

**Landmark Mortgages Limited**  
**Annual Report and Financial Statements**  
**For the Year Ended 31 December 2021**

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**DIRECTORS AND OTHER INFORMATION**

**Directors**

L J Kelly  
H R Patel  
D R Clinton  
P J Schancupp

**Solicitor**

Linklaters LLP  
One Silk Street  
London  
EC2Y 8HQ

**Secretary and Registered Office**

H S Young  
Admiral House  
Harlington Way  
Fleet  
Hampshire  
GU51 4YA

**Registered Number:** 03273685

**Banker**

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

**Statutory Auditor**

KPMG LLP  
One Sovereign square  
Sovereign Street  
Leeds  
LS1 4DA

## STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2021.

### Principal activities

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

### Business review, results and future developments

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

The Company maintains a framework for a master-servicing and oversight business that is based upon good and appropriate customer outcomes with fair and consistent treatment of our customers. The day-to-day servicing of the portfolio is outsourced, and the outsourced service standards and performance are actively monitored by a Landmark operational oversight team based on-site at Skipton, West Yorkshire.

In February 2021, the Company negotiated an amendment to its master servicing fee revenue structure to enhance its liquidity position and support its wider oversight activities.

The Company continued to manage and oversee legacy customer remediation issues which are recognised as liabilities on the Statement of Financial Position as a provision for customer redress. The provision for customer redress balance at year end was £7.6m (2020: £29.7m). The provision is made up of claims from customers regarding alleged mis-selling of Payment Protection Insurance ("PPI") by Northern Rock of £3.5m (2020: £23.9m). In connection with the acquisition of the Company by Cerberus in May 2016, NRAM Limited ("NRAM"), which was wholly owned by UK Asset Resolution Limited ("UKAR") (which in turn is wholly owned by HM Treasury) provided full indemnity protection against PPI related customer remediation. Accordingly, all PPI related customer redress is managed and settled directly by NRAM under the relevant sale agreements and the Company has not paid any amounts in respect of PPI related customer redress since 2016.

The indemnity protection provided by NRAM regarding customer redress is split between the Company and Landmark Bidco Limited ("Bidco"), its immediate parent undertaking. The Company's deemed direct indemnity allocation at year end was £1.9m (2020: £12.5m), this split having been calculated based on a fixed ratio determined at the acquisition date in 2016. The residual provision of £4.1m is primarily due to the customer redress and costs for alleged breaches of the Consumer Credit Act 1974 in relation to the granting of payment deferrals under the FCA consumer support measures as a response to the pandemic.

During the year, the Company recruited 20 employees and reduces its reliance on the Material Outsourced Services Agreement with Capital Home Loans Limited. Changes were also made to the Board membership, which enhanced the independent governance of the business.

The Company continues to focus on improving customer service and outcomes with appropriate oversight of the delegated sub-servicer's servicing activities through active first and second-line monitoring and review of customer activities, underpinned by a strong culture of risk and control, as well as treating customers fairly.

During the year, Coronavirus impacted the UK and global economies as a result of further national lockdowns, however the worldwide vaccine distribution has reduced the impact on hospitalisations and deaths, and Coronavirus restrictions have been relaxed throughout 2021. In the previous year, the UK Government introduced several economic support measures to mitigate the adverse economic conditions which continued into 2021. These economic support measures included the introduction of a job retention scheme and payment deferrals on mortgages. The Company supported the extension to payment deferrals until June 2021, as well as, introducing a moratorium on re-possession activity to the April 2021. The Company has not furloughed any employees or taken any government support since the start of the pandemic and has followed all government guidance.

## STRATEGIC REPORT - continued

### Key performance indicators

Key performance indicators utilised by the Company are:

	2021	2020
Legal title and master servicing fee income (£m)	8.3	8.1
Profit/(loss) before tax (£m)	2.3	(0.4)
Number of Complaints (excluding PPI)	<u>1,847</u>	<u>3,030</u>

### Principal risks and uncertainties

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

#### *Conduct risk*

Conduct risk is the risk of treating customers unfairly associated with the failure to deliver appropriate customer outcomes which could impact the Company's reputation and its financial performance. The Company has an averse risk appetite for conduct risk. The desire to manage conduct risk is a guiding principle of the Company and the Board regards the fair and consistent treatment of our customers as an overriding principle of the business. The Company's current and potential conduct liabilities are being considered in the note 10 and 11.

#### *Operational risk*

Operational risk is the risk of losses arising from inadequate or failed systems, processes, people and external events. The Company's governance framework is based on a '3 Lines Model' to ensure an effective control environment. This reflects that risks are best managed by those business areas from where risks emanate from. The second line (i.e. Risk and Compliance), as well as the third line (i.e. Internal Audit) provide oversight and assurance on the overall effectiveness of the business operational risk management framework. Oversight of the management of operational risks is provided by the Management Risk Committee, Executive Committee and the Risk Committee, a sub-committee of the Board. The Company defines the overall framework for managing risk, including the amounts and types of risk it is prepared to accept.

#### *Supplier Risk*

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

#### *Climate Risk*

Climate change creates financial risks that are far-reaching in breadth and scope through two primary channels: the physical effects of climate change and the impact of changes associated with the transition to a lower carbon emission economy. In assessing this, the Company is considering the areas in which climate change could impact the business as well as uncertainty around the time horizon over which climate risks will materialise and the potential for changes in shareholder and regulatory expectations. The Board considers all risks in its review and challenge of the strategic plan as well as through the Board Risk Committee.

The Company has formed an Environmental, Social and Governance ("ESG") committee to build, manage and oversee the ESG framework and strategy. The committee brings together representatives from relevant business functions.

As part of the overall climate risk strategy, the Company will review and track its carbon emissions and ESG impacts which will develop further during 2022. More information regarding the social and governance initiatives can be found in the Directors Reports under the Section 172 (1) statement. The Company has disclosed its ESG Statement on its website, which can be found at <https://www.landmarkmortgages.com>.

## STRATEGIC REPORT - continued

### *Liquidity risk*

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

### *Capital management*

The Company's policy is to remain adequately capitalised to meet current regulatory capital requirements and to support its ongoing business operations. The Company manages its capital structure and makes adjustment to it, considering changes in economic conditions and needs of the business. The minimum regulatory capital that the Company is required to hold is determined by the rules and guidance established by the FCA under MIPRU which is 10% of the Company's total income. The Board believes it appropriate to hold a higher level of capital relative to regulatory requirements. The Directors believe that the Company has sufficient capital to support the business.

### *Coronavirus Risk*

The Coronavirus pandemic has caused a downturn in the UK economy. The risks of virus transmission and infection affecting our customers, staff and businesses is now lower as the pandemic is brought under control through vaccinations including boosters.

The UK Government has now removed all Coronavirus restrictions; however the Company continues to closely monitor the situation of new variants and regularly update its business and operational resilience plans to provide an effective response to these events.


### **Going concern**

The Directors have assessed the Company's ability to continue as a going concern having considered the principal risks and uncertainties set out in notes 1 and 14, the future strategic plans and financial support expected from its intermediate parent company, the anticipated economic conditions and possible ongoing regulatory enquiries.

The Directors believe that continued long-term going concern of the Company is dependent on it being able to increase its profitability through obtaining additional contractual revenue as the legal title holder and master servicer. In addition, the Company must also be able to effectively manage conduct risk associated with any alleged failure to deliver appropriate customer outcomes of which could impact the Company's ability to continue as a going concern. The potential conduct liabilities are considered in the notes 10 and 11.

Having assessed the impact on the Company's principal risks based on current financial projections including stressed scenario analysis, the Directors have a reasonable expectation that the Company has adequate resources including the financial support by its intermediate parent company, Cerberus European Residential Holdings B.V. ("CERH") to continue in operational existence for the foreseeable future and therefore believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board on 31 May 2022 and signed on behalf by



**H S Young**  
Company Secretary

31 May 2022

## DIRECTORS' REPORT

The Directors present their annual report on the affairs of Landmark Mortgages Limited, together with the financial statements and auditor's report, for the year ended 31 December 2021.

### Dividends

No dividends were proposed or paid during the year (2020: £Nil).

### Directors and secretary

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

#### Name

D R Clinton	Chairman, Non-Executive Director	
H R Patel	Non-Executive Director	
L J Kelly	Non-Executive Director	
C M Insinger	Non-Executive Director	(resigned 1 April 2022)
P J Schancupp	Non-Executive Director	
A Kloosterman	Non-Executive Director	(resigned 1 May 2021)
H S Young	Company Secretary	

C M Insinger and A Kloosterman are Directors of Cerberus European Residential Holdings B.V. which is the intermediary parent Company (note 16) and none of the Directors has beneficial interests in the share capital of the Company.

### Directors' indemnities and Directors' and Officers' liability insurance

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

### Corporate governance

In line with businesses of similar size and nature, the Board has established Audit, Risk, Nominations and Remuneration Committees which are composed of Non-Executive Directors of the Company. The Audit Committee has independent oversight of the external audit relationship, financial reporting and the internal audit function. The Risk Committee has independent oversight of the internal control systems, the risk management framework, and appropriateness of the Company's risk culture, to ensure it supports its stated risk appetite. The Nominations and Remuneration Committee has independent oversight for the Board and Board Committee appointments and the overall remuneration policy and philosophy for the Company, including reviewing management succession plans and the appropriateness of management development programmes for Executives.

### Section 172 (1) statement and our stakeholders

We report how our Directors have performed their duty under Section 172 of the Companies Act 2006, and this statement reflects the matters to which the Directors must have regard in performing their duty to promote the success of the Company for the benefit of its shareholders, which includes having regard, amongst other matters, to:

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

The Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for monitoring and upholding the culture, values, standards, ethics, brand and reputation of the Company to ensure that our obligations to our shareholders, employees, customers and others

## **DIRECTORS' REPORT - continued**

### **Section 172 (1) statement and our stakeholders -continued**

are met. Management are responsible for setting and embedding of the culture through the organisation. The Board monitors adherence to the policies and compliance with corporate governance.

#### **Employee engagement**

The Directors take into consideration the long-term interests and wellbeing of all colleagues in any principal business decisions taken by the Company during the financial year. The Company provides employee forums to engage and help set the Company culture including having committees for Diversity & Inclusion, Reach Out Colleagues, Staff Collaboration and ESG Committee.

The Company is committed to pursuing equality and diversity in all its employment activities including recruitment, training, career development and promotion and ensuring there is no bias or discrimination in the treatment of its employees. Colleagues are consulted regularly about changes which may affect them, and feedback is sought throughout this communication process as well as through regular one to one and other feedback sessions.

#### **Other stakeholder engagement**

**Customers:** Following the Financial Conduct Authority (FCA) guidance in March 2020 setting out their expectations in respect of payment deferrals to be offered to customers experiencing financial difficulties arising from the coronavirus outbreak, the Company reprioritised operational activity and team structures to establish a team to engage with customers seeking support in applying for a payment deferral and additionally hired additional employees during the pandemic to assist customers who were requiring payment deferrals or other forbearance measures.

The Company's policy of treating customers fairly is firmly embedded within the Company's business, including offering tailored support to customers on an individual basis, whom maybe in financial difficulty.

**Suppliers:** We operate in conjunction with a wide range of suppliers to deliver services to our clients and their customers. It is vital that we build strong working relationships with our suppliers and intermediaries, based on strong risk management and customer service. Payments to suppliers were made in a timely manner.

**Regulator:** The Board recognises the importance of maintaining an open and transparent relationship with regulators and other government authorities. There has been regular communication with the Regulators. SMCR is embedded across the business and conduct measures are overseen by the Board Risk Committee.

#### **Political and charitable contributions**

The Company made no political or charitable contributions during the year (2020: nil).

#### **Disclosure of information to auditor**

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

#### **Events occurring after Statement of Financial Position date**

There have been no reportable subsequent events between the balance sheet date and the date of signing this report that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 December 2021 and for the year then ended.

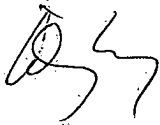


**DIRECTORS' REPORT - continued**

**Auditor**

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

By order of the Board on 31 May 2022 and signed on behalf by

A handwritten signature in black ink, appearing to be 'H S Young', written over a faint circular stamp.

**H S Young**  
Company Secretary

31 May 2022

Company Registered Number: 03273685

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

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

Company law requires the directors to prepare the company financial statements for each financial year. Under that law they have elected to prepare the company financial statements in accordance with UK-adopted international accounting standards.

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 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, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

### **Disclaimer of opinion**

We were engaged to audit the financial statements of Landmark Mortgages Limited ("the company") for the year ended 31 December 2021 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and related notes, including the accounting policies in note 1.

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

### **Basis for disclaimer of opinion**

The audit evidence available to us was limited because we were unable to obtain sufficient appropriate audit evidence in relation to the indemnity asset receivable from NRAM Limited having a carrying amount of £1.94m (2020: £12.53m), the amount due from Landmark Bidco Limited ("Bidco") of £1.90m (2020: £9.64m), tax liability of £13.83m (2020: £14.07m) and associated interest accrual of £1.56m (2020: £1.24m) within the Statement of Financial Position as at 31 December 2021, and the decrease in indemnity asset of £1.44m (2020: £5.95m), the current tax credit of £0.24m (2020: £2.20m) and associated interest charge of £0.32m (2020: £0.39m) within the Statement of Comprehensive Income for the year then ended.

The agreements entered into relating to the acquisition of Landmark Mortgages Limited ("LML") by Bidco in 2016 resulted in the total indemnity given by the seller regarding certain redress claims being split between the Company and its parent, Bidco. As the seller does not provide a breakdown of indemnity between the Company and Bidco, we were unable to obtain sufficient appropriate evidence regarding the amount of the indemnity assets due to the Company. Any adjustment to this amount would have a consequential effect on the movement in the indemnity assets and the amount due from Bidco, and the related tax liability and tax charge for the year.

We disclaimed our audit opinion on the financial statements for the year ended 31 December 2020 with regard to the same matter.

### **Fraud and breaches of laws and regulations – ability to detect**

As stated in the *Disclaimer of opinion* section of our report, we do not express an opinion on the financial statements, including whether they have been prepared in accordance with the requirements of the Companies Act 2006. The *Strategic report and directors' report* and *Matters on which we are required to report by exception* sections of our report explain the further implications of the matter described in the *Basis for disclaimer of opinion* on compliance with the requirements of the Act.

### **Strategic report and directors' report**

The directors are responsible for the Strategic Report and the Directors' Report. Any opinion on the financial statements would not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANDMARK MORTGAGES LIMITED - continued**

### **Matters on which we are required to report by exception**

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

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.  
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
  - returns adequate for our audit have not been received from branches not visited by us; or
  - the financial statements are not in agreement with the accounting records and returns; or
  - certain disclosures of directors' remuneration specified by law are not made.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements in accordance with UK-adopted international accounting standards and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (UK), and to issue an auditor's report. However, due to the significance of the matter described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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

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

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



**Alexander Simpson (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
1 Sovereign Square, Sovereign Street,  
Leeds LS1 4DA  
31 May 2022

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year Ended 31 December 2021**

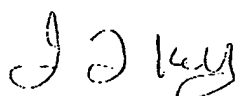
		2021 £'000	2020 £'000
	Notes		
Interest income and similar income	2	705	1,354
<b>Net interest income</b>		<u>705</u>	<u>1,354</u>
Legal title and master servicing fee income		8,325	8,105
Servicing fee costs		(5,898)	(6,232)
Administrative expenses	3	(4,317)	(4,406)
Financing cost		(292)	(407)
<b>Net other operating expense</b>		<u>(2,182)</u>	<u>(2,940)</u>
<b>Operating loss</b>		<u>(1,477)</u>	<u>(1,586)</u>
Movement in net provision for customer redress	10	3,746	1,200
<b>Profit/(Loss) before taxation</b>		<u>2,269</u>	<u>(386)</u>
Taxation	4	237	2,200
<b>Profit for the financial year</b>		<u>2,506</u>	<u>1,814</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u>2,506</u>	<u>1,814</u>

The notes on pages 16 to 36 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2021**

		2021 £'000	2020 £'000
	Notes		
<b>Assets</b>			
Cash at bank – restricted		6,409	7,518
Cash at bank - unrestricted		4,927	7,751
Due from parent undertakings	5	34,519	41,674
Indemnity asset	6	1,938	12,529
Prepayments and other debtors	7	2,090	2,123
Property and equipment	8	40	38
<b>Total assets</b>		<u>49,923</u>	<u>71,633</u>
<b>Liabilities</b>			
Other liabilities	9	10,307	12,207
Current tax liabilities		13,829	14,066
Provisions	10a	7,602	29,681
<b>Total liabilities</b>		<u>31,738</u>	<u>55,954</u>
<b>Equity</b>			
Share capital	12	58,000	58,000
Retained earnings		(39,815)	(42,321)
		<u>18,185</u>	<u>15,679</u>
<b>Total liabilities and equity</b>		<u>49,923</u>	<u>71,633</u>

The financial statements on pages 16 to 36 were approved by the Board of Directors on 31 May 2022 and were signed on its behalf by:



L J Kelly  
 Director

Company Registered Number: 03273685

**STATEMENT OF CHANGES IN EQUITY**  
**Year Ended 31 December 2021**

**For the year ended 31 December 2021**

	<b>Share Capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
Balance at 1 January 2021	58,000	(42,321)	15,679
Total comprehensive income for the year	-	2,506	2,506
<b>Balance at 31 December 2021</b>	<b>58,000</b>	<b>(39,815)</b>	<b>18,185</b>

**For the year ended 31 December 2020**

	<b>Share Capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
Balance at 1 January 2020	40,000	(44,135)	(4,135)
Total comprehensive income for the year	-	1,814	1,814
Issuance of Share capital	18,000	-	18,000
<b>Balance at 31 December 2020</b>	<b>58,000</b>	<b>(42,321)</b>	<b>15,679</b>

The notes on pages 16 to 36 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

	Notes	2021 £'000	2020 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax for year		2,269	(386)
<b>Adjustments for:</b>			
Depreciation and amortisation	3	16	31
<i>(Increase)/decrease in assets</i>			
Due from parent undertakings		7,155	30,128
Indemnity assets		10,591	33,957
Prepayments and other debtors		32	(128)
<i>Increase/(decrease) in liabilities</i>			
Other liabilities	9	(790)	1,257
Provisions		(22,079)	(60,055)
<i>Movement in the restricted cash balances and related other creditors</i>			
Cash at bank - restricted		1,109	5197
Other creditors	9	(1,109)	(5,197)
<b>Net cash flows arising from operating activities</b>		<u>(2,806)</u>	<u>4,804</u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		<u>(18)</u>	<u>(9)</u>
<b>Net cash flows arising from investing activities</b>		<u>(18)</u>	<u>(9)</u>
<b>Cash flows from financing activities</b>			
<b>Net cash flows arising from financing activities</b>		<u>-</u>	<u>-</u>
<b>Net movement in cash and cash equivalents - unrestricted</b>		<u>(2,824)</u>	<u>4,795</u>
Cash and cash equivalents at 1 January		7,751	2,956
<b>Cash and cash equivalents at 31 December</b>		<u><b>4,927</b></u>	<u><b>7,751</b></u>

The notes on pages 16 to 36 form part of these financial statement.



## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting Policies

#### Statement of compliance

The statutory consolidated financial statements set out herein have been prepared in accordance with UK-adopted international accounting standards (UK-adopted IFRS).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### Basis of preparation

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

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

The preparation of financial statements in accordance with UK-adopted IFRS requiring management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reflected in the judgements made about the carrying amounts of assets and liabilities. Actual results may differ from the estimates made. The estimates and assumptions are reviewed on an ongoing basis and where necessary are revised to reflect current conditions. The principal estimates and assumptions made by management relate to recoverability of the amount due from parent Company, calculation of the customer redress provisions and uncertain tax positions. Judgements made by management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the year are discussed in note 17.

#### Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for at least 12 months following the signing of the financial statements. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, and taking account of reasonably possible downsides, including the inflation risk impact on its customers and the Company's liquidity. Particular focus is given to the Company's financial forecasts to ensure the adequacy of resources available for the Company to meet its business objectives on both a short-term and strategic basis. The Company's business activities, together with the factors likely to affect their future development, performance and position, are set out in the Strategic Report.

The Company's main source of revenue is from legal title holding and, master servicing fee income from the Mortgage portfolios. Most of the fee income is payable by securitisation vehicles. The Company notes that the securitisation vehicles have been structured to withstand liquidity stresses. There are a range of liquidity measures which can be used to support the structure including liquidity facilities and cash reserves. Servicing fees are classified as senior expenses in the transaction revenue priority of payments waterfall – e.g., above "Triple-A Note interest". The mortgage portfolios on which fee income is earned has been decreasing year-on-year as the underlying mortgage portfolios are redeeming or repaying as the principal is being repaid by the borrowers. No new business has been entered into during the year and none is expected in the short term. If no new business is secured to increase the mortgage portfolio and related servicing fee income, the Company will continue to be reliant on the parental support to meet its increasing operational costs and settle its obligations as they fall due.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 1 Accounting Policies – continued

#### Going concern – continued

The Company has prepared cash flow forecasts for income and operating expenses (including non-recurring expenses) for a period of at least 12 months from the date of approval of these financial statements ("the going concern assessment period"). The Company's base case assumptions envisage the Bank of England raising rates by the end of 2022 to 1.50%, an inflationary increase in the operational costs from 2% to 10% and the settlement of other redress provisions including the alleged breaches of Consumer Credit Act (see note 10). The Company's base case forecasts prepared for the going concern assessment period indicate that the Company will require additional liquidity. The Directors intend to obtain such additional liquidity through repayment of its intercompany loan with Cerberus European Residential Holdings B.V. ("CERH") (see note 5), its intermediate parent company.

The Directors' stress testing forecast covers a severe but plausible downside scenario under which the operating expenses of the Company might increase due to rising inflation as a result of the evolving economic situation, as well as certain future events occurring to crystallise potential conduct liabilities. The scenario is summarised below:

*Severe but plausible downside scenario:* Severe inflationary risk and certain adverse future events crystallising with the Bank of England continuing to increase rates by the end of 2022 to 2.00%. Inflation of 20% over the next year which results in higher cost of living across the UK impacting the Company's customer's ability to service their mortgage payments resulting in higher arrears/defaults which then leads to an increase of 5% in the Company's fee income. Obligations crystallising in respect of an ongoing tax enquiry (see notes 4 and 11). This scenario also assumes crystallisation of possible obligations relating to the outstanding complaint cases with the Financial Ombudsman Service in respect of decoupled unsecured loans and the Directors concluding that redress is required on similar unsecured loans (see note 11) (hereinafter "possible obligations").

Based on the severe but plausible downside scenario above, full repayment of the intercompany loans is required, and significant additional liquidity would be needed through parental support. The intention to support has been communicated to the Company by its intermediate parent company, Cerberus European Residential Holdings B.V. ("CERH") for at least the earlier of (i) 12 months from the date of approval of these financial statements for the year ended 31 December 2021; and (ii) the date on which cash flow requirements of the Company are settled in full. The ability of CERH to support the Company is evidenced by a guarantee issued to CERH by one of its fund investors. The guarantee provided to CERH is effective for a period of 12 months from the date of approval of these financial statements and the Company considers that the fund investor is in a position and intends to honour the guarantee.

The Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. However, as at the date of signing these financial statements the Directors believe that this intention of CERH to support the Company and issue of guarantee to CERH has been made having knowledge of the current assessment of the cash flow requirements and, are satisfied that additional parental support is likely to be made available should any further requirement for funding arise either in the going concern assessment period or beyond.

Having taken account of the above the Directors have assessed that the 'severe but plausible downside scenario' does not represent a material uncertainty with regard to the Company's ability to continue as a going concern.

In addition, note 14 to the financial statements include the Company's financial risk management objectives, policies and processes for managing its capital. The minimum regulatory capital that the Company is required to hold is determined by the rules and guidance established by the FCA under MIPRU which is 10% of the Company's total income. The Company's year-end capital position shows that the Company is 192% in excess of the minimum regulatory capital requirement. The Company expects to remain in compliance with these capital requirements for at least 12 months from the date of the approval of financial statements.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**1 Accounting Policies – continued**

**Going concern – continued**

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

**Interest income**

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

**Legal title and master servicing fee income**

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

**Servicing fee cost**

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

**Administrative expenses**

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

**Cash and cash equivalents**

**Unrestricted cash balances**

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

**Restricted cash balances**

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

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 1 Accounting Policies – continued

#### Taxation

##### (i) Current tax

The charge for taxation is based on the result for the period and takes into account taxation deferred or accelerated arising from temporary differences between the carrying amounts of certain items for taxation and for accounting purposes. Tax is recognised in the statement of comprehensive income except to the extent it relates to an item in equity, in which case it is recognised directly in equity. The accounting policy for uncertain tax positions is set out on page 23.

##### (ii) Deferred tax

Deferred tax is calculated using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions, and changes in accounting basis on adoption of IFRS.

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

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

#### Provisions, contingent liabilities and indemnity assets

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 1 Accounting Policies – continued

#### Determination of fair value of financial instruments

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

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

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

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

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

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

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

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

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

#### Property and equipment

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

Fixtures and fittings	Over ten years
Computer equipment	Over four years

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

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

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 1 Accounting Policies – continued

#### Property and equipment - continued

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

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

#### Dividends

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

#### Financial liabilities

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

#### Interbank offered rates (IBOR) Reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Company had exposure to IBORs on its loan agreements with its immediate parent company and its intermediate parent company that have been reformed as part of this market-wide initiative.

As at 31 December 2021, the IBOR reform to which the Company has exposure has been completed. The table below sets out the IBOR rates that the Company had exposure to, the new benchmark rates to which these exposures have or are being transitioned.

Exposure	Benchmark rate before reform	Benchmark rate after reform
Amounts due to parent undertaking	12 Month LIBOR	Average SONIA

There was no material change to the value of the assets or liabilities due to the IBOR reform as the expected cashflows do not materially change.

#### Adoption of new and revised reporting standards

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2022 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Interest income	2021 £'000	2020 £'000
On intercompany loans	705	1,354
	<u>705</u>	<u>1,354</u>

3 Administrative expenses

	2021 £'000	2020 £'000
Staff costs	1,314	214
Outsourced and professional services	775	1,138
Depreciation and amortisation	16	31
Staff recharge from CHL	1,316	2,295
Other administrative expenses	896	728
Total	<u>4,317</u>	<u>4,406</u>

Staff costs analysis

	2021 £'000	2020 £'000
Employee costs during the year amounted to:		
Wages and salaries	955	192
Social security costs	106	22
Pension costs	64	-
Bonus	189	-
	<u>1,314</u>	<u>214</u>

The Company was restructured on 1 March 2021 with dedicated LML staff previously provided by Capital Home Loans Limited under a Material Outsourced Services Agreement now employed directly by LML.

The Company had an average number of employees of 18 staff in 2021 (2020: 0 staff).

Included in the above is remuneration paid of £271k (2020: £214k) in respect of the Non-Executive Directors, the highest paid Director amounted to £138k (2020: £103k). None of the Directors accrued retirement benefits during the year or in the prior year.

Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to Company auditors for the statutory audit of the Company	176	204
Total	<u>176</u>	<u>204</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Taxation	2021 £'000	2020 £'000
Current tax:		
- on Profit/(loss) for the year	237	2,200
<b>Total taxation credit per the Income Statement</b>	<b>237</b>	<b>2,200</b>

The tax assessed for the period differs from the standard rate of corporation tax in the United Kingdom of 19.00% (2020: 19.00%). The differences are explained below:

	2021 £'000	2020 £'000
Loss before taxation	2,269	(386)
Loss by standard rate of corporation tax in UK	(431)	73
Effects of:		
- income not taxable for tax purposes – conduct charges	668	2,130
- expenses deductible/(not deductible) for tax purposes – other	(1)	(3)
- changes in unrecognised timing differences	1	-
- Group relief not paid for	-	-
- adjustments in respect of prior periods – conduct charges	-	-
<b>Total taxation credit for the year</b>	<b>237</b>	<b>2,200</b>

Finance Act 2021 as enacted on 10<sup>th</sup> June 2021, provides for an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The increased corporation tax rate will affect the future taxation charge/credit.

An adjustment was made in 2019 to increase the Company's potential corporation tax liability position following LML's correspondence with HMRC in December 2019 in relation to an enquiry of its historical tax returns. This potential tax liability has reduced by £0.2m in 2021 due to a release in PPI provisions. The significant judgement and assumption are disclosed in note 17.

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

5 Amounts due from parent undertakings

	2021 £'000	2020 £'000
Amounts due from Landmark Bidco Limited ("Bidco")	1,895	9,638
Amounts due from Cerberus European Residential Holdings B.V. ("CERH")	32,624	32,036
	<b>34,519</b>	<b>41,674</b>

The amounts due from parent undertakings noted above are interest bearing and are charged interest at 3% for Bidco and 1.75% for CERH per annum plus 12m LIBOR. The interest has been converted from LIBOR to SONIA after the year end plus a bps margin, so the new rate for would be 3.4664% for Bidco and 2.2144% for CERH plus SONIA.



NOTES TO THE FINANCIAL STATEMENTS - continued

**6 Indemnity asset**

	2021 £'000	2020 £'000
Indemnity receivable from NRAM Ltd	<u>1,938</u>	<u>12,529</u>

**7 Prepayments and other debtors**

	2021 £'000	2020 £'000
Prepayments and accrued income	238	172
Amounts due to related parties	<u>1,852</u>	<u>1,951</u>
	<u>2,090</u>	<u>2,123</u>

**8 Property and equipment**

	Computer equipment, fixtures and fittings £'000	Total £'000
<b>31 December 2021</b>		
Cost		
At beginning of year	195	195
Additions in year	18	18
Disposals in year	(4)	(4)
At end of year	<u>209</u>	<u>209</u>
Depreciation		
At beginning of year	157	157
Charge for year	16	16
Elimination on disposal	(4)	(4)
At end of year	<u>169</u>	<u>169</u>
Net book value		
At 31 December 2021	<u>40</u>	<u>40</u>
At 31 December 2020	<u>38</u>	<u>38</u>

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 8 Property and equipment - continued

	Computer equipment, fixtures and fittings	Total
	£'000	£'000
<b>31 December 2020</b>		
Cost		
At beginning of year	267	267
Additions in year	9	9
Disposals in year	(79)	(79)
At end of year	<u>197</u>	<u>197</u>
Depreciation		
At beginning of year	207	207
Charge for year	31	31
Elimination on disposal	(79)	(79)
At end of year	<u>159</u>	<u>159</u>
Net book value		
At 31 December 2020	<u>38</u>	<u>38</u>
At 31 December 2019	<u>60</u>	<u>60</u>

## 9 Other liabilities

	2021	2020
	£'000	£'000
Accruals	2,390	2,138
Trade Creditors	1,508	2,551
Other creditors	6,409	7,518
	<u>10,307</u>	<u>12,207</u>

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

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 10 Provisions

## (a) Statement of Financial Position movement

	Payment Protection Insurance £'000	Other Customer redress £'000	Total £'000
At 1 January 2021	23,868	5,813	29,681
Increase in the year	-	425	425
Utilised in the year	(16,788)	(103)	(16,891)
Released in the year	(3,575)	(2,038)	(5,613)
<b>At 31 December 2021</b>	<b>3,505</b>	<b>4,097</b>	<b>7,602</b>

	Payment Protection Insurance £'000	Other Customer redress £'000	Total £'000
At 1 January 2020	88,800	935	89,736
Increase in the year	-	5,401	5,401
Utilised in the year	(52,634)	(272)	(52,905)
Released in the year	(12,298)	(252)	(12,550)
<b>At 31 December 2020</b>	<b>23,868</b>	<b>5,813</b>	<b>29,681</b>

Included in the above table are a number of legacy issues including PPI, which are indemnified by NRAM Limited and managed by the Company's material outsourced provider.

There was no additional provision for PPI booked during the year due to the PPI FCA deadline for submitting claims.

The other customer redress provision of £3.6m relates to the remediation of certain matters in regard to the granting of payment deferrals under the Consumer Credit Act. The provision is anticipated to be fully utilised in 2022.

The remaining other customer redress provisions of £0.5m are in relation to minor remediation matters that have been concluded.

The Company, in addition to the above and in the normal course of business, is subject to other complaints and legal proceedings, as well regulatory reviews and investigations. All such material matters are periodically reassessed, and professional expert advice is taken on these assessments where appropriate. Assessments are performed by Management using the IAS 37 accounting standard as noted in the accounting policies in note 1 and in the contingent liability in note 11.

## (b) Statement of Comprehensive Income Movement

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

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Provisions (continued)

(b) Statement of Comprehensive Income Movement - continued

The amount not covered by the relevant indemnity protection is recognised through the Statement of Comprehensive Income, these are shown below.

	2021	2020
	£'000	£'000
Decrease/(increase) in provision for customer redress (per note 10a)	5,188	7,149
Increase in indemnity assets	(1,442)	(5,949)
Movement in net position for customer redress as reported in Statement of Comprehensive income	3,746	1,200

11 Contingent Liabilities

With regard to the HMRC enquiry in respect of which an uncertain tax position has been recognised in the accounts as disclosed in notes 4 and 17, the Directors are satisfied that the Company has taken reasonable care in all of its corporation tax filings and dealings with HMRC such that, if the matter is settled in HMRC's favour no penalty should arise in relation to any additional corporation tax payable as a result. Accordingly, no provision has been made in the accounts. If a penalty were to arise management estimate the likely worst-case penalty would be £2m.

A small number of the Company's current and former customers have made complaints relating to the rate of interest applied to their unsecured loans following the redemption of the associated secured loan. Some of these complaints have been referred to the Financial Ombudsman Service and final outcomes are still outstanding. The complaints are being robustly defended on the basis that the Company's interest rates have been set and applied in accordance with contractual terms and applicable regulation. Additionally, the Financial Ombudsman Service has historically rejected similar complaints against Landmark and other lenders. Accordingly, the Directors are of the view that it is possible but not probable that the FOS outcome will find in favour of the customer due to the reasons provided above and therefore no provision has been made. Any estimate is inherently uncertain but based on the Directors' current understanding of the claims, the Company's legal obligations, the provisional evaluation of the impacted sub-population and other available information, in the unlikely scenario of an adverse FOS ruling and the Directors concluding that the redress is required on similar loans, the impact on the financial statements is estimated to be within a range of £nil to £4 million.

12 Share Capital

Issued and fully paid	2021		2020	
Ordinary shares of 25p each	Number	£'000	Number	£'000
In issue at 1 January	232,000	58,000	160,000	40,000
New Issuance	-	-	72,000	18,000
<b>Total</b>	<b>232,000</b>	<b>58,000</b>	<b>232,000</b>	<b>58,000</b>

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

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

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 13 Financial instruments

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

The following table summarises the carrying amounts and fair values of financial assets and liabilities. The accounting policy note 1 sets out the key principles used for estimating the fair values of financial instruments. Note 13(b) provides some additional information in respect of the methodologies used.

	Receivables	Total carrying Value	Fair Value
<b>At 31 December 2021</b>	£'000	£'000	£'000
<b>Financial assets:</b>			
Cash at bank - restricted	6,409	6,409	6,409
Cash at bank - unrestricted	4,927	4,927	4,927
Other financial assets	1,852	1,852	1,852
Indemnity asset	1,938	1,938	1,938
Due from parent undertakings	34,519	34,519	34,519
<b>Total financial assets</b>	<b>49,645</b>	<b>49,645</b>	<b>49,645</b>
	Liabilities at amortised cost	Total carrying Value	Fair Value
	£'000	£'000	£'000
<b>Financial Liabilities:</b>			
Trade Creditors	1,508	1,508	1,508
Other Creditors	6,409	6,409	6,409
<b>Total financial liabilities</b>	<b>7,917</b>	<b>7,917</b>	<b>7,917</b>
	Receivables	Total carrying Value	Fair Value
<b>At 31 December 2020</b>	£'000	£'000	£'000
<b>Financial assets:</b>			
Cash at bank - restricted	7,518	7,518	7,518
Cash at bank - unrestricted	7,751	7,751	7,751
Other financial assets	1,951	1,951	1,951
Indemnity asset	12,529	12,529	12,529
Due from parent undertakings	41,674	41,674	41,674
<b>Total financial assets</b>	<b>71,423</b>	<b>71,423</b>	<b>71,423</b>
	Liabilities at amortised cost	Total carrying Value	Fair Value
	£'000	£'000	£'000
<b>Financial Liabilities:</b>			
Trade Creditors	2,551	2,551	2,551
Other Creditors	7,518	7,518	7,518
<b>Total financial liabilities</b>	<b>10,069</b>	<b>10,069</b>	<b>10,069</b>

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 13 Financial instruments (continued)

## (b) Fair value measurement

At 31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets:</b>				
Cash at bank - restricted	6,409	-	-	6,409
Cash at bank - unrestricted	4,927	-	-	4,927
Other financial assets	-	1,852	-	1,852
Indemnity asset	-	1,938	-	1,938
Due from parent undertakings	-	-	34,519	34,519
<b>Total financial assets</b>	<b>11,336</b>	<b>3,790</b>	<b>34,519</b>	<b>49,645</b>
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Liabilities:</b>				
Trade Creditors	1,508	-	-	1,508
Other Creditors	6,409	-	-	6,409
<b>Total financial liabilities</b>	<b>7,917</b>	<b>-</b>	<b>-</b>	<b>7,917</b>
<b>At 31 December 2020</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Financial assets:</b>				
Cash at bank - restricted	7,518	-	-	7,518
Cash at bank - unrestricted	7,751	-	-	7,751
Other financial assets	-	1,951	-	1,951
Indemnity asset	-	12,529	-	12,529
Due from parent undertakings	-	-	41,674	41,674
<b>Total financial assets</b>	<b>15,269</b>	<b>14,480</b>	<b>41,674</b>	<b>71,423</b>
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Liabilities:</b>				
Trade Creditors	2,551	-	-	2,551
Other Creditors	7,518	-	-	7,518
<b>Total financial liabilities</b>	<b>10,069</b>	<b>-</b>	<b>-</b>	<b>10,069</b>

The following table sets out the fair values of financial instruments that the Company holds at 31 December 2021. It categorises these securities into the relevant level of the fair value hierarchy.

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

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

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

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

For financial assets and liabilities which are not carried at fair value, the fair values disclosed in note 13(a) are calculated on the following bases:

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

*Other financial assets and liabilities*

Fair value approximates to carrying value because the balances are short term in nature.

# NOTES TO THE FINANCIAL STATEMENTS - continued

## 14 Financial risk management

A description of the principal risks to which the Company is exposed is provided in the Strategic Report which form an integral part of the audited Financial Statements.

### (a) Credit risk

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

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

	2021	2020
At 31 December 2021	£'000	£'000
<b>Financial assets:</b>		
Cash at bank - restricted	6,409	7,518
Cash at bank - unrestricted	4,927	7,751
Due from parent undertakings	34,519	41,674
Indemnity asset	1,938	12,529
Other financial assets	1,852	1,951
<b>Total financial assets</b>	<b>49,645</b>	<b>71,423</b>

The indemnity asset of £1.9m (2020: £12.5m) has a low credit risk as it is guaranteed by the UK Government through an associated Company.

### (b) Liquidity risk

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

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

At 31 December 2021	On demand £'000	Within three Months £'000	After three months but within 6 months £'000	After six months but within one year £'000	After one year but within five years £'000	After five years £'000	Total £'000
<b>Financial assets:</b>							
Cash at bank - restricted	6,409	-	-	-	-	-	6,409
Cash at bank - unrestricted	4,927	-	-	-	-	-	4,927
Other financial assets	-	1,852	-	-	-	-	1,852
Due from parent undertakings	34,519	-	-	-	-	-	34,519
<b>Total financial assets</b>	<b>45,855</b>	<b>1,852</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,707</b>

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 14 Financial risk management – continued

## (b) Liquidity risk - continued

	£'000	Within three Months £'000	After three months but within 6 months £'000	After six months but within one year £'000	After one year but within five years £'000	After five years £'000	Total £'000
<b>Financial Liabilities:</b>							
Accruals	-	842	-	1,549	-	-	2,391
Trade Creditors	-	1,882	-	-	-	-	1,882
Other Creditors	-	6,034	-	-	-	-	6,034
<b>Total financial liabilities</b>	-	8,758	-	1,549	-	-	10,307

At 31 December 2020	On demand £'000	Within three Months £'000	After three months but within 6 months £'000	After six months but within one year £'000	After one year but within five years £'000	After five years £'000	Total £'000
<b>Financial assets:</b>							
Cash at bank - restricted	7,518	-	-	-	-	-	7,518
Cash at bank - unrestricted	7,751	-	-	-	-	-	7,751
Other financial assets	-	1,951	-	-	-	-	1,951
Due from parent undertakings	41,674	-	-	-	-	-	41,674
<b>Total financial assets</b>	56,943	1,951	-	-	-	-	58,894

	On demand £'000	Within three Months £'000	After three months but within 6 months £'000	After six months but within one year £'000	After one year but within five years £'000	After five years £'000	Total £'000
<b>Financial Liabilities:</b>							
Accruals	-	881	-	1,257	-	-	2,138
Trade Creditors	-	2,551	-	-	-	-	2,551
Other Creditors	-	7,518	-	-	-	-	7,518
<b>Total financial liabilities</b>	-	10,950	-	1,257	-	-	12,207

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



## NOTES TO THE FINANCIAL STATEMENTS - continued

## 14 Financial risk management – continued

## Non-derivative cash flows

At 31 December 2021	On demand £'000	Within three Months £'000	After three months but within 6 months £'000	After six months but within one year £'000	After one year but within five years £'000	After five years £'000	Total £'000
<b>Financial Liabilities:</b>							
Accruals	-	1,690	-	699	-	-	2,390
Trade Creditors	-	1,508	-	-	-	-	1,508
Other Creditors	-	6,409	-	-	-	-	6,409
Current tax liabilities	-	-	-	13,829	-	-	13,829
<b>Total financial liabilities</b>	-	9,607	-	14,528	-	-	24,136

At 31 December 2020	On demand £'000	Within three Months £'000	After three months but within 6 months £'000	After six months but within one year £'000	After one year but within five years £'000	After five years £'000	Total £'000
<b>Financial Liabilities:</b>							
Accruals	-	881	-	1,257	-	-	2,138
Trade Creditors	-	2,551	-	-	-	-	2,551
Other Creditors	-	7,518	-	-	-	-	7,518
Current tax liabilities	-	-	-	14,066	-	-	14,066
<b>Total financial liabilities</b>	-	10,950	-	15,322	-	-	26,272

## Foreign currency risk

At 31 December 2021 and 31 December 2020, the Company had no net material exposure to foreign exchange rate fluctuations or changes in foreign currency interest rates.

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Related party disclosures

(a) Key management personnel

The Company considers the Board of Directors and the members of the Executive Committee to be the key management personnel. There were no amounts owed to or by key management personnel at any time during the year (2020: £nil).

A summary of the Company's share of the remuneration of the 5 (2020:2) LML key management personnel and the 8 (2020:7) CHL key management personnel is set out in the table below.

Remuneration of key management personnel	2021 £'000	2020 £'000
Directors and Executive Committee	612	214
Executive Committee - CHL	716	845

(b) Fellow subsidiary

During the current year, CHL recharged a total of £1.3m to the Company (2020: £2.3m).

At 31 December 2021 the Company owed £0.1m to CHL (2020: £0.2m).

(c) Parent Companies

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

Parent Companies

Balances at year end:	2021 £'000	2020 £'000
Balances with Landmark Bidco Limited	1,895	9,638
Balances with CERH	32,624	32,036
Legal title and master servicing fees (CERH)	159	115
Other (CERH)	158	4
	<u>34,836</u>	<u>41,793</u>
Income during the year:	2021 £'000	2020 £'000
Interest receivable on intercompany loans (Bidco)	118	789
Interest receivable on intercompany loans (CERH)	588	565
Consultancy and secondment fee	43	93
Legal title and master servicing fees (CERH)	<u>2,316</u>	<u>2,546</u>
	<u>3,065</u>	<u>3,993</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Related party disclosures – continued

(c) Parent Companies - continued

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

- Towd Point Mortgage Funding 2019-Granite4 plc – Ongoing
- Towd Point Mortgage Funding 2019-Granite5 plc – Ongoing
- Towd Point Mortgage Funding 2021-Hastings 1 plc – Ongoing
- Hasting Warehouse Borrower Limited – Ceased in 2021

Balances at year end:	2021	2020
	£'000	£'000
<b>Assets</b>		
Servicer fee income receivable	1,453	1,794
Legal Title and master servicing fee receivable	5	6
	<u>1,458</u>	<u>1,800</u>
Income during the year:	2021	2020
	£'000	£'000
Servicer fee income receivable	5,496	5,088
Legal Title and master servicing fee receivable	47	69
	<u>5,543</u>	<u>5,157</u>

16 Immediate, intermediary and ultimate parent undertaking

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

The entire issued share capital of Landmark Holdco Limited is held by the legal intermediate parent company, Cerberus European Residential Holdings B.V., formerly known as Promontoria Holding 144 B.V., a company incorporated in the Netherlands.

The ultimate parent and ultimate controlling company is Promontoria Europe Investments 83 LDC whose registered office is Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005 in the Cayman Islands.

Promontoria Europe Investments 83 LDC is owned by certain investment funds managed and advised by Cerberus Capital Management L.P. a global investment manager headquartered in New York City, USA and registered with the United States Securities and Exchange Commission.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 17 Significant judgements/estimates made by management

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

<b>Significant Judgements</b>	<b>Key details</b>
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Provisions	
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	Disclosures in relation to the Company's provisions can be found in notes 10a and 10b, with the Company held provisions in respect of the following estimated payables:
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- |  |   |
|--|---|
|  | <ul style="list-style-type: none"><li>• payment protection insurance (PPI) provision of £3.5m at 31 December 2021 (2020: £23.9m); and</li></ul> |
|--|---|

	Significant judgement by management is required in determining the key assumptions used to estimate the quantum of the PPI provisions, including the level of complaint volumes, uphold rates (how many claims are, or maybe, upheld in the customers favour) and redress costs (the average payment made to customers). The Company has largely relied on its review of reports from NRAM Limited setting out the approach undertaken to assess any liability for the PPI remediation as LML is not directly involved in the undertaking of the PPI remediation activities.
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	<b>Sensitivity analysis:</b>
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	Included in the provision is the population of untraced customers of £3.2m, of which an assumption has been taken to fully provide for the upheld PPI cases aged 1 year and below, and for PPI cases aged over 1 year to hold a proportion of the liability based on the annual pay out rate. Should the annual pay rate on the population aged over 1 year reduce or increase by 15%, this will result in a lower potential provision of £2.7m or higher potential provision of £3.6m. The PPO provisions remain fully indemnified by NRAM limited and managed by the Company's material outsourced provider.
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- |  |  |
|--|--|
|  | <ul style="list-style-type: none"><li>• other provisions of £4.1m at 31 December 2021 (2020: £5.8m).</li></ul> |
|--|--|

	The other provisions include the potential cost of customer redress and related operational costs. These were recognised primarily in relation to the granting of payment deferrals (£3.6m (2020: £4.3m)) which is expected to be utilised over the next year. The assessment made in determining the quantum of the required provision include the number of customers who may have been affected, the estimated rates of redress and the expected time frame of 6 months for system changes.
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	<b>Sensitivities analysis:</b>
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	The payment deferrals redress requires system changes. Should the system changes lead time of 6 months reduce or increase by 3 months, this will result in lower potential costs of £1.2m or higher potential costs of £1.5m.
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The provision is therefore subject to inherent uncertainties as a result of the subjective nature of the assumptions used in quantifying the overall estimated position at 31 December 2021.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 17 Significant judgements/estimates made by management - continued

Significant Judgements	Key details
Going concern	Significant judgement is made in determining whether there are material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern. See note 1 'Going Concern'.
Indemnity asset	Disclosures in relation to the Company's indemnity assets can be found in note 6. To the extent that the provision in the Company is covered by a relevant indemnity, the associated indemnity asset is recognised, measured and valued in accordance with the requirements of IAS 37. The key judgement of the indemnity asset is based upon a proportionate split of the provision between the Company and Landmark Bidco Limited, which is based on Management's judgement of the split of the indemnity between the two entities based on the sale agreement of NRAM plc (Landmark Mortgages Limited, formerly NRAM plc) to the Company. The total indemnity amount recognised in both Bidco and LML amounts to £3.4m as at 31 December 2021. The actual split of impacted accounts between the underlying indemnification agreements may differ from the amounts recognised.
Uncertain tax treatment	<p>At 31 December 2021 the Company recognised corporation tax provisions of £13.8m (2020: £14.1m) in accordance with IAS 12 and the IFRIC 23: Uncertainty over Income Tax Treatments. HMRC in its letter to LML sent in December 2019 enquired into a certain tax treatment of its submitted tax return. In assessing how an uncertain tax treatment may affect the determination of the taxable profit, the Company assumes that HMRC will examine amounts and have full knowledge of all related information. If the Company concludes it is not probable that HMRC will accept a particular tax treatment, the Company reflects the effect of each uncertainty in determining the taxable profit by using one of the following methods:</p> <ul style="list-style-type: none"> <li>• the single most likely amount; or</li> <li>• the sum of probability-weighted amount in a range of possible outcomes</li> </ul> <p>Given the nature of the matter under enquiry, management deemed that the ultimate outcome will be binary in that the Company will either be successful in its argument such that no further tax is due, or it will not, such that further tax is due. Accordingly, the single most likely amount has been prudently estimated after considering external specialist advice to recognise an uncertain tax position based on assumptions that all relevant periods in which the matter under enquiry existed between 2016 to 2021 inclusive are assessed collectively and treated in the same way based on corporation tax rates that have been enacted in the respective tax periods.</p>
Contingent liability	Significant judgements are made in assessing the likelihood of any outflow of resources in respect of future decisions made by HMRC and/or the FOS on outstanding cases. Judgements are also made in assessing the likely amount and range of possible outflows in the unlikely event that judgements are made against the Company. Details of these matters are disclosed in note 11.

### 18 Events after the reporting period

There have been no reportable subsequent events between the balance sheet date and the date of signing this report that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 December 2021 and for the year then ended.