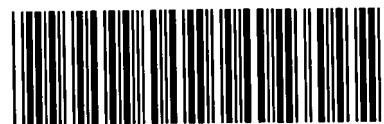


THEO BIDCO LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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COMPANY INFORMATION

| | |
|-----------------------------|--|
| Directors | Lukas Bucher Andrew Deakin Simon Thompson Robert Scott |
| Registered number | 10723057 |
| Registered office | Baines House Midgery Court, Pittman Way Fulwood Preston PR2 9ZH |
| Independent auditors | PricewaterhouseCoopersLLP No 1 Spinningfields Hardman Square Manchester M3 3EB |

THEO BIDCO LIMITED

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THEO BIDCO LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The Directors present their strategic report for the year ended 31 December 2019.

Business Review

The principal activities of the Company are that of an intermediate holding company and the provision of management services to other group companies, as such commentary is included on the Group's activities. The Company does not employ any staff. Directors are remunerated by Key Group Bidco Limited.

Financial key performance indicators ('KPIs') are not relevant for this Company due to the nature of its operations. The Directors present their strategic report for the year ended 31 December 2019.

Results and performance

The result of the Company for the year, as set out on page 8, shows a loss before tax of £11.9m (2018: £11.5m loss). The net assets of the Company were £29.7m (2018: £41.9m). No interim dividends were paid (2018: £ NIL).

Financial risk management

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 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.

Stakeholder Considerations and s172 of the Companies Act 2006

The Directors of the Company have continued to act in a way that promotes the success of the Company throughout the year, taking into account the impact of their decisions on a broad range of stakeholders.

As a Board we have identified customers, shareholders, employees and suppliers as the stakeholder groups potentially most affected by our decisions. While we do consider the impact of our decisions on other stakeholders, including the local community and the environment, these are likely to be lower impact given the nature of our business.

In the context of our financial services business, our regulator requires us to consider the impact on our customers of everything we do, when we are making any decisions as a Board the impact on current and future customers is considered and any potential detriment mitigated before implementation.

THEO BIDCO LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 Group 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 Group has business continuity plans in place which it regularly reviews and tests as part of this ongoing review process.

The Directors are responsible for the financial risk management process and ensuring that the Company has sufficient capital to meet its regulatory responsibilities. Suitable policies and procedures have been adopted by the Company in order to ensure an appropriate level of risk management is directed at the relevant elements of the business.

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

- operational risk, which is associated with the Group'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, have an adverse impact on the equity release market in which it operates and the risk that the Group fails to comply with requirements laid down by its regulator, the Financial Conduct Authority (FCA);
- economic risk, which is the risk that changes in the economy, e.g. property prices, interest rate changes or government interventions such as the pension market reforms, impact market conditions and reduce the Group'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;
- liquidity risk, which concerns the Group's ability to meet its financial obligations as they fall due; and
- interest rate risk, which relates to the impact of increasing interest rates on the affordability of the Group debt package.

Credit Risk is not considered to be a material risk to the Company.

The risks associated with the Covid-19 pandemic were not considered during 2019 but are being managed through continuity plan. Further details of the issues and actions taken are included as part of the Strategy and Business Environment discussion above.

THEO BIDCO LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Going Concern

The Board of Directors have determined that it is appropriate to continue to prepare the Group financial statements on a going concern basis. The Company is part of Theo Topco Ltd Group.

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.

In making this assessment, the Group produced a revised three year plan including the likely trading performance of the Group, reflecting the most likely impact on the business of the coronavirus measures based on trading conditions seen during the start of the lockdown period.

Using this plan, the Group approached its lending banks and agreed a relaxation of previously agreed covenants to increase the business's flexibility in dealing with the uncertainty created by the response to the pandemic.

This plan was further updated, focusing on the next 18 months, and reflecting the trading performance seen during the UK wide lockdown and the improved trading conditions as this was eased. This latest forecast shows substantial headroom against all the Group loan covenants as well as significant cash generation.

In considering the robustness of this plan to unforeseen downside shocks, the Group sensitized this latest forecast, assuming that customer demand rather than increasing as the latest trading figures suggested instead reduced by 25% and that the Group's ability to complete cases in a timely manner also reduced by 15% despite the significant improvements being seen in this area post lockdown. The Directors believe that this scenario is the realistic worst case for the business, given its business model. Even in this realistic worst case scenario, the Group continued to have headroom against all its loan covenants and remained cash generative.

Additionally, in the event of this realistic worst case scenario occurring, the Group identified a number of further actions that could be taken swiftly such as reducing discretionary spend on marketing, investment in IT development and reducing discretionary bonuses. These actions increased the Group's headroom against all its loan covenants.

The Company is an Obligor under the Group Senior Facility Agreement, which governs the £75m senior loan and £5m revolving credit facility (undrawn at year end but 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 and is responsible for maintaining compliance with its covenants.

In considering the Company position, the Board of Directors have also assessed the accessibility of this Company to Group funding if required and no issues were identified.

Future developments

The longer term trends supporting the lifetime mortgage sector remain strong. The population continues to age, house price wealth is increasing and pension savings are likely to be inadequate for many.

Over the coming year the Company continues to advance with its growth plans. However, the Covid-19 pandemic has meant that while our investment plans are continuing, the growth projected as a result of these plans is likely to take longer to emerge.

This report was approved by the board on 29 July 2020 and signed on its behalf.

Rob Scott

Robert Scott
Director

THEO BIDCO LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the financial statements for the year ended 31 December 2019.

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 judgements 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.

Results and performance

The loss for the year, after taxation, amounted to £11,961k (2018 - loss £11,532k).

Directors

The directors who served during the year:

Lukas Bucher
Andrew Deakin
Simon Thompson
Robert Scott

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 on page 2.

THEO BIDCO LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Employee involvement

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. at the time when this is approved has confirmed that:

- so far as is aware, there is no relevant audit information of which the 's auditor unaware, and
- has taken all the steps that ought to have been taken as a in order to be aware of any relevant audit information and to establish that the 's auditor aware of that information.

Post Balance Sheet Events

The Covid-19 pandemic and the government actions to mitigate the spread of the disease are considered to be non-adjusting post balance sheet events, which do not provide more information about the conditions at the balance sheet date. The impact of these events on the Directors considerations around the going concern assumption are discussed in the Strategic Report but given the Company was able to rapidly and successfully transition to working remotely and has continued to trade throughout the outbreak, the Going Concern assumption is considered to still be appropriate

Existence of branches of the Company outside of the United Kingdom

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

This report was approved by the board on 29 July 2020 and signed on its behalf.

Rob Scott

**Robert Scott
Director**

THEO BIDCO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THEO BIDCO LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Theo Bidco Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

Reporting on other information

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

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

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

Based on 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.

THEO BIDCO LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THEO BIDCO LIMITED
(CONTINUED)**

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 2019 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 Directors' responsibilities statement set out on page 4, 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. 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.

H. Varley

Heather Varley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
29 July 2020

THEO BIDCO LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Note | 2019 £000 | 2018 £000 |
|--|------|-----------------|-----------------|
| Other operating income | | 50 | 50 |
| Gross profit | | 50 | 50 |
| Administrative expenses | | (49) | (119) |
| Operating profit/(loss) | | 1 | (69) |
| Interest payable and similar expenses | 6 | (11,965) | (11,463) |
| Loss before tax | | (11,964) | (11,532) |
| Tax on loss | | 3 | - |
| Loss for the financial year | | (11,961) | (11,532) |
| Other comprehensive (expense)/income for the year | | | |
| Other comprehensive income/(loss) | | (209) | 288 |
| Other comprehensive (expense)/income for the year | | (209) | 288 |
| Total comprehensive expense for the year | | (12,170) | (11,244) |

The notes on pages 11 to 21 form part of these financial statements.

THEO BIDCO LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

| | Note | 2019 £000 | 2018 £000 |
|---|-------------|----------------------|----------------------|
| Fixed assets | | | |
| Investments | 8 | 196,150 | 196,150 |
| | | 196,150 | 196,150 |
| Current assets | | | |
| Debtors: amounts falling due within one year | 9 | 15,287 | 18,426 |
| Cash at bank and in hand | 10 | 15 | 5 |
| | | 15,302 | 18,431 |
| Creditors: amounts falling due within one year | 11 | (7,923) | (6,790) |
| Net current assets | | 7,379 | 11,641 |
| Total assets less current liabilities | | 203,529 | 207,791 |
| Creditors: amounts falling due after more than one year | 12 | (173,799) | (165,891) |
| Net assets | | 29,730 | 41,900 |
| Capital and reserves | | | |
| Called up share capital | 16 | - | - |
| Capital contributions | | 57,925 | 57,925 |
| Cash flow hedging reserve | | (107) | 102 |
| Profit and loss account | | (28,088) | (16,127) |
| Total Equity | | 29,730 | 41,900 |

The financial statements on pages 8 to 10 were approved and authorised for issue by the board and were signed on its behalf on 29 July 2020

Rob Scott

Robert Scott
Director

The notes on pages 11 to 21 form part of these financial statements.

THEO BIDCO LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Capital redemption reserve | Other reserves | Accumulated Losses | Total equity |
|---|----------------------------------|-------------------|-----------------------|-----------------|
| | £000 | £000 | £000 | £000 |
| At 1 January 2018 | 57,925 | (186) | (4,595) | 53,144 |
| Comprehensive expense for the year | | | | |
| Loss for the year | - | - | (11,532) | (11,532) |
| Cash flow hedging reserve movement | - | 288 | - | 288 |
| Total comprehensive expense for the year | - | 288 | (11,532) | (11,244) |
| At 31 December 2018 | 57,925 | 102 | (16,127) | 41,900 |
| Comprehensive expense for the year | | | | |
| Loss for the year | - | - | (11,961) | (11,961) |
| Fair value movement from cash flow hedging | - | (209) | - | (209) |
| Total comprehensive expense for the year | - | (209) | (11,961) | (12,170) |
| At 31 December 2019 | 57,925 | (107) | (28,088) | 29,730 |

The notes on pages 11 to 21 form part of these financial statements.

THEO BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. Basis of preparation

Theo Bidco 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. All trading activities occur within the United Kingdom, there are no overseas subsidiaries within the group.

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.

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

The following principal accounting policies have been applied:

2. Principal accounting policies

2.1 Basis of preparation of financial statements

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

2.2 Financial reporting standard 102 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by 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 2019 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Principal accounting policies (continued)

2.3 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.

2.4 Hedge accounting

The Company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage interest rate exposures and are designated as cash flow hedges of floating rate borrowings. Changes in the fair values of derivatives designated as cash flow hedges, which are deemed to be effective, are recognised directly in equity within a cashflow hedging reserve. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change of the fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the Statement of Comprehensive Income.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. The amounts deferred in equity are recognised in the income statement to match the recognition of the hedged item. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the forecast debt instrument is derecognised or the hedging instrument is terminated.

2.5 Finance costs

Finance costs are charged to the Income Statement over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include arrangement fees, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Taxation

The charge for taxation is based on the loss for the year and taking into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the date of the Statement of Financial Position.

2.7 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the date of the Statement of Financial Position except for deferred tax assets which are only recognised to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Principal accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Financial liabilities and equity

Financial liabilities and equity instruments are initially measured at the amount of the net proceeds received. Financial liabilities and equity are classified according to the substance of the financial instruments' contractual obligations, rather than the financial instruments' legal form.

2.11 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.
- The cash flow hedging reserve represents the movement in the fair value of any cash flow hedging instruments which have been designated as effective.

THEO BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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.

3.1 Impairment of intangible assets including investments

The carrying amounts of assets are reviewed to determine whether there is any indication of impairment. An asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

If any such indication exists, a full impairment review is undertaken for that asset, or group of assets, and any estimated loss is recognised in the Statement of Comprehensive Income. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

4. Operating loss

Auditors' remuneration

Fees payable to the Company's auditors for the audit of Theo Bidco Limited are borne by KRS Services Limited, a fellow subsidiary company. In the Directors' opinion a reasonable allocation of the audit fee to Theo Bidco Limited would be £2,500 (2018: £3,550).

5. Directors' remuneration

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

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. Interest payable and similar expenses

| | 2019 | 2018 |
|---|---------------|---------------|
| | £000 | £000 |
| Bank loan interest payable and other charges | 4,476 | 4,609 |
| Movements on cashflow hedging instruments | 23 | (60) |
| Loan note interest payable to Group companies | 7,466 | 6,914 |
| | 11,965 | 11,463 |

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| THEO BIDCO LIMITED |
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

7. Tax on loss

| | 2019 | 2018 |
|--|------|------|
| | £000 | £000 |
| Total current tax | - | - |
| Deferred tax | | |
| Origination and reversal of timing differences | - | 3 |
| Adjustments in respect of prior periods | (3) | (3) |
| Total deferred tax | (3) | - |
| Taxation on loss on ordinary activities | (3) | - |

THEO BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Tax on loss (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (*2018 - higher than*) the standard rate of corporation tax in the UK of 19% (*2018 - 19%*). The differences are explained below:

| | 2019 £000 | 2018 £000 |
|---|----------------------|----------------------|
| Loss before tax | (11,965) | (11,532) |
| Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (<i>2018 - 19%</i>) | (2,273) | (2,191) |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 775 | - |
| Non-taxable income | - | (11) |
| Adjustment to tax charge in respect of previous periods - deferred tax | (3) | (3) |
| Group relief claimed | 1,498 | 2,205 |
| Total tax charge for the year | (3) | - |

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

8. Investments

| | Investments in subsidiary companies £000 |
|--------------------------|---|
| Cost or valuation | |
| At 1 January 2019 | 196,150 |
| At 31 December 2019 | 196,150 |

THEO BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| <i>Subsidiary undertakings</i> | | Class of shares | Holding |
|---|-------------------|------------------------|----------------|
| Key Group Topco Limited | England and Wales | Ordinary | 100% |
| Key Group Midco 1 Limited * | England and Wales | Ordinary | 100% |
| Key Group Midco 2 Limited * | England and Wales | Ordinary | 100% |
| Key Group Bidco Limited * | England and Wales | Ordinary | 100% |
| Key Retirement Group Limited * | England and Wales | Ordinary | 100% |
| KRS Finance Limited * | England and Wales | Ordinary | 100% |
| KRS Group Limited * | England and Wales | Ordinary | 100% |
| Key Retirement Solutions Limited * | England and Wales | Ordinary A | 100 % |
| | | Ordinary B | |
| Key Partnerships Limited * | England and Wales | Ordinary | 100% |
| More 2 Life Limited * | England and Wales | Ordinary | 100% |
| More 2 Life SPV 1 Limited * | England and Wales | Ordinary | 100% |
| More 2 Life SPV 2 Limited * | England and Wales | Ordinary | 100% |
| KRS Services Limited * | England and Wales | Ordinary | 100% |
| Equity Release Assured Limited * | England and Wales | Ordinary | 100% |
| Retirement People Limited * | England and Wales | Ordinary | 100% |
| Modern Lending Advisers Limited * | England and Wales | Ordinary | 100% |
| Home Equity Release Service Limited * | England and Wales | Ordinary | 100% |
| Key Money Limited * | England and Wales | Ordinary | 100% |
| Primetime Retirement Group Limited * | England and Wales | Ordinary A | 79% |
| Primetime Retirement Limited * | England and Wales | Ordinary | 79% |
| Key Move Property Services Limited * | England and Wales | Ordinary | 100% |
| Key Secured Lending Limited * | England and Wales | Ordinary | 100% |
| More 2 Life Retirement income Limited * | England and Wales | Ordinary | 100% |
| The Retirement Lending Advisers Limited * | England and Wales | Ordinary | 100% |
| Equity Release Club Holdings Limited * | England and Wales | Ordinary | 100% |
| Answers in Retirement Limited * | England and Wales | Ordinary | 51% |
| Later Life Guidance Limited * | England and Wales | Ordinary | 51% |
| Key Later Life Services Limited * | England and Wales | Ordinary | 100% |
| Key Legal Trustees Limited * | England and Wales | Ordinary | 100% |
| TERE Advisers Limited* | England and Wales | Ordinary | 51% |
| Key Group Asset Management Limited* | England and Wales | Ordinary | 100% |

* The 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, Pittman Way, 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.

Dormant subsidiaries are exempt from the requirement to prepare individual accounts under section 394A of the Companies Act 2006

THEO BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. Debtors: falling due within one year

| | 2019 | 2018 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Amounts owed by group undertakings | 15,276 | 18,323 |
| Prepayments and accrued income | 8 | - |
| Deferred taxation | 3 | - |
| Financial instruments | - | 103 |
| | <u>15,287</u> | <u>18,426</u> |

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

10. Cash and cash equivalents

| | 2019 | 2018 |
|--------------------------|-------------|-------------|
| | £000 | £000 |
| Cash at bank and in hand | 14 | 6 |
| | <u>14</u> | <u>6</u> |

11. Creditors: Amounts falling due within one year

| | 2019 | 2018 |
|------------------------------------|--------------|--------------|
| | £000 | £000 |
| Trade creditors | - | 11 |
| Amounts owed to group undertakings | 7,782 | 6,738 |
| Accruals and deferred income | 11 | 41 |
| Financial instruments | 130 | - |
| | <u>7,923</u> | <u>6,790</u> |

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

THEO BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Creditors: Amounts falling due after more than one year

| | 2019 £000 | 2018 £000 |
|------------------------------------|----------------|----------------|
| Bank loans and overdrafts | 73,007 | 72,565 |
| Amounts owed to group undertakings | 100,792 | 93,326 |
| | <u>173,799</u> | <u>165,891</u> |

Amounts owed to Group undertakings are unsecured, interest free and are repayable on demand. The Company is an Obligor under the Group Senior Facility Agreement, which governs the £75m senior loan and £5m revolving credit facility (undrawn at year end but 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.

Amounts owed to Group undertakings are intra-company Consideration Loan Notes, accruing an interest rate of 8% per annum, due for repayment in 2025.

13. Loans

Analysis of the maturity of loans is given below:

| | 2019 £000 | 2018 £000 |
|--|----------------|----------------|
| <i>Amounts falling due less than 1 year, or on demand</i> | | |
| Amounts owed to Group undertakings | 7,782 | 6,738 |
| | <u>7,782</u> | <u>6,738</u> |
| <i>Amounts falling due after more than 5 years</i> | | |
| Bank loans | 73,007 | 72,565 |
| Amounts owed to Group undertakings | 81,772 | 93,326 |
| | <u>154,779</u> | <u>165,891</u> |
| | <u>162,561</u> | <u>172,629</u> |

Amounts due in more than five years for the group relate to:

£75m bank loan, accruing an interest rate of LIBOR +4.25% per annum, due for repayment in 2024. The carrying value as at 31 December 2019 was £75m (2018: £75m). Security has been taken on the assets of the major trading subsidiaries of the Group. The syndicate of lenders as at 31 December 2019 comprise Credit Suisse (Switzerland) Limited, National Westminster Bank Plc, Hermes Direct Lending Fund I S.à r.l., EMMPD (Investment) S.à r.l. and EMMPD (ABR) S.à r.l. The Group has access to a revolving credit facility of £5m, repayable in 2023, this was undrawn as at 31 December 2019 (2018: undrawn).

Bank loan arrangement fees of £3.1m have been capitalised against the carrying value of the bank loan. As at 31 December 2019, £2.0m (2018: £2.4m) had not been charged to the Income Statement.

THEO BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Financial instruments

| | 2019 | 2018 |
|--|-------------|-------------|
| | £000 | £000 |
| <i>Financial assets</i> | | |
| Financial assets measured at fair value through profit or loss | 14 | 109 |

15. Deferred taxation

| | 2019 |
|------------------------------|-------------|
| | £000 |
| Utilised in year | 3 |
| <i>At end of year</i> | 3 |

The deferred tax asset is made up as follows:

| | 2019 | 2018 |
|----------------------|-------------|-------------|
| | £000 | £000 |
| Deferred tax charged | 3 | - |
| | 3 | - |

16. Called up share capital

| | 2019 | 2018 |
|--|-------------|-------------|
| | £ | £ |
| <i>Allotted, called up and fully paid</i> | | |
| 1 (2018 - 1) Ordinary share of £1 | 1 | 1 |

17. Post balance sheet events

The Covid-19 pandemic and the government actions to mitigate the spread of the disease are considered to be non-adjusting post balance sheet events, which do not provide more information about the conditions at the balance sheet date. The impact of these events on the Directors considerations around the going concern assumption are discussed in the Strategic Report but given the Group was able to rapidly and successfully transition to working remotely and has continued to trade throughout the outbreak, the Going Concern assumption is considered to still be appropriate.

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| THEO BIDCO LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. Ultimate parent company

At 31 December 2018 the Company's parent company was Theo Midco 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.