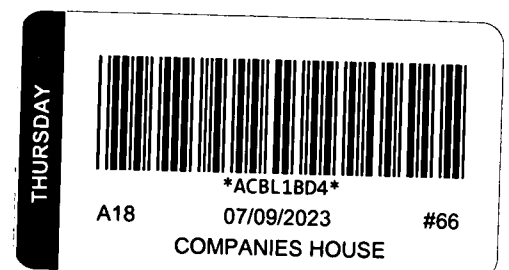


Theo Midco Limited

Annual Report and Financial Statements

For the year ended 31 December 2022



Theo Midco Limited

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Introduction.

The Directors present their strategic report for the year ended 31 December 2022.

Business review

Theo Midco Limited Group ("the Group") undertakes two related principal activities, the provision of financial products and services to both UK customers who are either approaching or are in retirement and to businesses that provide similar services to these customers. The Group has three main operating divisions – Key Advice, Manufacturing and Air Group.

Key Advice specialises in providing financial advice and information to UK residents in or approaching retirement. This advice principally relates to later life lending and estate planning (wills and lasting powers of attorney) as well as information on retirement income products.

Manufacturing includes both More 2 Life (M2L) and Standard Life Home Finance (SLHF) as specialist lenders that originate and administer later life lending products. SLHF was established towards the back end of 2021 and the popularity of its products have significantly exceeded expectations during the year (see Results and Performance section). Key Advice, M2L and SLHF are authorised and regulated by the Financial Conduct Authority (FCA).

Air Group provides a product sourcing tool (Air Sourcing), allowing brokers to search for products based on their customer's needs. Air Group also runs the Air Academy, that provides London Institute of Banking and Finance (LIBF) endorsed training on how to deliver good advice to customers that require equity release solutions, and the Air Mortgage Club, that provides ongoing support to members as well as access to market leading product deals with lenders.

Acquisition of minority interests

On the 30 June 2022, the Group acquired the remaining 49% equity interest in TERE Advisors Ltd for consideration of £4,252k. This business operates as a mortgage broker under the well-established 'The Equity Release Experts' brand and incorporates our self-employed advisors.

On the 16 November 2022, the Group acquired the remaining 49% equity interest in the Air Group of companies for consideration of £9,240k. For more details in relation to these investments, please see note 22.

Current economic environment

Overall, 2022 was a particularly strong year for the Group with the size of the equity release market growing by 29% during the year to £6.2bn and a market in which the Group outperformed its peers and cemented its position as the market leader in equity release. This growth is set out in more detail in the 'Results and performance' and 'Strategy and business environment' sections below.

However, the UK Government's September 2022 'mini' budget and subsequent Liability driven investment (LDI) crisis created a period of exceptional market uncertainty in which funding costs rose sharply, Loan-to-values (LTVs) decreased and some funders suspended their operations whilst they appraised the situation and waited for the market to stabilise. This has impacted revenue in quarter 4 of 2022 and in the first four months of 2023.

Funders are typically active in the bulk purchase annuity market used for the buy-in and buy-out of pension schemes and as such, require long-dated equity release assets to offset against these long-dated liabilities. This funder demand remains strong, and as interest rates are stabilising and the general economy is not predicted to fall as much as first feared in quarter 4 of 2022, funders are returning to the equity release market with the expectation that the market will begin to bounce back towards the half year and into the second half of the year.

Business review (continued)

The demand for equity release remains strong as the majority of our customers use the product to meet their financial needs in retirement. For many of our customers equity release enables them to transition into retirement, provides them with a source of funds alongside their pensions to meet both their future living costs and their aspirations for retirement, and enables them to settle outstanding mortgages and other debt they may have at the time. Given the ongoing cost of living crisis and longer-term challenges of those in later life having adequate pension provisions and facing significant debt repayments, equity release will continue to play an important role in enabling our customers to fund and enjoy their retirements.

Results and performance

"The Group has performed well during 2022 with revenues increasing 75.8% from 2021, and operating profit excluding amortisation and depreciation up 144.3%. In addition, the business generated £34m cash from its operations up 12.5% from 2021, £11m of which has been used to acquire the 49% non-controlling interests in both TERE Advisers Ltd and the Air Group."

The statutory results for the Group show revenue of £198,670k (2021: £113,021k) up 75.8%, operating profit of £27,573k (2021: £4,314k) up 539.2% and a profit before tax of £11,631k (2021: £11,146k loss).

The Group trading metric of "Operating profit before amortisation, depreciation, impairment, profit/loss on disposal of fixed assets and share based payment charge", which is considered by the Board to be a measure of the operating performance for the Group, was £41,464k (2021: £16,971k) up 144.3% on the prior year.

The Group profit before tax of £11,631k (2021: £11,146k loss) is after £6,758k (2021: £6,758k) of amortisation on 'other intangible assets' recognised on acquisition and £15,942k (2021: £15,460k) of finance costs, which includes £7,892k (2021: £7,311k) of interest due on loan notes held by the Group's shareholders.

Net cash generated from operating activities for the Group was £33,645k (2021: £29,916k) up 12.5%.

The Company loss after tax for the year ended 31 December 2022 was £3,364k (2021: £3,065k). The Company operates as a holding company within the Group and generates losses as a result of the borrowings it holds on behalf of the Group to fund the Group's operations. The Directors do not propose the payment of a dividend.

Financial position

"The financial position of the Group has improved during the year, with improved levels of headroom on the bank covenants and over £32m of liquidity being available."

At the year end the Group had net liabilities of £44,458k (2021: £39,643k) up 12.1%, however this included £64,920k (2021: £60,111k) of borrowings due to its parent undertaking. The increase in net liabilities is primarily due to £11,266k (2021: £nil) debited to Other reserves, relating to the transaction costs of acquiring the remaining minority interest of TERE Advisers Ltd and the Air Group. These acquisitions represent an asset to the business, however, under IFRS, acquisition of non-controlling interests are accounted for as transactions with equity holders through reserves with no asset being recognised in the Statement of financial position.

Net debt was at £200,032k (2021: £195,674). Net debt includes £53,900k (2021: £53,900k) of bank loans, which are repayable in August 2024.

At the year end the Group had £32,694k (2021: £22,109k) of available liquidity, which comprised £27,694k (2021: £17,109k) cash and cash equivalents and £5,000k (2021: £5,000k) of undrawn committed borrowing facilities. The revolving credit facility matures in August 2023.

In relation to the bank loan, the Group is required to comply with certain financial covenants that are tested on a quarterly basis. At the year end, the Group had improved levels of headroom on its covenant basis net debt leverage ratio (Net debt/adjusted EBITDA) of x1.9 (2021: x1.1) and its covenant basis interest cover ratio (Adjusted cash flow/bank loan interest) of x8.5 (2021: x5.0).

Key performance indicators

Key Performance Indicator	31 December 2022	31 December 2021	Definition and rationale
Revenue	£198,670k	£113,021k	Revenue is considered by the board to be a Key measure of the Group's future development plan to grow the business
Operating profit before amortisation, depreciation, impairment, profit/loss on disposal of property, plant & equipment and share based payment charge	£41,464k	£16,971k	Operating profit before amortisation, depreciation, impairment, profit/loss on disposal of property, plant & equipment, and share based payment charge is considered by the Board to be a measure of the operating performance of the Group. This measure also forms the basis of an underlying performance measure used by the Board which is adjusted for certain items not considered recurring, and which includes those items listed in the commentary in note 3 of the financial statements.
Operating Cost/ Income ratio	79.2%	85.0%	Cost of sales and operating administrative expenses (excluding amortisation, depreciation and impairment) as a percentage of revenue. Considered by the Board to be an indicator of the efficiency of the business.
Profit/(Loss) after tax	£7,854k	(£14,302k)	Profit/(Loss) after tax is considered to be an indicator of business performance by the Board.
Complaints as a percentage of written cases – Key Advice	0.91%	1.45%	All complaints are tracked and investigated by the Compliance function. The level of upheld complaints received by the Group is minimal.
Complaints as a percentage of completed cases - Manufacturing	2.94%	1.46%	All complaints are tracked and investigated by the Compliance function. The level of upheld complaints received by the Group still remains low, however these have increased in the year due to the withdrawal of products customers were applying for post the UK Governments budget in September 2022.
Total Group Complaints Upheld	263	63	The level of complaints upheld by the Group still remains low, however these have increased in the year due to the withdrawal of products customers were applying for post the UK Governments budget in September 2022.

Strategy and business environment

"We continue to bring together our services to develop a more comprehensive later life finance brand, which builds upon our strengths and deep understanding of our customers, with a single-minded focus on financially empowering those in later life, so they can live a better retirement."

During the year we continued to grow our position as the market leader across the equity release market and achieved the milestone of over £7bn of loans under management, having hit £5bn in the prior year.

Our Manufacturing division, as originators of later life lending products remains positioned as number one in the market, with a 32.6%¹ market share by value during the year. This includes Standard Life Home Finance, which we launched in partnership with Phoenix Group PLC in Q3, 2021, and which established a market share of 8.8% by value during the year.

Our expertise and success in operating across the entire later life lending market has also attracted an additional funder to the equity release market during the year, broadening our M2L product range through the Apex brand. These products provide higher Loan-to-value increasing the range of customers we can support with their later life finances.

Led by the Key brand, Advice delivery we believe maintained its number one position in the market with an average 15.3%¹ market share by value during the year. Our whole of market proposition continued to grow under The Equity Release Expert brand and its referral partnerships, while we continued to offer a tied service to Aviva customers through the Home Equity Release Services.

Our Air Group advisor services business has also seen strong levels of growth, increasing its market share by value to 33.7%¹.

In terms of the long-term structural economic drivers of the market, these remain strong and there continues to be a growing need for those in or approaching later life to finance their futures as has been demonstrated by the considerable growth in the market. These drivers include an increase of those in later life needing to settle outstanding mortgage and other forms of debt, needing to supplement inadequate pension provisions, wanting or needing to take early retirement, wanting to help their children get on the property ladder, inheritance management through to simply enabling them to make the most of their later years.

Whilst we face into the current economic environment as described in the Business review section of this report, we once again, as we did during the Covid-19 pandemic, demonstrate our resilience as a business in continuing to operate during this period and our position in the market puts us in a prime position for the future.

As part of our broader strategy, we continue to explore opportunities to leverage our expertise and position in the market to grow our later life services.

¹ Source: The Equity Release Council quarterly market share data release

Sustainability

During the year we published our first Sustainability report setting our strategy and ambitions for the future.

"Key Group has always been a purpose-driven firm. At the heart of our business is our desire to enable people to live a more fulfilling later life. We want to use our influence as an adviser, lender, partner and employer as a force for good – creating positive change within the later life lending industry and building a sustainable future for all. Not only is it the right thing to do, but it's fundamental to the success of our business, maximising our value to society and managing our risk. Our Sustainability report sets out our strategic approach to sustainability, minimising our impact on the environment, reducing our exposure to risk while maximising the benefits we deliver to our employees and the local community." Simon Thompson, Group CEO

There are four pillars to our Sustainability strategy which are as follows:

Responsible business practices

We recognise that good governance is vital to any successful organisation, and we have established five governance principles to help us achieve our vision:

- **Fit for purpose, tailored to business needs** – effective governance needs to strike the right balance between providing oversight and direction, while maintaining the agility needed to deliver the strategy in a controlled and efficient manner.
- **Aligned to SMCR** – structure our business in a way that ensures our activities comply with the FCA's Senior Managers & Certification Regime (SMCR) delivering good outcomes for our customers.
- **Setting clear expectations** – for our colleagues, enabling them to make informed decisions, whilst not being unnecessarily restrictive or hinder doing the right thing for our stakeholders.
- **Continuous review and improvement** – adopting such a mindset, enables us to develop best practice and evolve the way we operate.
- **Managing risk and protecting our reputation** – effective risk management supports us to make informed risk and return decisions, and ensure that appropriate safeguards are put in place.

Applying these principles during the year we have commenced projects to refine and streamline our policy framework, to implement a new risk management system, development of a responsible supply chain policy to further our sustainability ambitions, and the implementation and embedding of the FCA Consumer duty requirements which are effective from July 2023. For more details of how we build upon our responsible business practices, please see our Sustainability report at www.wearekeygroup.co.uk/sustainability

Our people and culture

We believe that delivering the best outcomes for our stakeholders starts with helping our colleagues unlock their true potential and thrive. We want to be an employer of choice, somewhere people come to grow and develop their careers through the opportunities we can provide.

With this ambition in mind, our colleague's proposition has significantly evolved over the past five years, during which time we have developed our People strategy that provides the foundations to deliver our ambitions and create an inclusive, high-performing culture. Our People strategy comprises five themes being: Reward; Engagement; Equality, Diversity & inclusion; Health & wellbeing; and Talent management.

During the year, we supported all our colleagues with a £1,250 cost-of-living bonus, provided access to leading retailer discounts, implemented an Electric Vehicle scheme to better enable our colleagues to make the transition in a cost effective way, continued to target our gender pay gap reducing it by 6% in the year, continued to implement our Employee Assistance Programme and expand its services to better support our colleagues, invested in mental health first aiders, invested in the development of our people in creating a number of academies and have broadened our pool of talent to include apprenticeships, school/college leavers and graduate schemes. For more details of how we look to better support our people and nurture our culture, please see our Sustainability report at www.wearekeygroup.co.uk/sustainability

Sustainability (continued)

Supporting our communities

We understand the importance of community and our impact within it. By creating strong bonds within the communities in which we operate, not only are we able to implement life-changing opportunities through education, support and inclusivity, but also develop more rounded professionals who contribute to a better society.

We live by three core pillars that guide our approach: Working in the community; Engaging colleagues; and Using the power of our workforce.

We plan to develop a longer-term strategy, however during the year we have continued to invest and promote colleagues supporting charitable causes by providing everyone with one charity day each year, have continued to support local food banks and the Boathouse Youth which supports young people and families in Blackpool, and the Alzheimer's Society's Dementia Friends programme with opportunities for our colleagues to become Dementia Friends to better support some of our more vulnerable customers. For more details of how we look to better support our communities please see our Sustainability report at www.wearekeygroup.co.uk/sustainability

Safeguarding our environment

We have always been a purpose-driven business and we believe every business has the opportunity and obligation to protect our planet.

Our approach is to reduce our carbon emissions as much as possible; ensuring that the energy we consume is used efficiently, effectively and comes from renewable sources wherever possible. We are improving our environmental impact in three ways: moving to carbon-free energy, creating more sustainable workplaces and building better products and services. Since 2020 we have been Carbon Neutral in relation to our scope 1 & 2 emissions and scope 3 transportation emissions, furthermore during the year using high-quality carbon offsets we have offset all our historic carbon emissions back to the founding of the business. Through the use of high-quality carbon offsets, we intend to continue to be carbon neutral across our scope 1 & 2 and scope 3 transportation emissions.

Building upon the improvements we have made over recent years, we have published during the year our first Sustainability report which publicly establishes our environmental strategy, targets and approach; have installed Electric Vehicle (EV) charging points at our head office site and have implemented an EV scheme to help our colleagues make the transition to electric vehicles in a cost effective way, increased the number of customer appointments delivered by teleconference and through high-quality carbon offsets we have offset not only this year's carbon emissions, but also all our historic carbon emissions back to the founding of the business. For more details of how we look to safeguard our environment, please see our Sustainability report at www.wearekeygroup.co.uk/sustainability

Energy and carbon reporting

Our business has a relatively small carbon footprint. During the year Gross Greenhouse Gas (GHG) emissions associated with our combined business operations were 344 (2021: 198) tonnes of carbon dioxide equivalents (tCO₂e), representing an increase of 74%. This growth in emissions is primarily due to the growth in our business this year which saw revenues increase by 76%, the average number of employees increase by 21% and the necessary addition of a fourth office at our Preston site. In addition to this, the prior year was impacted by lockdown restrictions in the first half of the year, which resulted in a reduction in business travel and employees working from home during this time. Despite the factors detailed above, our intensity ratio fell by 1% and we continue to make efficiency improvements as a business.

Sustainability (continued)

The below table provides more detail on the Gross GHG emissions associated with our combined business operations during 2022.

Element	Detail	Units	2022	2022 Proportion %	2021	2021 Proportion %
Energy consumption used to calculate emissions	Electricity	kWh	886,770	54	599,466	66
	Gas	kWh	72,926	4	46,203	5
	Transport Fuel	kWh	680,551	42	266,511	29
Total energy consumption	Total	kWh	1,640,247	100	912,180	100
Emissions from combustion of gas (Scope 1)	Gas	tCO ₂ e	13	4	8	4
Emissions from grey fleet business travel (Scope 3)	Transport Fuel	tCO ₂ e	160	46	63	32
Emissions from purchased electricity (Scope 2 – location based)	Grid Electricity	tCO ₂ e	171	50	127	64
Total gross carbon emissions	Total	tCO₂e	344	100	198	100
Intensity ratio	Revenue	tCO ₂ e / £100,000	0.17		0.18	
Additional intensity ratios	Site Energy	kWh / m ²	199		172	
	Employee Carbon	tCO ₂ e / FTE	0.50		0.35	

Our core business operations have been measured in accordance with Streamlined Energy and Carbon Reporting (SECR) category guidance; Scope 1 (direct resource use), Scope 2 (bought resources for use in our direct operations) and specific Scope 3 emissions (indirect emissions due to business activities). These categories have been measured in a consistent way with the prior year. Scope 3 emissions relate to activities from assets not owned or controlled by the Group, but that the Group indirectly impact from its business operations. The disclosure of scope 3 emissions is currently voluntary due to the challenges in defining and measuring these, however the Group reports limited scope 3 emissions being those relating to grey fleet business travel, which represents the emissions of employee's business travel. We will consider the reporting of full scope 3 emissions from next year.

We have identified intensity ratios which divide our energy and carbon emissions by appropriate normalising factors to enable performance tracking over time and comparison against organisations operating in equivalent sectors. We also hope to use the employee base indices to promote employee engagement with our Company mission to minimise our impact on the environment.

The energy consumption of our core business operations has been calculated using proprietary software to process utility bills for our site and fleet data. Our carbon emissions have been calculated in accordance with the 2019 UK Government environmental reporting guidance.

This is our first SECR reporting year post the Covid-19 pandemic and as such, we will assess whether, and to what extent, this represents a suitable baseline against which future energy saving measures can be evaluated and will develop a suitable baseline calculation methodology to account for business-as-usual levels of productivity.

Sustainability (continued)

The below table includes more detail on the carbon offset projects used.

Reporting Year	Total Emissions (Scope 1,2 and 3 business travel) tCO ₂ e	Offset %	Project	Certification
2022	344	100	Project in Cordillera Azul National Park in Peru protecting over 1,300,000 hectares of forests	Verified Carbon Standard
2021	198	100	Amazonia Project in state of Acre in Brazil protecting 200,000 hectares of tropical rainforest	Verified Carbon Standard

During the year we have also purchased 1,993 Pending Issuance Units (PIUs) from the Lazonby Project (project number 104000000026519) representing tonnes of carbon dioxide which is expected to be sequestered over the next 77 years to April 2100 through Woodland verified by the Woodland Carbon Code (WCC). These units, if verified will compensate for all our historic carbon emissions from the year ended 2019 back to the founding of the business.

Our stakeholders

Section 172 of the 2006 Companies Act requires that the Directors act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole. In undertaking this responsibility, the Directors should have regard to the likely consequences of any decision in the long-term; the interests of employees; the need to foster relationships with suppliers, customers and others; the impact of its operations on the community and the environment; the maintaining of a reputation for high standards or business conduct; and the need to act fairly as between members of the Company.

The Board considers its main stakeholder groups to be Customers, Funders, Lenders, Partners, Colleagues, Suppliers and Investors, however it also considers the needs of other stakeholders such as the Government and the Community when making decisions.

The Board has continued to act in a way that promotes the long-term success of the Company and that of its stakeholders, ensuring that it is acting fairly and with integrity with these stakeholders in the decisions that it makes.

Customers

We pride ourselves on being able to support our customers to take control of their finances to enable them to live the later life they deserve. Most of our customer borrowings are 'needs' based such as repaying existing mortgage debt, enabling them to fund their retirements and helping their children get onto the housing market. Recognising the current cost-of-living crisis facing the UK, the adverse impact interest rates have had on pension provisions and the high relative cost of the housing market, equity release continues to help many of our customers meet these challenges.

During the year our new suite of products launched towards the back end of 2021 under the well-respected "Standard Life" brand name proved a huge success comprising nearly 9% of the equity release market. In addition to this, we were able to launch our new Apex brand product expanding our product offering in the high LTV market. These developments along with the number and flexibility of products on offer, such as drawdown, downsizing & inheritance protections and the ability to make early repayments free of charge, has increased the size of the market as these offerings better tailor to our customers individual requirements.

We are an FCA regulated business and a member of the Equity Release Council which sets the industry standards by which we must operate and as such, we consider the impact on our customers in everything we do. Implementing and embedding the new FCA Consumer Duty requirements into our business has been a key priority during the year to better ensure good outcomes for all our customers. The way in which we operate has enabled us to become market leaders in the services we provide to our customers which is in part evidenced by our Key and M2L businesses being number one in terms of market share, our 5-star Trustpilot rating and having relatively low levels of customer complaints within the industry.

Funders

Our funders are also considered to be customers of our business and they are at the heart of our business in terms of funding our later life lending products. Our funders, many of which are insurers or pension funds, look for high quality, long-term debt instruments in which to invest their funds and as such we have a close relationship with them in developing and originating attractive products. One of the many ways in which we engage with our funders is through "Joint management committees" which regularly meet to discuss products and operational matters.

During the year we entered into collaboration with an additional funder expanding our existing product range and are developing the means to enable other funders to more readily invest in the equity release market. In September 2022, our funders were adversely impacted by the UK Government's 'mini' budget which resulted in many of them pausing their funding whilst the uncertainty remained. We have and will continue to work closely with our funders and support them as they are returning back to the market in 2023.

Our stakeholders (continued)

Lenders

The Board recognises that its lenders are a key stakeholder of the Group. To keep our lenders informed of our progress we share management information with them on a monthly basis and our budget and forecasts as these become available throughout the year. The Board regularly monitors the Group's position against key lender covenants to ensure that the business continues to operate within these set parameters. We also certify our position to our lenders in relation to these covenants. All Board decisions that are taken consider the effect the decision will have on the covenant requirement.

Partners

An important part of the success of our business lies in our many partnerships supporting other businesses and advisors to enter and operate in the later life lending market. These partnerships range from supporting Independent Financial Advisors, Mortgage clubs and networks, through to large corporates. Air Group plays an important part in this business-to-business relationship, through its various services it supports these businesses with everything they need to provide later life lending products to their customers.

Colleagues

Our colleagues are an integral part of the success of our business, and we recognise the impact that the Group has on their lives and the lives of their families. Please see 'Our people and culture' on page 5 for more details of how we have looked to support our colleagues further throughout the year.

We continue to engage with and listen to our colleagues through multiple channels, which now includes our ASPIRE intranet site which was launched during the year as an effective means of engaging and supporting our colleagues and proving an invaluable platform for future developments. In addition, we have created colleague-led working groups to provide the opportunity for them to have a say and improve the environment in which they work. We also continue to undertake an annual colleague survey providing our colleagues with the opportunity to provide invaluable feedback and help us to shape our People strategy to better serve their needs and interests.

Suppliers

We have agreed fair payment terms with each of our individual suppliers and recognise the importance of prompt payment in line with these terms. A conscious decision has been taken by the Board to ensure supplier payment runs are performed on a regular weekly basis so as not to place any unnecessary cash flow strains on those suppliers.

Investors

We are in regular discussion with the majority of our investors in terms of equity share, with these having a seat on the monthly Board. These investors are actively engaged in the strategy and key decisions made by the Board and are engaged in the formation and approval of the annual budget and plan. Other minority investors are typically employees of the business but are invited to participate in shareholder meetings during the year, where the management team present on the recent performance of the business and the plans ahead.

During the year we successfully acquired the remaining 49% interests in both our TERE Advisers and Air Group businesses, delivering further value for our investors.

Community

We are passionate about supporting our local communities, particularly those which are some of the most deprived areas in the country. In addition to providing employment opportunities in the Preston area we support our local communities through donations of funds, food, resource and time. For more information please see Supporting our communities on page 6.

Principal risks, including financial risks and uncertainties

Our overarching Risk Management Framework is a set of processes, tools and mitigation strategies that assists us in identifying, assessing, measuring, managing and reporting risk. The overall framework ensures that risks are managed in a manner which is proportionate to the size and nature of Group's operations; is aligned to regulatory requirements; and reflects best practice. Compliance with regulation, legal and ethical standards is a high priority, and the Compliance team, Risk 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 Group operates a Three Lines of Defence Framework with a combined assurance plan in place to support.

The ARCC annually reviews and approves the Risk Management Framework and regularly reviews risk management activities to ensure focus on managing not only existing risks but also on identifying emerging risk areas. The Risk Framework is underpinned by a Group Risk Appetite Statement.

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

To effectively manage its risks, the Board has identified key (or principal) risk categories for the business and has defined its residual risk appetite in relation to each. All risks reported within the business sit within one of these categories and are defined within the Risk Registers.

The principal risks to which the Group is exposed are:

Operational risk

The risk of financial loss and/or reputational damage resulting from inadequate or failed internal processes, people, systems or from external events. A large amount of work has been undertaken throughout 2022 with regards to the streamlining of process and automation to drive both accuracy and efficiency. Resource has been challenging in various areas of the business throughout 2022, albeit this has manifested somewhat differently in the latter part of the year following the UK Government's September budget. Colleagues continue to work on a hybrid basis which mitigated some of the recruitment challenges for more specialist roles.

Regulatory & legal risk

The risk that changes in laws or regulations will materially affect the Group's business or the later life lending market in which it operates; or that the Group is exposed to fines, censure, legal or enforcement action due to failure to comply with applicable laws, regulations (e.g. FCA), codes of conduct or legal obligations. The new FCA Consumer duty rules were published in mid-2022 and an implementation project is well underway and being managed centrally via a dedicated Project manager. The Group's compliance department continue to proactively monitor any regulatory changes to ensure compliance and support the implementation of any required changes within the regulatory timeframe.

Economic risk

The risk that changes in the economy such as property prices, interest rates or government interventions such as the pension market reforms, impact market conditions and adversely impact the Group's business. Economic risk continued to be apparent this year following the UK Government's September 2022 budget and the resulting impact this had on UK swap rates and the general economic uncertainty this has created in the financial services industry. As was seen in the residential mortgage market, many funders within the equity release market have reduced or paused their investment which by year end and into 2023 has resulted in a significant reduction in the number of products available for customers and partly due to rising interest rates the price of the products has significantly increased.

Principal risks, including financial risks and uncertainties (continued)

Strategic risk

The risk that the Group pursues an inappropriate strategy or that the risks associated with the implementation of the strategy are not fully realised and threaten the Group's ability to achieve its business objectives. The Board does not believe that there has been a significant increase in Strategic risk during the year, however, it continues to monitor this area given its product expansion plans into the later life market. The inherent uncertainty associated with Strategic risk is partly mitigated by the industry and business expertise contained in the composition of the members of the Board. In addition to this the Board regularly seeks advice from professional advisors when necessary.

Liquidity risk

The risk that the Group is unable to meet its financial obligations as they fall due. The Group held a healthy level of liquidity of £33m at the year end and whilst this reduces by £5m in August 2023 when its undrawn committed borrowing facilities mature, there are no debt maturities until August 2024 and the Group can meet its operational and financial obligations as they fall due over at least the next 12 months. To manage future uncertainties regarding liquidity, the Group regularly produces forecasts to ensure that Lender covenants, which include liquidity requirements, are being met and are forecast to be met in the future. See note 1.3 for more details of the Board's consideration of liquidity risk as part of its Going concern assessment.

Interest rate risk

The risk that increasing interest rates impact the affordability of the Group's debt package. Uncertainty regarding this risk is managed by the Board via the adoption of fixed rate, fixed term lending as well as hedging instruments where necessary, to offset movements in variable lending.

ESG risk

This relates to the impact of not identifying and responding to ESG risks appropriately, leading to ineffective governance arrangements, failure to deliver a reduced environmental footprint and/or a failure to positively impact colleagues and the surrounding community. Following a review of the ESG strategy, the Board published its Sustainability report during the year. In relation to Climate change, our carbon footprint and the costs of reducing these emissions is relatively small, however in terms of our products, we will have a part to play in supporting our customers make the transition to reduce their climate impact and in providing attractive investments for our funders which meet their ESG agendas. Please see the Sustainability section on page 5 for more information.

Conduct risk

The risk that our behaviour, either directly through customer interaction or indirectly through the design of products, systems and controls, results in inappropriate customer outcomes. The Group's Three Line of Defence framework oversees the delivery of good customer outcomes in all areas of the business and this continues to evolve further through the delivery of the Consumer duty requirements in 2023.

Cyber security risk

The increasing reliance the business places on technology to maximise operational efficiencies does expose the Group to an emerging Cyber security risk as cyber-attacks become more sophisticated, targeted and complex, with heightened risk emerging as a result of the conflict in the Ukraine. We have taken steps to mitigate much of the risk to confidentiality, integrity & availability through the implementation of additional controls, a move to a cloud first model, taking advantage of best of breed technologies for resilience and security, and utilising advice from specialist third parties to produce a strategy and guide additional investment into the future. This is a key consideration in our Operational resilience strategy, and we continue to closely monitor exposure.

Principal risks, including financial risks and uncertainties (continued)

Emerging risks

There are no significant emerging risks to disclose.

Going concern

The financial statements have been prepared on a going concern basis as the Directors have an expectation that the Group and Company has adequate resources for a period of at least 12 months from the date of signing the financial statements. It is worth noting that the Directors' assessment has been performed on the expectation that the recent market volatility is both short-term and temporary in nature and as such, the business has taken the opportunity to adjust its cost base accordingly but is also prepared to be responsive to a market recovery during the second half of 2023.

As of the timing of the signing of these accounts all our funders except for one, have returned to the market and with the remaining funder intending to return by the end of May 2023. All funders have remained committed to the equity release asset and have signalled strong continued appetite for the asset class especially for the Solvency II balance-sheets. A material uncertainty² does however exist in the areas that are not controlled by the Group, which is the exact timing of when all funders will be pricing in line with continued customer demand. The Directors have the option of continuing to remove cost and cash incurring expenditure across its operations in the event that the recovery takes place over a longer duration (of greater than one year). In addition, the Directors also have several mitigations at its disposal to improve both its short-term liquidity position and financial covenant performance should the need arise. For further details see note 1.3.

Future developments

The longer-term trends supporting the later life lending sector remain strong, despite the economic uncertainty that currently exists. The population continues to age, house price wealth is continuing to increase and pension savings are likely to be inadequate for many.

As interest rates are stabilising and the economy is not predicted to fall as much as first feared in quarter 4 of 2022, funders are returning to the equity release market with the expectation that the market will start to re-establish itself through to the half year and into the second half of the year.

Over the coming year, with the continued support of colleagues from across the business, the Group has plans in place to grow the business with a broader range of later life lending products to help even more customers lead the life they want to lead in later life.

This report was approved by the board on 5 May 2023 and signed on its behalf.



S Drew
Director

² As defined by applicable accounting standards: "material uncertainty related to events or conditions that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern".

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2022.

Matters covered in the Strategic report

The Directors have chosen to present certain requirements of the Directors' report within the Strategic report, including principal activities, business review, declaration of dividends, future development, section 172 disclosure, energy and carbon reporting and principal risks facing the business.

Directors

The directors who served during the year and up to the date of signing of the financial statements were:

Simon Drew
Simon Thompson

Directors' and officers' insurance

The Group maintains cover with respect to Directors' and officers' indemnity insurance. This insurance covers them in their roles as Directors of this Company and was in force during the financial year ended 31 December 2022 and also at the date of approval of the financial statements.

Colleague involvement

The Company has no employees, however the Group maintains a policy of regular consultation and discussion with its colleagues on a wide range of issues that are likely to affect their interests. For more details, please see the Our Stakeholders/Colleagues section of the Strategic report.

Diversity, inclusion and equal opportunities for all

We value diversity among our colleagues and strive to provide equal opportunities to all regardless of sex, race, nationality, colour, religion, marital status, disability, sexual orientation or age. All applicants and colleagues are treated equally in respect of recruitment, pay, training, promotional opportunities and other employment matters, with all decisions being based on merit. Reasonable adjustments are made to accommodate those with additional needs. Under no circumstances will discrimination against any individual or group be tolerated, and where there is evidence that this may have occurred, the matter will be promptly investigated in full with disciplinary action being taken where necessary.

Financial risk management

The financial risk management and policies of the Group are discussed in note 19 of the financial statements.

Existence of branches outside of the United Kingdom

The Group and Company have no branches outside of the United Kingdom.

Political donation

There were no political donations for the year (2021: none) and the Group did not incur any political expenditure (2021: £nil).

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted International Accounting Standards (IAS).

Under company law, 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 Group and Company and of the profit or loss of the Group for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

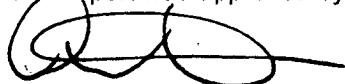
In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 5 May 2023 and signed on its behalf



S Drew
Director

Independent auditors' report to the directors of Theo Midco Limited

Report on the audit of the financial statements

Opinion

In our opinion, Theo Midco Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; 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, which comprise: consolidated and company statements of financial position as at 31 December 2022; consolidated income statement, consolidated statements of changes in equity and consolidated and company statements of cash flows 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 group 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.3 to the financial statements concerning the group's and the company's ability to continue as a going concern. For the year ended 31 December 2022, the group is profit making and cash generative. However, the forecasts are impacted by funders previously withdrawing, temporarily, due to volatility in the market. The severe but plausible downside scenario forecasts prepared by management reflect a breach in one financial covenant on external financing arrangements before considering further management actions. Whilst there are a number of mitigating actions in management's control, there are certain factors outside of the group's control. The primary uncertainty relates to the timing of when all funders to the equity release market will be pricing products in line with customer demand to support timely cash flow generation. These conditions, along with the other matters explained in note 1.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independent auditors' report

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- A risk assessment to identify factors that could impact the going concern basis of accounting, including current and forecast financial performance and the resulting forecast financial covenant compliance.
- Evaluation of the reasonableness of the group and company's latest reforecast and the downside scenarios prepared by management to support the going concern assessment, including testing the mathematical accuracy of forecasts.
- Considering and testing the key assumptions including revenue growth, EBITDA margin, and the conversion rate of the mortgage pipeline.
- Considering the current market uncertainty, the extent to which funders have returned products to the market, the observable business pipeline, the reasonableness of the expected growth, and challenging management's assessment of the level of funding expected.
- Assessing management's ability to implement mitigating actions to manage covenant compliance in relation to external financing arrangements.
- Evaluating the uncertainty that exists which is outside of management control, which is the timing with which funders will be in the market and pricing in line with customer demand.
- Considering whether the disclosures on going concern in Note 1.3 of the financial statements give an accurate description of Directors' assessment of going concern, including the identified risks and uncertainties.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our audit approach

Context

The scope of our audit and the nature, timing and extent of audit procedures were determined by our risk assessment, the financial significance of components and other qualitative factors (including history of misstatement through fraud or error). We performed audit procedures over components considered to be financially significant in the context of the group (full scope audit) or in the context of individual primary statement account balances (audit of significant account balances).

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the annual report and financial statements.
- The scope of our audit and the nature, timing and extent of our audit procedures were determined with consideration of our risk assessment, the financial significance of account balances and other qualitative factors.
- Audit procedures were performed over all account balances and disclosures which are considered material and/or represent a risk of material misstatement to the annual report and financial statements.

Key audit matters

- Material uncertainty related to going concern
- Goodwill and other intangible assets, excluding software may be impaired (group)

Materiality

- Overall group materiality: £1,032,000 (2021: £414,000) based on 2.5% of earnings before interest, tax, depreciation and amortisation..
- Overall company materiality: £1,877,000 (2021: £1,783,000) based on 1% of total assets..
- Performance materiality: £774,000 (2021: £310,000) (group) and £1,408,000 (2021: £1,337,000) (company).

Independent auditors' report

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Going concern is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<i>Goodwill and other intangible assets, excluding software may be impaired (group)</i> On consolidation, the group recognises a goodwill balance which originated in August 2017 when Key Group and related entities in the group were acquired by funds advised by Partners Group. Intangible assets which are separately identifiable from the goodwill were also recognised, specifically the relationships with lenders and brand name which were acquired. At the year end, the carrying value of the goodwill recognised was £97.5m (2021: £97.5m), with other intangibles (excluding software) being £64.8m (2021: £71.5m). Under UK-adopted international accounting standards (IAS), goodwill and other intangible assets are assessed for impairment on an annual basis. In order to perform the impairment assessment, management compares the carrying value of assets to the value in use of the business. The value in use is based on an estimate of future cash flows, the value of which may be impacted by market and operating conditions. The equity release market is competitive with higher risk of estimation uncertainty in the current macroeconomic environment where trading has been impacted by the temporary withdrawal of funders from the market. A key factor in the forecast is estimating trading volumes, both with regard to the rate at which trading volumes are re-established and the time period over which this occurs, and the longer term growth opportunity, as market demand is expected to grow due to factors such as the ageing population in the UK. Management has determined that there are three cash-generating units to which goodwill and other assets are assigned, these being Key Advice, Manufacturing and Air Group and concluded that no impairment was required at 31 December 2022.	To address the risk of impairment of the goodwill and other intangible assets, excluding software in group financial statements, we performed a number of audit procedures over the assessment performed by management. We challenged and tested the reasonableness of management's methodology and key assumptions: We performed comparison of the performance of the business in recent years to the budgets for the equivalent periods and for the observable period post year end to assess the accuracy of the budgeting and forecasting process. • We assessed the reasonableness of management's re-forecast assumptions in light of recent economic uncertainty and funding available in the market. We agreed the cash flow forecasts for 2023 to the revised Board approved budget which was re-forecast due to market conditions. • We tested the reasonableness of assumptions in the 5 year forecasts included in the value in use model. We analysed and sensitised the growth rate estimates for years one to five of the forecasts based on timing of availability of funding in the market and market research supporting market demand and growth. • We considered the historical performance of the group and evaluated evidence to consider if this supported management's assumptions around revenue, cost and profitability (EBITDA margin) incorporated within the value in use model. • We considered the appropriateness of the methodology by which the terminal cash flows were calculated and assessed and their reasonableness based on current market conditions.

Independent auditors' report

The impairment assessment model is complex and involves subjective assumptions, including estimates for: - the discount rate applied to discount the future cash flows to their current values; - the revenue growth rate; - the long term growth rate; and - the EBITDA margin. Due to the magnitude of the goodwill and other intangibles balance (excluding software), the nature of these assumptions, and the current market uncertainty around the level of funding available in the market, the impairment assessment represents a key audit matter. This relates only to the group consolidated financial statements as it relates to assets which only arise on consolidation. Refer to note 1.14 for accounting policies, note 1.7 for judgements in applying accounting policies and key sources of estimation uncertainty and note 8 for detailed disclosures around goodwill and other intangible assets.	- We evaluated the reasonableness of the long term growth rate selected by management. We considered alternatives which were lower and a reasonable timeline as to when it may be expected that the business reach a stable growth trajectory given external views on market growth above UK economic growth rates. - We challenged the reasonableness of underlying components assumed in determining the discount rate and terminal growth rate using our internal experts. We also assessed the allocation of goodwill and cash flows to individual CGUs. We tested the existence, accuracy, and completeness of pipeline data which includes applications, offers and cancellations which is a key input into management's budget. We noted revisions that should be applied though, when adjusted, these did not impact the conclusion reached by management albeit this highlighted the sensitivity of the valuation of Key Advice CGU to key elements of the modelling. Our work focused most significantly on this CGU given more limited headroom. We performed additional individual and combined sensitivities on management's assumptions to assess the robustness of the impairment model; and we assessed the disclosures made in the financial statements. We tested the mathematical accuracy of the impairment model. Based on the procedures performed we were satisfied with management's conclusion that the goodwill and intangible assets were not impaired and that the disclosures provided are appropriate.
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How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group constitutes three significant trading entities More 2 Life Ltd, Standard Life Home Finance Limited and Key Retirement Solutions Limited, these are assessed as significant components for the group financial statements. Audit procedures were performed over all material account balances and financial information of these entities.

There are twenty six subsidiaries in the group. The entities in the group which constitute balances material to the group financial statements include KRS Services Limited, KRS Finance Ltd, Key Group Bidco Limited, Home Equity Release Service Limited, The Retirement Lending Advisers Limited, Primetime Retirement Limited, Later Life Guidance Limited, Home Equity Release Services Limited, Modern Lending Advisers Limited and Theo Bidco Limited.. Audit procedures are performed on material balances scoped in for these subsidiaries due to their significance to the group's financial performance and position.

All of the group's activities are undertaken in the United Kingdom. The accounting records for all entities within the group are located at the group's principal office in Preston, with consolidation of the group annual accounts being performed from this location. We did not require the involvement of any component auditors.

All audit procedures were conducted from the group's head office in Preston, performed by a single audit team.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
<i>Overall materiality</i>	£1,032,000 (2021: £414,000).	£1,877,000 (2021: £1,783,000).
<i>How we determined it</i>	2.5% of earnings before interest, tax, depreciation and amortisation.	1% of total assets.
<i>Rationale for benchmark applied</i>	Based on the benchmarks used in the annual report and financial statements, earnings before interest, tax depreciation and amortisation is the primary measure used to assess the performance of the group by investors and lenders.	We consider that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £392,000 and £981,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £774,000 (2021: £310,000) for the group financial statements and £1,408,000 (2021: £1,337,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £52,000 (group audit) (2021: £20,000) and £93,000 (company audit) (2021: £89,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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.

Independent auditors' report

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities in respect of the financial statements, 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 group's and 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 group or 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of Financial Conduct Authority's regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in assumptions used in critical accounting estimates and posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Review of key correspondence with and reports to regulators;
- Enquiries with management and those charged with governance and review of board minutes, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud and matters reported to the Group in relation to whistleblowing;
- Testing of journal entries which contained unusual account combinations back to corroborating evidence;
- Review of internal audit reports, in so far as these related to the financial statements; and
- Challenging estimates and judgements made by management in forming significant accounting estimates in particular those as described under the key audit matters above.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the company's directors 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.

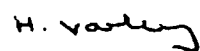
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Heather Varley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
5 May 2023

Theo Midco Limited

Consolidated income statement
For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	2	198,670	113,021
Cost of sales		(68,871)	(28,536)
Gross Profit		129,799	84,485
Administrative expenses		(102,226)	(80,171)
Operating profit	3	27,573	4,314
Net finance costs	6	(15,942)	(15,460)
Profit/(Loss) before tax		11,631	(11,146)
Tax	7	(3,777)	(3,156)
Profit/(Loss) after tax		7,854	(14,302)
Profit/(Loss) after tax attributable to:			
Owners of the company		6,424	(14,861)
Non-controlling interests		1,430	559
		7,854	(14,302)

All of the results above relate to continuing operations.

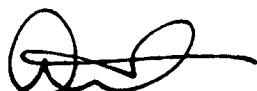
There were no items of other comprehensive income in the current or prior year.

Theo Midco Limited

Consolidated and company statements of financial position
As at 31 December 2022

	Note	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
ASSETS					
Non-current assets					
Intangible assets	8	179,841	184,494	-	-
Property, plant and equipment	9	2,243	1,905	-	-
Right-of-use assets	10	4,051	2,450	-	-
Investments	11	-	-	57,925	57,925
Trade and other receivables	12	-	-	126,969	117,564
		186,135	188,849	184,894	175,489
Current assets					
Trade and other receivables	12	14,760	8,966	2,838	2,841
Current tax asset		503	605	-	-
Derivative financial instruments		-	292	-	-
Cash and cash equivalents	13	27,694	17,109	-	-
		42,957	26,972	2,838	2,841
Total assets		229,092	215,821	187,732	178,330
LIABILITIES					
Current liabilities					
Trade and other payables	14	(21,478)	(16,498)	(2,878)	(2,813)
Lease liabilities	16	(595)	(493)	-	-
		(22,073)	(16,991)	(2,878)	(2,813)
Non-current liabilities					
Trade and other payables	14	(7,460)	(7,500)	-	-
Borrowings	15	(223,507)	(210,364)	(170,275)	(157,574)
Lease liabilities	16	(3,624)	(2,218)	-	-
Provisions	17	(549)	(1,191)	-	-
Deferred tax		(16,337)	(17,200)	-	-
		(251,477)	(238,473)	(170,275)	(157,574)
Total liabilities		(273,550)	(255,464)	(173,153)	(160,387)
Net (liabilities)/assets		(44,458)	(39,643)	14,579	17,943
EQUITY					
Share capital	21	-	-	-	-
Share premium		-	-	-	-
Capital contribution		29,613	29,613	29,613	29,613
Other reserves - transactions with non-controlling interests	22	(11,266)	-	-	-
Accumulated losses		(62,810)	(69,234)	(15,034)	(11,670)
Total equity attributable to owners of the company		(44,463)	(39,621)	14,579	17,943
Non-controlling interests (NCI)		5	(22)	-	-
Total equity		(44,458)	(39,643)	14,579	17,943

The notes on pages 28 to 62 form part of these financial statements. The financial statements on pages 23 to 62 were approved and authorised for issue by the board and were signed on its behalf on 5 May 2023.



S Drew
Director
Company number: 10756735

Theo Midco Limited

Consolidated statement of changes in equity
For the year ended 31 December 2022

	Share capital	Share premium	Capital contribution	Other reserves - transactions with NCI*	Accumulated losses	Non- controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2022	-	-	29,613	-	(69,234)	(22)	(39,643)
Profit after tax	-	-	-	-	6,424	1,430	7,854
Total comprehensive income	-	-	-	-	6,424	1,430	7,854
Acquisition of non- controlling interests	-	-	-	(11,266)	-	(1,403)	(12,669)
Total transactions with NCI	-	-	-	(11,266)	-	(1,403)	(12,669)
At 31 December 2022	-	-	29,613	(11,266)	(62,810)	5	(44,458)

* Other reserves have been created following the acquisitions of the remaining 49% equity interests in TERE Advisers Ltd and Equity Release Club Holdings Limited during the year. Acquisitions of non-controlling interests where control already exists are accounted for as equity transactions and as such, the difference between the fair value of consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity rather than an adjustment to goodwill. For more details see note 22.

	Share capital	Share premium	Capital contribution	Accumulated losses	Non- controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	-	-	29,613	(54,373)	(581)	(25,341)
(Loss)/profit after tax	-	-	-	(14,861)	559	(14,302)
Total comprehensive (expense)/income	-	-	-	(14,861)	559	(14,302)
At 31 December 2021	-	-	29,613	(69,234)	(22)	(39,643)

Theo Midco Limited

Company statement of changes in equity
For the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Capital contribution £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2022	-	-	29,613	(11,670)	17,943
Loss after tax	-	-	-	(3,364)	(3,364)
Total comprehensive expense	-	-	-	(3,364)	(3,364)
At 31 December 2022	-	-	29,613	(15,034)	14,579

The Company loss after tax for the year ended 31 December 2022 was £3,364k (2021: £3,065k). The Company has taken advantage of the exemption of section 408 of the Companies Act 2006 from presenting its own Income statement.

	Share capital £'000	Share premium £'000	Capital contribution £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2021	-	-	29,613	(8,605)	21,008
Loss after tax	-	-	-	(3,065)	(3,065)
Total comprehensive expense	-	-	-	(3,065)	(3,065)
At 31 December 2021	-	-	29,613	(11,670)	17,943

Theo Midco Limited

Consolidated and company statements of cash flows
For the year ended 31 December 2022

	Note	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Operating activities					
Cash generated from operations	18	38,184	29,820	-	26
Tax received/(paid)		(4,539)	96	-	-
Net cash generated from operating activities		33,645	29,916	-	26
Investing activities					
Purchase of non-current assets		(9,012)	(8,127)	-	-
Proceeds from sale of non-current assets		1	-	-	-
Interest received		24	-	-	-
Net cash used in investing activities		(8,987)	(8,127)	-	-
Financing activities					
Proceeds from borrowings		-	18	-	18
Repayment of borrowings		-	(25,033)	-	(33)
Repayment of lease obligations		(498)	(471)	-	-
Interest paid		(2,521)	(3,506)	-	(11)
Acquisition of non-controlling interests		(11,054)	-	-	-
Net cash used in financing activities		(14,073)	(28,992)	-	(26)
Net increase/(decrease) in cash and cash equivalents		10,585	(7,203)	-	-
Cash and cash equivalents at beginning of year		17,109	24,312	-	-
Cash and cash equivalents at end of year		27,694	17,109	-	-

1. Accounting policies

1.1 General information

Theo Midco Limited is a private company limited by shares and incorporated in the United Kingdom under the Companies Act 2006. The Company is domiciled in the United Kingdom and the address of its registered office is given on the contents page. The nature of the Group's operations and its principal activities are set out in the Strategic report.

1.2 Basis of preparation

The Consolidated and Company financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies set out within these financial statements.

The preparation of financial statements, in conformity with UK-adopted International Accounting Standards, requires management to make judgements, estimates and assumptions that affect the carrying value of assets and liabilities at the reporting date and the amount of revenues and expenses for the reporting periods presented.

The Company has taken advantage of the exemption permitted by section 408 of the Companies Act 2006, not to present its own Income Statement in these financial statements.

1.3 Going concern

The financial statements have been prepared on the going concern basis as the Directors have an expectation that the Group and Company have adequate resources for a period of at least 12 months from the date of signing the financial statements.

The Directors' assessment of the Group and Company's ability to continue as a going concern considered a number of qualitative factors such as the growing demand for later life lending products, the Group's leading position in the equity release market, the recent success of its new business venture Standard Life Home Finance, the entry of a new additional funder during the year expanding its product range, the relatively small short-term impacts of climate change on its market and the plans in place to expand the product range within the later life lending market.

The Directors also considered a quantitative assessment of forecast cash flow and covenant projections, and the modelling of a severe but plausible downside scenario and the impact of this on Group liquidity and financial covenants. In determining forecast cash flow, the Directors considered the increased uncertainty experienced in the financial services sector, and specifically the equity release market, as described in detail on page 1 of the Strategic report. Taking account of this uncertainty, the Directors modelled a forecast base scenario for the purpose of its going concern assessment of a 37% funding reduction compared to FY2022.

At the 31 December 2022, the Group had a robust financial position providing it with sufficient access to liquidity, as set out in note 19, to meet its needs over at least the next 12 months. This is despite the £5m Revolving credit facility maturing in July 2023. At the 31 December 2022, the Group had headroom on its covenant basis net debt leverage ratio (Net debt/adjusted EBITDA) of x1.9 and its covenant basis interest cover ratio (Adjusted cash flow/bank loan interest) of x8.5. The base scenario modelled demonstrates sufficient liquidity and financial covenant headroom being available over a period of at least 12 months. Whilst beyond the period of the going concern assessment, the Directors note that the existing £53.9m loan facility matures in July 2024 and that it will look to refinance this ahead of this date.

1.3 Going concern (continued)

In addition, the Directors considered a 'severe but plausible' downside scenario reflecting a 43% funding reduction compared to FY2022 and included a number of management actions. Despite demonstrating adequate liquidity and headroom on its interest cover ratio during the period of assessment, further management actions would be required to avoid a breach of the Net debt leverage covenant at the end of September 2023 (recovers to positive headroom thereafter). Stress testing shows that without these further mitigating actions being taken, the Group would need a minimum EBITDA of c£18.2m to meet its Net debt leverage covenant.

It is worth noting that the Directors' assessment has been performed on the expectation that the recent market volatility is both short-term and temporary in nature and as such, the business has taken the opportunity to adjust its cost base accordingly but is also prepared to be responsive to a market recovery during the second half of 2023. As of the timing of the signing of these accounts all our funders except for one, have returned to the market and with the remaining funder intending to return by the end of May 2023. All funders have remained committed to the equity release asset and have signalled strong continued appetite for the asset class especially for the Solvency II balance-sheets.

There are certain factors beyond the Directors' control, in particular the exact timing of when all funders will be pricing in line with continued customer demand. The Directors have a number of mitigating actions in their control should these be needed to enable covenant compliance, including removing cost and cash incurring expenditure across its operations in the event that the recovery takes place over a longer duration. In the severe and uncertain event that cash flow generation is even more protracted and these mitigants were not sufficient, then there are equity cure rights within the Facilities Agreement which the Directors may expect to utilise.

In this scenario, these factors outside of the Directors' control represent a material uncertainty related to events or conditions that may cast significant doubt upon the Group and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

1.4 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the Income statement in the year of acquisition. The results of acquired operations are included in the Consolidated income statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. In the Company financial statements, investments are held at cost less provision for impairment.

1.4 Basis of consolidation (continued)

Non-controlling interests

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated income statement, Consolidated statement of financial position and Consolidated statement of changes in equity. The Group has recognised non-controlling interests in subsidiaries at the non-controlling interest's proportionate share of the subsidiaries net identifiable assets. Non-controlling interest is initially measured at cost on acquisition and adjusted thereafter to recognize the non-controlling interest's share of the post-acquisition profits or losses of the subsidiaries, and the non-controlling interest's share of movements in other comprehensive income. Dividends received are recognised as a reduction in the carrying amount of the non-controlling interest.

1.5 Adoption of new and revised standards

There were no new standards, interpretations and amendments, effective for the year ended 31 December 2022, that were relevant to the Group or would have a material impact on the Consolidated or Company financial statements.

IFRS 17 Insurance Contracts

During the year ended 31 December 2022, the Group early adopted the requirements of IFRS 17 in accordance with its transitional provisions. The adoption of IFRS 17 has had no impact on the consolidated or company financial statements nor is it expected to have an impact on future reporting periods.

1.6 New accounting standards, amendments and interpretations in issue but not yet effective and have not been adopted early

There are a number of standards and interpretations issued by the IASB that are effective for financial statements after this reporting year.

Of these new standards, amendments and interpretations, there are none that are expected to have a material impact on the Consolidated or Company financial statements.

1.7 Critical accounting judgements 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. The following section details the estimates and judgements management believes to have the most significant impact on the annual results under IAS.

Impairment of intangible assets including goodwill and other intangible assets

The carrying amounts of intangible assets are reviewed on an annual basis to determine whether they have suffered any impairment. An impairment loss is the amount by which the carrying amount of an asset or group of assets allocated to a cash-generating unit exceed their recoverable amount. The recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs of disposal and its value in use.

Under IAS 36 *Impairment of Assets* for the purpose of impairment testing, goodwill should be allocated to each cash-generating unit from the date of acquisition and each unit should represent the lowest level within the entity at which goodwill is monitored for internal management purposes and must not be larger than an operating segment as defined by IFRS 8 *Operating Segments*.

1.7 Critical accounting judgements and key sources of estimation uncertainty (continued)

Cash-generating units

Management have determined that there continues to be three cash-generating units to which goodwill and other assets can be assigned for the purpose of impairment testing, these being Key Advice, Manufacturing and Air Group.

Value in use

The value in use of the assets was calculated using discounted forecast cash flows taken and an assumed terminal value.

The business produced its annual budget at the point of the considerable uncertainty experienced towards the end of FY2022 as described in detail on page 1 of the Strategic report. Management have also modelled a forecast five-year scenario for the purpose of the value in use calculations recognising the ongoing uncertainty in relation to FY2023 and the years beyond. This base scenario assumes that it takes until FY2025 for the Group to return to the levels of funding and profitability reached in FY2022.

The terminal value was calculated using the Gordon growth model and assumed a 2.5% nominal growth factor. A Weighted Average Cost of Capital (WACC) of 9.90% on a pre-tax basis was used to discount the cash flows and as an input to the terminal value calculation.

The impairment testing based upon the forecast base cash flows demonstrated a good degree of headroom against the carrying values of the intangible assets for two of the three CGU's and with more limited headroom in relation to Key Advice.

Further to this management applied a number of severe downside scenarios to each impairment test, assuming a further 20% reduction in EBITDA in FY2023, it taking until FY2027 for the Group to recover to FY2022 levels of profitability and also a combination of the two. Under each of the three scenarios, there was sufficient headroom in each test period across the Manufacturing and Air Group CGU's, with the exception being the Key Advice CGU, which would have resulted in an impairment being required in relation to Key Advice.

The assumptions to which the value-in-use calculation is most sensitive are the revenue growth rate, EBITDA margin and WACC. The Group has estimated that a reasonably possible change of a 10% reduction in the long-term, average revenue growth rate or EBITDA margin, or a 1% point increase in the WACC assumed in the base case, would not have resulted in an impairment due to the headroom available, with the exception being Key Advice. Key Advice would become impaired based on the modelled cash flows beyond an 8% reduction in the long-term, average growth rate or EBITDA margin, or a 0.6% point increase in the WACC. Management have a number of mitigating actions it could take under these downside scenarios to improve the profitability of the Key Advice CGU and avoid the need for an impairment.

Share classification

A priority shareholders are deemed to be acting as part of the entity therefore the A priority shares are classed as equity in the financial statements. B priority shareholders (Management) act as part of the entity as such the B priority shares are classed as equity in the financial statements.

A, B & C ordinary shares are classed as equity in the financial statements. A bad leaver provision in relation to the B & C ordinary shares was released in the prior year on the basis that the employees that hold the shares are unlikely to leave the business ahead of a future sale of the business. Management have assessed this provision during the year as continuing to be appropriate.

There are further leaver provisions attached to the B & C ordinary shares, however none of the current shareholders are expected to fall within the definition of good leavers and the redemption method would be considered on a case-by-case basis hence making this an equity settled scheme.

1.8 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled from contracts with customers and excludes amounts collected on behalf of third parties, value added tax and any cashback provided. The Group recognises revenue when it satisfies the performance obligations within the contract which is when it transfers control of a product or service to a customer. The Group does not adjust its consideration for the time value of money as settlement is typically shortly after the satisfaction of the performance obligation.

Revenue is recognised in relation to the Group's main activities being: the provision of financial advice in relation to equity release; the origination and ongoing servicing of equity release products; sourcing of equity release products; and through the provision of estate planning products.

Advice fees paid by borrowers in relation to the provision of certain financial advice is contingent on the successful provision of an equity release product. As such, these advice fees are fully recognised on completion of the underlying product.

Origination income paid by funders on equity release products is recognised on completion of each equity release loan arrangement. Origination income represents a percentage of the amount of funds provided under each loan arrangement.

Servicing fees paid by funders for the ongoing servicing of equity release products is recognised over time on a monthly basis, in line with how the Group provides this service and its contractual arrangements. Servicing fees represent a percentage of the loan book under management each month.

Commission income from the sourcing of equity release products on behalf of borrowers is received from the product provider on completion of the equity release loan arrangement. As such, commission income is recognised on completion of each equity release loan arrangement and represents a percentage of the amount of funds provided under each loan arrangement. Commission income earned on certain products includes an element of variable consideration to the extent that further funds could be advanced under existing equity release arrangements. Variable revenue is only recognised once any significant uncertainties associated with its recognition are resolved and as such, variable revenue is only recognised at the point where further funds are advanced under existing equity release arrangements.

Fees paid for the provision of in-house estate planning products are recognised as revenue when the customer receives the products purchased. Where a customer pays the fees in advance a contract liability is recognised in relation to these amounts.

1.9 Cost of sales

Cost of sales represent the cost of introducer fees paid to third party brokers, legal fees incurred in the completion of a loan and other sundry fees. These costs are recognised on completion.

1.10 Pension costs

Contributions to the Group's defined contribution pension schemes are charged to the Income Statement in the year in which they become payable. The assets of the schemes are held separately in independently administered funds.

1.11 Finance costs

Interest payable is charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Direct issuance costs are initially included in the fair value of the debt instrument and are subsequently amortised over the term of the instrument through the effective interest method.

Interest on lease liabilities is charged to the Income Statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Derivative financial instruments are measured at fair value at each reporting date, with changes in fair value being charged or credited to the Income Statement.

1.12 Dividends

Interim dividends are recognised when they are paid to shareholders. Final equity dividends are recognised when approved by the shareholders.

1.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the 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.

1.14 Intangible assets

Goodwill

Goodwill represents the difference between the cost of a business acquisition over the fair value of the identifiable net assets acquired at the date of acquisition. Subsequent to initial recognition, goodwill is carried at cost less any impairment losses. Goodwill is reviewed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that there might be an impairment.

Other 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.

At each reporting date the Group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful economic life.

Amortisation is charged so as to allocate the cost of assets less any residual value, over the estimated useful economic life, on the following straight-line basis:

- Computer software; 20%
- Customer lists; 20%

Amortisation is included in administrative expenses in the Income Statement.

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs where appropriate. Capitalised development costs are amortised from the point at which the asset is ready for use.

1.15 Property, plant and equipment

Property, plant and equipment 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 Group 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 any residual value, over the estimated useful economic life, on the following straight-line basis:

- Fixtures, fittings and equipment; 20%
- Tenant improvements; 10% or the remaining lease term, whichever is shorter
- Computer hardware; 33% (2021: 20%)

The assets' residual values, useful economic lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount of the assets and are recognised in the Income Statement.

1.16 Right-of-use assets

Right-of-use assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical costs includes the initial amount of the lease liability, any initial direct costs incurred and an estimate of any dilapidation costs. Also included are the costs of lease payments made, less any lease incentives received, at or before the commencement date.

At each reporting date the Group 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.

Subsequent to initial measurement, the right-of-use asset is also adjusted for certain remeasurements of the associated lease liability, details of which are provided in note 16.

Depreciation is charged on a straight-line basis so as to allocate the cost of assets less any residual value, over the shorter of the lease term or useful economic life of the underlying asset.

1.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. 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.

1.18 Mortgage assets

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Group has transferred substantially all of the risks and rewards of ownership. The risks and rewards of ownership in relation to later life mortgages originated by the Group is immediately sold to a third party upon completion of the loan arrangement. The loans meet the de-recognition criteria of IFRS 9 and therefore are recognised and immediately derecognised at the point of sale.

1.19 Trade and other receivables

Trade and other receivables are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost.

A provision for impairment of trade receivables is recognised based on lifetime expected credit losses at each reporting date.

Accrued income relates to amounts earned at the reporting date which have not yet been invoiced.

1.20 Cash and cash equivalents

Cash and cash equivalents includes cash-in-hand, cash-at-bank, bank overdrafts and deposits readily convertible to known amounts of cash and that have an original maturity of three months or less. In the Statement of Financial Position, bank overdrafts that do not have right of offset are presented within current liabilities.

1.21 Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are measured subsequently at amortised cost.

1.22 Contingent consideration

Contingent consideration is classified either a financial liability or as equity. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

1.23 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.

Financial liabilities are subsequently measured at amortised cost applying the effective interest rate method. The difference between the net proceeds received at inception and the principal cash flows due at maturity is accrued over the term of the liability.

1.24 Derivative financial instruments

Derivative financial instruments are measured at fair value at each reporting date, with changes in fair value being charged or credited to finance expense. The Group enters into financial derivatives to manage its exposure to changes in market interest rates and does not undertake speculative activities. The Group has no financial instruments designated in hedge relationships under IFRS 9 *Financial Instruments*.

1.25 Lease liabilities

For leases where the Group is a lessee, the Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

Lease liabilities are initially measured at the present value of the lease payments due during the lease term but that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed payments and applicable variable lease payments (which depend on an index or a rate). The lease term includes periods covered by extension and break options if the Group is reasonably certain to extend the lease or to not exercise the break.

The discount rates applied in the measurement of the lease liabilities represent the Group's incremental borrowing rates. The incremental borrowing rates are determined through a build-up approach, starting with swap rates specific to the term and economic environment of the lease, then adjusted for the credit risk of the lessee. The inputs used to determine the rates are regularly reassessed, based on historical experience and other factors which the Directors believe to be reasonable.

Each lease payment is allocated between the capital repayment of the liability and the finance cost element. The finance cost is charged to the Income Statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. In the Statement of cash flows the finance cost element is reported within interest paid and the capital repayment of the liability is reported within Repayment of lease obligations.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index, rate or a lease modification. When extension or break options are exercised (or not exercised) in a way inconsistent with the prior assessments of those options, or if those assessments are changed, then lease liabilities will also be remeasured.

The Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less (short-term leases) and lease contracts for which the underlying asset is of low value (low value leases). Lease payments on short-term leases and those on low value leases are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

1.26 Share-based payment

The Group provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value (excluding the effect on non-market based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the Income Statement.

1.27 Reserves

The Group's reserves are as follows:

- 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.
- Capital contribution reserve represents capital contributions made from the Group's parent, Theo Topco Limited.
- Other reserves is used to record the differences that can arise from transactions with non-controlling interests that do not result in a loss of control.
- Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

2. Revenue

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

	2022	2021
	£'000	£'000
Origination income	148,331	78,840
Commission income	29,969	19,489
Advice charges	9,118	5,588
Servicing fees	5,908	4,315
Estate planning fees	2,341	2,075
Other revenue	3,003	2,714
Total revenue	198,670	113,021

3. Operating profit

	2022	2021
	£'000	£'000
Operating profit has been derived after charging:		
Depreciation		
Property, plant and equipment (note 9)	772	451
Right-of-use assets (note 10)	585	525
Loss on disposal of property, plant and equipment	71	-
Impairment of property, plant and equipment (note 9)	128	-
Amortisation intangible assets (note 8)	12,467	11,270
Impairment of intangible assets (note 8)	-	411

Group operating profit for the year ended 31 December 2022, includes £448k cost associated with bringing a new funder to market, £439k of consultancy in relation to process optimisation, £144k of redundancy costs, £968k of ad hoc legal and professional fees, £201k of product innovation costs and £154k in relation to brand development.

Group operating profit for the year ended 31 December 2021, includes £809k start-up costs in relation to Standard Life Home Finance Limited, £309k of redundancy costs, £416k of ad hoc legal and professional fees, £124k of Group reorganisation costs and £107k in relation to brand development.

Auditors' remuneration	2022	2021
	£'000	£'000
Audit services:		
Fees payable to the Group's auditors for the audit of the Consolidated and Company financial statements	42	40
Audit of the Company's subsidiaries	197	146
Non-audit services:		
Covenants reporting	5	5
Grant claims reporting	-	10
Total amount payable to the Group's auditors	244	201

4. Employee numbers and expense

The average monthly number of persons employed by the Group, including the Directors, during the year was as follows:

	2022	2021
	No.	No.
Advice Delivery	224	214
Manufacturing	273	180
Central Services	181	164
Key Management Personnel	9	11
	<u>687</u>	<u>569</u>

Group

2022	2021
£'000	£'000

The aggregate employee benefit expense of these persons were as follows:

Wages and salaries	31,961	24,086
Social security costs	3,644	2,563
Pension costs	1,832	888
	<u>37,437</u>	<u>27,537</u>

The Company has no employees in the year or prior year.

5. Directors and key management personnel

Directors' remuneration	2022 £'000	2021 £'000
Short-term employee benefits	628	519
Company pension contributions to money purchase schemes	37	29
Termination benefits	-	207
	665	755
Highest Paid Director		
Short-term employee benefits	367	321
Company pension contributions to money purchase schemes	-	-
	367	321

There was one director (2021: one) accruing benefits under a money purchase pension scheme during the year.

Remuneration of key management personnel	2022 £'000	2021 £'000
Short-term employee benefits	2,414	2,304
Company pension contributions to money purchase schemes	60	46
Termination benefits	-	207
	2,474	2,557

Key management personnel comprises all directors and certain senior managers who are members of the Executive committee.

6. Net finance costs

	2022 £'000	2021 £'000
Interest payable on bank loans held at amortised cost	2,756	3,818
Interest payable on loan notes held at amortised cost	7,892	7,311
Interest payable on loans from parent undertaking, held at amortised cost	4,809	4,453
Interest on lease liabilities	209	150
Fair value losses/(gains) on derivative financial instruments	292	(272)
Other interest payable	8	-
Interest receivable	(24)	-
	15,942	15,460

7. Tax

	2022 £'000	2022 £'000	2021 £'000	2021 £'000
<i>Current tax</i>				
UK corporation tax	4,600		824	
Adjustments in respect of prior years	40		(1)	
Total current tax charge		4,640		823
<i>Deferred tax</i>				
Origination and reversal of timing differences	(804)		(1,560)	
Adjustments in respect of prior years	(188)		71	
Effect of tax rate change	129		3,822	
Total deferred tax charge		(863)		2,333
Tax		3,777		3,156

Factors affecting tax charge for year

	2022 £'000	2021 £'000
Profit / (loss) before tax	11,631	(11,146)
Tax on loss at the standard rate of corporation tax in the UK of 19% (2021: 19%)	2,210	(2,118)
Effects of:		
Fixed asset differences	11	4
Expenses not deductible for tax purposes	3,004	3,492
Income not subject to tax	(1,138)	(1,007)
R&D expenditure credits	-	9
Group income	-	(6)
Group relief claimed	(285)	(214)
Adjustments to tax charge in respect of previous years	40	(1)
Effects of rate change	129	3,472
Adjustments to tax charge in respect of previous years - deferred	(188)	71
Timing differences	(6)	(792)
Deferred tax not recognised	-	246
Total tax charge	3,777	3,156

7. Tax (continued)

Tax rate changes

During the prior year there was a £3,472k deferred tax charge recognised following legislation being enacted to increase the standard rate of corporation tax from 19% to 25% from 1 April 2023.

Deferred tax liability

The deferred tax liability at year end of £16,337k (2021: £17,200k) primarily relates to capital allowances on fixed assets. Of the deferred tax liability, £1,284k (2021: £1,284k) represents a current liability.

8. Intangible assets

Group	Goodwill	Other	Computer Software	Customer Lists	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2022	128,508	101,374	28,156	250	258,288
Additions	-	-	7,814	-	7,814
At 31 December 2022	128,508	101,374	35,970	250	266,102
Accumulated amortisation					
At 1 January 2022	30,983	29,849	12,895	67	73,794
Charge for the year	-	6,758	5,659	50	12,467
At 31 December 2022	30,983	36,607	18,554	117	86,261
Net book value					
At 31 December 2022	97,525	64,767	17,416	133	179,841
At 31 December 2021	97,525	71,525	15,261	183	184,494

Other:	Net book value		Remaining amortisation period (years)	
	2022	2021	2022	2021
	£'000	£'000		
Lender relationships- More 2 Life Ltd	51,930	57,349	9.5	10.5
Lender relationships- Key Retirement Solutions Limited	6,015	6,643	9.5	10.5
Brand- Key Retirement Solutions Limited	6,822	7,533	9.5	10.5
	64,767	71,525		

The Group has performed its annual assessment of its amortisation policies and asset lives and deemed them to be appropriate. The Group has undertaken its annual impairment review as set out in notes 1.7 and 1.14.

At the 31 December 2022, the Group had contractual commitments for the acquisition of intangible assets amounting to £3,119k (2021: £2,646k).

8. Intangible assets (continued)

Prior year

Group	Goodwill £'000	Other £'000	Computer Software £'000	Customer Lists £'000	Total £'000
Cost					
At 1 January 2021	128,508	101,374	20,374	250	250,506
Additions	-	-	7,782	-	7,782
At 31 December 2021	128,508	101,374	28,156	250	258,288
Accumulated amortisation					
At 1 January 2021	30,983	23,091	8,022	17	62,113
Charge for the year	-	6,758	4,462	50	11,270
Impairment	-	-	411	-	411
At 31 December 2021	30,983	29,849	12,895	67	73,794
Net book value					
At 31 December 2021	97,525	71,525	15,261	183	184,494
At 31 December 2020	97,525	78,283	12,352	233	188,393

9. Property, plant and equipment

Group	Tenant Improvements £'000	Computer Hardware £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost				
At 1 January 2022	1,369	1,917	272	3,558
Additions	358	905	47	1,310
Disposals	-	(120)	-	(120)
At 31 December 2022	1,727	2,702	319	4,748
Accumulated amortisation				
At 1 January 2022	391	1,039	223	1,653
Charge for the year	160	587	25	772
Impairment	-	128	-	128
On disposals	-	(48)	-	(48)
At 31 December 2022	551	1,706	248	2,505
Net book value				
At 31 December 2022	1,176	996	71	2,243
At 31 December 2021	978	878	49	1,905

The Group has performed its annual assessment of its depreciation policies and asset lives. Due to the evolving composition of computer hardware assets, the Group has revised the estimated useful life of computer hardware assets from five years to three years during the year ended 31 December 2022. The revision has been accounted for prospectively as a change in accounting estimate and as a result, the depreciation charge for the Group for the current financial year has increased by £239k

The Group has undertaken its annual impairment review as set out in note 1.15.

At the 31 December 2022, the Group had no (2021: none) contractual commitments for the acquisition of property, plant and equipment.

9. Property, plant and equipment (continued)

Prior year

Group	Tenant Improvements £'000	Computer Hardware £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost				
<i>At 1 January 2021</i>	1,275	1,702	259	3,236
<i>Additions</i>	94	215	13	322
<i>At 31 December 2021</i>	1,369	1,917	272	3,558
Accumulated amortisation				
<i>At 1 January 2021</i>	260	740	202	1,202
<i>Charge for the year</i>	131	299	21	451
<i>At 31 December 2021</i>	391	1,039	223	1,653
Net book value				
<i>At 31 December 2021</i>	978	878	49	1,905
<i>At 31 December 2020</i>	1,015	962	57	2,034

10. Right-of-use assets

Group	Property £'000	Other £'000	Total £'000
Cost			
At 1 January 2022	3,361	156	3,517
Additions	1,658	528	2,186
Assets fully depreciated	(640)	(61)	(701)
At 31 December 2022	4,379	623	5,002
Accumulated depreciation			
At 1 January 2022	957	110	1,067
Charge for the year	542	43	585
Assets fully depreciated	(640)	(61)	(701)
At 31 December 2022	859	92	951
Net book value			
At 31 December 2022	3,520	531	4,051
At 31 December 2021	2,404	46	2,450

The Group has performed its annual assessment of its depreciation policies and asset lives and deemed them to be appropriate. The Group has undertaken its annual impairment review as set out in note 1.15.

Prior year

Group	Property £'000	Other £'000	Total £'000
Cost			
At 1 January 2021	3,361	156	3,517
Additions	-	-	-
At 31 December 2021	3,361	156	3,517
Accumulated depreciation			
At 1 January 2021	477	65	542
Charge for the year	480	45	525
At 31 December 2021	957	110	1,067
Net book value			
At 31 December 2021	2,404	46	2,450
At 31 December 2020	2,884	91	2,975

11. Investments

Company	Group undertakings £'000
Cost	
At 1 January 2022 and 1 January 2021	57,925
Additions	-
At 31 December 2022 and 31 December 2021	<u>57,925</u>
Net book value	
At 31 December 2022	57,925
At 31 December 2021	<u>57,925</u>

The Group has undertaken its annual impairment review as set out in note 1.7.

11. Investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Place of business/ country of incorporation	Class of shares	Holding
Theo Bidco Limited [°]	Great Britain	Ordinary	100%
Key Group Topco Limited * [°] [^]	Great Britain	Ordinary	100%
Key Group Midco 1 Limited * [°] [^]	Great Britain	Ordinary	100%
Key Group Midco 2 Limited * [°] [^]	Great Britain	Ordinary	100%
Key Group Bidco Limited * [°]	Great Britain	Ordinary	100%
Key Retirement Group Limited * [°] [^]	Great Britain	Ordinary	100%
KRS Finance Ltd * [°]	Great Britain	Ordinary	100%
KRS Group Limited * [^]	Great Britain	Ordinary	100%
Key Retirement Solutions Limited *	Great Britain	A Ordinary B Ordinary	100%
Key Partnerships Limited * [^]	Great Britain	Ordinary	100%
More 2 Life Ltd *	Great Britain	Ordinary	100%
KRS Services Limited * [°]	Great Britain	Ordinary	100%
Equity Release Assured Limited * [°]	Great Britain	Ordinary	100%
Retirement People Limited * [^]	Great Britain	Ordinary	100%
Modern Lending Advisers Limited * [°]	Great Britain	Ordinary	100%
Home Equity Release Service Limited * [°]	Great Britain	Ordinary	100%
Primetime Retirement Group Limited * [°]	Great Britain	A Ordinary	79%
Primetime Retirement Limited * [°]	Great Britain	Ordinary	79%
Key Secured Lending Limited * [^]	Great Britain	Ordinary	100%
The Retirement Lending Advisers Limited * [°]	Great Britain	Ordinary	100%
Equity Release Club Holdings Limited * [°]	Great Britain	Ordinary	100%
Answers in Retirement Limited * [°]	Great Britain	Ordinary	100%
Later Life Guidance Limited * [°]	Great Britain	Ordinary	100%
Key Later Life Services Limited * [°]	Great Britain	Ordinary	100%
Key Legal Trustees Limited * [°]	Great Britain	Ordinary	100%
TERE Advisers Ltd * [°]	Great Britain	Ordinary	100%
Sunrise Bidco Limited * [°]	Great Britain	Ordinary	100%
Standard Life Home Finance Limited *	Great Britain	Ordinary	100%
Project 21 Bidco Limited *	Great Britain	Ordinary	100%
Project 21 Opco Limited *	Great Britain	Ordinary	100%
Key Advice Solutions Limited *	Great Britain	Ordinary	100%

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

[^] Pending dissolution and strike off at Companies House as at 31 December 2022.

[°] As permitted by section 479A of the Companies Act 2006, the Company intends to take advantage of the audit exemption in relation to the individual accounts and financial statements of these companies.

11. Investments (continued)

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 financial statements under section 394A of the Companies Act 2006.

The Group acquired the remaining 49% equity interests in its subsidiaries TERE Advisers Ltd and Equity Release Club Holdings Limited, during the year ended 31 December 2022. For more details in relation to these acquisitions, please see note 22.

The Group dissolved and struck off More 2 Life SPV 1 Ltd, More 2 Life Asset SPV 2 Limited, More 2 Life Retirement Income Limited, Key Money Limited and Key Group Asset Management Limited, during the year ended 31 December 2022.

Standard Life Home Finance Limited was established during the year ended 31 December 2021, in collaboration with Phoenix Group PLC to launch later life lending products into the market under the Standard Life brand. The Company is wholly owned by the Group and is recognised as a subsidiary undertaking on the basis that the Group has ultimate control over the entity and has rights to the economic risk and returns of the business.

Call options exist in relation to a small number of subsidiaries, which either allow the Group to purchase back minority interests or enable a third party to acquire the equity of a company in certain limited circumstances at fair value. These arrangements are protectionary in nature and at each reporting year end, management assess the value of these instruments, with these being recognised at fair value through the Income statement. As at the 31 December 2022 and 31 December 2021, these instruments were assessed as having either no or negligible fair value and as such, there were no amounts recognised at the balance sheet date.

12. Trade and other receivables

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Current				
Trade receivables	1,486	1,385	-	-
Other receivables	1,763	2,194	-	-
Prepayments and accrued income	4,250	2,239	-	4
Amounts owed by Parent/Group undertakings	7,261	3,148	2,838	2,837
	14,760	8,966	2,838	2,841
Non-current				
Amounts owed by Group undertakings - 8.00% loan August 2025	-	-	103,010	95,379
Amounts owed by Group undertakings - 8.00% loan notes August 2025	-	-	23,959	22,185
	-	-	126,969	117,564

The carrying amounts of trade and other receivables approximates to their fair value at 31 December 2022 and 31 December 2021.

Trade receivables do not carry interest and are stated net of £139k (2021: £65k) of expected credit losses. The following table provides the ageing of net trade receivables that were past due and individually impaired.

2022	Current % / £'000	More than 30 days past due % / £'000	More than 60 days past due % / £'000	More than 120 days past due % / £'000	Total £'000
Expected credit loss rate	0.4%	5.4%	14.1%	38.8%	
Gross carrying amount	896	338	138	253	1,625
Expected credit loss	3	18	20	98	139

2021	Current % / £'000	More than 30 days past due % / £'000	More than 60 days past due % / £'000	More than 120 days past due % / £'000	Total £'000
Expected credit loss rate	0.3%	4.6%	14.2%	20.0%	
Gross carrying amount	999	170	29	252	1,450
Expected credit loss	3	8	4	50	65

At the 31 December 2022 and 31 December 2021, the Group had no trade receivables that were past due and not individually impaired.

Amounts owed by Parent/Group undertakings are unsecured, interest free and are repayable on demand unless stated otherwise. Interest where applicable on amounts owed by Parent/Group undertakings is accrued for each year and included in their respective carrying values. The Company expects to be able to recover the outstanding balances if demanded or as they fall due and as such, no provision has been recognised as the credit risk is assessed to be immaterial.

The Company is an Obligor under the Group Senior Facility Agreement, which governs the £75,000k senior loan (£53,900k outstanding at year end) and £5,000k revolving credit facility (undrawn at year end). 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.

13. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	27,694	17,109
	27,694	17,109

14. Trade and other payables

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Current				
Trade payables	4,117	2,504	1	-
Other taxation and social security	1,666	1,293	-	-
Other payables	224	534	-	-
Accruals and deferred income	15,471	12,167	-	-
Amounts owed to Group undertakings	-	-	2,877	2,813
	21,478	16,498	2,878	2,813
Non-current				
Accruals and deferred income	4,881	7,500	-	-
Contingent consideration	2,579	-	-	-
	7,460	7,500	-	-

Included within accruals and deferred income is £7,381k (2021: £10,000k); £4,881k due after one year and £2,500k due within one year. This balance represents revenue received in advance during the previous year, in relation to bringing Standard Life branded equity release products to market. This deferred income will be recognised as revenue in each financial year through until the year ending 31 December 2025, at which point it will be fully amortised. The amount of deferred revenue recognised each year represents a significant accounting judgement and is determined by the level of equity release funding originated in each financial year as set out in the Collaboration agreement.

The Group acquired the non-controlling interest in Equity Release Club Holdings Limited during the year, which included £2,579k of contingent consideration which has been discounted. The contingent consideration of £3,316k on an undiscounted basis becomes payable in the future based on an agreed date and formula with the previous shareholders. Please refer to note 22 for more information in relation to this acquisition.

15. Borrowings

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Borrowings measured at amortised cost				
£53,900k SONIA+4.1193% bank loan August 2024	53,232	52,790	-	-
Sterling 8.00% A loan notes August 2025	94,137	87,084	94,137	87,084
Sterling 8.00% B loan notes August 2025	11,218	10,379	11,218	10,379
<i>Amounts owed to Parent/Group undertakings:</i>				
Sterling 8.00% loan notes August 2025	12,259	11,351	12,259	11,351
Sterling 8.00% loan August 2025	52,661	48,760	52,661	48,760
	223,507	210,364	170,275	157,574

Group

In relation to the bank loan, security has been taken on the assets of the major trading subsidiaries of the Group. The syndicate of lenders as at 31 December 2022 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.

Interest on the loan notes and amounts owed to Parent undertakings is accrued for each year and included in their respective carrying values.

Information in relation to the Group's revolving credit facilities are detailed in note 19.

Company

The Company is an Obligor under the Group Senior Facility Agreement, which governs the £75,000k senior loan (£53,900k outstanding at year end (2021: £53,900k)) and £5,000k revolving credit facility (undrawn at year end (2021: undrawn)). 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.

Interest on the loan notes and amounts owed to Group undertakings is accrued for each year and included in their respective carrying values.

The carrying amount of borrowings for the Group and Company approximate to their fair values at 31 December 2022 and 31 December 2021.

Maturity of borrowings

The table below summarises the maturity profile of the Group's borrowings based on contractual, undiscounted payments, which include future interest payments. As a result, amounts shown below do not agree to the amounts disclosed in the Statement of financial position for borrowings, which exclude future interest payments.

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Less than one year	4,078	2,459	-	-
One to two years	56,279	2,459	-	-
Two to three years	208,093	55,334	208,093	-
Three to four years	-	208,093	-	208,093

16. Lease liabilities

Group	2022	2021
	£'000	£'000
Current lease liabilities	595	493
Non-current lease liabilities	3,624	2,218
	4,219	2,711

The table below summarises the maturity profile of the Group's lease liabilities on contractual, undiscounted payments.

Group	2022	2021
	£'000	£'000
Less than one year	833	618
One to two years	799	462
Two to three years	728	518
Three to four years	784	493
Four to five years	581	472
More than five years	1,457	590

The vast majority of the lease liabilities relate to property (see note 10). Property leases typically include rent review terms that require rents to be adjusted on a periodic basis, following market rent increase. Lease liabilities include periods beyond extension and break option dates if the Group is reasonably certain to extend or continue the lease.

The interest expense on lease liabilities is shown in note 6. The depreciation expense for leased assets during the year is shown in note 3 and note 10. The total cash outflow for leases was £707k (2021: £621k), of this £209k (2021: £150k) was payment of interest and £498k (2021: £471k) payment of principal.

17. Provisions

Group	Bad Leaver Provision £'000	Loan sale premium £'000	Dilapidation provision £'000	Total £'000
At 1 January 2022	965	226	-	1,191
Amounts utilised in the year	(961)	(216)	-	(1,177)
Charge for the year	-	369	-	369
Amounts capitalised in the year	-	-	170	170
Released in the year	(4)	-	-	(4)
At 31 December 2022	-	379	170	549

Loan Sale Premium claw back provision

Under Mortgage Purchase Agreements between More 2 Life Ltd and the Funders, there are scenarios which create a liability for the More 2 Life Ltd. The Company tracks historical voluntary redemptions and business volumes to arrive at an estimation of the potential loan sale premium liability.

Dilapidation provision

A dilapidation provision has been created on leased buildings to the extent that there is a requirement for repairs or reinstatement works under the terms of the lease. These costs have been capitalised in the valuation of the associated right-of-use asset at inception of the lease.

18. Cash generated from operations

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Profit / (loss) after tax	7,854	(14,302)	(3,364)	(3,065)
Tax	3,777	3,156	-	-
Profit / (loss) before tax	11,631	(11,146)	(3,364)	(3,065)
Adjustments for:				
Depreciation of property, plant and equipment	772	451	-	-
Impairment of property, plant and equipment	128	-	-	-
Loss on disposal of property, plant and equipment	71	-	-	-
Amortisation of intangible assets	12,467	11,270	-	-
Depreciation on right-of-use assets	585	525	-	-
Impairment of intangible assets	-	411	-	-
Net finance costs	15,942	15,460	3,296	3,056
Other non-cash items	-	(209)	-	-
Working capital movements:				
(Increase) / decrease in receivables	(5,804)	(712)	3	(31)
Increase in payables	2,392	13,770	65	66
Cash generated from operations	38,184	29,820	-	26

18. Cash generated from operations (continued)

Net debt reconciliation

Net debt comprises borrowings and lease liabilities, net of cash and cash equivalents and derivatives. The table below should be read in conjunction with the consolidated statement of cash flows.

	Liabilities from financing activities						Other		
	Loan notes	Bank loans	Leases	Derivatives	Loan from parent undertaking	Loan notes from parent undertaking	Subtotal	Cash	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net debt at									
Net debt at 1 January 2021	90,178	77,350	3,182	(20)	45,148	10,510	226,348	(24,312)	202,036
Cash flows	(26)	(28,345)	(621)	-	-	-	(28,992)	7,203	(21,789)
New leases	-	-	-	-	-	-	-	-	-
Accrued interest	7,245	3,354	150	-	3,612	841	15,202	-	15,202
Fair value movements	-	-	-	(272)	-	-	(272)	-	(272)
Other changes*	66	431	-	-	-	-	497	-	497
Net debt at 31 December 2021	97,463	52,790	2,711	(292)	48,760	11,351	212,783	(17,109)	195,674
Cash flows	-	(2,304)	(707)	-	-	-	(3,011)	(10,585)	(13,596)
New leases	-	-	2,006	-	-	-	2,006	-	2,006
Accrued interest	7,828	2,314	209	-	3,901	908	15,160	-	15,160
Fair value movements	-	-	-	292	-	-	292	-	292
Other changes*	64	432	-	-	-	-	496	-	496
Net debt at 31 December 2022	105,355	53,232	4,219	-	52,661	12,259	227,726	(27,694)	200,032

* Other changes include non-cash movements such as the amortisation of issuance fees.

19. Financial risk management

The Group Board manages funding, liquidity and other financial risks to mitigate the risk of an adverse impact on the performance of the Group as a result of its exposure to financial risks arising from the Group's operations and its sources of finance. As well as managing the exposure to these risks, the Board ensures compliance with relevant financial covenants which are in place in relation to its bank borrowings and which include interest cover and net leverage metrics. The daily monitoring and monthly reporting of these risks is undertaken by the Group's Treasury function. It is the Group's policy not to engage in speculative trading of financial instruments.

Liquidity risk

Group

Liquidity is actively monitored by the Group's treasury function and is reported to the Board through the monthly management accounts. The Group policy is to maintain a sufficient level of cash and committed facilities to meet its obligations as they fall due.

At the 31 December 2022, the Group had £32,694k (2021: £22,109k) of available liquidity, which comprised £27,694k (2021: £17,109k) cash and cash equivalents and £5,000k (2021: £5,000k) of undrawn committed borrowing facilities.

The Group has a committed revolving credit facility of £5,000k with a maturity date of August 2023. At the 31 December 2022, £5,000k (2021: £5,000k) was undrawn against this facility. The revolving credit facility incurs commitment fees and interest charges at a spread above SONIA.

The maturity profiles set out in notes 15 and 16 represent the forecast future contractual principal and interest cash flows in relation to the Group's financial liabilities on an undiscounted basis.

Company

The Company had no committed facilities available at 31 December 2022 or 31 December 2021.

Interest rate risk

Group

The Group seeks to protect itself against adverse movements in interest rates by holding a significant proportion of its total borrowings at fixed interest rates. At the reporting date, 76.2% (2021: 74.9%) of the Group's borrowings are at a fixed interest rate.

In addition to this, the Group may enter into derivative instruments such as floating-to-fixed interest rate swaps and interest rate caps to reduce its exposure to interest rate risk. The Group held an interest rate cap during the year which fully hedged its exposure to SONIA interest rates at a strike price of 0.3807%. The interest rate cap matured on 31 December 2022 (2021: £292k fair value).

The derivative is categorised as a level 2 instrument, as its fair value is calculated by using benchmark observable market interest rates to determine and discount future cash flows.

Company

The Company had no exposure to interest rate risk at 31 December 2022 or 31 December 2021.

19. Financial risk management (continued)

Credit risk

Group

Credit risk arises from cash and cash equivalents held at the bank, and exposures from sources of revenue. The credit risk exposure in relation to the Group's trade receivables is considered to be relatively low. The majority of the Group's revenue is received the day after completion from its large third party funders. In addition, fees due from equity release customers are generally deducted from the loan proceeds managed by solicitors and which are then paid across from the solicitors.

The majority of the Group's cash and cash equivalents are held in current accounts with National Westminster Bank Plc which has a long-term credit rating of A1 stable/ A stable with Moody's and S&P respectively, and is 48.1% owned by the UK Government.

Company

Trade and other receivables relates to amounts due from group undertakings.

At the 31 December, the maximum exposure to credit risk for the Group and Company is represented by the carrying value of the following financial assets:

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Cash and cash equivalents	27,694	17,109	-	-
Trade and other receivables	14,760	8,966	129,807	120,405
Derivative financial asset	-	292	-	-
	42,454	26,367	129,807	120,405

Capital risk management

The Group manages its capital structure to ensure the long-term viability of the business whilst maximising shareholder returns.

The capital structure of the Group consists of net debt (borrowings and derivatives less cash and cash equivalents) and equity (issued share capital, reserves and accumulated losses).

The Board manages the Group's capital structure through the arrangement of appropriate borrowing facilities, managing the generation of free cash flow and determining how and to what extent this free cash flow is reinvested in the business or used to settle outstanding debt obligations and through monitoring its performance against banking covenants.

The banking covenants include an interest cover and net leverage metric. These covenants not only provide a minimum condition of the banking facilities, but also determine the margin applied in calculating the interest rate applied to both the bank loan and RCF. There have been no breaches of financial covenants in the year ended 31 December 2022 or 31 December 2021.

20. Share based payments

The Group provides share-based payment arrangements to certain employees, which are subject to leaver provisions detailed in the articles. The fair value was recognised as at the grant date and in line with the accounting policy there is no change to the fair value within the year and there are no movements/expenses that have been recognised in the financial statements during the year.

21. Share capital

	2022	2021
	£'000	£'000
1 (2021: 1) Ordinary shares of £1.00 each	-	-

All issued shares are fully paid. The Directors do not propose a dividend in respect of the financial year ended 31 December 2022.

22. Other reserves- transactions with non-controlling interests

On the 30 June 2022, the Group acquired the remaining 49% equity interest in its subsidiary, TERE Advisers Ltd (TERE) for consideration of £4,252k. At the date of acquisition, the carrying value of the non-controlling interest in TERE was £508k, which has resulted in £3,765k (after transaction costs) being recognised in a newly created Other reserve.

On the 16 November 2022, the Group acquired the remaining 49% equity interest in its subsidiary, Equity Release Club Holdings Limited (ERCH) for consideration of £9,240k. At the date of acquisition, the carrying value of the non-controlling interest in ERCH was £895k and a bad leaver provision of £961k has been utilised, which has resulted in £7,427k (after transaction costs) being recognised in a newly created Other reserve. The £9,240k of consideration valued at fair value, comprises £6,661k of cash paid on the acquisition date and £2,579k of contingent consideration which has been discounted and recognised as a financial liability at the reporting date. The contingent consideration of £3,316k on an undiscounted basis becomes payable in the future based on an agreed date and formula with the previous shareholders.

23. Related party transactions

Group

The following Directors of Group Companies are also shareholders of the Group; S Thompson, S Groves, D Young, S Drew, G Kent, D Harris, W Hale and C Bibby. These individuals have interests in the B loan notes, which accrue interest at 8.00%. This interest rate mirrors the A loan note interest rate as part of the acquisition of Key Group by funds advised by Partners Group.

The remuneration and benefits of the Executive directors have been reviewed by the Group remuneration committee and represent a reasonable remuneration package relative to the market for each individual and their respective roles in the Group.

The Non-executive directors negotiated their remuneration with Partners Group prior to joining the Board in 2017. The Group believes their remuneration reflects market rates for directors of their experience.

The funds advised by Partners Group have an interest in the A loan notes.

During the year, the Group entered into transactions, in the ordinary course of business, with these related parties. The transactions entered into, and the balances outstanding at 31 December are as follows:

	2022 £'000	2021 £'000
Partners Group		
Payable in relation to A loan notes at 1 January	87,507	81,025
Charges from related party:		
Interest accruing on A loan notes	7,000	6,482
Payable in relation to A loan notes at 31 December	94,507	87,507
Advisory fee	1,265	1,265
Directors' interest on loan notes		
Payable in relation to B loan notes at 1 January	10,327	9,590
Amounts issued	-	18
Repayment	-	(44)
Charges from related party:		
Interest accruing on B loan notes	828	763
Payable in relation to B loan notes at 31 December	11,155	10,327

Company

The Company receives interest on borrowings from a subsidiary undertaking in the normal course of business. The total interest receivable during the year was £9,405k (2020: £8,708k). The Company pays interest on borrowings to its parent in the normal course of business. The total interest payable during the year was £4,809k (2021: £4,453k). Amounts outstanding at 31 December 2022 and 31 December 2021 between the Company and subsidiary undertakings are disclosed in notes 12, 14 and 15.

24. Ultimate parent company

The Company's immediate and ultimate parent company is Theo Topco Limited.

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 its registered office at Baines House, Midgery Court, Pittman Way, Fulwood, Preston, PR2 9ZH.

There is no ultimate controlling party by virtue of a majority shareholding of Theo Topco Limited, although Partners Group have de facto control of the Group due to the constraints imposed on the Group and Executive directors through the investment agreement.