# Landmark Mortgages Limited

## Annual Report and Financial Statements

## For the Year Ended 31 December 2022

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## DIRECTORS AND OTHER INFORMATION

**Directors**

L J Kelly
H R Patel
D R Clinton
A Kloosterman

**Solicitor**

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**Secretary and Registered Office**

H S Young
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**Registered Number:** 03273685

**Banker**

Royal Bank of Scotland
Drummond House
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**Statutory Auditor**

KPMG LLP
One Sovereign square
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## STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2022.

### 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 Company recorded a profit before tax of £2.0m in 2022 (2021: £2.3m profit). Excluding the movement in the net provision for customer redress, the Company recorded an operating loss of £2.7m (2021: £1.5m operating loss). The £1.2m increase in the operating costs is mainly due to a significant investment made during the year in headcount (2022: 28 FTE vs 2021: 18 FTE) to reduce the Company's reliance on the Material Outsourced Services Agreement ("MOSA") with Capital Home Loans Limited and to further enhance oversight of day-to-day customer servicing activities which are outsourced under a Long-term Servicing Agreement ("LTSA") to a third party supplier, to maintain delivery of good customer outcomes.

The Company continued to manage and oversee 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 £2.0m (2021: £7.6m). The provision is made up of claims from customers regarding alleged mis-selling of Payment Protection Insurance ("PPI") by Northern Rock of £1.2m (2021: £3.5m). The residual provision of £0.8m 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 in response to the Coronavirus pandemic.

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 PPI related 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 £0.6m (2021: £1.9m), calculated based on a fixed ratio determined at the acquisition date in 2016.

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. Recent changes in the economic environment associated with high inflation and bank base rate rises resulting in higher cost-of-living expenses has increased pressure on consumer finances. Accordingly, the Company has been adapting its treatment of customers and provision of tailored support to reflect the ongoing uncertainties and challenges that customers will face or continue to face.

As the Company looks ahead, a key area of focus for the business is on progressing the Company's implementation of the FCA's Consumer Duty, which comes into effect at the end of July 2024.

## STRATEGIC REPORT - continued

### Key performance indicators

Key performance indicators utilised by the Company are:

| | 2022 | 2021 |
|---|---|---|
| Legal title and master servicing fee income (£m) | 7.5 | 8.3 |
| Profit before tax (£m) | 2.0 | 2.3 |
| Value of loans under management (£m) | 2,619 | 3,230 |
| Number of Complaints (excluding PPI) | 1,991 | 1,847 |

### 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 good customer outcomes which could impact the Company's reputation and its financial performance. The Company has an averse risk appetite for conduct risk and the management of conduct risk is a key priority for the Company and the Board regards the fair and consistent treatment of our customers as an overriding principle of the business. For example, the Company has implemented a range of changes during the cost-of-living crisis to support customers in financial difficulty. This includes waiving fees where customers are engaging with the Company to address their arrears, deploying the Company's wide range of forbearance options more flexibly, and increasing the provision of interest forgiveness to customers with unsecured loans. The Company also engages in active signposting to customers in financial difficulty, including displaying characteristics of vulnerability, to a wide range of external organisations who can provide extended guidance and support. The Company's current and potential conduct liabilities are considered in note 10.

*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 model is based on the principle that risks are best managed by those business areas from which they 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 and control 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.

*Supplier Risk*
The Company has material outsourcing contracts and takes appropriate steps to mitigate the risks arising from these relationships, including the risk that critical suppliers do not perform in line with agreed contractual and service requirements or the risk of supplier defaulting, or the risk of supplier being sold. In the event of the failure of a critical supplier to perform outsourced functions in line with agreed requirements 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 supplier risk is managed through the Vendor Management Framework approved by the Board and is one of the operational risks which are subject to oversight by the Management Risk Committee, Executive Committee and Risk Committee.

*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 stakeholder and regulatory expectations. The Board considers all risks in its review and challenge of the strategic plan as well as through the Risk Committee.

The Company's Environmental, Social and Governance ("ESG") Committee is responsible for managing, oversight and execution of the Company's ESG framework and strategy. The Committee brings together representatives from relevant business functions and business activities.

**STRATEGIC REPORT - continued**

*Climate Risk – continued*
As part of the overall climate risk strategy, the Company will review the ESG impacts which will continue to develop throughout 2023. The Company's outsourced delegated servicer which administers Landmark's loan portfolio is committed to carbon neutrality and has offset its carbon footprint emissions in full during 2020 and 2021 to achieve carbon neutrality status, through the purchase of carbon credits. More information regarding the ESG 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.

*Regulatory risk*
Regulatory risk is the risk of LML failing to comply with the regulatory standards or requirements applying to its arrangements and activities. These could have a potential consequence of customers being unfairly treated, legal and regulatory sanctions, or damage to the reputation for the Company and its strategic objectives. The Company has a well-defined governance, risk and controls framework including appropriate policies (e.g., Treating Customers Fairly, Health & Safety, Anti-Bribery & Corruption).

*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.

**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 and the anticipated economic conditions including the cost-of-living crisis.

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 21 April 2023 and signed on behalf by

**H S Young**
Company Secretary

21 April 2023

## 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 2022.

### Dividends

No dividends were proposed or paid during the year (2021: £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 01 April 2022) |
| P J Schancupp | Non-Executive Director | (resigned 17 June 2022) |
| A Kloosterman | Non-Executive Director | (appointed 22 September 2022) |
| H S Young | Company Secretary | |

A Kloosterman is a Director 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 system and controls framework, 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

The Company reports how its 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; and
- the desirability of the Company maintaining a reputation of high standards of business conduct.

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 have taken 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 regularly has discussions through workplace group or forums to engage with colleagues and look for ways to improve Company's culture (e.g., Diversity & Inclusion, Reach Out Colleagues, Staff Collaboration and ESG Committee).

Colleagues are an essential component in the delivery of the Company's strategy, including the management of associated risks. Consequently, attracting and retaining talent with the right skills remains a key management priority, enabling the business to deliver its goals. This includes ensuring the business is well managed, meets its regulatory obligations, effectively oversees the performance of key suppliers and is operationally resilient. This is achieved through its recruitment policies, succession management, training and development and colleague engagement activities.

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 – The Company has a policy of treating customers fairly, including understanding individual circumstances and offering individually tailored support to customers, who are facing financial difficulty.

Suppliers – The Company operates 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 routine communication with the Company's regulators.

### Political and charitable contributions

The Company made no political contributions during the year or prior year. Donations to UK charities amounted to £6k (2021: £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

On 7 February 2023, the Company entered into a term loan facility of £1m with Landmark Holdco Limited ("Holdco"), an intermediate parent company with a maturity date of 31 December 2027. The amount due to Holdco noted above is interest bearing and is charged interest at 2.2% per annum plus SONIA.

There have been no other 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 2022 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 21 April 2023 and signed on behalf by

**H S Young**
Company Secretary

21 April 2023

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 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 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 2022 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 £0.65m (2021: £1.94m), the amount due from Landmark Bidco Limited ("Bidco") of £1.70m (2021: £1.90m), tax liability of £13.83m (2021: £13.83m) and associated interest accrual of £2.26m (2021: £1.56m) within the Statement of Financial Position as at 31 December 2022, and the decrease in indemnity asset of £0.97m (2021: £1.44m), the current tax credit of £0 (2021: £0.24m) and associated interest charge of £0.70m (2021: £0.32m) within the Statement of Comprehensive Income for the year then ended. Due to these matters, we were also unable to determine whether any adjustment may be necessary in the retained earnings having closing value of £37.8m (2021: £39.8m) in the statement of financial position as at 31 December 2022.

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 2021 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 AUDITORS' 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.

A Simpson

**Alexander Simpson (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
Chartered Accountants
1 Sovereign Square, Sovereign Street,
Leeds LS1 4DA
21 April 2023

## STATEMENT OF COMPREHENSIVE INCOME
**Year Ended 31 December 2022**

| | Notes | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| Interest income and similar income | 2 | 1,266 | 705 |
| **Net interest income** | | 1,266 | 705 |
| Legal title and master servicing fee income | | 7,501 | 8,325 |
| Servicing fee costs | | (5,372) | (5,898) |
| Administrative expenses | 3 | (5,385) | (4,317) |
| Financing cost | | (710) | (292) |
| **Net other operating expense** | | (3,966) | (2,182) |
| **Operating loss** | | (2,700) | (1,477) |
| Movement in net provision for customer redress | 10b | 4,693 | 3,746 |
| **Profit before taxation** | | 1,993 | 2,269 |
| Taxation | 4 | - | 237 |
| **Profit for the financial year** | | 1,993 | 2,506 |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | 1,993 | 2,506 |

The notes on pages 16 to 37 form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION
**As at 31 December 2022**

| | Notes | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash at bank – restricted | | 5,977 | 6,409 |
| Cash at bank - unrestricted | | 3,772 | 4,927 |
| Due from parent undertakings | 5 | 33,504 | 34,519 |
| Indemnity asset | 6 | 646 | 1,938 |
| Prepayments and other debtors | 7 | 1,885 | 2,090 |
| Property and equipment | 8 | 40 | 40 |
| **Total assets** | | 45,824 | 49,923 |
| **Liabilities** | | | |
| Other liabilities | 9 | 9,829 | 10,307 |
| Current tax liabilities | | 13,829 | 13,829 |
| Provisions | 10a | 1,988 | 7,602 |
| **Total liabilities** | | 25,646 | 31,738 |
| **Equity** | | | |
| Share capital | 11 | 58,000 | 58,000 |
| Retained earnings | | (37,822) | (39,815) |
| | | 20,178 | 18,185 |
| **Total liabilities and equity** | | 45,824 | 49,923 |

The financial statements on pages 12 to 37 were approved by the Board of Directors on 21 April 2023 and were signed on its behalf by:

L J Kelly
Director

Company Registered Number: 03273685

## STATEMENT OF CHANGES IN EQUITY

### For the year ended 31 December 2022

| | Share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|
| Balance at 1 January 2022 | 58,000 | (39,815) | 18,185 |
| Total comprehensive income for the year | - | 1,993 | 1,993 |
| **Balance at 31 December 2022** | 58,000 | (37,822) | 20,178 |

### For the year ended 31 December 2021

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

The notes on pages 16 to 37 form part of these financial statements.

## STATEMENT OF CASH FLOWS

| | Notes | 2022 | 2021 * Restated |
|---|---|---|---|
| | | £'000 | £'000 |
| **Cash flows from operating activities** | | | |
| Profit before tax for year | | 1,993 | 2,269 |
| **Adjustments for:** | | | |
| Depreciation and amortisation | 3 | 22 | 16 |
| *Decrease in assets* | | | |
| Due from parent undertakings | | 1,015 | 7,155 |
| Indemnity assets | | 1,293 | 10,591 |
| Prepayments and other debtors | | 206 | 32 |
| *Decrease in liabilities* | | | |
| Other liabilities | | (479) | (1,900) |
| Provisions | | (5,614) | (22,079) |
| **Net cash flows used for operating activities** | | (1,564) | (3,915) |
| **Cash flows from investing activities** | | | |
| Purchase of property and equipment | | (22) | (18) |
| **Net cash flows used for investing activities** | | (22) | (18) |
| **Cash flows from financing activities** | | | |
| **Net cash flows arising from financing activities** | | - | - |
| **Net movement in cash and cash equivalents** | | (1,587) | (3,933) |
| Cash and cash equivalents at 1 January | | 11,336 | 15,269 |
| **Cash and cash equivalents at 31 December** | | **9,749** | **11,336** |

* Note on restatement included in Accounting Policies, page 22. In prior years, restricted cash was not included in the cash and cash equivalents balance, and movements in the balance, were presented as cashflows arising from operating activities.

The notes on pages 16 to 37 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. 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. This takes into account, reasonable possible downsides, including the impact of the cost-of-living crisis on its customers and on the Company's operations and its financial resources, as well as any change and project costs associated with regulatory change. 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 long-term 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 fee 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 Company has considered the prepayment risk on its mortgage portfolios which has a direct impact on reducing its fee income year-on-year. 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 assumes that inflation continues into 2023, with an increase of 10% on the year-to-year retail price index, increasing the operational costs by 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 continue obtaining such additional liquidity through repayment of its intercompany loan to 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 well as certain future events occurring to crystallise potential contingent liabilities which is summarised below:

The severe but plausible downside scenario assumes the U.K. economy falls below its pre-pandemic output levels, with the level of economic activity restrained through to 2024. Moreover, material bankruptcies and redundancies mean that the demand shocks affecting the economy are more problematic. Consumers reduce their spending because of rising inflation, but also because of the unavailability of consumer credit and the worsening in the employment outlook. Turmoil in financial markets continues, following the financial crisis in the USA and Switzerland Banking sector. Under this scenario, the Company assumes the retail price index ("RPI") to further increase by 20% year-to-year, increase in customer prepayments of 10% as they move to new fixed rate products offered by other lenders and unemployment rates peaking at 8% in 2024, as well as obligations crystallising in respect of an ongoing tax enquiry (see notes 4 and 11).

Based on the severe but plausible downside scenario above 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 2022; and (ii) the date on which all 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 Directors have considered the solvency status of the party issuing the fund guarantee. 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 in the going concern assessment period.

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 capital is 22 times 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 1 Accounting Policies – continued

**Interest income**

Interest income is 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 derived from the amount due from parent undertakings.

**Legal title and master servicing fee income**

Legal title and master servicing fee income are recognised as income as the Company fulfils its performance obligations. 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 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.

**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.

**Classification and measurement**

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through the profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 1 Accounting Policies – continued

**Classification and measurement – continued**

*Solely payments of principal and interest*
The criteria for classifying cash flows as solely principal and interest are assessed against the contractual terms of a facility, with attention to leverage features; prepayment and extension terms; and triggers that might reset the effective rate of interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

*Amortised cost*
The Company's cash at bank and due from parent undertakings are measured at amortised cost, using the effective interest method. The effective interest method implies an interest rate which exactly discounts the forecast cash flows of an asset over its expected life back to the carrying value.

The Company's financial assets measured at amortised cost are initially recognised at fair value less any directly attributable transaction costs. The Company's accounting policies relating to subsequent measurement of financial assets are measured at amortised cost.

*Fair value through other comprehensive income (FVOCI)*
Debt instruments must meet both the following criteria:

- the asset is held within a business model whose objective is both to hold assets to collect contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

The Company elects to present changes in the fair value of the investment in equity instruments that are not held for trading in other comprehensive income (OCI) (except for dividend income which is recognised in profit or loss). The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Cumulative gains and losses recognised in OCI have been transferred to retained earnings on disposal of an investment.

*Fair value through profit and loss (FVTPL)*
A financial instrument may be designated as at fair value through profit or loss only if such designation follows the below:

- eliminates or significantly reduces a measurement or recognition inconsistency; or
- applies to a group of financial liabilities, that the Company manages and evaluates on a fair value basis; or
- relates to a financial liability that contains an embedded derivative which is not evidently closely related to the host contract. Financial assets that the Company designates on initial recognition as being at fair value through profit or loss are recognised at fair value, with transaction costs being recognised in profit or loss and are subsequently measured at fair value. Gains and losses are recognised in profit or loss as they arise.

Anything not falling into the amortised cost or the FVOCI categories would be mandatorily classified as FVTPL. For financial assets measured at FVTPL, the fair value movement is deducted from the carrying amount of the asset and is charged or credited to the Income Statement in the usual way.

None of the Company's financial assets are measured at fair value.

## 1 Accounting Policies – continued

### Taxation

(i) Current tax

The charge for taxation is based on the result for the period and considers 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 note 4.

(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.

**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:

| | |
|---|---|
| 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**

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.

**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 2023 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.

**Prior year restatement – Statement of Cash Flows**

In prior years, restricted cash was not included in the cash and cash equivalents balance, and movements in the balance, were presented as cashflows arising from operating activities.

Following an IASB Interpretations Committee agenda decision in April 2022 in relation to Demand Deposits with Restrictions on Use arising from a Contract with a Third Party, and to better reflect the nature of the restricted cash balance which is cash that can be drawn on demand and without penalty restricted cash has been included within total Cash and Cash Equivalents for the purpose of the cash flow statement. The Interpretations Committee clarified that a third-party restriction on use does not change the nature of a demand deposit from being "cash", and this has led the group to revise its accounting policy.

In the Statement of Cash Flows the opening cash and cash equivalents for 2021 have been restated from £7.8m to £15.3m. The closing cash and equivalents in 2021 were previously stated at £4.9m, now £11.3m and the cash flows from operating activities were previously stated as £2.8m cash outflows, now £3.9m cash outflows with the overall net movement in cash in 2021 changes from a £2.8m outflow to a £3.9m outflow. There is no change to the Statement of Financial Position.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 2 Interest income

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| On intercompany loans | 1,266 | 705 |
| | 1,266 | 705 |

### 3 Administrative expenses

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Staff costs | 2,080 | 1,314 |
| Outsourced and professional services | 467 | 775 |
| Depreciation and amortisation | 22 | 16 |
| Staff recharge from CHL | 1,361 | 1,316 |
| Other administrative expenses | 1,455 | 896 |
| Total | 5,385 | 4,317 |

**Staff costs analysis**

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Employee costs during the year amounted to: | | |
| Wages and salaries | 1,566 | 955 |
| Social security costs | 192 | 106 |
| Pension costs | 118 | 64 |
| Bonus | 204 | 189 |
| | 2,080 | 1,314 |

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 28 staff in 2022 (2021: 18 staff).

Included in the above is remuneration paid of £272k (2021: £271k) in respect of the Non-Executive Directors, the highest paid Director amounted to £139k (2021: £138k). None of the Directors accrued retirement benefits during the year or in the prior year.

**Auditor's remuneration**

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Fees payable to Company auditors for the statutory audit of the Company | 268 | 176 |
| **Total** | 268 | 176 |

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 4 Taxation

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Current tax: | | |
| - on profit for the year | - | 237 |
| **Total taxation credit per the Income Statement** | - | 237 |

The tax assessed for the period differs from the standard rate of corporation tax in the United Kingdom of 19.00% (2021: 19.00%). The differences are explained below:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Profit before taxation | 1,993 | 2,269 |
| Profit by standard rate of corporation tax in UK | (379) | (431) |
| Effects of: | | |
| - income not taxable for tax purposes – conduct charges | 370 | 668 |
| - expenses deductible/(not deductible) for tax purposes – other | 2 | (1) |
| -changes in unrecognised timing differences | 0 | 1 |
| - deferred tax asset relating to trading losses not recognised/utilised | 7 | - |
| **Total taxation credit for the year** | - | 237 |

The UK Government enacted legislation increasing the standard rate of corporation tax in the UK to 25% from 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. 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. The Company's contingent liability on the tax penalty is being disclosed in the note 11.

### 5 Amounts due from parent undertakings

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Amounts due from Landmark Bidco Limited ("Bidco") | 1,700 | 1,895 |
| Amounts due from Cerberus European Residential Holdings B.V ("CERH") | 31,804 | 32,624 |
| | 33,504 | 34,519 |

The amounts due from parent undertakings noted above are interest bearing and are charged interest at 3.4664% for Bidco and 2.2144% for CERH per annum plus SONIA.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

## 6 Indemnity asset

| | 2022 | 2021 |
|---|---|---|
| | £'000 | £'000 |
| Indemnity receivable from NRAM Ltd | 646 | 1,938 |

## 7 Prepayments and other debtors

| | 2022 | 2021 |
|---|---|---|
| | £'000 | £'000 |
| Prepayments and accrued income | 324 | 238 |
| Amounts due to related parties | 1,561 | 1,852 |
| | 1,885 | 2,090 |

## 8 Property and equipment

| | Computer equipment, fixtures and fittings | Total |
|---|---|---|
| **31 December 2022** | £'000 | £'000 |
| Cost | | |
| At beginning of year | 209 | 209 |
| Additions in year | 22 | 22 |
| At end of year | 231 | 231 |
| Depreciation | | |
| At beginning of year | 169 | 169 |
| Charge for year | 22 | 22 |
| At end of year | 191 | 191 |
| Net book value | | |
| At 31 December 2022 | 40 | 40 |
| At 31 December 2021 | 40 | 40 |

NOTES TO THE FINANCIAL STATEMENTS - continued

**8 Property and equipment - continued**

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

**9 Other liabilities**

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Accruals | 3,173 | 2,390 |
| Trade creditors | 1,370 | 1,508 |
| Other creditors | 5,286 | 6,409 |
| | 9,829 | 10,307 |

Other creditors mainly 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.

## 10 Provisions

### (a) Statement of Financial Position movement

| | Payment protection insurance | Other customer redress | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 1 January 2022 | 3,505 | 4,097 | 7,602 |
| Increase in the year | - | 264 | 264 |
| Utilised in the year | (600) | (3,227) | (3,827) |
| Released in the year | (1,676) | (375) | (2,051) |
| **At 31 December 2022** | 1,229 | 759 | 1,988 |

| | Payment protection insurance | Other customer redress | Total |
|---|---|---|---|
| | £'000 | £'000 | £'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) |
| **At 31 December 2021** | 3,505 | 4,097 | 7,602 |

Included in the above table are legacy issues such as 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 remaining other customer redress provisions of £0.8m 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, claims 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 in estimating the liability. Assessments are performed by Management using the IAS 37 accounting standard as noted in the accounting policies in note 1.

### (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.

## 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.

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Decrease in provision for customer redress (per note 10a) | 1,787 | 5,188 |
| Reimbursement of customer redress costs | 3,880 | - |
| Decrease in indemnity assets | (974) | (1,442) |
| Movement in net position for customer redress as reported in Statement of Comprehensive Income | 4,693 | 3,746 |

## 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.

## 12 Share Capital

| **Issued and fully paid** | | 2022 | | 2021 |
|---|---|---|---|---|
| **Ordinary shares of 25p each** | Number | £'000 | Number | £'000 |
| In issue at 1 January | 232,000,000 | 58,000 | 232,000,000 | 58,000 |
| New issuance | - | - | - | - |
| **Total** | 232,000,000 | 58,000 | 232,000,000 | 58,000 |

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

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

## 13 Financial instruments

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

The following table summarises the carrying amounts and fair values of financial assets and liabilities. 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.

| At 31 December 2022 | Receivables | Total carrying Value | Fair value |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Financial assets:** | | | |
| Cash at bank - restricted | 5,977 | 5,977 | 5,977 |
| Cash at bank - unrestricted | 3,772 | 3,772 | 3,772 |
| Other financial assets | 1,561 | 1,561 | 1,561 |
| Indemnity asset | 646 | 646 | 646 |
| Due from parent undertakings | 33,504 | 33,504 | 33,504 |
| **Total financial assets** | 45,460 | 45,460 | 45,460 |

| | Liabilities at amortised cost | Total carrying Value | Fair value |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Financial liabilities:** | | | |
| Trade creditors | 1,370 | 1,370 | 1,370 |
| Other creditors | 5,286 | 5,286 | 5,286 |
| **Total financial liabilities** | 6,656 | 6,656 | 6,656 |

| At 31 December 2021 | Receivables | Total carrying Value | Fair value |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Financial assets:** | | | |
| 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 |
| **Total financial assets** | 49,645 | 49,645 | 49,645 |

| | Liabilities at amortised cost | Total carrying Value | Fair value |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Financial liabilities:** | | | |
| Trade creditors | 1,508 | 1,508 | 1,508 |
| Other creditors | 6,409 | 6,409 | 6,409 |
| **Total financial liabilities** | 7,917 | 7,917 | 7,917 |

**13 Financial instruments – continued**

**(b) Fair value measurement**

| **At 31 December 2022** | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Cash at bank - restricted | 5,977 | - | - | 5,977 |
| Cash at bank - unrestricted | 3,772 | - | - | 3,772 |
| Other financial assets | - | 1,561 | - | 1,561 |
| Indemnity asset | - | 646 | - | 646 |
| Due from parent undertakings | - | - | 33,504 | 33,504 |
| **Total financial assets** | 9,749 | 2,207 | 33,504 | 45,460 |

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **Financial liabilities:** | | | | |
| Trade creditors | 1,370 | - | - | 1,370 |
| Other creditors | 5,286 | - | - | 5,286 |
| **Total financial liabilities** | 6,656 | - | - | 6,656 |

| **At 31 December 2021** | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| 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 |
| **Total financial assets** | 11,336 | 3,790 | 34,519 | 49,645 |

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **Financial liabilities:** | | | | |
| Trade creditors | 1,508 | - | - | 1,508 |
| Other creditors | 6,409 | - | - | 6,409 |
| **Total financial liabilities** | 7,917 | - | - | 7,917 |

The above table sets out the fair values of financial instruments that the Company holds at 31 December 2022. 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:

*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:

| At 31 December 2022 | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| **Financial assets:** | | |
| Cash at bank - restricted | 5,977 | 6,409 |
| Cash at bank - unrestricted | 3,772 | 4,927 |
| Due from parent undertakings | 33,504 | 34,519 |
| Indemnity asset | 646 | 1,938 |
| Other financial assets | 1,561 | 1,852 |
| **Total financial assets** | 45,460 | 49,645 |

The indemnity asset of £0.6m (2021: £1.9m) 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 2022 | On demand<br>£'000 | Within three months<br>£'000 | After three months but within 6 months<br>£'000 | After six months but within one year<br>£'000 | After one year but within five years<br>£'000 | After five years<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | | |
| Cash at bank - restricted | 5,977 | - | - | - | - | - | 5,977 |
| Cash at bank - unrestricted | 3,772 | - | - | - | - | - | 3,772 |
| Other financial assets | - | 1,561 | - | - | - | - | 1,561 |
| Due from parent undertakings | 70 | - | 3,000 | 3,592 | 26,842 | - | 33,504 |
| **Total financial assets** | 9,819 | 1,561 | 3,000 | 3,592 | 26,842 | - | 44,814 |

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 14 Financial risk management – continued
### (b) Liquidity risk

| | 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 |
|---|---|---|---|---|---|---|---|
| **Financial liabilities:** | | | | | | | |
| Accruals | - | 826 | 88 | 2,258 | - | - | 3,172 |
| Trade creditors | - | 1,370 | - | - | - | - | 1,370 |
| Other creditors | - | 5,286 | - | - | - | - | 5,286 |
| **Total financial liabilities** | - | 7,482 | 88 | 2,258 | - | - | 9,828 |

| **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 |
|---|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | | |
| 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 |
| **Total financial assets** | 45,855 | 1,852 | - | - | - | - | 47,707 |

| | 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 |
|---|---|---|---|---|---|---|---|
| **Financial Liabilities:** | | | | | | | |
| Accruals | - | 842 | - | 1,549 | - | - | 2,391 |
| Trade creditors | - | 1,882 | - | - | - | - | 1,882 |
| Other creditors | - | 6,034 | - | - | - | - | 6,034 |
| **Total financial liabilities** | - | 8,758 | - | 1,549 | - | - | 10,307 |

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.

## 14 Financial risk management – continued
### (b) Liquidity risk

**Non-derivative cash flows**

| At 31 December 2022 | 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 |
|---|---|---|---|---|---|---|---|
| **Financial Liabilities:** | | | | | | | |
| Accruals | - | 2,170 | - | 1,002 | - | - | 3,172 |
| Trade creditors | - | 1,370 | - | - | - | - | 1,370 |
| Other creditors | - | 5,286 | - | - | - | - | 5,286 |
| **Total financial liabilities** | - | 8,826 | - | 1,002 | - | - | 9,828 |

| 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 |
|---|---|---|---|---|---|---|---|
| **Financial Liabilities:** | | | | | | | |
| Accruals | - | 1,689 | - | 699 | - | - | 2,390 |
| Trade creditors | - | 1,508 | - | - | - | - | 1,508 |
| Other creditors | - | 6,409 | - | - | - | - | 6,409 |
| **Total financial liabilities** | - | 9,606 | - | 699 | - | - | 10,205 |

## 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 (2021: £nil).

A summary of the Company's share of the remuneration of the 5 LML key management personnel (2021:5) and the 8 CHL key management personnel (2021:8) is set out in the table below:

| **Remuneration of key management personnel** | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Directors and Executive Committee - Landmark | 707 | 612 |
| Executive Committee - CHL | 886 | 716 |

### (b) Fellow subsidiary

During the current year, CHL recharged a total of £1.4m to the Company (2021: £1.3m).

At 31 December 2022 the Company owed £0.1m to CHL (2021: £0.1m).

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 15 Related party disclosures – continued

### (c) Parent Companies

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

**Parent companies**

| Balances at year end: | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Balances with Landmark Bidco Limited | 1,700 | 1,895 |
| Balances with CERH | 31,804 | 32,624 |
| Legal title and master servicing fees (CERH) | 124 | 159 |
| Other (CERH) | - | 158 |
| | 33,628 | 34,836 |

| Income during the year: | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Interest receivable on intercompany loans (Bidco) | 85 | 118 |
| Interest receivable on intercompany loans (CERH) | 1,180 | 588 |
| Consultancy and secondment fee | - | 43 |
| Legal title and master servicing fees (CERH) | 1,671 | 2,316 |
| | 2,936 | 3,065 |

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
- Towd Point Mortgage Funding 2019-Granite5 plc
- Towd Point Mortgage Funding 2021-Hastings 1 plc

| Balances at year end: | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| **Assets** | | |
| Servicer fee income receivable | 1,427 | 1,453 |
| Legal title and master servicing fee receivable | 5 | 5 |
| | 1,432 | 1,458 |

| Income during the year: | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Servicer fee income receivable | 5,305 | 5,496 |
| Legal title and master servicing fee receivable | 60 | 47 |
| | 5,365 | 5,543 |

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**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.

**17 Significant judgements/estimates made by management**

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

| **Significant Judgements** | **Key details** |
|---|---|
| Provisions | Disclosures in relation to the Company's provisions can be found in notes 10a and 10b, with the Company held provisions in respect of the following estimated payables:<br><br>• payment protection insurance (PPI) provision of £1.2m at 31 December 2022 (2021: £3.5m); and<br><br>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.<br><br>Sensitivity analysis:<br>Included in the provision is the population of untraced customers of £0.9m, 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 £1.1m or higher potential provision of £1.3m. The PPI provisions remain fully indemnified by NRAM limited and managed by the Company's material outsourced provider.<br><br>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 2022. |

## 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 £1.1m as at 31 December 2022. As UKAR does not provide a detailed breakdown of indemnity between the Company and Bidco, the actual split of impacted accounts between the underlying indemnification agreements may differ materially from the amounts recognised in the financial statements. Any adjustment to this split would have a consequential effect on the movement in the indemnity assets, the amounts due from Bidco, related tax liability, tax charge for the year and retained earnings as at 31 December 2022. |
| Uncertain tax treatment | At 31 December 2022 the Company recognised corporation tax provisions of £13.8m (2021: £13.8m) 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:<br>• the single most likely amount; or<br>• the sum of probability-weighted amount in a range of possible outcomes<br><br>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 2022 inclusive are assessed collectively and treated in the same way based on corporation tax rates that have been enacted in the respective tax periods. |
| Contingent liability | Significant judgements are made in assessing the likelihood of any outflow of resources in respect of future decisions made by HMRC. 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

On 7 February 2023, the Company entered into a term loan facility of £1m with Landmark Holdco Limited ("Holdco"), an intermediate parent company with a maturity date of 31 December 2027. The amount due to Holdco noted above is interest bearing and is charged interest at 2.2144% per annum plus SONIA.

There have been no other 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 2022 and for the year then ended.