

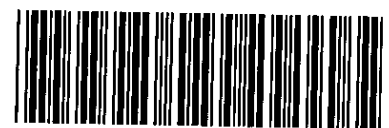
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**KRS FINANCE LTD**

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

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**KRS FINANCE LTD**

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**COMPANY INFORMATION**

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|                          |   |
|--------------------------|---|
| <b>Directors</b>         | Simon Drew<br>Robert Scott (resigned 31 March 2021)<br>Simon Thompson |
| <b>Registered number</b> | 05624979  |
| <b>Registered office</b> | Baines House<br>Midgery Court<br>Preston<br>PR2 9ZH                   |

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## KRS FINANCE LTD

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## KRS FINANCE LTD

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### **Business Review**

The principal activity of the Company is that of an intermediate holding company.

The Company invested in a further £5.5m ordinary A shares in KRS Services within the year ending 31 December 2020.

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 6, shows a profit before tax of £24.6m (2019: £23.6m). The net assets of the Company were £30.4m (2019: £7.4m). Interim dividends of £1.7m were paid (2019: £19.2m).

#### **Financial instruments**

The main financial risks arising from the Company's activities are liquidity and credit risks. These are monitored regularly by the Board of Directors and appropriate measures put in place to mitigate the risks. The risks associated with the financial instruments are inherently linked to the performance of the regulated subsidiaries and this is discussed further below.

The Group maintains accessible bank deposit accounts to ensure the Group has sufficient funds for operations. The cash deposits are held in a mixture of short term deposits and current accounts which earn interest at a floating rate.

#### **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 include those of the Company, are disclosed in the Theo Topco Limited Annual report and financial statements, for the year ended 31 December 2020.

#### **Going Concern**

The Board of Directors have determined that it is appropriate to continue to prepare the 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.

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**KRS FINANCE LTD**

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

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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, with the continued support of colleagues from across the business, the Group continues to advance with its growth plans.

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

*Simon Thompson*

**Simon Thompson**  
Director

Date: 14 September 2021

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## KRS FINANCE LTD

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### Results and dividends

The profit for the year, after taxation, amounted to £24,657k (2019 - £23,623k) .

Interim dividends of £1.7m (2019 - £19.2m) were paid during the year. The directors do not recommend the payment of a final dividend.

#### 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

#### Existence of branches of the Company outside of the United Kingdom

The Company has no branches outside of the United Kingdom.

#### Engagement with employees

The Company has no employees, however the Group maintains a policy of regular consultation and discussion with its employees on a wide range of issues that are likely to affect their interests. The Group ensures that all employees are given regular updates of the performance of their business units and of the Group as a whole. Employee involvement is facilitated through a newsletter, the Staff Committee, regular communication briefings and an annual employee survey.

#### Disabled employees

The Group's equal opportunities policy makes it clear that full and fair consideration must be given to the appointment of disabled people. The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Where an employee becomes disabled whilst employed by the Group the HR procedures require that reasonable effort is made to ensure they have the opportunity for continued employment within the Group. Retraining of employees who become disabled whilst employed by the Group is offered where appropriate to ensure that their career development is not unfairly restricted by their disability or perceptions of it.

#### 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.

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## KRS FINANCE LTD

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

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#### Directors' responsibilities statement

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.

#### Matters covered in the strategic report

Future developments, financial risks and the disclosure of the interim dividends are included in the strategic report on pages 1 and 2.

This report was approved by the board on 14 September 2021 and signed on its behalf.

*Simon Thompson*

**Simon Thompson**  
Director

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KRS FINANCE LTD

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

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|  | Note | 2020<br>£000         | 2019<br>£000         |
|--|------|----------------------|----------------------|
| Turnover                                 |      | 23,507               | -                    |
| <b>Gross profit</b>                      |      | <u>23,507</u>        | <u>-</u>             |
| Marketing costs                          |      | (18,175)             | -                    |
| Administrative expenses                  |      | (7,919)              | (1,174)              |
| <b>Operating loss</b>                    | 3    | <u>(2,587)</u>       | <u>(1,174)</u>       |
| Income from shares in group undertakings |      | 27,128               | 24,700               |
| Finance Income                           | 5    | 97                   | 107                  |
| <b>Profit before tax</b>                 |      | <u>24,638</u>        | <u>23,633</u>        |
| Tax on profit                            | 6    | 19                   | (10)                 |
| <b>Profit for the financial year</b>     |      | <u><u>24,657</u></u> | <u><u>23,623</u></u> |

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 9 to 22 form part of these financial statements.



**KRS FINANCE LTD**

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

|   | Note | 2020<br>£000         | 2019<br>£000        |
|---|------|----------------------|---------------------|
| <b>Fixed assets</b>                                     |      |                      |                     |
| Investments   | 8    | 24,468               | 18,968              |
| Intangible assets                                       | 9    | 5,552                | 6,598               |
| Tangible assets   | 10   | 546                  | 744                 |
|   |      | <u>30,566</u>        | <u>26,310</u>       |
| <b>Current assets</b>                                   |      |                      |                     |
| Debtors: amounts falling due after more than one year   | 11   | -                    | 77                  |
| Debtors: amounts falling due within one year            | 11   | 7,612                | 9,420               |
| Cash at bank and in hand                                |      | 760                  | 22                  |
|   |      | <u>8,372</u>         | <u>9,519</u>        |
| Creditors: amounts falling due within one year          | 12   | (7,605)              | (27,394)            |
| <b>Net current assets/(liabilities)</b>                 |      | <u>767</u>           | <u>(17,875)</u>     |
| <b>Total assets less current liabilities</b>            |      | <u>31,333</u>        | <u>8,435</u>        |
| Creditors: amounts falling due after more than one year | 13   | (961)                | (961)               |
| <b>Provisions for liabilities</b>                       |      |                      |                     |
| Deferred tax  | 14   | 9                    | (10)                |
|   |      | <u>-</u>             | <u>(10)</u>         |
| <b>Net assets</b>                                       |      | <u><u>30,381</u></u> | <u><u>7,464</u></u> |
| <b>Capital and reserves</b>                             |      |                      |                     |
| Called up share capital                                 | 15   | -                    | -                   |
| Share premium account                                   |      | 3,390                | 3,390               |
| Profit and loss account                                 |      | 26,991               | 4,074               |
|   |      | <u><u>30,381</u></u> | <u><u>7,464</u></u> |

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.

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**KRS FINANCE LTD**

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

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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

*Simon Thompson*

**Simon Thompson**  
Director

Date: 14 September 2021

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**KRS FINANCE LTD**

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

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|   | Called up<br>share capital<br>£000 | Share<br>premium<br>account<br>£000 | Profit and<br>loss account<br>£000 | Total equity<br>£000 |
|---|------------------------------------|-------------------------------------|------------------------------------|----------------------|
| <b>At 1 January 2019</b>                  | -                                  | 3,390                               | (321)                              | 3,069                |
| <b>Comprehensive expense for the year</b> |                                    |                                     |                                    |                      |
| Profit for the year                       | -                                  | -                                   | 23,623                             | 23,623               |
| Dividends: Equity capital                 | -                                  | -                                   | (19,228)                           | (19,228)             |
| <b>At 31 December 2019</b>                | -                                  | 3,390                               | 4,074                              | 7,464                |
| <b>Comprehensive income for the year</b>  |                                    |                                     |                                    |                      |
| Profit for the year                       | -                                  | -                                   | 24,657                             | 24,657               |
| Dividends: Equity capital                 | -                                  | -                                   | (1,749)                            | (1,749)              |
| <b>At 31 December 2020</b>                | -                                  | 3,390                               | 26,982                             | 30,372               |

The notes on pages 9 to 22 form part of these financial statements.

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## KRS FINANCE LTD

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

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#### 1. Accounting policies

##### 1.1 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 judgment in applying the Company's accounting policies (see note 2).

##### *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. 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:

##### 1.2 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 31st December 2020 and these financial statements may be obtained from Companies House.

##### *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

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

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**1. Accounting policies (continued)**

**1.3 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.

**1.4 Interest income**

Interest income on mortgage assets represents interest chargeable on customer balances. Interest is recognised in the Income Statement when it is charged to the customers' account and includes an accrual at the end of the period for accrued interest not yet charged.

**1.5 Share based payments**

The subsidiary company Equity Release Club Holdings Limited provides share-based payment arrangements to certain employees. In line with the leaver provisions detailed in the articles, a liability has been recognised in KRS Finance for bad leavers at cost.

**1.6 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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 in the countries where the Company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

**1.7 Impairment of tangible assets**

The need for any tangible 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.

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## KRS FINANCE LTD

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

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#### 1. Accounting policies (continued)

##### 1.8 Mortgage Assets

The mortgage assets are long term equity release mortgages, secured on the client's property. The loans are valued at the cost of the loan advanced or purchased, with interest charged and accrued, less provision for any impairment.

##### 1.9 Tangible 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. The estimated useful lives range as follows:

|                       |            |
|-----------------------|------------|
| Fixtures and fittings | - 5 years  |
| Computer equipment    | - 5 years  |
| Tenant improvements   | - 10 years |

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 carrying amount and are recognised in the Statement of Comprehensive Income.

##### 1.10 Intangible 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. To allocate the depreciable amount of the assets to their residual values over the estimated useful lives, as follows:

|                   |           |
|-------------------|-----------|
| Computer Software | - 5 years |
|-------------------|-----------|

Amortisation is 20% per annum on a straight line basis.

Amortisation is included in administrative expenses in the Statement of Comprehensive Income.

##### 1.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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

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**1. Accounting policies (continued)**

**1.12 Reserves**

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Share premium account represents the premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

**1.13 Dividends**

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

**2. Critical judgements and estimations**

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

**Judgements**

*Impairment of tangible assets*

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

*Impairment of intangible assets*

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

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## KRS FINANCE LTD

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

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#### 3. Operating loss

The operating loss is stated after charging:

|              | 2020<br>£000 | 2019<br>£000 |
|--------------|--------------|--------------|
| Amortisation | 2,152        | 644          |
| Depreciation | 209          | 79           |

#### Auditors' remuneration

Fees payable to the Company's auditors for the audit of KRS Finance Ltd are borne by KRS Services Limited, a fellow subsidiary company. In the Directors' opinion a reasonable allocation of the audit fee to KRS Finance Ltd would be £nil (2019: £3.6k).

No non-audit services were provided in the current or prior year.

#### 4. 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 operating loss includes 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 ultimate parent company.

#### 5. Finance Income

|  | 2020<br>£000 | 2019<br>£000 |
|--|--------------|--------------|
| Interest received on mortgage assets                       | 5            | 22           |
| Intercompany loan interest receivable from Group companies | 92           | 85           |
|  | <u>97</u>    | <u>107</u>   |



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**KRS FINANCE LTD**

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

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**6. Taxation**

|   | 2020<br>£000 | 2019<br>£000 |
|---|--------------|--------------|
| Current tax on profits for the year                     | -            | -            |
|   | <u>-</u>     | <u>-</u>     |
| <b>Total current tax</b>                                | <u>-</u>     | <u>-</u>     |
| <b>Deferred tax</b>                                     |              |              |
| Origination and reversal of timing differences          | (17)         | 10           |
| Adjustments due to prior periods                        | (2)          | -            |
| <b>Total deferred tax</b>                               | <u>(19)</u>  | <u>10</u>    |
| <b>Taxation on (loss)/profit on ordinary activities</b> | <u>(19)</u>  | <u>10</u>    |

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KRS FINANCE LTD

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

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6. Taxation (continued)

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

|  | 2020<br>£000 | 2019<br>£000 |
|--|--------------|--------------|
| Profit/(loss) before tax   | 24,638       | 23,633       |
| Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%) | 4,681        | 4,490        |
| <b>Effects of:</b>   |              |              |
| Expenses not deductible for tax purposes   | 135          | 84           |
| Fixed asset differences  | -            | 1            |
| Adjustments to tax charge in respect of prior periods                                      | (2)          | -            |
| Adjust closing deferred tax to average rate of 19%   | 1            | (1)          |
| Non-taxable income   | (5,154)      | (4,692)      |
| Group relief surrendered   | 320          | 128          |
| <b>Total tax (credit)/charge for the year</b>  | <b>(19)</b>  | <b>10</b>    |

**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.

7. Dividends

|                | 2020<br>£000 | 2019<br>£000 |
|----------------|--------------|--------------|
| Dividends paid | 1,749        | 19,228       |
|                | 1,749        | 19,228       |

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KRS FINANCE LTD

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

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8. Investments

|                          | Investments<br>in subsidiary<br>companies<br>£000 |
|--------------------------|---|
| <b>Cost or valuation</b> |   |
| At 1 January 2020        | 19,996  |
| Additions                | 5,500   |
| At 31 December 2020      | <u>25,496</u>                                     |
| <b>Impairment</b>        |   |
| At 1 January 2020        | 1,028   |
| At 31 December 2020      | <u>1,028</u>                                      |
| <b>Net book value</b>    |   |
| At 31 December 2020      | <u>24,468</u>                                     |
| At 31 December 2019      | <u>18,968</u>                                     |

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## KRS FINANCE LTD

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

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#### 8. Investments (continued)

##### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name                                      | Registered office | Principal activity   | Class of shares          | Holding |
|---|-------------------|--|--------------------------|---------|
| KRS Group Limited                         | England & Wales   | Dormant  | Ordinary                 | 100%    |
| Key Retirement Solutions Limited          | England & Wales   | Financial services - mortgage broker                           | Ordinary A<br>Ordinary B | 100%    |
| Key Partnerships Limited                  | England & Wales   | Dormant  | Ordinary                 | 100%    |
| More 2 Life Limited                       | England & Wales   | Financial services - mortgage lender                           | Ordinary                 | 100%    |
| More 2 Life Asset SPV 2 Limited           | England & Wales   | Dormant  | Ordinary                 | 100%    |
| More 2 Life SPV 1 Limited *               | England & Wales   | Dormant  | Ordinary                 | 100%    |
| KRS Services Limited                      | England & Wales   | Service Company  | Ordinary                 | 100%    |
| Equity Release Assured Limited *          | England & Wales   | Financial services - mortgage broker - ceased trading 2016     | Ordinary                 | 100%    |
| Retirement People Limited                 | England & Wales   | Dormant  | Ordinary                 | 100%    |
| Modern Lending Advisers Limited *         | England & Wales   | Financial services - mortgage broker                           | Ordinary                 | 100%    |
| Home Equity Release Service Limited *     | England & Wales   | Financial services - mortgage broker                           | Ordinary                 | 100%    |
| Key Money Limited                         | England & Wales   | Dormant  | Ordinary                 | 100%    |
| Primetime Retirement Group Limited        | England & Wales   | Holding & Service Company                                      | A Ordinary               | 79%     |
| Primetime Retirement Limited *            | England & Wales   | Financial services - fixed term annuity provider               | Ordinary                 | 79%     |
| Key Secured Lending Limited *             | England & Wales   | Financial services - secured loan broker - ceased trading 2016 | Ordinary                 | 100%    |
| More 2 Life Retirement Income Limited     | England & Wales   | Dormant  | Ordinary                 | 100%    |
| Equity Release Club Holdings Limited      | England & Wales   | Holding Company  | Ordinary                 | 51%     |
| Answers in Retirement Limited *           | England & Wales   | Financial services - mortgage broker                           | Ordinary                 | 51%     |
| Later Life Guidance Limited *             | England & Wales   | Financial services - mortgage broker                           | Ordinary                 | 51%     |
| Key Later Life Services Limited           | England & Wales   | Estate planning company  | Ordinary                 | 100%    |
| Key Legal Trustees Limited *              | England & Wales   | Trust corporation acting as Wills executor                     | Ordinary                 | 100%    |
| TERE Advisers Limited *                   | England & Wales   | Financial services - mortgage broker                           | Ordinary                 | 51%     |
| The Retirement Lending Advisers Limited * | England & Wales   | Financial services - mortgage broker                           | Ordinary                 | 100%    |
| Key Group Asset Management Limited        | England & Wales   | Fund management activities                                     | Ordinary                 | 100%    |

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8. Investments (continued)

Subsidiary undertakings (continued)

\* Investment in these companies is held indirectly. The proportion held is the effective interest at the year end.

The registered office of all subsidiary undertakings excluding Answers in Retirement Limited and Later Life Guidance Limited is Baines House, Midgery Court, Fulwood, Preston, PR2 9ZH. The registered office of Answers in Retirement Limited and Later Life Guidance Limited is Southgate House, Southgate Street, Gloucester, Gloucestershire, GL1 1UD

9. Intangible assets

|                                     | Computer<br>software<br>£000 |
|-------------------------------------|------------------------------|
| <b>Cost</b>                         |                              |
| At 1 January 2020                   | 10,607                       |
| Additions                           | 1,125                        |
| At 31 December 2020                 | 11,732                       |
| <b>Amortisation</b>                 |                              |
| At 1 January 2020                   | 4,009                        |
| Charge for the year on owned assets | 2,171                        |
| At 31 December 2020                 | 6,180                        |
| <b>Net book value</b>               |                              |
| At 31 December 2020                 | 5,552                        |
| At 31 December 2019                 | 6,598                        |

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**NOTES TO THE FINANCIAL STATEMENTS  
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**10. Tangible assets**

|                                     | Fixtures and<br>fittings<br>£000 | Computer<br>equipment<br>£000 | Tenant<br>improvements<br>£000 | Total<br>£000 |
|-------------------------------------|----------------------------------|-------------------------------|--------------------------------|---------------|
| <b>Cost or valuation</b>            |                                  |                               |                                |               |
| At 1 January 2020                   | 388                              | 1,264                         | 338                            | 1,990         |
| Additions                           | -                                | 11                            | -                              | 11            |
| Adjustment                          | 30                               | 25                            | -                              | 55            |
| At 31 December 2020                 | <u>418</u>                       | <u>1,300</u>                  | <u>338</u>                     | <u>2,056</u>  |
| <b>Depreciation</b>                 |                                  |                               |                                |               |
| At 1 January 2020                   | 321                              | 849                           | 76                             | 1,246         |
| Charge for the year on owned assets | 33                               | 143                           | 33                             | 209           |
| Adjustment                          | 30                               | 25                            | -                              | 55            |
| At 31 December 2020                 | <u>384</u>                       | <u>1,017</u>                  | <u>109</u>                     | <u>1,510</u>  |
| <b>Net book value</b>               |                                  |                               |                                |               |
| At 31 December 2020                 | <u>34</u>                        | <u>283</u>                    | <u>229</u>                     | <u>546</u>    |
| <i>At 31 December 2019</i>          | <u>67</u>                        | <u>415</u>                    | <u>262</u>                     | <u>744</u>    |

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**KRS FINANCE LTD**

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**11. Debtors**

|   | 2020<br>£000 | 2019<br>£000 |
|---|--------------|--------------|
| <b>Amounts falling due after more than one year</b> |              |              |
| Mortgage assets                                     | -            | 77           |
|   | <u>-</u>     | <u>77</u>    |
|   | 2020<br>£000 | 2019<br>£000 |
| <b>Amounts falling due within one year</b>          |              |              |
| Trade debtors                                       | -            | 256          |
| Amounts owed by Group undertakings                  | 7,218        | 9,149        |
| Other debtors                                       | 17           | 15           |
| Prepayments and accrued income                      | 368          | -            |
| Deferred taxation                                   | 9            | -            |
|   | <u>7,612</u> | <u>9,420</u> |

Mortgage assets are repaid on sale of properties.

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

|                                    | 2020<br>£000 | 2019<br>£000  |
|------------------------------------|--------------|---------------|
| Trade creditors                    | 216          | 257           |
| Amounts owed to group undertakings | 6,711        | 26,476        |
| Other taxation and social security | 554          | 655           |
| Accruals and deferred income       | 124          | 6             |
|                                    | <u>7,605</u> | <u>27,394</u> |

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

|                 | 2020<br>£000 | 2019<br>£000 |
|-----------------|--------------|--------------|
| Other creditors | 961          | 961          |
|                 | <u>961</u>   | <u>961</u>   |

A bad leaver provision of £961k (2019: £961k) has been recognised in relation to the potential future acquisition of the B ordinary shares in the company's immediate subsidiary Equity Release Club Holdings Limited.

Amounts owed to Group undertakings are unsecured, interest free and are repayable on demand. The Company is an Obligor under the Group Senior Facility Agreement, which governs the £73.9m senior loan and £5m revolving credit facility (fully drawn in March 2020). This means that the Company has given security over its assets and, in conjunction with the rest of the Group, is responsible for maintaining compliance with its covenants. For further information on the terms of these facilities, please refer to the accounts of Theo Topco Ltd or Theo Midco Ltd.

**14. Deferred taxation**

|                            | 2020<br>£000 |
|----------------------------|--------------|
| At beginning of year       | (10)         |
| Credited to profit or loss | 19           |
| <b>At end of year</b>      | <u>9</u>     |

The asset/ (provision) for deferred taxation is made up as follows:

|                                | 2020<br>£000 | 2019<br>£000 |
|--------------------------------|--------------|--------------|
| Accelerated capital allowances | 9            | (10)         |
|                                | <u>9</u>     | <u>(10)</u>  |



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**15. Called up share capital**

|   | 2020<br>£000 | 2019<br>£000 |
|---|--------------|--------------|
| <b>Authorised, allotted, called up and fully paid</b> |              |              |
| 11,872 (2019 - 11,872) Ordinary Shares of -0.01p each | -            | -            |

**16. Related party transactions**

During the year the company paid staff costs of £73k (2019: £445k) on behalf of Primetime Retirement Group Limited, another group company. At the year end, this resulted in a net debit balance of £73k (2019: £445k), which is included within debtors. Primetime Retirement Group Limited is 79% owned within the Group.

During the year the company paid loan interest of £92k (2019: £nil), staff costs of £776k (2019: £889k) and £nil (2019: £4k) investment additions on behalf of Equity Release Club Holdings Limited, another group company. At the year-end, this resulted in a debit balance of £2,960k (2019: £2,007k), which is included within debtors. Equity Release Club Holdings Limited 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.

**17. Ultimate parent company**

At 31 December 2020 the Company's immediate parent company was Key Retirement Group 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.