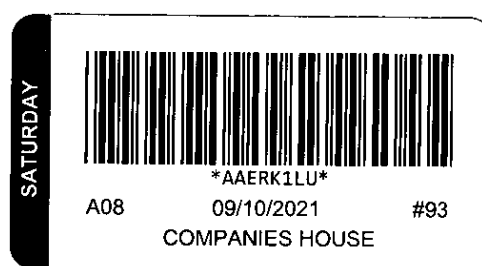

KRS SERVICES LIMITED

UNAUDITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



KRS SERVICES LIMITED

COMPANY INFORMATION

Directors Simon Drew (appointed 1 April 2021)
Robert Scott (resigned 31 March 2021)
Simon Thompson

Registered number 6473775

Registered office Baines House
Midgery Court
Fulwood
Preston
Lancashire
PR2 9ZH

KRS SERVICES LIMITED

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KRS SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their strategic report for the year ended 31 December 2020.

Business review

The principal activity of the Company is that of a service company providing support functions for other companies within the Key Retirement Group ("Group").

Financial key performance indicators ('KPIs') are not relevant for this Company due to the nature of its operations.

Results and performance

The result of the Company for the year, as set out on page 5, shows a loss before tax of £2,134k (2019: £2k loss). The net assets/(liabilities) of the Company were £1,358k (2019: £(2,022)k). No dividends were paid during the year.

Turnover increased to £17,544k (2019: £16,224k)

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the Group and are not managed separately.

Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are disclosed in Theo Topco Limited Annual report and financial statements for the year ended 31 December 2020, which does not form part of this report

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.

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.

The Company is an Obligor under the Group Senior Facility Agreement, which governs the £73.9m senior loan and £5m revolving credit facility. 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.

KRS SERVICES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Simon Thompson

Simon Thompson
Director

Date: 14 September 2021

KRS SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

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.

Principal activities

The principal activity of the Company, which has not changed during the year, is that of a service company providing support functions for other companies within the Key Retirement Group ("Group"). These functions encompass Compliance, Change, HR & Training, Finance, Information Technology, Facilities, Corporate Sales and Marketing & Operations.

Results and dividends

The loss for the year, after taxation, amounted to £2,120k (2019 - loss £112k).

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 who served during the year and up until the date of signing the financial statements were:

Simon Drew (appointed 1 April 2021)
Robert Scott (resigned 31 March 2021)
Simon Thompson

KRS SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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.

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

Simon Thompson

Simon Thompson
Director

Date: 14 September 2021

KRS SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Turnover		17,544	16,224
Administrative expenses		(19,678)	(16,226)
Operating loss	4	(2,134)	(2)
Tax on loss	7	14	(110)
Loss for the financial year		<u>(2,120)</u>	<u>(112)</u>

The results stated above are all derived from continuing operations.

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

The notes on pages 9 to 19 form part of these financial statements.

KRS SERVICES LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	2020 £000	2020 £000	As restated 2019 £000	As restated 2019 £000
Fixed assets					
Intangible Assets	8		3,121		643
Tangible Assets	9		1,316		1,255
			4,437		1,898
Current assets					
Debtors: amounts falling due within one year	10	1,333		1,024	
		1,333		1,024	
Creditors: Amounts Falling Due Within One Year	11	(4,276)		(4,794)	
			(2,943)		(3,770)
Net current liabilities					
			1,494		(1,872)
Total assets less current liabilities					
Provisions for liabilities					
Deferred tax	12	(136)		(150)	
			(136)		(150)
Net assets/(liabilities)					
			1,358		(2,022)
Capital and reserves					
Called up share capital	13		5,500		-
Profit and loss account			(4,142)		(2,022)
			1,358		(2,022)

The Directors considers that the Company is entitled to exemption from the requirement to have an audit under the provisions of section 479A of the Companies Act 2006.

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

KRS SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

Simon Thompson

Simon Thompson
Director

Date: 14 September 2021

The notes on pages 9 to 19 form part of these financial statements.

KRS SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2019	-	(1,910)	(1,910)
Comprehensive expense for the year			
Loss for the year	-	(112)	(112)
At 31 December 2019	-	(2,022)	(2,022)
Loss for the year	-	(2,120)	(2,120)
Shares issued during the year	5,500	-	5,500
At 31 December 2020	5,500	(4,142)	1,358

The notes on pages 9 to 19 form part of these financial statements.

KRS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

KRS Services 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 company information 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 has adequate resources to continue to prepare the Company financial statements on a going concern basis, notwithstanding the net current liabilities. The Group has confirmed its intention to continue to provide any necessary financial support to the Company for a period of at least twelve months from the date of approval of these financial statements. 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 following principal accounting policies have been applied:

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 2020 and these financial statements may be obtained from Companies House.

KRS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.3 Turnover

Turnover represents management charges for services provided to fellow Group companies for the period covered by the financial statements.

All income is UK based with no subsidiaries residing outside of the UK.

2.4 Exceptional expenses

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

2.5 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 within creditors due within one year - accruals.

2.6 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.

2.7 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.

KRS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.8 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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Customer Lists	-	20% per annum straight line
Computer software	-	20% per annum straight line

2.9 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.

Depreciation is provided on the following basis:

Fixtures, fittings and equipment	-	20% per annum straight line
Computer hardware	-	20% per annum straight line
Tenant Improvements	-	10% per annum straight line or the remaining lease term, whichever is shorter

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

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

KRS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.10 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.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

2.11 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.

2.12 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.

2.13 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

KRS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

Capitalisation of software and technology costs

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.

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.

4. Operating loss

The operating loss is stated after charging:

	2020	2019
	£000	£000
Amortisation	427	18
Depreciation	211	270
Exceptional administrative expenses	-	140

Exceptional administrative expenses are one off costs relating to marketing rebrand activity.

Fees of £205k (2019: £167k) payable to the Group's auditors are borne by the Company. No audit services were provided to the Company in the current financial period.

In the Directors' opinion a reasonable allocation of the 2019 audit fee to KRS Services Limited was £7k. No non-audit services were provided in the current or prior year.

KRS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. Employees

Staff costs were as follows:

	2020 £000	2019 £000
Wages and salaries	7,897	5,328
Social security costs	1,018	546
Other pension costs	331	227
	<u>9,246</u>	<u>6,101</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2020 No.	2019 No.
Management	12	15
Administration staff	185	131
	<u>197</u>	<u>146</u>

6. Directors' remuneration

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

KRS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

7. Tax on profit/(loss)

	2020 £000	2019 £000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(16)	126
Adjustments in respect of previous periods	2	(16)
Total deferred tax	(14)	110
Tax on profit/(loss)	(14)	110

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
(Loss)/profit before tax	(2,134)	(2)
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(405)	-
Effects of:		
Adjustments to tax charge in respect of prior periods	2	(16)
Fixed asset differences	-	1
Expenses and reliefs not deductible for tax purposes	14	12
Other movements	-	(15)
Group relief surrendered/(claimed)	357	128
Effect of change in tax rate	18	-
Total tax (credit)/charge for the year	(14)	110

Tax rate changes

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

KRS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

8. Intangible assets

	Customer Lists £000	Computer software £000	Total £000
Cost			
At 1 January 2020 (as previously stated)	-	850	850
Prior Year Adjustment	-	(43)	(43)
At 1 January 2020 (as restated)	-	807	807
Additions	250	2,653	2,903
At 31 December 2020		3,460	3,710
Amortisation			
At 1 January 2020 (as previously stated)	-	19	19
Prior Year Adjustment	-	145	145
At 1 January 2020 (as restated)	-	164	164
Charge for the year on owned assets	17	408	425
At 31 December 2020	17	572	589
Net book value			
At 31 December 2020	233	2,888	3,121
At 31 December 2019 (as restated)	-	643	643

KRS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

9. Tangible assets

	Tenant Improvement s £000	Computer hardware £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At 1 January 2020 (as previously stated)	784	549	19	1,352
Prior Year Adjustment	57	(10)	(4)	43
At 1 January 2020 (as restated)	841	539	15	1,395
Additions	96	170	6	272
At 31 December 2020	937	709	21	1,667
Depreciation				
At 1 January 2020 (as previously stated)	60	224	1	285
Prior Year Adjustment	-	(145)	-	(145)
At 1 January 2020 (as restated)	60	79	1	140
Charge for the year on owned assets	91	119	1	211
At 31 December 2020	151	198	2	351
Net book value				
At 31 December 2020	786	511	19	1,316
At 31 December 2019 (as restated)	781	460	14	1,255

10. Debtors; amounts falling due within one year

	2020 £000	2019 £000
Trade debtors	9	26
Other debtors	-	30
Prepayments and accrued income	1,324	968
	1,333	1,024

All amounts shown under debtors fall due for payment within one year.

KRS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Bank overdrafts	33	25
Trade creditors	364	157
Amounts owed to group undertakings	1,495	3,173
Other taxation and social security	13	-
Accruals and deferred income	2,371	1,439
	<u>4,276</u>	<u>4,794</u>

Amounts owed to Group undertakings are unsecured, interest free and are repayable on demand.

12. Deferred taxation

	2020 £000
At beginning of year	(150)
Charged to profit or loss	14
At end of year	<u>(136)</u>

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(138)	(152)
Short-term timing differences	2	2
	<u>(136)</u>	<u>(150)</u>

13. Called up share capital

	2020 £000	2019 £000
Issued and fully paid		
5,500,002 (2019 - 2) Ordinary shares shares of £1.000 each	<u>5,500</u>	<u>-</u>

All shares rank pari passu.

KRS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14. Commitments under operating leases

At 31 December the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £000	2019 £000
Not later than 1 year	274	251
Later than 1 year and not later than 5 years	405	679
	<u>679</u>	<u>930</u>

15. Ultimate parent company

At 31 December 2020 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.