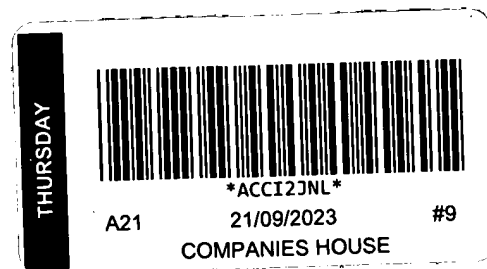


Registered number: 2457440

KEY RETIREMENT SOLUTIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



KEY RETIREMENT SOLUTIONS LIMITED

COMPANY INFORMATION

Directors

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

Registered number

2457440

Registered office

Baines House
Midgery Court
Pittman Way
Fulwood
Preston
PR2 9ZH

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
No.1 Spinningfields
1 Hardman Square
Manchester
M3 3EB

KEY RETIREMENT SOLUTIONS LIMITED

CONTENTS

	Page
Strategic Report	1 - 9
Directors' Report	10 - 11
Independent Auditors' Report	12 - 15
Income Statement	16
Statement of Financial Position	17
Statement of Changes in Equity	18
Notes to the Financial Statements	19 - 34

KEY RETIREMENT SOLUTIONS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their strategic report for the year ended 31 December 2022. References to "Group" throughout the Annual report and financial statements relate to the ultimate parent of the Company being Theo Topco Limited and its group of subsidiaries.

Business review

The Company specialises in providing financial advice and information to UK residents in or approaching retirement. This advice principally relates to later life lending 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).

On the 30 June 2022, the Company acquired the remaining 49% equity interest in TERE Advisers Ltd for consideration of £4,252k. This business operates as a mortgage broker under the well-established 'The Equity Release Experts' brand and incorporates our self-employed advisors.

Current economic environment

Overall, 2022 was a strong year for the Company with the size of the equity release market growing by 29% during the year to £6.2bn and a market in which the Company maintained its position as the market leader in equity release. This growth is set out in more detail in the Results and performance section below.

However, the UK Government's September 2022 'mini' budget and subsequent Liability driven investment (LDI) crisis created a period of exceptional market uncertainty in which funding costs rose sharply, Loan-to-values (LTVs) decreased and some funders suspended their operations whilst they appraised the situation and waited for the market to stabilise. This has impacted revenue in quarter 4 of 2022 and in the first four months of 2023.

Equity release funders are typically active in the bulk purchase annuity market used for the buy-in and buy-out of pension schemes and as such, require long-dated equity release assets to offset against these long-dated liabilities. This funder demand remains strong, and as interest rates are stabilising and the economy is not predicted to fall as much as first feared in quarter 4 of 2022, funders are returning to the equity release market with the expectation that the market will begin to bounce back towards the half year and into the second half of the year.

The demand for equity release remains strong as the majority of our customers use the product to meet their financial needs in retirement. For many of our customers equity release enables them to transition into retirement, provides them with a source of funds alongside their pensions to meet both their future living costs and their aspirations for retirement, and enables them to settle outstanding Mortgages and other debt they may have at the time. Given the ongoing cost of living crisis and longer-term challenges of those in later life having adequate pension provisions and facing significant debt repayments, equity release will continue to play an important role in enabling our customers to fund and enjoy their retirements.

Results and performance

The Company reported revenues of £30,201k (2021: £22,376k) up 35.0%, operating profit of £3,313k (2021: £322k) and a profit before tax of £3,315k (2021: £307k). The Directors do not propose the payment of a dividend.

The Company trading metric of "Operating profit before amortisation, depreciation, impairment and profit/loss on disposal of fixed assets", which is considered by the Board to be a measure of the operating performance for the Company, was £3,409k (2021: £555k) up £2,854k on the prior year.

The net assets of the Company were £4,191k (2021: £978k).

KEY RETIREMENT SOLUTIONS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Key performance indicators

Key Performance Indicator	31 December 2022	31 December 2021	Definition and rationale
Revenue	£30,201k	£22,376k	Revenue is considered by the board to be a Key measure of the Company's future development plan to grow the business.
Operating profit before amortisation, depreciation, impairment and profit/loss on disposal of fixed assets	£3,409k	£555k	Operating profit before amortisation, depreciation, impairment and profit/loss on disposal of fixed assets is considered by the Board to be a measure of the operating performance of the Company.
Operating Cost/ Income ratio	88.7%	97.5%	Cost of sales and operating administrative expenses (excluding amortisation, depreciation and impairment) as a percentage of revenue. Considered by the Board to be an indicator of the efficiency of the business.
Profit/(Loss) after tax	£3,213k	£244k	Profit/(Loss) after tax is considered to be an indicator of business performance by the Board.
Complaints as a percentage of written cases	0.91%	1.45%	All complaints are tracked and investigated by the Compliance function.
Complaints Upheld	14	1	The level of upheld complaints received by the Company are low.

KEY RETIREMENT SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Strategy and business environment

The Company continues to play a pivotal role in the operating performance of the wider Group within which it sits. In continuing to provide high quality independent financial advice, the Company will play an important role in supporting the Group with its strategy of bringing together its services to develop a more comprehensive later life finance brand, which builds upon our strengths and deep understanding of our customers, with a single-minded focus on financially empowering those in later life, so they can live a better retirement.

Led by the Key brand, our advice delivery (comprising the Company and its subsidiaries) we believe maintained its number one position in the market with an average 15.3%¹ market share by value during the year. Our whole of market proposition continued to grow under The Equity Release Expert brand and its referral partnerships, while we continued to offer a tied service to Aviva customers through the Home Equity Release Service.

In terms of the long-term structural economic drivers of the market, these remain strong and there continues to be a growing need for those in or approaching later life to finance their futures as has been demonstrated by the considerable growth in the market. These drivers include an increase of those in later life needing to settle outstanding mortgage and other forms of debt, needing to supplement inadequate pension provisions, wanting or needing to take early retirement, wanting to help their children get on the property ladder, inheritance management through to simply enabling them to make the most of their later years.

Whilst we face into the current economic environment as described in the Business review section of this report, we once again, as we did during the Covid-19 pandemic, demonstrate our resilience as a business in continuing to operate during this period, and our position in the market puts us in a prime position for the future.

As part of our broader strategy, we continue to explore opportunities to leverage our expertise and position in the market to grow our later life services.

¹: Source: The Equity Release Council quarterly market share data release.

KEY RETIREMENT SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Our stakeholders

Section 172 of the 2006 Companies Act requires that the Directors act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In undertaking this responsibility, the Directors should have regard to the likely consequences of any decision in the long-term; the interests of employees; the need to foster relationships with suppliers, customers and others; the impact of its operations on the community and the environment; the maintaining of a reputation for high standards or business conduct; and the need to act fairly as between members of the Company.

The Board considers its main stakeholder groups to be Customers, Partners, Colleagues and Suppliers. However, it also considers the needs of other stakeholders such as the Government and the Community when making decisions.

The Board has continued to act in a way that promotes the long-term success of the Company and that of its stakeholders, ensuring that it is acting fairly and with integrity with these stakeholders in the decisions that it makes.

Customers

We pride ourselves on being able to support our customers to take control of their finances to enable them to live the later life they deserve. Most of our customer borrowings are 'needs' based such as repaying existing mortgage debt, enabling them to fund their retirements and helping their children get onto the housing market. Recognising the current cost-of-living crisis facing the UK, the adverse impact interest rates have had on pension provisions and the high relative cost of the housing market, equity release continues to help many of our customers meet these challenges.

During the year we supported the Group in expanding its product range with the new suite of products launched towards the back end of 2021 under the well-respected "Standard Life" brand name. These products proved a huge success comprising nearly 9% of the equity release market. In addition to this, we were able to support the Group launch the new Apex brand products, expanding our product offering in the high LTV market. These developments, along with the number and flexibility of products on offer, such as drawdown, downsizing & inheritance protections and the ability to make early repayments free of charge, has increased the size of the market as these offerings better tailor to our customers individual requirements.

We are an FCA regulated business and a member of the Equity Release Council which sets the industry standards by which we must operate and as such, we consider the impact on our customers in everything we do. Implementing and embedding the new FCA Consumer Duty requirements into our business has been a key priority during the year to better ensure good outcomes for all our customers. The way in which we operate has enabled us to become market leaders in the services we provide to our customers which is in part evidenced by us being number one in terms of market share, our 5-star Trustpilot rating and having relatively low levels of customer complaints within the industry.

Partners

An important part of the success of our business lies in our many partnerships supporting other businesses and advisors to enter into and operate in the later life lending market. These partnerships range from supporting Independent Financial Advisors, Mortgage clubs and networks, through to large corporates.

KEY RETIREMENT SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Colleagues

Our colleagues are an integral part of the success of our business, and we recognise the impact that the Company has on their lives and the lives of their families.

Our colleague's proposition has significantly evolved over the past five years, during which time we have developed our People strategy that provides the foundations to deliver our ambitions and create an inclusive, high-performing culture. Our People strategy comprises five themes being: Reward; Engagement; Equality, Diversity & inclusion; Health & wellbeing; and Talent management.

During the year, we supported all our colleagues with a £1,250 cost-of-living bonus, provided access to leading retailer discounts, implemented an Electric Vehicle scheme to better enable our colleagues to make the transition in a cost effective way, continued to target our gender pay gap reducing it by 6% in the year, continued to implement our Employee Assistance Programme and expand its services to better support our colleagues, invested in mental health first aiders, invested in the development of our people in creating a number of academies and have broadened our pool of talent to include apprenticeships, school/college leavers and graduate schemes.

We continue to engage with and listen to our colleagues through multiple channels, which now includes our ASPIRE intranet site which was launched during the year as an effective means of engaging and supporting our colleagues and proving an invaluable platform for future developments. In addition, we have created colleague-led working groups to provide the opportunity for them to have a say and improve the environment in which they work. We also continue to undertake an annual colleague survey providing our Colleagues with the opportunity to provide invaluable feedback and help us to shape our People strategy to better serve their needs and interests.

Suppliers

We have agreed fair payment terms with each of our individual suppliers and recognise the importance of prompt payment in line with these terms. A conscious decision has been taken by the Board to ensure supplier payment runs are performed on a regular weekly basis so as not to place any unnecessary cash flow strains on those suppliers.

Community

We are passionate about supporting our local communities, particularly those which are some of the most deprived areas in the country. In addition to providing employment opportunities in the Preston area we support our local communities through donations of funds, food, resource and time.

We live by three core pillars that guide our approach: Working in the community; Engaging colleagues; and Using the power of our workforce. We plan to develop a longer-term strategy, however during the year we have continued to invest and promote colleagues supporting charitable causes by providing everyone with one charity day each year, have continued to support local food banks and the Boathouse Youth which supports young people and families in Blackpool, and the Alzheimer's Society's Dementia Friends programme with opportunities for our colleagues to become Dementia Friends to better support some of our more vulnerable customers.

KEY RETIREMENT SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Energy and carbon reporting

Since 2020 we have been Carbon Neutral in relation to our scope 1 & 2 emissions and scope 3 transportation emissions, furthermore during the year using high-quality carbon offsets we have offset all our historic carbon emissions back to the founding of the business.

Our approach is to reduce our carbon emissions as much as possible; ensuring that the energy we consume is used efficiently, effectively and comes from renewable sources wherever possible. We are improving our environmental impact in three ways: moving to carbon-free energy, creating more sustainable workplaces and building better products and services.

Building upon the improvements we have made over recent years, we have published during the year our first Sustainability report which publicly establishes our environmental strategy, targets and approach; have installed Electric Vehicle (EV) charging points at our head office site and have implemented an EV scheme to help our colleagues make the transition to electric vehicles in a cost effective way, and we have increased the number of customer appointments delivered by teleconference.

The Streamlined Energy and Carbon Reporting (SECR) has been disclosed within the Group accounts which Key Retirement Solutions Limited is a member of. The disclosure is not required for the Company given the Group disclosure sufficiently covers all members within the Group. Copies of the consolidated Annual report and financial statements can be obtained from Baines House, Midgery Court, Fulwood, Preston, PR2 9ZH.

KEY RETIREMENT SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks, including financial risks and uncertainties

Our overarching Risk Management Framework is a set of processes, tools and mitigation strategies that assists us in identifying, assessing, measuring, managing and reporting risk. The overall framework ensures that risks are managed in a manner which is proportionate to the size and nature of Company's operations; is aligned to regulatory requirements; and reflects best practice. Compliance with regulation, legal and ethical standards is a high priority, and the Compliance team, Risk 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 Group operates a Three Lines of Defence Framework with a combined assurance plan in place to support.

The ARCC annually reviews and approves the Risk Management Framework and regularly reviews risk management activities to ensure focus on managing not only existing risks but also on identifying emerging risk areas. The Risk Framework is underpinned by a Group Risk Appetite Statement.

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 to ensure an appropriate level of risk management is directed at the relevant elements of the business.

To effectively manage its risks, the Board has identified key (or principal) risk categories for the business and has defined its residual risk appetite in relation to each. All risks reported within the business sit within one of these categories and are defined within the Risk Registers.

The principal risks to which the Company is exposed are:

Operational risk

The risk of financial loss and/or reputational damage resulting from inadequate or failed internal processes, people, systems or from external events. A large amount of work has been undertaken throughout 2022 with regards to the streamlining of process and automation to drive both accuracy and efficiency. Resource has been challenging in various areas of the business throughout 2022, albeit this has manifested somewhat differently in the latter part of the year following the UK Government's September budget. Colleagues continue to work on a hybrid basis which mitigated some of the recruitment challenges for more specialist roles.

Regulatory & legal risk

The risk that changes in laws or regulations will materially affect the Company's business or the later life lending market in which it operates; or that the Company is exposed to fines, censure, legal or enforcement action due to failure to comply with applicable laws, regulations (e.g. FCA), codes of conduct or legal obligations. The new FCA Consumer duty rules were published in mid-2022 and an implementation project is well underway and being managed centrally via a dedicated Project manager. The Group's compliance department continue to proactively monitor any regulatory changes to ensure compliance and support the implementation of any required changes within the regulatory timeframe.

Economic risk

The risk that changes in the economy such as property prices, interest rates or government interventions such as the pension market reforms, impact market conditions and adversely impact the Company's business. Economic risk continued to be apparent this year following the UK Government's September 2022 budget and the resulting impact this had on UK swap rates and the general economic uncertainty this has created in the financial services industry. As was seen in the residential mortgage market, many funders within the equity release market have reduced or paused their investment which by year end and into 2023 has resulted in a significant reduction in the number of products available for customers and partly due to rising interest rates the price of the products has significantly increased.

KEY RETIREMENT SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Strategic risk

The risk that the Company pursues an inappropriate strategy or that the risks associated with the implementation of the strategy are not fully realised and threaten the Company's ability to achieve its business objectives. The Board does not believe that there has been a significant increase in Strategic risk during the year, however, it continues to monitor this area given its product expansion plans into the later life market. The inherent uncertainty associated with Strategic risk is partly mitigated by the industry and business expertise contained in the composition of the members of the Board. In addition to this the Board regularly seeks advice from professional advisors when necessary.

Liquidity risk

The risk that the Company is unable to meet its financial obligations as they fall due. The Company held a sufficient level of liquidity at the year end and has access to funding from the Group and as such, can meet its operational and financial obligations as they fall due over at least the next 12 months. In order to manage future uncertainties regarding liquidity the Group regularly produces forecasts to ensure that Lender covenants, which include liquidity requirements, are being met and are forecast to be met in the future. See note 1.3 for more details of the Board's consideration of liquidity risk as part of its Going concern assessment.

Interest rate risk

The risk that increasing interest rates impact the affordability of the Group's debt package. Uncertainty regarding this risk is managed by the Group Board via the adoption of fixed rate, fixed term lending as well as hedging instruments where necessary, to offset movements in variable lending.

ESG risk

This relates to the impact of not identifying and responding to ESG risks appropriately, leading to ineffective governance arrangements, failure to deliver a reduced environmental footprint and/or a failure to positively impact colleagues and the surrounding community. Following a review of the ESG strategy, the Group Board published its Sustainability report during the year. In relation to Climate change, our carbon footprint and the costs of reducing these emissions is relatively small, however in terms of our products, we will have a part to play in supporting our customers make the transition to reduce their climate impact and in providing attractive investments for our funders which meet their ESG agendas.

Conduct risk

The risk that our behaviour, either directly through customer interaction or indirectly through the design of products, systems and controls, results in inappropriate customer outcomes. The Group's Three Line of Defence framework oversees the delivery of good customer outcomes in all areas of the business and this continues to evolve further through the delivery of the Consumer duty requirements in 2023.

Cyber security risk

The increasing reliance the business places on technology to maximise operational efficiencies does expose the Group to an emerging Cyber security risk as cyber-attacks become more sophisticated, targeted and complex, with heightened risk emerging as a result of the conflict in the Ukraine. We have taken steps to mitigate much of the risk to confidentiality, integrity & availability through the implementation of additional controls, a move to a cloud first model, taking advantage of best of breed technologies for resilience and security, and utilising advice from specialist third parties to produce a strategy and guide additional investment into the future. This is a key consideration in our Operational resilience strategy, and we continue to closely monitor exposure.

Emerging risks

There are no significant emerging risks to disclose.

KEY RETIREMENT SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern

The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Company has adequate resources for a period of at least 12 months from the date of signing the financial statements. It is worth noting that the Directors' assessment has been performed on the expectation that the recent market volatility is both short-term and temporary in nature and as such, the business has taken the opportunity to adjust its cost base accordingly but is also prepared to be responsive to a market recovery during the second half of 2023.

As of the timing of the signing of these accounts all the Group's funders except for one, have returned to the market and with the remaining funder intending to return by the end of May 2023. All funders have remained committed to the equity release asset and have signalled strong continued appetite for the asset class especially for the Solvency II balance-sheets. A material uncertainty² does however exist in the areas that are not controlled by the Group and Company, which is the exact timing of when all funders will be pricing in line with continued customer demand. The Group and Company does have the option of continuing to remove cost and cash incurring expenditure across their operations in the event that the recovery takes place over a longer duration (of greater than one year). In addition, the Group and Company also have several mitigations at their disposal to improve both their short-term liquidity position and financial covenant performance should the need arise. For further details see note 1.3.

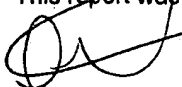
Future developments

The longer-term trends supporting the later life lending sector remain strong, despite the economic uncertainty that currently exists. The population continues to age, house price wealth is continuing to increase and pension savings are likely to be inadequate for many.

As interest rates are stabilising and the economy is not predicted to fall as much as first feared in quarter 4 of 2022, funders are returning to the equity release market with the expectation that the market will start to re-establish itself through to the half year and into the second half of the year.

Over the coming year, with the continued support of colleagues from across the business, the Group has plans in place to grow the business with a broader range of later life lending products to help even more customers lead the life they want to lead in later life.

This report was approved by the board on 9 May 2023 and signed on its behalf.



S Drew
Director

² As defined by applicable accounting standards: "material uncertainty related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern".

KEY RETIREMENT SOLUTIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Matters covered in the Strategic report

The Directors have chosen to present certain requirements of the Directors' report within the Strategic report, including principal activities, business review, declaration of dividends, future development, section 172 disclosure, energy & carbon reporting and principal risks facing the business.

Directors

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

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

Directors' and officers' insurance

The Group maintains cover with respect to Directors' and officers' indemnity insurance. This insurance covers them in their roles as Directors of this Company and was in force during the financial year ended 31 December 2022 and also at the date of approval of the financial statements.

Colleague involvement

The Company maintains a policy of regular consultation and discussion with its colleagues on a wide range of issues that are likely to affect their interests. For more details, please see the Our Stakeholders/Colleagues section of the Strategic report.

Diversity, inclusion and equal opportunities for all

We value diversity among our colleagues and strive to provide equal opportunities to all regardless of sex, race, nationality, colour, religion, marital status, disability, sexual orientation or age. All applicants and colleagues are treated equally in respect of recruitment, pay, training, promotional opportunities and other employment matters, with all decisions being based on merit. Reasonable adjustments are made to accommodate those with additional needs. Under no circumstances will discrimination against any individual or group be tolerated, and where there is evidence that this may have occurred, the matter will be promptly investigated in full with any disciplinary action taken where necessary.

Financial risk management

The financial risk management and policies of the Company are consistent with those of the Group. For further details, see note 19 of the Theo Topco Limited Annual report and financial statements 2022, which does not form part of this report.

Existence of branches outside of the United Kingdom

The Company has no branches outside of the United Kingdom.

KEY RETIREMENT SOLUTIONS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Political donations

There were no political donations for the year (2021: none) and the Company did not incur any political expenditure (2021: £nil).

Statement of directors' responsibilities in respect of the financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

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.

Directors' confirmations

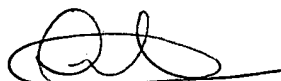
Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- 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.

Independent Auditors

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

This report was approved by the Board on 9 May 2023 and signed on its behalf.



S Drew
Director

KEY RETIREMENT SOLUTIONS LIMITED

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

Independent auditors' report to the members of Key Retirement Solutions Limited

Report on the audit of the financial statements

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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: statement of financial position as at 31 December 2022; income statement and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.3 to the financial statements concerning the company's ability to continue as a going concern. For the year ended 31 December 2022, the Company is profit making and cash generative. However, the forecasts are impacted by funders previously withdrawing, temporarily, due to volatility in the market. The severe but plausible downside scenario forecasts prepared by management reflect a breach in one financial covenant on external financing arrangements before considering further management actions. Whilst there are a number of mitigating actions in management's control, there are certain factors outside of the group's control. The primary uncertainty relates to the timing of when all funders to the equity release market will be pricing products in line with customer demand to support timely cash flow generation. These conditions, along with the other matters explained in note 1.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

KEY RETIREMENT SOLUTIONS LIMITED

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities in respect of the financial statements, 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.

KEY RETIREMENT SOLUTIONS LIMITED

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Review of key correspondence with and reports to regulators;
- Enquiries with management and review of board minutes, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud; and
- Testing of journal entries which contained unusual account combinations back to corroborating evidence.

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

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

Use of this report

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

KEY RETIREMENT SOLUTIONS LIMITED

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jennifer Hale

Jennifer Hale (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
9 May 2023

KEY RETIREMENT SOLUTIONS LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Revenue	3	30,201	22,376
Gross profit		30,201	22,376
Administrative expenses		(26,888)	(22,054)
Operating profit	4	3,313	322
Net interest receivable/(payable)	6	2	(15)
Profit before tax		3,315	307
Tax on profit	7	(102)	(63)
Profit for the financial year		3,213	244

All the results above relate to continuing operations.

There were no items of other comprehensive income in the current year or prior year.

KEY RETIREMENT SOLUTIONS LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Fixed assets					
Right-of-use assets	8		4		206
Investments	9		4,273		-
			<u>4,277</u>		<u>206</u>
Current assets					
Trade and other receivables: amounts falling due within one year	10	4,772		2,266	
Cash and cash equivalents	11	4,716		4,718	
		<u>9,488</u>		<u>6,984</u>	
Trade and other payables: amounts falling due within one year	12	(9,074)		(6,210)	
Net current assets			<u>414</u>		<u>774</u>
Total assets less current liabilities			<u>4,691</u>		<u>980</u>
Trade and other payables: amounts falling due after more than one year	13		(500)		(2)
Net assets			<u><u>4,191</u></u>		<u><u>978</u></u>
Capital and reserves					
Called up share capital	16		10,004		10,004
Accumulated losses			(5,813)		(9,026)
Total equity			<u><u>4,191</u></u>		<u><u>978</u></u>

The financial statements on pages 16 to 34 were approved and authorised for issue by the Board and signed on its behalf on 9 May 2023.



S Drew
Director

Company number: 2457440

KEY RETIREMENT SOLUTIONS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Accumulated losses	Total equity
	£000	£000	£000
At 1 January 2021	10,004	(9,270)	734
Profit for the financial year	-	244	244
At 31 December 2021 and at 1 January 2022	10,004	(9,026)	978
Profit for the financial year	-	3,213	3,213
At 31 December 2022	10,004	(5,813)	4,191

KEY RETIREMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies

1.1 General information

Key Retirement Solutions Limited is a private company limited by shares and is incorporated in the United Kingdom under the Companies Act 2006. The Company is domiciled in the United Kingdom and the address of its 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.

1.2 Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

KEY RETIREMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.3 Going Concern

The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Company has adequate resources for a period of at least 12 months from the date of signing the financial statements. This assessment has considered the Company's relationship with its Group and its position as obligor under the Group's loan agreement.

The Directors' assessment of the Company's ability to continue as a going concern considered a number of qualitative factors such as the growing demand for later life lending products, its leading position in the equity release market and the relatively small short-term impacts of climate change on its market. In addition to this, the Directors' assessment considered the Group's budget cash flow and covenant projections (which includes the Company), and the modelling of a severe but plausible downside scenario and the impact of this on Group liquidity and its financial covenants.

At the 31 December 2022, the Group had a robust financial position providing it with sufficient access to liquidity to meet its needs over at least the next 12 months. At the 31 December 2022, the Group had headroom on its covenant basis net debt leverage ratio (Net debt/adjusted EBITDA) and its covenant basis interest cover ratio (Adjusted cash flow/bank loan interest). The base scenario modelled demonstrates sufficient liquidity and financial covenant headroom being available over a period of at least 12 months. Whilst beyond the period of the going concern assessment, the Directors note that the Group's existing £53.9m loan facility matures in July 2024 and that the Group will look to refinance this ahead of this date.

In addition, the Group modelled a 'severe but plausible' downside scenario which included a number of management actions. Despite demonstrating adequate liquidity and headroom on its interest cover ratio during the period of assessment, further management actions would be required to avoid a breach of the Net debt leverage covenant at the end of September 2023 (recovers to positive headroom thereafter). Stress testing shows that without these further mitigating actions being taken, the Group would need a minimum EBITDA of c£18.2m to meet its Net debt leverage covenant.

The Directors note that the Group's assessment has been performed on the expectation that the recent market volatility is both short-term and temporary in nature and as such, the business has taken the opportunity to adjust its cost base accordingly but is also prepared to be responsive to a market recovery during the second half of 2023. As of the timing of the signing of these accounts all the Group's funders except for one, have returned to the market and with the remaining funder intending to return by the end of May 2023. All funders have remained committed to the equity release asset and have signalled strong continued appetite for the asset class especially for the Solvency II balance-sheets.

There are certain factors beyond the Group and Company's control, in particular the exact timing of when all funders will be pricing in line with continued customer demand. The Group and Company have a number of mitigating actions in their control should these be needed to enable covenant compliance, including removing cost and cash incurring expenditure across its operations in the event that the recovery takes place over a longer duration. In the severe and uncertain event that cash flow generation is even more protracted and these mitigations were not sufficient, then there are equity cure rights within the Facilities Agreement which the Group may expect to utilise.

In this scenario, these factors outside of the Group and Company's control represent a material uncertainty related to events or conditions that may cast significant doubt upon the Group and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

KEY RETIREMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.4 Adoption of new and revised standards

There were no new standards, interpretations and amendments, effective for the year ended 31 December 2022, that were relevant or would have a material impact on the Company financial statements.

IFRS 17 Insurance Contracts

During the year ended 31 December 2022, the Company early adopted the requirements of IFRS 17 in accordance with its transitional provisions. The adoption of IFRS 17 has had no impact on the financial statements nor is it expected to have an impact on future reporting periods.

1.5 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

1.6 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.

KEY RETIREMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.7 Revenue Recognition

Revenue is measured based on the consideration to which the Company expects to be entitled from contracts with customers and excludes amounts collected on behalf of third parties, value added tax and any cashback provided. The Company recognises revenue when it satisfies the performance obligations within the contract which is when it transfers control of a product or service to a customer. The Company does not adjust its consideration for the time value of money as settlement is typically shortly after the satisfaction of the performance obligation.

Revenue is recognised in relation to the Company's main activities being the provision of financial advice in relation to equity release products; sourcing of equity release products; and through the provision of estate planning products.

Advice fees paid by borrowers in relation to the provision of certain financial advice is contingent on the successful provision of an equity release product. As such, these advice fees are fully recognised on completion of the underlying product.

Commission income from the sourcing of equity release products on behalf of borrowers is received from the product provider on completion of the equity release loan arrangement. As such, commission income is recognised on completion of each equity release loan arrangement and represents a percentage of the amount of funds provided under each loan arrangement. Commission income earned on certain products includes an element of variable consideration to the extent that further funds could be advanced under existing equity release arrangements. Variable revenue is only recognised once any significant uncertainties associated with its recognition are resolved and as such, variable revenue is only recognised at the point where further funds are advanced under existing equity release arrangements.

Fees paid for the provision of in-house estate planning products are recognised as revenue when the customer receives the products purchased. Where a customer pays the fees in advance a contract liability is recognised in respect of these.

1.8 Pension costs

Contributions to the Company's defined contribution pension scheme are charged to the Income statement in the year in which they become payable. The assets of the scheme are held separately in an independently administered fund.

KEY RETIREMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

1.10 Dividends

Interim dividends are recognised when they are paid. Final dividends are recognised when approved by the shareholders.

1.11 Right-of-use assets

Right-of-use assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes the initial amount of the lease liability, and any initial direct costs incurred and an estimate of any dilapidation costs. Also included are the costs of lease payments made, less any lease incentives received, at or before the commencement date.

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.

Subsequent to initial measurement, the right-of-use asset is also adjusted for certain remeasurements of the associated lease liability, details of which are provided in note 1.15.

Depreciation is charged on a straight line basis so as to allocate the cost of assets less any residual value, over the shorter of lease term or useful economic life of the underlying asset.

KEY RETIREMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.12 Trade and other receivables

Trade and other receivables are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost.

A provision for impairment of trade receivables is recognised based on lifetime expected credit losses at each reporting date.

Accrued income relates to amounts earned at the reporting date which have not yet been invoiced.

1.13 Cash and cash equivalents

Cash and cash equivalents includes cash-in-hand, cash-at-bank, bank overdrafts and deposits readily convertible to known amounts of cash and that have an original maturity of three months or less. In the Statement of Financial Position, bank overdrafts that do not have right of offset are presented within current liabilities.

1.14 Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are measured subsequently at amortised cost.

KEY RETIREMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.15 Lease liabilities

For leases where the Company is a lessee, the Company recognises a right-of-use asset and a lease liability at the commencement date of the lease.

Lease liabilities are initially measured at the present value of the lease payments due during the lease term but that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed payments and applicable variable lease payments (which depend on an index or a rate). The lease term includes periods covered by extension and break options if the Company is reasonably certain to extend the lease or to not exercise the break.

The discount rates applied in the measurement of the lease liabilities represent the Company's incremental borrowing rates. The incremental borrowing rates are determined through a build up approach, starting with a risk-free rate specific to the term and economic environment of the lease, adjusted for both the credit risk of the lessee and other characteristics of the lease (for example the quality of the underlying assets). The inputs used to determine the rates are regularly reassessed, based on historical experience and other factors which the Directors believe to be reasonable.

Each lease payment is allocated between the capital repayment of the liability and the finance cost element. The finance cost is charged to the Income Statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index, rate or a lease modification. When extension or break options are exercised (or not exercised) in a way inconsistent with the prior assessments of those options, or if those assessments are changed, then lease liabilities will also be remeasured.

The Company has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less (short-term leases) and lease contracts for which the underlying asset is of low value (low value leases). Lease payments on short-term leases and those on low value leases are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

1.16 Reserves

The Company's reserves are as follows:

- Share capital reserve represents the nominal value of the shares issued.
- Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

KEY RETIREMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. 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. There were no matters to report that required a higher degree of judgement or complexity, or areas where assumptions and estimates were significant to the financial statements.

3. Revenue

All revenue arose within the United Kingdom and is wholly attributable to the principal activity of the Company.

4. Operating profit

The operating profit is stated after charging:

	2022	2021
	£000	£000
Depreciation	96	233

Fees payable to the Company's auditors for the audit of Key Retirement Solutions Limited are borne by its parent, KRS Finance Limited. In the Directors' opinion a reasonable allocation of the audit fee to Key Retirement Solutions Limited would be £69k (2021: £70k). No non-audit services were provided during the current or prior year.

KEY RETIREMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. Employees

Staff costs were as follows:

	2022 £000	2021 £000
Wages and salaries	9,286	7,805
Social security costs	1,068	825
Other pension costs	534	306
Employee benefit expense before recharges	10,888	8,936
Amounts recharged to subsidiary undertakings	(291)	-
	10,597	8,936

Employee benefits expense before recharges of £10,888k (2021: £8,936k) relate to services provided by individuals who are in substance employees of the Company, but from a legal perspective are employees of its parent, KRS Finance Limited. The Company directly incurs the expense in relation to these employees. The average number of employees (excluding Directors) providing services to the Company during the year was 204 (2021: 196).

A recharge of £291k (2021: £nil) was charged to subsidiary companies in relation to the provision of employee services.

The Directors are Directors of a number of fellow subsidiaries and as such, it is not feasible to make an accurate apportionment of their emoluments in respect to each of these subsidiaries. Accordingly, the above disclosure includes no emoluments in respect to these Directors however their total emoluments are included in the aggregate of Key Management Personnel emoluments in the financial statements of the ultimate parent undertaking, Theo Topco Limited.

6. Net interest receivable/(payable)

	2022 £000	2021 £000
Interest receivable	5	-
Finance leases	(3)	(15)
	2	(15)

KEY RETIREMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

7. Tax on profit

	2022 £000	2021 £000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	119	6
Adjustments in respect of previous periods	(55)	57
Effect of changes in tax rates	38	-
Total deferred tax	102	63
Taxation on profit	102	63

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2021 - the same as) the standard rate of corporation tax in the UK of 19% (2021 - 19%) as set out below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	3,315	307
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	630	58
Effects of:		
Adjustment opening deferred tax to average rate of 19%	-	(25)
Adjustment to tax charge in respect of prior periods - deferred tax	(55)	57
Other	-	17
Remeasurement of deferred tax for changes in tax rates	38	-
Group relief	(511)	(44)
Total tax charge for the year	102	63

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

KEY RETIREMENT SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Right-of-use assets

	Property £000	Other £000	Total £000
Cost			
At 1 January 2022	599	93	692
Assets fully depreciated	(114)	(61)	(175)
Disposals	(464)	-	(464)
At 31 December 2022	<u>21</u>	<u>32</u>	<u>53</u>
Accumulated depreciation			
At 1 January 2022	408	78	486
Charge for the year	84	12	96
Assets fully depreciated	(114)	(61)	(175)
Disposals	(358)	-	(358)
At 31 December 2022	<u>20</u>	<u>29</u>	<u>49</u>
Net book value			
At 31 December 2022	<u>1</u>	<u>3</u>	<u>4</u>
At 31 December 2021	<u>191</u>	<u>15</u>	<u>206</u>

KEY RETIREMENT SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2022	-
Additions	4,273
At 31 December 2022	4,273
Net book value	
At 31 December 2022	4,273
At 31 December 2021	-

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Place of business/ country of incorporation	Class of shares	Holding
Equity Release Assured Limited	Great Britain	Ordinary	100%
Home Equity Release Service Limited	Great Britain	Ordinary	100%
Key Secured Lending Limited ^	Great Britain	Ordinary	100%
The Retirement Lending Advisers Limited	Great Britain	Ordinary	100%
Modern Lending Advisers Limited	Great Britain	Ordinary	100%
TERE Advisers Ltd	Great Britain	Ordinary	100%

The registered office of all subsidiary undertakings is Baines House, Midgery Court, Fulwood, Preston, PR2 9ZH.

On the 30 June 2022, the Company acquired the remaining 49% equity interest in its subsidiary, TERE Advisers Ltd for consideration of £4,252k. All other subsidiary undertakings are held at a value of £1 each.

^ Pending dissolution and strike off at Companies House as at 31 December 2022.

KEY RETIREMENT SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Trade and other receivables: amounts falling due within one year

	2022	2021
	£000	£000
Trade receivables	347	321
Amounts owed by group undertakings	3,545	1,721
Deferred taxation	-	102
Other receivables	5	6
Prepayments and accrued income	875	116
	4,772	2,266

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

Provision for impairment of trade receivables and amounts owed by group undertakings has been assessed based on expected credit losses. For trade receivables, the provision was £49k (2021: £29k). For amounts owed by group undertakings, as all balances are repayable on demand, and the Company is expected to be able to recover the outstanding balances if demanded, no provision has been recognised as the credit risk is assessed to be immaterial.

11. Cash and cash equivalents

	2022	2021
	£000	£000
Cash at bank and in hand	4,716	4,718
	4,716	4,718

KEY RETIREMENT SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Trade and other payables: Amounts falling due within one year

	2022	2021
	£000	£000
Trade payables	32	69
Amounts owed to group undertakings	7,121	4,686
Taxation and social security	195	212
Lease liability	-	204
Other payables	91	128
Accruals and deferred income	1,635	911
	<u>9,074</u>	<u>6,210</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 £75,000k senior loan (£53,900k outstanding at year end) and £5,000k revolving credit facility (undrawn at year end). 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 in the terms of these facilities, please refer to the financial statements of Theo Topco Limited or Theo Midco Limited.

13. Trade and other payables: Amounts falling due after more than one year

	2022	2021
	£000	£000
Lease liability	-	2
Amounts owed to group undertakings - Subordinated loan	500	-
	<u>500</u>	<u>2</u>

14. Deferred tax asset

	2022
	£000
At 1 January 2022	102
Charge for the year	(102)
At 31 December 2022	<u>-</u>

KEY RETIREMENT SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Deferred tax asset (continued)

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	15	18
Temporary differences	-	69
Short term timing differences	(15)	15
	<u>-</u>	<u>102</u>

15. Leases

Lease liabilities relate to property, car parks and office equipment (see note 8). Property leases typically include rent review terms that require rents to be adjusted on a periodic basis, following market rent increase.

The interest expense on lease liabilities is shown in note 6. The depreciation expense for leased assets during the year is shown in note 4.

The following table summarises the undiscounted lease payments receivable after the reporting date.

	2022 £000	2021 £000
Not later than one year	-	209
Between one and two years	-	2
	<u>-</u>	<u>2</u>

16. Called up share capital

	2022 £000	2021 £000
Issued and fully paid		
10,000,100 (2021 - 10,000,100) Ordinary "A" shares of £1.000 each	10,000	10,000
4,119,962 (2021 - 4,119,962) Ordinary "B" shares of £0.001 each	4	4
	<u>10,004</u>	<u>10,004</u>

All shares rank in pari passu.

KEY RETIREMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17. Related party transactions

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

18. Ultimate parent company

At 31 December 2022 the Company's immediate parent company was KRS Finance Ltd 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 the registered address, Baines House, Midgery Court, Pittman Way, 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 the registered address, Baines House, Midgery Court, Pittman Way, 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.