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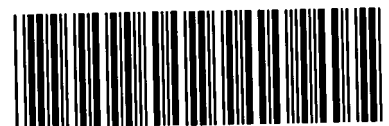
# **KEY RETIREMENT SOLUTIONS LIMITED**

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## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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## KEY RETIREMENT SOLUTIONS LIMITED

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### COMPANY INFORMATION

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<b>Directors</b>	Simon Thompson William Hale Robert Scott Christopher Bibby Lukas Bucher Andrew Deakin Stephen Groves David Young
<b>Registered number</b>	2457440
<b>Registered office</b>	Baines House Midgery Court Fulwood Preston Lancashire PR2 9ZH
<b>Independent auditors</b>	PricewaterhouseCoopers LLP No.1 Spinningfields Hardman Square Manchester M3 3EB

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**KEY RETIREMENT SOLUTIONS LIMITED**

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## KEY RETIREMENT SOLUTIONS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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The Directors present their strategic report for the year ended 31 December 2019.

#### Business Review

The Company specialises in providing independent financial advice and information to UK residents in or approaching retirement.

This advice principally relates to equity release (both lifetime mortgages and home reversion products) and estate planning (wills and lasting powers of attorney) as well as information on retirement income products.

The Company is authorised and regulated by the Financial Conduct Authority (FCA).

#### Results and performance

The results for the year are set out on page 11, the company delivered a loss before tax of £10,583k (2018: £2,594k loss). This performance is against a backdrop of no growth in the equity release market of £3.9bn (2018: £3.9bn, source: Equity Release Council) partially due to market uncertainty and lack of customer confidence driven by Brexit. The Company also faced fierce marketing competition and increased costs for lead generation.

Despite these external factors, the Company maintained a 20% market share, helping over 11,000 (2018: over 12,000) customers to release £0.8bn (2018: £0.8bn) of equity from their properties. The Directors were pleased to note that this meant the Company retained its market leading position having helped customers release more equity than any other advisor.

During the year the Group supported the Company and demonstrated the Directors continued confidence through the investment of £10.0m share capital and the sale of fixed assets to the parent company.

The net assets of the Company were £3,772k (2018: £4,337k). No interim dividends were paid.

The Directors continue to believe that Operating Profit before Amortisation, Depreciation and Exceptionals provides a good measure of the profitability of the Company. The results using this measure were (£8,644k) (2018: £42k) as noted on page 11, while the EBITDA after exceptional items of (£9,313k) compares to the 2018 result of (£1,355k).

The key trading metrics, discussed on page 2, highlight how the company is performing against its strategy and objectives.

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## KEY RETIREMENT SOLUTIONS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Strategy and Business Environment

The Directors recognise the challenges outlined above and have made a number of fundamental strategic changes as a result.

In October 2019, we launched a range of Key branded products provided by More 2 Life (another Key Group company). These products include market leading features and pricing as well as being advice fee free. This is considered by the Company to offer a great deal to its customers. In setting up this new proposition we incurred exceptional costs of £0.7m.

However, in launching this new proposition, the Company did not want to step away from its proud heritage as a Whole of Market broker. Therefore in December 2019, the Company approved a new appointed representative (TERE Advisors – a subsidiary of the Company) to focus on whole of market advice through self-employed advisers. Over 65 self-employed advisers signed up with TERE Advisors in the first month. TERE Advisors made an operating loss of £127k in the period from 18 October to 31 December 2019.

During 2019, the Company's immediate parent company began investing in an Advice platform, buying some of the existing bespoke software from the Company and developing it to provide a solution for the Company's in house advisors, self-employed advisers and, in 2020, advisers who are part of a new network co-founded with Mortgage Advice Bureau plc.

This group wide investment in a market leading solution enables the Company to continue to maintain its high quality advice and oversight across all adviser channels, reduce the amount of adviser time spent on administration and allow them to focus on providing ever better customer service.

The recent Covid-19 pandemic has been a challenging time for the entire industry, with face to face appointments no longer possible during the lockdown period. Our advisers rapidly transitioned to providing advice by phone and latterly by video call, allowing the entire family to be involved with the advice process.

Overall demand for our products has reduced somewhat during this period, with the previously expected levels of growth not being seen but the Company has continued to trade throughout this period without needing to furlough staff or take advantage of the various Government support schemes.

The challenges of working in the lockdown have largely been met with the vast majority of colleagues able to work from home.

#### Trading Metrics

	2019	2018	
Operating (Loss)/Profit Before Amortisation, Depreciation and Exceptionals	(£8,644k)	£42k	Operating Profit/(Loss) Before Amortisation, Depreciation and Exceptionals is considered by the Board to be the core measure of underlying performance for the Company.
Cost / Income Ratio	121.4%	100.5%	Administrative expenses (excluding depreciation, amortisation, loss on disposal & exceptional costs) as a percentage of turnover. Considered by the Board to be an indicator of the efficiency of the business.
Complaints	128	111	All complaints are tracked and investigated by the Compliance function. The level of upheld complaints received by the Company is minimal.
Complaints Upheld	7	3	

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## KEY RETIREMENT SOLUTIONS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Stakeholder Considerations and s172 of the Companies Act 2006

The Directors of the Company have continued to act in a way that promotes the success of the Company throughout the year, taking into account the impact of their decisions on a broad range of stakeholders.

As a Board we have identified customers, shareholders, employees and suppliers as the stakeholder groups potentially most affected by our decisions. While we do consider the impact of our decisions on other stakeholders, including the local community and the environment, these are likely to be lower impact given the nature of our business.

In the context of our financial services business, our regulator requires us to consider the impact on our customers of everything we do, when we are making any decisions as a Board the impact on current and future customers is considered and any potential detriment mitigated before implementation.

#### Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. Compliance with regulation, legal and ethical standards is a high priority for the Company and the Compliance team and Finance department take on an important oversight role in this regard, with the Audit, Risk and Compliance Committee (ARCC) providing Group level oversight.

The Board annually reviews and approves a risk appetite statement. The ARCC regularly reviews risk management activities to ensure focus on managing not only existing risks but also identifying emerging risk areas. The Company has business continuity plans in place which it regularly reviews and tests as part of this ongoing review process.

The Directors are responsible for the financial risk management process and ensuring that the Company has sufficient capital to meet its regulatory responsibilities. Suitable policies and procedures have been adopted by the Company in order to ensure an appropriate level of risk management is directed at the relevant elements of the business.

The principal business risks, including financial risks, to which the Company is exposed are considered to be:

- operational risk, which is associated with the Company's internal processes and systems and the potential for these not to function properly;
- regulatory risk, which is the risk that changes in laws or regulations have an adverse impact on the equity release market in which it operates and the risk that the Company fails to comply with requirements laid down by its regulator, the FCA;
- economic risk, which is the risk that changes in the economy, e.g. government interventions such as the pension market reforms, impact market conditions and reduce the Company's ability to compete;
- strategic risk, which relates to the pursuit of an inappropriate strategy or that the risks associated with its implementation are not fully recognised; and
- liquidity risk, which concerns the Company's ability to meet its financial obligations as they fall due.

Credit Risk is not considered to be a material risk to the Company.

The risks associated with the Covid-19 pandemic were not considered during 2019 but are being managed through the activation of the Group business continuity plan. Further details of the issues and actions taken are included as part of the Strategy and Business Environment discussion above.

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## KEY RETIREMENT SOLUTIONS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Going concern

The Board of Directors have determined that it is appropriate to continue to prepare the Group financial statements on a going concern basis. The Company is part of Theo Topco Ltd Group.

In reaching this conclusion, the Board considered the increased uncertainties that all businesses are facing as a result of the coronavirus pandemic and the impact on the Theo Topco Group of the actions being taken by the UK Government to mitigate the health impact on the country. Specific uncertainties relating to the Group were also assessed including the likelihood of falls in house prices affecting funder appetite for equity release, reductions in customer demand as well as the ability to process customer lifetime mortgages in a timely fashion in the event of further lockdowns.

In making this assessment, the Group produced a revised three year plan including the likely trading performance of the Group, reflecting the most likely impact on the business of the coronavirus measures based on trading conditions seen during the start of the lockdown period.

Using this plan, the Group approached its lending banks and agreed a relaxation of previously agreed covenants to increase the business's flexibility in dealing with the uncertainty created by the response to the pandemic.

This plan was further updated, focusing on the next 18 months, and reflecting the trading performance seen during the UK wide lockdown and the improved trading conditions as this was eased. This latest forecast shows substantial headroom against all the Group loan covenants as well as significant cash generation.

In considering the robustness of this plan to unforeseen downside shocks, the Group sensitized this latest forecast, assuming that customer demand rather than increasing as the latest trading figures suggested instead reduced by 25% and that the Groups ability to complete cases in a timely manner also reduced by 15% despite the significant improvements being seen in this area post lockdown. The Directors believe that this scenario is the realistic worst case for the business, given its business model. Even in this realistic worst case scenario, the Group continued to have headroom against all its loan covenants and remained cash generative.

Additionally, in the event of this realistic worst case scenario occurring, the Group identified a number of further actions that could be taken swiftly such as reducing discretionary spend on marketing, investment in IT development and reducing discretionary bonuses. These actions increased the Group's headroom against all its loan covenants.

The Company is an Obligor under the Group Senior Facility Agreement, which governs the £75m senior loan and £5m revolving credit facility (undrawn at year end but fully drawn in March 2020). This means that the Company has given security over its assets and, in conjunction with the rest of the Group, is responsible for maintaining compliance with its covenants.

In considering the Company position, the Board of Directors have also assessed the accessibility of this Company to Group funding if required and no issues were identified.

#### Future developments

The longer term trends supporting the lifetime mortgage sector remain strong. The population continues to age, house price wealth is increasing and pension savings are likely to be inadequate for many.

Over the coming year the Company continues to advance with its growth plans. However, the Covid-19 pandemic has meant that while our investment plans are continuing, the growth projected as a result of these plans is likely to take longer to emerge.

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**KEY RETIREMENT SOLUTIONS LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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This report was approved by the board and signed on its behalf.

*Rob Scott*

**R Scott**  
Director

Date: 29 July 2020



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## KEY RETIREMENT SOLUTIONS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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The Directors present their report and the financial statements for the year ended 31 December 2019.

#### **Matters covered in the strategic report**

An indication of the likely future developments of the business and details of financial risk management are included in the strategic report.

#### **Results and dividends**

The loss for the year, after taxation, amounted to £10,565k (2018 - loss £2,524k).

The Directors do not propose the payment of a dividend.

#### **Directors' and officers' insurance**

The Company's ultimate parent company, Theo Topco Limited, maintains cover with respect to Directors' and officers' indemnity insurance. This insurance covers them in their roles as Directors of this Company. This insurance was in place throughout the year and up to the date of signing the financial statements.

#### **Directors**

The Directors of the Company who served during the year and up to the date of the signing of the financial statements are:

Simon Thompson  
William Hale  
Robert Scott  
Christopher Bibby  
Lukas Bucher  
Andrew Deakin  
Stephen Groves  
David Young

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## KEY RETIREMENT SOLUTIONS LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Disclosure of information to auditors

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### Auditors

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

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**KEY RETIREMENT SOLUTIONS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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This report was approved by the board and signed on its behalf.

*Rob Scott*

**R Scott**  
Director

Date: 29 July 2020

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## KEY RETIREMENT SOLUTIONS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KEY RETIREMENT SOLUTIONS LIMITED

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## Report on the audit of the financial statements

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### Opinion

In our opinion, Key Retirement Solutions Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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## KEY RETIREMENT SOLUTIONS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KEY RETIREMENT SOLUTIONS LIMITED (CONTINUED)

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#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### *Auditors' responsibilities for the audit of the financial statements*

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

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

##### *Use of this report*

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

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

*H. Varley*

Heather Varley (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
29 July 2020

**KEY RETIREMENT SOLUTIONS LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
<b>Turnover</b>	4	40,470	42,084
		<u>40,470</u>	<u>42,084</u>
Administrative expenses		(51,081)	(44,937)
Other operating income		28	256
		<u>28</u>	<u>256</u>

Operating profit before amortisation, depreciation & exceptional expenses	(8,644)	42
Amortisation, depreciation and loss on disposal	(1,270)	(1,242)
Exceptional administrative expenses	(669)	(1,397)

<b>Operating loss</b>	5	<u>(10,583)</u>	<u>(2,597)</u>
Finance income	9	-	3
<b>Loss before tax</b>		<u>(10,583)</u>	<u>(2,594)</u>
Tax on loss	10	18	70
<b>Loss for the financial year</b>		<u><u>(10,565)</u></u>	<u><u>(2,524)</u></u>

The results stated above are all derived from continuing operations.

There was no items of other comprehensive income in the current or prior year other than those recorded in the Statement of Comprehensive Income.

The notes on pages 14 to 27 form part of these financial statements.

**KEY RETIREMENT SOLUTIONS LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

	Note	2019 £000	2019 £000	2018 £000	2018 £000
<b>Fixed assets</b>					
Intangible assets	11		-		4,876
Tangible fixed assets	12		-		991
					<u>5,867</u>
<b>Current assets</b>					
Debtors: amounts falling due within one year	14	2,142		16,216	
Cash at bank and in hand		9,952		1,897	
		<u>11,994</u>		<u>18,113</u>	
Creditors: amounts falling due within one year	15	(8,321)		(19,640)	
<b>Net current assets/(liabilities)</b>			3,773		(1,527)
<b>Total assets less current liabilities</b>			<u>3,773</u>		<u>4,340</u>
Creditors: amounts falling due after more than one year	16		(1)		(3)
<b>Net assets</b>			<u>3,772</u>		<u>4,337</u>
<b>Capital and reserves/accumulated losses</b>					
Called up share capital	18		10,004		4
Profit and loss account			(6,232)		4,333
<b>Total equity</b>			<u>3,772</u>		<u>4,337</u>

The financial statements on pages 11 to 27 were approved and authorised for issue by the Board and signed on its behalf by;

*Rob Scott*

**R Scott**  
Director

Date: 29 July 2020

The notes on pages 14 to 27 form part of these financial statements.

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**KEY RETIREMENT SOLUTIONS LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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	Note	Called up share capital	Profit/ accumulated loss account	Total equity
		£000	£000	£000
<b>At 1 January 2018</b>		4	6,857	6,861
<b>Comprehensive expense for the year</b>				
Loss for the year		-	(2,524)	(2,524)
<b>At 31 December 2018 and at 1 January 2019</b>		4	4,333	4,337
<b>Comprehensive expense for the year</b>				
Loss for the year		-	(10,565)	(10,565)
Shares issued during the year	18	10,000	-	10,000
<b>At 31 December 2019</b>		<u>10,004</u>	<u>(6,232)</u>	<u>3,772</u>

The notes on pages 14 to 27 form part of these financial statements.



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## KEY RETIREMENT SOLUTIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1. General information

Key Retirement Solutions Limited is a private company limited by shares and incorporated in the United Kingdom and registered in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Company's operations and its principal activities are set out in the strategic report.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

##### *Going concern*

After reviewing the Group's forecasts and projections (which include the Company) and the relationship of the Company with its Group and its position as obligor, the Board of Directors have determined that the Company had adequate resources to continue to prepare the Company financial statements on a going concern basis. Details of the approach taken by the Board to come to this conclusion and the actions taken as a result of this assessment are included within the Strategic Report.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Theo Topco Limited as at 31 December 2019 and these financial statements may be obtained from Companies House.

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## KEY RETIREMENT SOLUTIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2.3 Consolidated financial statements

The Company is exempt from preparing consolidated financial statements on the grounds that it qualifies under section 400 of the Companies Act 2006 as a wholly owned subsidiary of Theo Topco Limited, a company registered in England and Wales, for which consolidated financial statements are prepared. These financial statements therefore present information about the Company as an individual undertaking and not about its Group.

#### 2.4 Turnover

Turnover represents sales at invoiced amounts less Value Added Tax or local taxes on sales. Turnover incorporates commissions from equity release and annuity providers; packaging fees from equity release providers; administration, advice and other fees from equity release customers; and customer fees for will writing services. Turnover is recognised at various stages as the equity release customer goes through the lending process. Administration fees are recognised as part of turnover at the point of the equity release arrangement being written. All other customer fees, commission and packaging fees are recognised as part of turnover at the point of the completion of the arrangement.

#### 2.5 Other operating income

Other operating income incorporates income received from equity release providers as a contribution towards marketing and other expenses borne by the Company.

#### 2.6 Exceptional expenses

Exceptional expenses are those which are material in terms of monetary value or nature to the entity and non-recurring.

#### 2.7 Pension costs

Contributions to the Company's defined contribution pension scheme are charged to the Statement of Comprehensive Income in the year in which they become payable. The assets of the scheme are held separately in an independently administered fund. Any amounts outstanding at the year-end are shown as a Pension Creditor within Creditors: Amounts falling due within one year.

#### 2.8 Taxation

The charge for taxation is based on the profit for the year and taking into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the date of the Statement of Financial Position.

#### 2.9 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the date of the Statement of Financial Position except for deferred tax assets which are only recognised to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

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## KEY RETIREMENT SOLUTIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when they are paid. Final equity dividends are recognised when approved by the shareholders.

#### 2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.12 Intangible fixed assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company classifies capital assets as tangible items of property or software that have a value greater than or equal to £1,000 and have a useful life of greater than one year. The cost of testing can also be capitalised when significant. Only those costs directly attributable to testing may be capitalised, the cost of testers and resource seconded to test is acceptable, secondary costs such as the cost of general project management cannot be capitalised.

Amortisation is calculated, using the straight line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives.

The estimated useful lives range as follows:

Computer software	-	5	years
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Amortisation is included in administrative expenses in the profit and loss account.

#### 2.13 Tangible fixed assets

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

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount. Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

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## KEY RETIREMENT SOLUTIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2.13 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Fixtures, fittings and equipment	- 20%	per annum
Computer hardware	- 20%	per annum
Tenant Improvements	- 10%	per annum

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

#### 2.14 Deferred income

Contribution received in advance spanning a five year period is apportioned and released for the year and the remainder recognised as a liability until fully utilised.

#### 2.15 Leased assets

All leases are treated as operating leases. Their annual rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the period to the first market rent review rather than the term of the lease.

For leases entered into on or after 1 January 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

#### 2.16 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the date of the Statement of Financial Position, and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the date of the Statement of Financial Position.

#### 2.17 Reserves

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

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## KEY RETIREMENT SOLUTIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 3. Critical judgements and estimations

Certain reported amounts of assets and liabilities are subject to estimates and assumptions. Estimates and judgements by management are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

##### **Judgements**

###### *Impairment of tangible assets*

The Company determines whether property, plant and equipment are impaired when there is an indicator of potential impairment. This requires the determination of the recoverable amount of the cash-generating units to which property, plant and equipment are allocated. The recoverable amounts are determined by estimating the value in use of those cash-generating units. Value in use calculations require the Company to make an estimate.

###### *Impairment of intangible assets*

The Company determines where factors such as technological advancement or changes in market price, indicate that the residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

###### *Classification of leases as finance or operating*

A judgement is made by the Directors to determine whether leases entered into by the Company, either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

#### 4. Turnover

Turnover is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

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## KEY RETIREMENT SOLUTIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 5. Operating loss

The operating loss is stated after charging:

	2019 £000	2018 £000
Amortisation	1,104	1,001
Depreciation	166	241
Hire of other assets - operating leases *	41	75
Hire of land and buildings - operating leases **	300	281
Exceptional administrative expenses	<u>669</u>	<u>1,398</u>

\* Operating lease costs of £41k (2018: £75k) for the hire of other assets were expensed in KRS Services Limited, a fellow subsidiary company.

\*\* Operating lease costs of £93k (2018: £74k) for the hire of land and buildings were expensed in KRS Services Limited, a fellow subsidiary company.

Administrative expenses have increased year on year primarily due to increased marketing spend and direct costs.

Exceptional administrative expenses comprised £669k relating to the launch of a new business proposition and significant change to business model (2018: £1,398k relating to rebranding costs).

#### 6. Auditors remuneration

Fees payable to the Company's auditors for the audit of Key Retirement Solutions Limited are borne by KRS Services Limited, a fellow subsidiary company. In the Directors' opinion a reasonable allocation of the audit fee to Key Retirement Solutions Limited would be £36k (2018: £25k). No (2018:No) non-audit services were provided in the financial period.

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## KEY RETIREMENT SOLUTIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 7. Employees

Staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	10,031	9,989
Social security costs	1,064	1,076
Other pension costs	396	362
	<u>11,491</u>	<u>11,427</u>

The emoluments of the directors are paid by the parent company which makes no recharge to the company. The directors are directors of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of the directors. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company.

The average monthly number of persons employed by the Company (excluding Directors) during the year, analysed by category, was as follows:

	2019 No.	2018 No.
Management	15	14
Sales staff	234	216
	<u>249</u>	<u>230</u>

#### 8. Directors' remuneration

No Directors received any remuneration from the Company during the current or prior year.

#### 9. Finance income

	2019 £000	2018 £000
Bank interest receivable	-	3
	<u>-</u>	<u>3</u>

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**KEY RETIREMENT SOLUTIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**10. Tax on loss**

	2019 £000	2018 £000
<b>Corporation tax</b>		
Adjustments in respect of previous periods	-	(81)
<b>Total current tax</b>	-	(81)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(10)	(6)
Adjustments in respect of previous periods	(8)	17
<b>Taxation on loss</b>	(18)	(70)
<b>Factors affecting tax charge for the year</b>		

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Loss before tax	(10,583)	(2,594)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(2,011)	(493)
<b>Effects of:</b>		
Adjustments to tax charge in respect of prior periods	-	(64)
Adjust opening deferred tax to average rate of 19%	1	1
Adjustments to tax charge in respect of prior periods - deferred tax	(7)	-
Tangible assets differences	2	3
Group relief	1,997	483
<b>Total tax credit for the year</b>	(18)	(70)

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## KEY RETIREMENT SOLUTIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 10. Tax on loss (continued)

##### Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporation tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020.

#### 11. Intangible assets

	Computer software £000
<b>Cost</b>	
At 1 January 2019	7,141
Additions	2,330
Transfer to group	(9,471)
At 31 December 2019	-
<b>Accumulated Amortisation</b>	
At 1 January 2019	2,265
Charge for the year on owned assets	1,104
Transfer to group	(3,369)
At 31 December 2019	-
<b>Net book value</b>	
At 31 December 2019	-
At 31 December 2018	<u>4,876</u>

All intra group transfers were made to the Company's parent company, at net book value.

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**KEY RETIREMENT SOLUTIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**12. Tangible assets**

	Tenant improvements £000	Computer hardware £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost</b>				
At 1 January 2019	331	1,263	397	1,991
Additions	-	15	-	15
Transfers to group	(331)	(1,278)	(397)	(2,006)
At 31 December 2019	-	-	-	-
<b>Depreciation</b>				
At 1 January 2019	31	719	250	1,000
Charge for the year on owned assets	23	107	36	166
Transfers to group	(54)	(826)	(286)	(1,166)
At 31 December 2019	-	-	-	-
<b>Net book value</b>				
At 31 December 2019	-	-	-	-
At 31 December 2018	300	544	147	991

All intra group transfers were made to the Company's parent company, at net book value.

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## KEY RETIREMENT SOLUTIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 13. Fixed asset investments

##### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares	Holding
Equity Release Assured Limited	England & Wales	Financial Services - mortgage broker - ceased trading in 2016	Ordinary	100 %
Home Equity Release Service Limited	England & Wales	Financial Services - mortgage broker	Ordinary	100 %
Key Secured Lending Limited	England & Wales	Financial Services - mortgage broker - ceased trading in 2016	Ordinary	100 %
The Retirement Lending Advisers Limited	England & Wales	Financial Services - mortgage broker	Ordinary	100 %
Modern Lending Advisers Limited	England & Wales	Financial Services - mortgage broker	Ordinary	100 %
TERE Advisers Limited	England & Wales	Financial Services - mortgage broker	Ordinary	51 %

The registered office of all subsidiary undertakings is Baines House, Midgery Court, Fulwood, Preston, PR2 9ZH. All subsidiary undertakings are held at a value of £1 each. TERE Advisers Limited was acquired on 18 October 2019.

#### 14. Debtors

	2019 £000	2018 £000
Trade debtors	688	1,109
Amounts owed by group undertakings	1,089	14,486
Deferred taxation	119	101
Corporation Tax	46	209
Other debtors	2	39
Prepayments and accrued income	198	272
	<u>2,142</u>	<u>16,216</u>

All amounts shown under debtors fall due for payment within one year. Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

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**KEY RETIREMENT SOLUTIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**15. Creditors: Amounts falling due within one year**

	2019 £000	2018 £000
Trade creditors	655	384
Amounts owed to group undertakings	2,925	15,463
Taxation and social security	148	449
Pension creditor	1	85
Accruals	4,577	3,249
Other creditors	12	8
Deferred income	3	2
	<u>8,321</u>	<u>19,640</u>

Amounts owed to Group undertakings are unsecured, interest free and are repayable on demand. The Company is an Obligor under the Group Senior Facility Agreement, which governs the £75m senior loan and £5m revolving credit facility (undrawn at year end but fully drawn in March 2020). This means that the Company has given security over its assets and, in conjunction with the rest of the Group, is responsible for maintaining compliance with its covenants. For further information on the terms of these facilities, please refer to the accounts of Theo Topco Ltd or Theo Midco Ltd.

**16. Creditors: Amounts falling due after more than one year**

	2019 £000	2018 £000
Deferred income	1	3
	<u>1</u>	<u>3</u>

**17. Deferred taxation**

	2019
At beginning of year	101
Charged to profit or loss	18
At end of year	<u>119</u>

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**KEY RETIREMENT SOLUTIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**17. Deferred taxation (continued)**

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	18	(6)
Short term timing differences	101	107
	<u>119</u>	<u>101</u>

**18. Called up share capital**

	2019 £000	2018 £000
<b>Issued and fully paid</b>		
10,000,100 (2018 - 100) Ordinary "A" shares shares of £1.000 each	10,000	-
4,119,962 (2018 -4,119,962 -) Ordinary "B" shares shares of £0.001 each	4	4
	<u>10,004</u>	<u>4</u>

All shares rank pari passu.

**19. Commitments under operating leases**

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	271	259
Later than 1 year and not later than 5 years	470	670
	<u>741</u>	<u>929</u>

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## KEY RETIREMENT SOLUTIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 20. Related party transactions

During the year the company had VAT recharges of £nil (2018: £1k) with Primetime Retirement Limited, another group company. At the year-end, this resulted in a net debit balance of £nil (2018: £4k), which is included within debtors. Primetime Retirement Limited is 100% owned by Primetime Retirement Group Limited which is 79% owned within the Group.

During the year the company also had administration recharges of £nil, (2018: £33k), director's expenses recharges of £nil (2018: £1k) and a VAT charge of £nil (2018: £3k) with Primetime Retirement Group Limited, another group company. At the year-end, this resulted in a net credit balance of £nil (2018: debit balance £34k) which is included within creditors.

During the year the company had VAT recharges of £nil (2018: £10k), included within debtors, with Equity Release Club Holdings Limited which is 51% owned within the group.

During the year the company also had administration recharges of £130k with TERE Advisers Limited, another group company which is 51% owned within the group. At the year-end, this resulted in a net debit balance of £130k which is included within debtors.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group

#### 21. Post balance sheet events

The Covid-19 pandemic and the government actions to mitigate the spread of the disease are considered to be non-adjusting post balance sheet events, which do not provide more information about the conditions at the balance sheet date. The impact of these events on the Directors considerations around the going concern assumption are discussed in the Strategic Report.

#### 22. Ultimate parent company

At 31 December 2019 the Company's immediate parent company was KRS Finance Limited and the Company's ultimate parent company was Theo Topco Limited.

Theo Midco Limited is the parent of the smallest group of which the Company is a member and for which consolidated financial statements are prepared. Copies of the consolidated financial statements can be obtained from Baines House, Midgery Court, Fulwood, Preston, PR2 9ZH.

Theo Topco Limited is the parent of the largest group of which the Company is a member and for which consolidated financial statements are prepared. Copies of the consolidated financial statements can be obtained from Baines House, Midgery Court, Fulwood, Preston, PR2 9ZH.

There is no ultimate controlling party by virtue of a majority shareholding of Theo Topco Limited, although Partners Group have de facto control of the Group due to the constraints imposed on the Group and executive directors through the investment agreement.