

Registered number: 08270253

MODERN LENDING ADVISERS LIMITED

UNAUDITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

MONDAY



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MODERN LENDING ADVISERS LIMITED

COMPANY INFORMATION

Directors Simon Drew
 William Hale
 Simon Thompson

Registered number 08270253

Registered office Baines House
 Midgery Court
 Pittman Way
 Fulwood
 Preston
 PR2 9ZH

MODERN LENDING ADVISERS LIMITED

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MODERN LENDING ADVISERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report and the financial statements 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's principal activities are that of a mortgage broker. The Company is authorised and regulated by the Financial Conduct Authority (FCA).

Economic environment

Overall, 2022 was a good year for the Group with the size of the equity release market growing by 29% during the year to £6.2bn and a market in which the Group outperformed its peers and cemented its position as the market leader in equity release.

However, the UK Government's September 2022 'mini' budget and subsequent Liability driven investment (LDI) crisis created a period of market uncertainty in which some funders momentarily suspended their operations whilst they appraised the situation. This has impacted Group revenue in quarter 4 of 2022 and in the first half of 2023.

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 confidence has returned in the general economy, funders have returned to the equity release market.

The consumer demand for equity release remains strong as the majority of customers use the product to meet their financial needs in retirement. For many 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 customers to fund and enjoy their retirements.

Results and dividends

The statutory results for the Company show a profit for the financial year of £323k. The directors do not propose they payment of a dividend. The net assets of the Company were £44k.

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. For further details see note 2.1.

Directors

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

Simon Drew
William Hale
Simon Thompson

MODERN LENDING ADVISERS LIMITED

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

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 and was in force during the financial period ended 31 December 2022 and also at the date of approval of the financial statements.

Small company exemptions

In preparing this report, the Directors have taken advantage of the small companies exemptions provided within Part 15 of the Companies Act 2006. This includes the exemption from presenting a Strategic report and select Directors' report disclosures.

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 for the year ended 31 December 2022, which does not form part of this report.

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. The principal risks and uncertainties of the Group, which includes those of the Company, are disclosed in the Theo Topco Limited Annual report and financial statements for the year ended 31 December 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.

MODERN LENDING ADVISERS LIMITED

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

Directors' responsibilities statement

The Directors are responsible for preparing 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 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 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.

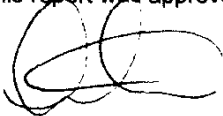
In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

This report was approved by the board on 14 September 2023 and signed on its behalf.



S Drew
Director

MODERN LENDING ADVISERS LIMITED

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

	Note	2022 £	2021 £
Revenue	3	1,250,835	300
Administrative expenses		(927,512)	(276)
Profit before tax		323,323	24
Tax on profit	5	-	-
Profit for the financial year		323,323	24

MODERN LENDING ADVISERS LIMITED

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

	Note	2022 £	2021 £
Current assets			
Trade and other receivables: amounts falling due within one year	6	10,024	-
Cash and cash equivalents	7	154,184	728
		<u>164,208</u>	<u>728</u>
Trade and other payables: amounts falling due within one year	8	(119,895)	(279,738)
Net current assets/(liabilities)		<u>44,313</u>	<u>(279,010)</u>
Total assets less current liabilities		<u>44,313</u>	<u>(279,010)</u>
Net assets/(liabilities)		<u><u>44,313</u></u>	<u><u>(279,010)</u></u>
Capital and reserves			
Called up share capital	9	1	1
Retained earnings		44,312	(279,011)
Total equity		<u><u>44,313</u></u>	<u><u>(279,010)</u></u>

The Directors consider that the Company is entitled to exemption from audit under 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 Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements on pages 4 to 13 were approved and authorised for issue by the board and were signed on its behalf on 14 September 2023.



S Drew
Director

Company registration number: 08270253

MODERN LENDING ADVISERS LIMITED

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

	Called up share capital £	Retained earnings £	Total equity £
At 1 January 2021	1	(279,035)	(279,034)
Profit for the financial year	-	24	24
At 31 December 2021 and at 1 January 2022	1	(279,011)	(279,010)
Profit for the financial year	-	323,323	323,323
At 31 December 2022	1	44,312	44,313

MODERN LENDING ADVISERS LIMITED

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

1. General information

Modern Lending Advisers 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 company information page and the nature of the Company's operations and its principal activities are set out in the Directors report.

2. Accounting policies

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 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 judgment in applying the Company's accounting policies.

MODERN LENDING ADVISERS LIMITED

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

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements

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.

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 and the Group's leading position in the equity release market. In addition to this, the Directors' assessment considered the Group's cash flow and covenant projections (which includes the Company), which incorporated the impact of the uncertainty experienced in the financial service sector, and specifically the equity release market, as described in detail on page 1 of the Strategic report.

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 and its covenant basis interest cover ratio. The base scenario modelled demonstrated 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.

As of the timing of the signing of these accounts all the Group's funders have returned to the market, remain committed to the equity release asset and have signalled strong continued appetite for the asset class especially for the Solvency II balance-sheets.

The Group also modelled a downside scenario under which 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.

MODERN LENDING ADVISERS LIMITED

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

2. Accounting policies (continued)

2.2 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.

2.3 Financial reporting standard 101 - reduced disclosure exemptions

Where applicable, the Company has taken advantage of the following disclosure exemptions under FRS 101:

- 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 and 134-136 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

MODERN LENDING ADVISERS LIMITED

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

2. Accounting policies (continued)

2.4 Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled from contracts with customers and excludes 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 and the sourcing of equity release products.

Commission income from the sourcing of equity release products on behalf of borrowers is received from the product provider 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.

2.5 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 the underlying 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 amounts 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.

MODERN LENDING ADVISERS LIMITED

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

2. Accounting policies (continued)

2.6 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.

2.7 Reserves

The Company's reserves are as follows:

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

3. Revenue

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

4. Employees

There have been no employees of the Company during the year. The Company was recharged £290,628 (2021: nil) for services provided to the Company by employees of other group companies.

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.

MODERN LENDING ADVISERS LIMITED

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

5. Taxation

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 £	2021 £
Profit on ordinary activities before tax	323,323	24
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	61,431	5
Effects of:		
Group relief claimed	(61,431)	(5)
Total tax charge for the year	-	-

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

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

	2022 £	2021 £
Amounts owed by group undertakings	10,024	-
	10,024	-

7. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	154,184	728
	154,184	728

MODERN LENDING ADVISERS LIMITED

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

8. Trade and other payables: amounts falling due within one year

	2022 £	2021 £
Amounts owed to group undertakings	115,445	279,738
Accruals and deferred income	4,450	-
	<u>119,895</u>	<u>279,738</u>

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

9. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
1 (2021 - 1) Ordinary Shares of £1.00	<u>1</u>	<u>1</u>

10. Ultimate Parent company

At 31 December 2022 the Company's immediate parent company was Key Retirement Solutions 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 the registered office, 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 office, 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.