

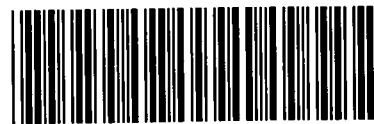
## **Key Retirement Solutions Limited**

**Company number 2457440**

Report and Financial Statements

Year Ended 31 December 2018

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# Key Retirement Solutions Limited

## Annual Report and Financial Statements for the year ended 31 December 2018

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### Directors

William Hale  
Robert Scott  
Simon Thompson  
Christopher Bibby (appointed 29 March 2018)  
Lukas Bucher (appointed 26 September 2018)  
Andrew Deakin (appointed 26 September 2018)  
Stephen Groves (appointed 26 September 2018)  
David Young (appointed 26 September 2018)

### Registered office

Baines House  
Midgery Court  
Fulwood  
Preston  
PR2 9ZH

### Company number

2457440

### Independent auditors

PricewaterhouseCoopers LLP, No 1 Spinningfields, Hardman Square, Manchester, M3 3EB

# Key Retirement Solutions Limited

## Strategic report for the year ended 31 December 2018

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The Directors present their strategic report for the year ended 31 December 2018.

### Business review

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

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

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

### Results and performance

The results for the year are set out on page 8 with the loss before tax of £2,595k (2017: £3,475k profit). We are pleased to be able to report that turnover is up 16% from £36.3m to £42.1m as we helped over 12,000 customers to release over £0.8bn of equity from their properties.

The net assets of the Company were £4,337k (2017: £6,862k). No interim dividends were paid.

This increase comes during a period of continuing growth of the equity release market to £3.9bn (2017: £3.1bn) supported by the significant investments made by the Company in its new television advertising campaign emphasising the importance of getting good advice when considering equity release.

The Directors continue to believe that Operating Profit Before Amortisation, Depreciation and Exceptionals (which primarily relate to the rebrand) provides a good measure of the profitability of the Company. The results using this measure were £42k (2017: £4,918k) as noted on page 2, while the Statutory EBITDA of (£1,355k) compares to the 2017 result of £4,389k.

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

### Strategy and Business environment

In the increasingly crowded equity release market, we believe that our new branding and associated advertising campaign, focussing on the benefits of getting good advice, have helped us stand out from our competitors and retain our market leading position, having helped our customers release more equity than any other advisor.

Our investment in improved back office processes is enabling us to provide ever better customer service and speed of execution, as well as supporting our ongoing drive to grow the business cost effectively.

We continue to grow our adviser numbers as well as increasing the level of support for Key Partners (B2B leads), with both of these contributing to the increase in headcount to 230 for the year.

# Key Retirement Solutions Limited

Strategic report  
for the year ended 31 December 2018 (*continued*)

## Trading Metrics

	2018	2017 restated	
Operating Profit Before Amortisation, Depreciation and Exceptionals	£42k	£4,918k	Operating Profit Before Amortisation, Depreciation and Exceptionals is considered by the Board to be the core measure of underlying performance for the Company.
Cost / Income ratio	100.5%	87.1%	Administrative expenses (excluding depreciation, amortisation, loss on disposal & exceptional costs) as a percentage of turnover. Considered by the Board to be an indicator of the efficiency of the business.
Complaints	111	94	All complaints are tracked and investigated by the Compliance function. The level of upheld complaints received by the Company is minimal.
Complaints Upheld	3	-	

## Principal risks and uncertainties

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

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

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

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

# Key Retirement Solutions Limited

Strategic report  
for the year ended 31 December 2018 (*continued*)

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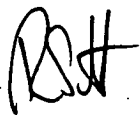
## Future developments

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 intends to continue with its growth plans. The impact of investment in people and systems is expected to create productivity improvements in 2019. The substantial increase in competition to attract customers is expected to continue over 2019, testing the resilience of all the business models in the sector. However, we believe that we are well placed to be able to continue to compete effectively and maintain our market leading position.

Profit levels at the Company are anticipated to increase in 2019. Expense control will continue to be a priority with further investment focussed on efficiency and revenue expansion. Business sourcing channels will continue to be developed and enhanced with particular focus on the customer journey and third party relationships.

## On behalf of the board



R Scott  
Director

Date: 31 July 2019

# Key Retirement Solutions Limited

## Directors' report for the year ended 31 December 2018

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The Directors present their report together with the audited financial statements for the year ended 31 December 2018.

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

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

### **Results and dividends**

The Statement of Comprehensive Income is set out on page 8 and shows the loss for the year.

The Directors do not propose the payment of a dividend.

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

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

### **Directors**

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

Simon Thompson

William Hale

Robert Scott

Christopher Bibby (appointed 29 March 2018)

Lukas Bucher (appointed 26 September 2018)

Andrew Deakin (appointed 26 September 2018)

Stephen Groves (appointed 26 September 2018)

David Young (appointed 26 September 2018)

Dean Mirfin (resigned 30 March 2018)

Richard Overson (resigned 30 March 2018)

# Key Retirement Solutions Limited

## Directors' report for the year ended 31 December 2018 (Continued)

### Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

### Disclosure of information to auditors

Each of the Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Independent auditors

The audit was put out to tender in 2018 where our previous auditors, BDO LLP, were not reappointed.

The auditors, PricewaterhouseCoopers LLP, were appointed and will continue in office and a resolution concerning their re-appointment will be proposed at the annual general meeting.

### On behalf of the board



R Scott  
Director

Date: 31 July 2019

**Independent auditor's report to the members of  
Key Retirement Solutions Limited**

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**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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2018; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for opinion**

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

**Independence**

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

**Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

**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.



**Independent auditor's report to the members of  
Key Retirement Solutions Limited  
(Continued)**

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

***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 2018 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 set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

***Use of this report***

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

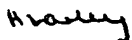
***Other required reporting***

***Companies Act 2006 exception reporting***

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

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

We have no exceptions to report arising from this responsibility.



Heather Varley (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
31 July 2019

## Key Retirement Solutions Limited

### Statement of Comprehensive Income for the year ended 31 December 2018

	Note	2018 £	2017 Restated £
<b>Turnover</b>	4	42,083,682	36,288,324
Administrative expenses		(44,937,354)	(33,047,655)
Other operating income		<u>256,174</u>	<u>233,333</u>
Operating profit before amortisation, depreciation & exceptionals		42,379	4,917,678
Amortisation, depreciation and loss on disposal		(1,242,200)	(915,282)
Exceptional administrative expenses		<u>(1,397,677)</u>	<u>(528,394)</u>
<b>Operating (loss)/profit</b>	7	<b>(2,597,498)</b>	<b>3,474,002</b>
Finance income	8	<u>2,575</u>	<u>1,207</u>
<b>(Loss)/Profit before tax</b>		<b>(2,594,923)</b>	<b>3,475,209</b>
Tax on (loss)/profit	9	<u>70,169</u>	<u>(473,079)</u>
<b>(Loss)/Profit for the financial year</b>		<b><u>(2,524,754)</u></b>	<b><u>3,002,130</u></b>

The prior year revenue has been restated to exclude advertising revenue and include this within other operating income.

The results stated above are all derived from continuing operations.

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

The notes on pages 11 to 21 are an integral part of these financial statements.

# Key Retirement Solutions Limited

## Statement of Financial Position as at 31 December 2018

	Note	2018 £	2018 £	2017 restated £	2017 restated £
<b>Fixed assets</b>					
Intangible assets	10	4,876,329		2,394,159	
Tangible assets	11	991,027		811,242	
Investments	12	5		5	
			5,867,361		3,205,406
<b>Current assets</b>					
Debtors	13	16,216,136		10,013,521	
Cash at bank and in hand		1,896,930		1,095,223	
		18,113,066		11,108,744	
<b>Creditors: amounts falling due within one year</b>	14	(19,640,340)		(7,447,309)	
<b>Net current (liabilities)/assets</b>			(1,527,274)		3,661,435
<b>Total assets less current liabilities</b>			4,340,087		6,866,841
<b>Creditors: amounts falling due after more than one year</b>	15		(3,333)		(5,333)
<b>Net assets</b>			4,336,754		6,861,508
<b>Capital and reserves</b>					
Called up share capital	17		4,220		4,220
Profit and loss account			4,332,534		6,857,288
<b>Total equity</b>			4,336,754		6,861,508

The 2017 intangible assets have been restated. Previously they were included within tangible assets.

The notes on pages 11 to 21 are an integral part of these financial statements.

The financial statements on pages 8 to 21 were approved by the Board of Directors and authorised for issue on 31 July 2019 and were signed on its behalf by:



**R Scott**  
**Director**

Company registration no: 2457440

## Key Retirement Solutions Limited

### Statement of Changes in Equity for the year ended 31 December 2018

	Note	Share capital £	Retained earnings £	Total equity £
<b>Balance at 1 January 2017</b>		4,220	3,855,158	3,859,378
<b><i>Comprehensive income</i></b>				
Profit and total comprehensive income for the year		-	3,002,130	3,002,130
<b>Balance at 31 December 2017 and at 1 January 2018</b>	17	4,220	6,857,288	6,861,508
<b><i>Comprehensive expense</i></b>				
Loss and total comprehensive expense for the year		-	(2,524,754)	(2,524,754)
<b>Balance at 31 December 2018</b>	17	4,220	4,332,534	4,336,754

The notes on pages 11 to 21 are an integral part of these financial statements.

# Key Retirement Solutions Limited

## Notes to the Financial Statements for the year ended 31 December 2018

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### 1 Basis of preparation

Key Retirement Solutions Limited is a private company limited by shares and incorporated in the United Kingdom and registered in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### *Going concern*

After reviewing the Company's forecasts and projections to December 2020, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

### 2 Principal accounting policies

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

#### *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 FRS 102 paragraph 1.12:

- the requirement to prepare a Statement of Cash Flows (paragraph 3.17(d) and section 7);
- disclosures in respect of the Company's financial instruments (paragraphs 11.41(b), 11.41(c), 11.41(d), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c));
- disclosures in respect of the aggregate remuneration of the key management personnel (paragraph 33.7).

This information is included in the consolidated financial statements of Theo Topco Limited as at 31 December 2018 and these financial statements may be obtained from Companies House.

In addition, the Company has taken advantage of the related party transaction disclosure exemption available to it under FRS 102 paragraph 33.1A, not to disclose transactions between the Company and other wholly owned members of the Group headed by Theo Topco Limited.

#### *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 2018 (Continued)

### 2 Principal accounting policies (continued)

#### *Turnover*

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

#### *Other operating income*

Other operating income incorporates income received from equity release providers as a contribution towards marketing and other expenses borne by the Company. Income amounting to £160,399 in relation to 2017 was incorrectly included as revenue and has been re-classed to other operating income on the face of the Statement of Comprehensive Income.

#### *Exceptional expenses*

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

#### *Pension costs*

Contributions to the Company's defined contribution pension scheme are charged to the Statement of Comprehensive Income in the year in which they become payable. The assets of the scheme are held separately in an independently administered fund. Any amounts outstanding at the year-end are shown as a separately identifiable asset or liability in the Statement of Financial Position.

#### *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.

#### *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.

#### *Dividends*

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

#### *Valuation of investments*

Investments in subsidiaries are measured at cost less accumulated impairment.

# Key Retirement Solutions Limited

## Notes to the Financial Statements for the year ended 31 December 2018 (Continued)

### 2 Principal accounting policies (continued)

#### *Intangible fixed assets*

In 2017 computer software was included within tangible assets. This has been restated in 2018 to include computer software as an intangible asset.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

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

#### *Tangible fixed assets*

Tangible fixed assets 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.

In 2017 tangible fixed assets included computer software within computer hardware. This has been restated in 2018 to exclude computer software which is classed as an intangible asset.

#### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible assets evenly over their expected useful lives. It is calculated at the following rates:

Computer hardware	- 20 % per annum straight line
Fixtures, fittings and equipment	- 20 % per annum straight line
Motor vehicles	- 20 % per annum straight line
Tenant improvements	- 20 % per annum straight line

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

#### *Impairment of tangible assets*

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

#### *Deferred income*

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

#### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant asset is charged to the Statement of Comprehensive Income over the shorter of estimated useful economic life and the period of the lease.

# Key Retirement Solutions Limited

## Notes to the Financial Statements for the year ended 31 December 2018 (Continued)

### 2 Principal accounting policies (continued)

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Comprehensive Income over the period of the lease; and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

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

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

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

#### *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.

#### *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.

### 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.



# Key Retirement Solutions Limited

## Notes to the Financial Statements for the year ended 31 December 2018 (Continued)

### 3 Critical judgements and estimations (continued)

#### *Impairment of intangible assets*

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

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

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

### 4 Turnover

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

### 5 Employee numbers and expense

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

	2018 No.	2017 No.
Management	14	14
Sales staff	216	150
	<u>230</u>	<u>164</u>

	2018 £	2017 £
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	9,988,643	7,695,706
Social security costs	1,076,007	867,924
Other pension costs	362,477	330,876
	<u>11,427,127</u>	<u>8,894,506</u>

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

### 6 Directors' remuneration

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

# Key Retirement Solutions Limited

## Notes to the Financial Statements for the year ended 31 December 2018 (Continued)

### 7 Operating (loss)/profit

	2018 £	2017 £
Operating (loss)/profit has been derived after charging:		
Amortisation	1,000,711	588,138
Depreciation	241,489	327,108
Loss on disposal	-	36
Hire of other assets - operating leases *	74,786	37,190
Hire of land and buildings - operating leases	280,621	151,846
Exceptional administrative expenses	1,397,677	528,394

\* Operating lease costs of £74,786 (2017: £37,190) for the hire of other assets were expensed in KRS Services Limited, a fellow subsidiary company.

Exceptional administrative expenses include; £1,397,677 relating to rebranding costs.

Exceptional administrative expenses in the prior year include; £65,806 relating to the acquisition transaction, and; £462,588 relating to settlement charges.

#### Auditors' remuneration

Fees payable to the Company's auditors for the audit of Key Retirement Solutions Limited are borne by KRS Services Limited, a fellow subsidiary company. In the Directors' opinion a reasonable allocation of the audit fee to Key Retirement Solutions Limited would be £25,000 (2017: £7,875).

### 8 Finance income

	2018 £	2017 £
Bank interest receivable	2,575	443
Other interest receivable	-	764
	<u>2,575</u>	<u>1,207</u>

# Key Retirement Solutions Limited

## Notes to the Financial Statements for the year ended 31 December 2018 (Continued)

### 9 Tax on (loss)/profit

	2018 £	2018 £	2017 £	2017 £
<i>Current tax</i>				
UK corporation tax on profit for the year	-		520,556	
Adjustments in respect of previous periods	(80,819)		3,115	
Total current tax charge		(80,819)		523,671
<i>Deferred tax</i>				
Origination and reversal of timing differences	(6,373)		(47,974)	
Adjustments in respect of previous periods	17,023		(2,618)	
Total deferred tax charge		10,650		(50,592)
Tax on (loss)/profit		(70,169)		473,079

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2018 £	2017 £
(Loss)/profit before tax	(2,594,923)	3,475,209
Tax on (loss)/profit at the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(493,035)	668,978
Effects of:		
Tangible assets differences	2,724	4,234
Expenses not deductible for tax purposes	-	133,569
Income not taxable for tax purposes	-	(123,370)
Group relief claimed	483,188	(217,050)
Adjustments to tax charge in respect of previous years	(63,796)	2,996
Adjustments to tax charge in respect of previous years - deferred tax	-	(2,618)
Adjust closing deferred tax to average rate of 19%	-	14,727
Adjust opening deferred tax to average rate of 19%	-	(8,387)
Adjust opening deferred tax to average rate of 19%	750	-
Total tax charge	(70,169)	473,079

# Key Retirement Solutions Limited

## Notes to the Financial Statements for the year ended 31 December 2018 (Continued)

### 10 Intangible assets

	Computer Software £	Total £
<b>Cost</b>		
At 1 January 2018	3,758,449	3,758,449
Additions	3,504,681	3,504,681
Disposals	(121,956)	(121,956)
At 31 December 2018	7,141,174	7,141,174
<b>Accumulated amortisation</b>		
At 1 January 2018	1,364,290	1,364,290
Charge for the year	1,000,711	1,000,711
Disposals	(100,156)	(100,156)
At 31 December 2018	2,264,845	2,264,845
<b>Net book value</b>		
At 31 December 2018	4,876,329	4,876,329
At 31 December 2017	2,394,159	2,394,159

In 2017 computer software was included within tangible assets. This has been restated in 2018 to include computer software as an intangible asset.

### 11 Tangible assets

	Tenant improvements £	Computer hardware £	Fixtures, Fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2018	298,819	948,113	313,833	20,801	1,581,566
Additions	32,440	314,523	82,978	-	429,941
Disposals	-	-	-	(20,801)	(20,801)
At 31 December 2018	331,259	1,262,636	396,811	-	1,990,706
<b>Accumulated depreciation</b>					
At 1 January 2018	7,611	541,237	211,769	9,707	770,324
Charge for the year	23,100	177,308	38,654	2,427	241,489
Disposals	-	-	-	(12,134)	(12,134)
At 31 December 2018	30,711	718,545	250,423	-	999,679
<b>Net book value</b>					
At 31 December 2018	300,548	544,091	146,388	-	991,027
At 31 December 2017	291,208	406,876	102,064	11,094	811,242

## Key Retirement Solutions Limited

### Notes to the Financial Statements for the year ended 31 December 2018 (Continued)

#### 12 Investments

##### Cost and net book value

At 31 December 2017 and at 31 December 2018

£

5

The subsidiaries of the Company are:

<i>Subsidiary undertakings</i>	Country of incorporation	Class of share capital held	Proportion of share capital held	Nature of business
Equity Release Assured Limited	England & Wales	Ordinary	100%	Financial Services - mortgage broker - ceased trading in 2016
Home Equity Release Service Limited	England & Wales	Ordinary	100%	Financial Services - mortgage broker
Key Secured Lending Limited	England & Wales	Ordinary	100%	Financial Services – secured loan broker – ceased trading in 2016
The Retirement Lending Advisers Limited	England & Wales	Ordinary	100%	Financial Services - mortgage broker
Modern Lending Advisers Limited	England & Wales	Ordinary	100%	Financial Services - mortgage broker

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

#### 13 Debtors

	2018 £	2017 £
Trade debtors	1,109,209	653,905
Amounts owed by Group undertakings	14,486,371	8,982,171
Deferred tax (note 16)	100,787	111,437
Corporation tax	209,216	744
Other debtors	38,461	1,613
Prepayments and accrued income	272,092	263,651
	<u>16,216,136</u>	<u>10,013,521</u>

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

## Key Retirement Solutions Limited

### Notes to the Financial Statements for the year ended 31 December 2018 (Continued)

#### 14 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	384,115	147,630
Amounts owed to Group undertakings	15,462,538	2,304,015
Other taxation and social security	449,579	491,952
Pension creditor	85,073	126,381
Accruals	3,249,131	4,335,331
Other creditors	7,904	-
Deferred income	2,000	42,000
	<u>19,640,340</u>	<u>7,447,309</u>

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

#### 15 Creditors: amounts falling due after more than one year

	2018	2017
	£	£
Deferred income	3,333	5,333
	<u>3,333</u>	<u>5,333</u>

Security has been taken on the assets of the company against a £75,000,000 bank loan taken out by Theo Bidco Limited, due for repayment in 2024.

#### 16 Deferred taxation

	£
At 1 January 2018	111,437
Charge for the year	(10,650)
At 31 December 2018	<u>100,787</u>
<i>Deferred taxation</i>	
	<b>2018</b>
	<b>£</b>
Accelerated capital allowances	(6,504)
Short-term timing differences	107,291
	<u>100,787</u>
	<b>2017</b>
	<b>£</b>
	(93)
	111,530
	<u>111,437</u>

# Key Retirement Solutions Limited

## Notes to the Financial Statements for the year ended 31 December 2018 (Continued)

### 17 Called up share capital

#### Issued and fully paid

	2018 £	2017 £
100 (2017: 100) Ordinary "A" shares of £1 each	100	100
4,119,962 (2017: 4,119,962) Ordinary "B" shares of £0.001 each	4,120	4,120
	<u>4,220</u>	<u>4,220</u>

All shares rank pari passu.

### 18 Commitments under operating leases

The Company had minimum lease payments under non-cancellable operating leases, as set out below:

	2018 £	2017 £
Not later than one year	258,906	270,999
Later than one year and not later than five years	669,802	723,981
Later than five years	-	-
Total	<u>928,708</u>	<u>994,980</u>

### 19 Related Party Transactions

During the year the company had VAT recharges of £600 with Primetime Retirement Limited, another group company. At the year-end, this resulted in a net debit balance of £3,575 (2017: £2,975), which is included within debtors. Primetime Retirement Limited is 100% owned by Primetime Retirement Group Limited which is 79% owned within the Group.

During the year the company also had administration recharges of £32,573, director's expenses recharges of £1,325 and VAT charge of £3,185 with Primetime Retirement Group Limited, another group company. At the year-end, this resulted in a net debit balance of £33,724 (2017: £3,012), which is included within debtors.

During the year the company also had VAT recharges of £9,767, included within debtors, with Equity Release Club Holdings Limited which is 51% owned within the group.

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

### 20 Ultimate parent company

At 31 December 2018 the Company's immediate parent company was KRS Finance Limited and the Company's ultimate parent company was Theo Topco Limited.

Theo Topco Limited is the parent of the smallest and 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.