aggregate of the share capital and reserves as at 30 June 2022 and the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

Name	Profit £000
Specialist Mortgage Services Ireland Limted	-

13. Debtors

	2022 £000	2021 £000
Amounts falling due after more than one year		
Prepayments and accrued income	227	263
	227	263

	2022 £000	2021 £000
Amounts falling due within one year		
Trade debtors	2,779	3,432
Amounts owed by group undertakings	5,448	6,331
Other debtors	1,456	2,588
Prepayments and accrued income	1,762	1,730
Deferred taxation	283	52
	11,728	14,133

Amounts owed by group undertakings are unsecured and are repayable on demand.

Other debtors includes £380 thousand Corporation tax recoverable relating to the prior year not yet refunded.

14. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Amounts owed to group undertakings	4,992	6,434
Other creditors	1,384	1,330
Accruals and deferred income	2,779	4,496
	9,155	12,260

Amounts owed to group undertakings are unsecured and are repayable on demand. They include a £1,908 thousand loan from Computershare Services Limited repayable on demand with interest payable at a rate of UK Daily LIBOR plus 1.05% per annum. £16k interest was earned on a £1.9m balance with CIN3 that was settled in the year and £8k earned on the £1.9m balance with Computershare Services Limited that is still outstanding.

15. Deferred taxation

	2022 £000	2021 £000
At beginning of year	52	19
Credited to profit or loss	57	161
Prior year adjustment	174	(128)
At end of year	283	52

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	57	52
Other - donations	4	-
Temporary differences	222	-
	283	52

16. Other provisions

	Service level provision £000	Onerous business rates provision £000	Total £000
At 1 July 2021	181	607	788
Charged to profit or loss	191	(502)	(311)
At 30 June 2022	372	105	477

Service level provision
The provision is made for estimated compensation payments resulting from past operational issues. The amount of provision to be held and the amount of compensation made is determined through internal investigation and agreement with the client on a case by case basis.

It is uncertain when the provision will be fully utilised due to the ongoing nature of internal investigations and discussions with the client.

Onerous business rates provision
This provision covers estimated unavoidable business rates costs of the leasehold properties no longer in use as well as mothballed floor space up until the lease break dates.

17. Called up share capital

	2022 £000	2021 £000
Authorised, allotted, called up and fully paid		
1,000,030 (2021 - 1,000,020) Ordinary shares of £1.00 each	1,000	1,000

18. Pension commitments

Pension costs are paid through another group company.

19. Related party transactions

The Company undertook no transactions with related parties other than with parties 100% owned within the Group and therefore exempt from disclosure under FRS101.

20. Post balance sheet events

A subsidiary of CMS, Specialist Mortgage Services Ireland Limited was dissolved on 14th July 2022.

21. Controlling party

Computershare Mortgage Services Limited is controlled and 100% owned by Computershare Investments (UK) (No.3) Limited incorporated in England and Wales.

The ultimate parent undertaking and ultimate controlling party is Computershare Limited ("Computershare Limited (Australia)"), a company incorporated in Australia under ACN 005485825, which ultimately holds 100% of the share capital in Computershare Mortgage Services Limited.

The smallest and largest group in which Computershare Investments (UK) (No. 3) Limited is a member and for which group financial statements are drawn up is the Computershare Limited (Australia) group. The consolidated financial statements of this group can be obtained from Computershare Limited, 452 Johnston Street, Abbotsford, Victoria 3067, Australia. These may also be found at Computershare's web site www.computershare.com.