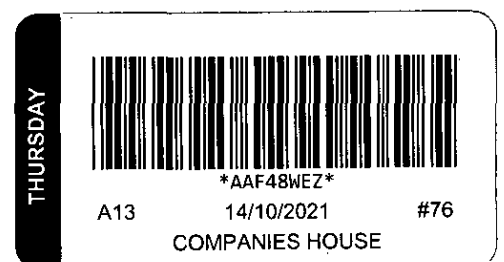

THEO MIDCO LIMITED

REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

AMENDED



THEO MIDCO LIMITED

COMPANY INFORMATION

Directors	Simon Drew (appointed 1 April 2021) Robert Scott (resigned 31 March 2021) Simon Thompson
Registered number	10756735
Registered office	Baines House Midgery Court, Fulwood Preston PR2 9ZH
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors No 1 Spinningfields Hardman Square Manchester M3 3EB

THEO MIDCO LIMITED

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THEO MIDCO LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

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

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, More 2 Life and AiR Group (AiR).

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

More 2 Life is a specialist lender that originates and administers lifetime mortgage products. Both Key Advice and More 2 Life are authorised and regulated by the Financial Conduct Authority (FCA).

AiR provides a product sourcing tool (AiR Sourcing), allowing brokers to search products available for their customers based on their needs. AiR also runs the AiR Academy, providing the London Institute of Banking and Finance ("LIBF") endorsed training on how to provide good advice to customers requiring equity release solutions and the AiR Mortgage Club, providing ongoing support to members as well as access to market leading product deals with lenders.

Results and performance

The statutory results for the Group show an operating loss of £10,763k (2019: £2,278k restated), a loss before tax of £26,576k (2019: £16,909k restated) and net liabilities of £37,972k (2019: £11,029k).

Group turnover has decreased in the year to £95,127k from £98,066k in the prior year. The prior year figure has been restated per disclosure in Note 2.1. Operating profit before amortisation and depreciation was £12,866k (2019: £20,254k restated).

The Group trading metric of Operating Profit Before Amortisation, Depreciation, Exceptionals and share based payment charge, which is considered by the Board to be the core measure of underlying performance for the Group, was £13,023k (2019: £21,691k restated).

The Company loss for the year ended 31 December 2020 was £2,905k (2019: £3,096k).

Strategy and Business Environment

The Covid-19 pandemic was a challenging time for the entire industry, with face to face contact not possible for a large portion of the year. During the early stages of the pandemic, the Company was one of the first to move to remote valuations whilst all our funders continued to support the equity release market.

At the start of the second half of the year, once the lockdown was eased and physical valuations were possible (in an appropriately safe manner) we worked closely with our surveyor partners to get the valuations performed and offers made to customers to whom we had been unable to process their application.

Overall demand for our products reduced somewhat over the course of the year, with the expected levels of growth not being seen but the Group has continued to trade throughout the year without needing to furlough staff or take advantage of the various Government support schemes.

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

Strategy and Business Environment (continued)

Since the onset of the pandemic in Q1 2020, a number of challenges have been experienced operationally. The reduced level of face to face appointments and valuations with customers, along with both internal and external challenges faced by the Operations teams at post-offer stage has delayed the completion process, therefore reducing the level of achievable income during significant periods of the year, whilst largely maintaining the fixed cost base of the Group.

Key Advice

In the increasingly competitive equity release market, we believe our new fee free Key Own Brand proposition and associated advertising campaign launched via a tied channel with More 2 Life, a sister company, has enabled us to stand out from our competitors as we offer good products for customers in terms of both pricing and features.

This group-wide investment in a market leading technology has enabled the Company to continue to maintain its high quality advice and oversight across all adviser channels, reduce the amount of adviser time spent on administration and allow them to focus on providing ever better customer service.

The Covid-19 pandemic has been a challenging time for the entire industry, with face to face appointments no longer possible during the lockdown periods. Our advisers rapidly transitioned to providing advice by phone and video call, allowing the entire family to more easily be involved with the advice process.

The challenges of working in the lockdown have largely been met with the vast majority of colleagues able to work from home.

More 2 Life

Our investment in technology is enabling us to gain better market insight, enabling funders to be highly competitive which in turn results in better products for customers in terms of both pricing and features.

Over the past year we have significantly enhanced our product range and features as well as developing our online offering in response to Covid-19. This offering supports the marketing and customer proposition of our adviser partners and we believe increases the attractiveness of our products to consumers.

These new initiatives together with our investment in enhanced broker support should position us well to consolidate our market position.

AiR Group (AiR)

AiR continues to promote the use of its sourcing tool to new advisers and other mortgage clubs and networks so that all occasional advisers get access to the most up to date product offers and features. AiR also continues to negotiate better terms from product providers for its club members, leveraging the volume of business done by club members as a whole.

Financial Position

The bank debt consists of a £73.9m term loan, repayable in 2024, and a £5.0m fully drawn revolving cash facility repayable in 2023. These facilities incur interest, which is payable quarterly or biannually depending on the selection notice, based on LIBOR. There are also financial covenants which the Group is required to comply with and are tested on a quarterly basis.

The overall cash at bank and in hand position at 31 December 2020 was £24.3m resulting in a net debt figure of £54.6m excluding loan notes and unamortised bank fees.

THEO MIDCO LIMITED

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

Financial Position (continued)

In addition the Group holds £9.6m of loan notes with Directors and management personnel (2019: £8.9m) as disclosed in Note 19.

The Directors have reviewed the likely performance of the business in the context of these covenants. For more information on the directors' assessment of the performance of the business in the context of the covenants, please refer to the Going Concern section of the Group Strategic Report below. The Board receives a monthly report on the Group position showing covenant headroom against budget, to ensure that any unexpected deterioration is identified early and any necessary steps to prevent a possible breach can be taken.

Key Performance Indicators

	31 December 2020	31 December 2019	
Turnover	£95,127k	£98,066k	Turnover 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, loss on disposal, exceptionals and share based payment charge	£13,023k	£21,691k	Operating profit before amortisation, depreciation, loss on disposal, exceptionals and share based payment charge is considered by the Board to be the core measure of underlying performance for the Group.
Operating Cost/ Income ratio	86.3%	77.9%	Cost of sales and operating administrative expenses (excluding amortisation, depreciation and exceptional costs) as a percentage of turnover. Considered by the Board to be an indicator of the efficiency of the Business.
Profit/(Loss) after tax	£(27,053)k	£(17,644)k	Profit/(Loss) after tax is considered to be a vital indicator of business performance by the Board.
Complaints as a percentage of written cases - Key	1.53%	1.33%	All complaints are tracked and investigated by the Compliance function. The level of upheld complaints received by the Group is minimal. The actual number of complaints for Key during the year were very close to the prior year figure, but the volume of written cases in 2020 was lower due to Covid-19.
Complaints as a percentage of completed cases - M2L	0.49%	0.30%	All complaints are tracked and investigated by the Compliance function. The level of upheld complaints received by the Group is minimal.
Complaints Upheld	16	17	

2019 Cost/Income ratio has been restated in line with the comparatives in the current year Statement of Comprehensive Income

THEO MIDCO LIMITED

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

Stakeholder Considerations and s172 of the Companies Act 2006

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

The Group's response to the Covid-19 pandemic was to establish an internal Crisis Management Team (CMT) convening twice weekly and steered by Board members. Under the guidance of the CMT a number of initiatives were introduced aimed at overcoming some of the challenges brought by the pandemic and ensuring that these changes had a positive effect on our stakeholders.

As a Board we have identified the following groups as being our major stakeholders and those most likely to be affected by our decisions, Customers, Employees, Shareholders, Funders, Lenders and Suppliers.

Customers

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

During the year, it became necessary to revisit our operating model to ensure that we could still meet the needs of our customers following the restrictions imposed on the UK by the Covid-19 pandemic. Changes in the way we communicate with customers were introduced, in particular the decision by the business to offer virtual meetings ensured that customers were still able to receive the complex financial advice they needed at the time they needed it, despite the prohibition on face to face meetings. This solution offers the added benefit of allowing the entire family to become more easily involved with the advice process. The feedback received from our customers regarding this change has been positive, thereby allowing us to meet our biggest stakeholders' needs whilst at the same time being consistent with the Group's stated aim, to grow the business.

Employees

As a responsible employer with a duty of care regarding employee welfare it was clear to the Board that working practices for our office based staff would need to change as a result of the challenges presented by the Covid-19 pandemic. Prior to any formal Government restrictions being imposed, and following discussions with employees the CMT took the decision to allow employees to work from home during the pandemic with internal meetings being held virtually. The company takes pride in the fact that it did not find it necessary to place any employees on furlough during the year or make redundancies.

Shareholders

The Group is regularly in discussion with the majority of its Shareholders, and its stated aim, to advance its growth plans, is directly linked with its obligation to advance the interests of the Group. The key measures that have been introduced by the Board in response to the Covid-19 epidemic have been discussed with the majority of our Shareholders, so that they are fully aware of how the Group is reacting to the challenges brought by the pandemic.

Funders

During 2020 we continued to work and engage closely with our funders. An example of this would be the adoption of remote valuations which was introduced during the year. We have sought the opinion of our funders on all our decision making where it was felt that the decision could have an impact on them. The opinion of the funders was vital in assessing the feasibility of various changes required as a result of Covid-19.

THEO MIDCO LIMITED

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

Stakeholder Considerations and s172 of the Companies Act 2006 (continued)

Lenders

The Board recognises that its Lenders are a key stakeholder of the Group. In order to keep our Lenders informed of our progress we share management information with them on a monthly basis. 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.

Suppliers

The Group has agreed payment terms with each of its individual suppliers and recognises the importance of paying each of these suppliers within the agreed terms. A conscious decision has been taken by the Board to ensure that frequency of supplier payment runs is high and that suppliers are paid on a timely basis so as not to place any unnecessary cashflow strains on those suppliers.

While we do consider the impact of our decisions on other stakeholders, including the local community and the environment, these are likely to be lower impact given the nature of our business.

Energy and Carbon Reporting

As a leading supplier of financial services, Key Group recognises our obligation to manage the environmental impact of our business operations and comply with all relevant environmental legislation, including the Streamlined Energy and Carbon Reporting (SECR) scheme. SECR was implemented in April 2019 and requires qualifying businesses to comply for financial years starting on or after 1 April 2019. This initial SECR report corresponds to our financial year ending December 2020.

The Greenhouse Gas (GHG) emissions associated with our core business operations have been measured and verified in accordance with 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). We have also identified appropriate intensity ratios to normalise and monitor our carbon emissions and energy efficiency measures which support our drive to minimise costs and improve productivity whilst reducing carbon emissions in line with the UK's target to bring all GHG emissions to net zero by 2050.

THEO MIDCO LIMITED

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

Energy and Carbon Reporting (continued)

Element	Detail	Units	Current Reporting Year 2020	Proportion %
Energy consumption used to calculate emissions	Electricity	kWh	502,904	45
	Gas	kWh	16,752	1
	LPG	kWh	-	-
	Transport Fuel	kWh	585,421	52
Total energy consumption	Total	kWh	1,125,077	100
Emissions from combustion of gas (Scope 1)	Gas	teCO _{2e}	2	0.00
	LPG	teCO _{2e}	0	0.00
Emissions from combustion of fuel for company owned fleet (Scope 1)	Transport Fuel	teCO _{2e}	0	0
Emissions from grey fleet business travel (Scope 3)	Transport Fuel	teCO _{2e}	135	52
Emissions from purchased electricity (Scope 2 - location based)	Grid Electricity	teCO _{2e}	117	45.26
Total gross carbon emissions	Total Mandatory	teCO_{2e}	259	100
Intensity ratio	Revenue	teCO _{2e} / £100,000	0.26	
Emissions from grid electricity transmission and distribution losses (Scope 3 - location based)	Electricity	teCO _{2e}	10	
Emissions from water supply and treatment (Scope 3)	Water	teCO _{2e}	0.0	N/A
Total gross Scope 3 emissions	Total Optional	teCO _{2e}	10	
Renewable Energy Generated from own assets	Electricity	kWh	-	N/A
Emissions Offsets Resulting from renewable generation	Electricity	teCO _{2e}	0	N/A
Total annual net emissions (Scope 1, 2 and 3)	Total Optional	teCO_{2e}	269	
Additional intensity ratios	Site Energy	kWh / m ²	157	
	Site Carbon	teCO _{2e} / m ²	0.08	
	Employee Carbon	teCO _{2e} / FTE	0.64	

The above table shows the Gross GHG emissions associated with our combined business operations during this initial SECR period were 259 tonnes of carbon dioxide equivalents (teCO_{2e}). Approximately half of this amount was due to transportation from our employee owned vehicles whilst the other half is attributable to our 3 offices. This ratio indicates that our future carbon reduction strategy should be equally focused on transport and buildings.

We have chosen to expand the scope of our reporting to exceed the mandatory requirement by including emissions associated with the transmission of electricity to site. Our Net annual emissions have been calculated by adding this figure to the gross emissions and in future years we will look to subtract any carbon offsetting or renewable energy generation that we can procure as part of our wider sustainability goals. Under this optional methodology our gross annual emissions are 269 teCO_{2e}. During the initial SECR period it is not a requirement to make a performance comparison against the previous year. The setting of a programme baseline datum will be reviewed in year 2 to account for reductions in business productivity resulting from Covid-19 restrictions.

Current government environmental reporting guidance recommends the development of at least 3 Key Performance Indicators (KPIs) associated with key environmental impacts. 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.

- Carbon emissions per £100k revenue for the reporting period: 0.26 teCO_{2e} / £100,000
- Total Energy Consumption per unit area of Office Space: 157 kWh/m²
- Carbon emissions attributable to each unit area of Office Space: 0.08 teCO_{2e}/m²
- Average carbon emissions per full time employee: 0.64 teCO_{2e} / FTE

We have also established performance benchmarks for total energy efficiency within each of our buildings. This shows that our property portfolio outperforms best practice for heating efficiency but under performs on electrical efficiency by about 30%. Improving the electrical efficiency of our offices would save £13kpa in utility costs whilst reducing our total carbon footprint by 10%.

THEO MIDCO LIMITED

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

Energy and Carbon Reporting (continued)

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 guidance provided by the UK Government and the WRI GHG Reporting Protocol methodology.

As our first SECR reporting year has occurred during the lockdown/Covid-19 Period it will not be a suitable year to assign as a baseline year against which future energy saving measures are evaluated. We will therefore continue to monitor the baseline in future years and will develop a suitable baseline calculation methodology to account for business as usual levels of productivity.

This financial year we have also complied with Phase 2 of the Government's Energy Savings Opportunity Scheme (ESOS) which occurs every 4 years. It was noted that we have delivered all of the energy efficiency actions identified during ESOS Phase 1 and have now extended the scope of our energy efficiency programme to cover both Fleming and Turing House. The current programme of energy saving and carbon reduction opportunities under consideration will deliver utility savings of £50kpa whilst reducing our total carbon footprint by 20% if all actions are successfully implemented.

We have also begun initial conversations with energy consultants sourced from the Brightsourced organisation to develop a road map to achieve net zero GHG emissions ahead of the government's 2050 legally binding deadline for achieving net zero. The output of planned further workshops in this area will include development of a road map to achieving net zero emissions for our organisations through identification and evaluation of options to achieve carbon reduction pathways across all core areas of our business activities.

Principal risks, including financial risks and uncertainties

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

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

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

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

- Operational risk, which is associated with the Group's internal processes and systems and the potential for these not to function properly. This risk was visible throughout the year as the majority of the workforce adapted to working from home and there remains uncertainty as to if and when a full return to office based working can or should be achieved. The Board is managing this uncertainty by ensuring that when available key systems and software are regularly updated to the latest versions available, as well as introducing data validation controls and checks.
- Regulatory risk, which is the risk that changes in laws or regulations, have an adverse impact on the equity release market in which it operates and the risk that the Group fails to comply with requirements laid down by its regulator, the Financial Conduct Authority (FCA); - The Board is aware that the regulator intends to closely examine the workings of the equity release market in 2021. In order to manage any uncertainty around this, the Group's dedicated compliance department will continue to monitor any

THEO MIDCO LIMITED

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

Principal risks, including financial risks and uncertainties (continued)

regulatory changes in order to ensure compliance and implement any required changes within regulatory timeframes.

- Economic risk, which is the risk that changes in the economy, e.g. property prices, interest rate changes or government interventions such as the pension market reforms, impact market conditions and reduce the Group's ability to compete; Economic risk was also very apparent this year as the economic environment suffered a sharp down turn as a result of the Covid-19 pandemic. Uncertainty remains as to how quickly the economy will recover thereby allowing activity to return to pre Covid-19 levels. The Group is mitigating this uncertainty by ensuring that the business is operationally ready to take advantage of the expected increase in demand for our services as the UK begins to return to normal economic activity levels.
- Strategic risk, which relates to the pursuit of an inappropriate strategy or that the risks associated with its implementation are not fully recognised; The Group does not believe that there has been a significant increase in its Strategic risk during the year, however, it continues to monitor this area. The inherent uncertainty associated with Strategic risk is minimised by the industry and business expertise contained in the composition of the members of the Board. In addition to this the Group regularly seeks advice from a number of professional advisors.
- Liquidity risk, which concerns the Group's ability to meet its financial obligations as they fall due; The Group held a healthy cash balance of £24.3m at the year end and as a result is able to manage its liquidity within required parameters. In order to manage any 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.
- Interest rate risk, which relates to the impact of increasing interest rates on the affordability of the Group debt package. Uncertainty regarding this risk is managed by the Group via the adoption of fixed rate, fixed term lending as well as hedging facilities to offset movement in variable lending.

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

Emerging Risks

The Group considers the following to be emerging risks:

- LIBOR risk. The UK regulators have reiterated their intention to transition from the London Inter-Bank Offered Rate ("LIBOR") to alternative benchmark rates by the end of 2021. The Group is directly impacted through exposure to LIBOR linked assets and liabilities. Planning continues to manage the impact of this transition.
- Cyber Security risk. The increasing reliance the business places on technology in order to maximise operational efficiencies does expose the Group to an emerging Cyber Security risk as cyber attacks become more sophisticated and complex. The Group has taken steps to mitigate much of this risk via the use of professional third parties, however, this is an area that will require close monitoring in the future.

Going Concern

The Board of Directors has determined that it is appropriate to continue to prepare the Group financial statements on a going concern basis.

In reaching this conclusion, the Board has considered a number of factors which include:

THEO MIDCO LIMITED

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

Going Concern (continued)

- a) The positive impact that the widespread vaccination programme is having to reduce infections of Covid-19 in the UK.
- b) As a result of the roll out programme and the effect that the 3rd lock-down has had the UK is now successfully emerging in stages from the recent 4 month lock-down in accordance with government guidelines.
- c) The general economic conditions as a whole, which at the time of writing include:
 - Current low interest rate environment.
 - The buoyant stock market 14 months on from the start of the 1st lock-down.
 - House price annual inflation growth of 7.5% in the year to January 2021¹.
- d) A year on from the start of the pandemic the business has learned to adapt to new trading conditions including how it engages with its customers and how its staff are able to continue to function effectively working from home. The board feel that the worst effects of the Covid-19 pandemic on the business are now behind it.

Whilst there are always uncertainties when considering the future, the board has taken a cautious view from the data at hand and has concluded that the business is in a good place to take advantage of this period following the easing of restrictions.

In evaluating the risk, the board has considered a reasonable downside stress test of the forecasts and cash flows including covenant testing, for the 12 month period beyond the signing of the accounts.

In considering the robustness of the plan to unforeseen downside shocks, the Group sensitised the latest forecast, excluding any new business developments and reducing applications and associated costs by 10%. The Directors believe that this scenario is the realistic worst case for the business, given its business model. In this scenario, which the board considers to be the worst realistic downside, the business is able to operate inside its banking covenants and remain cash generative.

In addition, there are a number of levers that the board is able to pull should it need to. These include (but are not limited to), reducing cost spend incurred from marketing activities, recruitment and other salary and benefit levers, reducing capital expenditure and the ability to refinance its senior facilities agreement.

The 1st quarter of 2021 has also seen some positive signs which have been included in the board's data points, and whilst these are only green shoots, the board assess that consumer confidence is starting to emerge as customers start to plan for the future. In comparing the four months of 2021 to the first four months of 2020 the number of enquiries are starting to increase, whilst in 2020 they were starting to decline, and despite the lock-down for the first four months of 2021 the absolute number of enquires is only 10% below that of the 4 months of 2020 – the 1st quarter of 2020 not being subject to Covid-19 lock-down restrictions. The number of completions through More2Life are up 4.36% compared to the same period in 2020.

Future developments

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

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

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

THEO MIDCO LIMITED

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

Simon Thompson

S Thompson

Director

¹ Source <https://www.gov.uk/government/news/uk-house-price-index-for-january-2021>

THEO MIDCO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the revised audited consolidated financial statements for the year ended 31 December 2020.

Matters covered in the strategic report

An indication of the likely future developments of the business and details of financial risk management are included in the strategic report on page 1.

How the Group addresses its responsibilities regarding Stakeholder Considerations and s172 of the Companies Act 2006 has been outlined in a dedicated section of the Strategic Report above.

The Group has detailed how it meets its obligations under the Streamlined Energy and Carbon Reporting (SECR) scheme in a dedicated section of the Strategic Report above.

Results and dividends

The Group's loss for the year, after taxation, amounted to £27,053k (2019 - £17,644k restated). For details of the restatement reference section 2.1 of the notes.

The Consolidated Statement of Comprehensive Income is set out on page 22 and shows the loss for the year.

The Company's loss for the year amounted to £2,905k (2019:£3,096k).

The Directors do not propose the payment of a dividend.

Directors' and officers' insurance

The Group maintains cover with respect to Directors' and officers' indemnity insurance. This third party insurance covers them in their roles as Directors of this Company and was in force during the financial year ended 31 December 2020 and also at the date of approval of the revised financial statements.

Directors

The directors of the company who were in office during the year and up to the date of signing the revised financial statements were:

Simon Thompson
Robert Scott (resigned 31 March 2021)
Simon Drew (appointed 1 April 2021)

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

Under company law, 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 company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;

THEO MIDCO LIMITED

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

Statement of directors' responsibilities in respect of the revised financial statements (continued)

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the 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.

Employee involvement

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

Disabled employees

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

Existence of branches of the Company outside of the United Kingdom

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

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

Disclosure of information to auditors (continued)

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group'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 14 September 2021 and signed on its behalf.

THEO MIDCO LIMITED

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

Simon Thompson

**S Thompson
Director**

14th September 2021

Independent auditors' report to the members of Theo Midco Limited

Report on the audit of the revised financial statements

Opinion

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

- give a true and fair view, seen as at the date the original financial statements were approved, of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's and company's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law) seen as at the date the original financial statements were approved; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008.

We have audited the revised financial statements, included within the Revised Annual Report, which comprise: group and company statements of financial position as at 31 December 2020; group statement of comprehensive income, group statement of cash flows, and group and company statements of changes in equity for the year then ended; and the notes to the revised financial statements, which include a description of the significant accounting policies, and which replace the original financial statements approved by the directors on 22 June 2021. The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly do not take account of events which have taken place after the date the original financial statements were approved.

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 revised 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 revised 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.

Emphasis of matter – revision of the notes to the financial statements to revise the disclosure in relation to section 479A of the Companies Act 2006 as applied to unaudited subsidiary undertakings

In forming our opinion on the revised financial statements, which is not modified, we have considered the adequacy of the disclosures in Note 2 to these revised financial statements concerning the application of section 479A of the Companies Act 2006 which exempts the subsidiary's undertakings from the requirement to prepare individual financial statements. The original financial statements were approved on 22nd June 2021, and our previous auditors' report was signed on that date. We have not performed a subsequent events review for the period from the date of our previous auditors' report to the date of this report.

THEO MIDCO LIMITED

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

Our audit approach

Context

The scope of our audit and the nature, timing and extent of audit procedures performed 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 specific account balances).

Overview

Audit scope

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

Key audit matters

- Goodwill and other intangible assets, excluding software may be impaired (group)
- Considerations of the impact of COVID-19 (group and parent)

Materiality

- Overall group materiality: £444,000 (2019: £542,000) based on 2.5% of last three years average earnings before interest, tax, depreciation and amortisation.
- Overall company materiality: £1,490,000 (2019: £1,399,000) based on 1% of total assets.
- Performance materiality: £333,000 (group) and £1,117,000 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the revised 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 revised 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 revised financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Assessment of use of going concern basis of preparation (group and parent), which was a key audit matter last year, is no longer included because of the conclusions on going concern now being included in the section below. Otherwise, the key audit matters below are consistent with last year.

THEO MIDCO LIMITED

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Goodwill and other intangible assets, excluding software may be impaired (group)</i></p> <p>On consolidation, the group recognises a goodwill balance which originated in August 2017 when Key Group Midco Limited and related entities in the group were acquired by funds advised by Partners Group. Alongside this balance, intangible assets which are separately identifiable from the goodwill were recognised, specifically the relationships with lenders and brand name which were acquired.</p> <p>At the year end, the carrying value of the goodwill recognised was £84.7m (2019: £97.5m), with the other intangibles being £78.3m (2019: £85.0m).</p> <p>The equity release market is competitive and has been impacted by the economic uncertainty in the UK. In addition challenges have arisen during the Covid-19 pandemic for companies providing advice and originating mortgages.</p> <p>Under FRS 102, goodwill and other intangibles are assessed for impairment on an annual basis. The carrying value of these assets are contingent upon future cash flows, the value of which may be impacted by market and operating conditions. Management performed an impairment assessment using a value in use methodology, treating the group as a single cash generating unit and concluded that no impairment existed at 31 December 2020.</p> <p>The impairment assessment is complex and involves subjective assumptions, including:</p> <ul style="list-style-type: none"> the discount rate applied to discount the future cash flows to their current values; the terminal growth rate; and the forecast cash flows, which are linked to forecast revenues and EBITDA margin. <p>Due to the magnitude of the goodwill and other intangibles balance (excluding software) and the nature of these assumptions, the impairment assessment represents a key audit matter. This relates only to the group consolidated revised financial statements as it relates to assets which only arise on consolidation.</p> <p>Refer to note 2.13 for accounting policies, note 3.1 for judgements in applying accounting policies and key sources of estimation uncertainty and note 12 for detailed disclosures around goodwill and other intangible assets.</p>	<p>To address the risk of impairment of the group goodwill and other intangibles balances, 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. Our work included the following:</p> <ul style="list-style-type: none"> We tested the mathematical accuracy of the impairment model; We performed comparison of the performance of the business in recent years to the budgets for the equivalent periods to assess the accuracy of the budgeting progress; We agreed the cash flow forecasts to the Board approved revised 3+9 reforecast incorporating the impact of Covid-19 for 2021 and tested the reasonableness of assumptions in the re-forecast included in the value in use model; We reviewed the 3+9 re-forecast, identified the key assumptions and assessed these for reasonableness using our understanding of the Group gathered from our audit work. This included considering the historical performance of the group and evaluating whether 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 the reasonableness of the discount rate using our internal experts. In this test we identified that revisions were required to the terminal cash flow methodology, these were updated but did not impact the overall conclusion reached by management; We noted revisions that should be applied though, when adjusted, these did not impact the conclusion reached by management; 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 revised financial statements. <p>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.</p>

THEO MIDCO LIMITED

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

<p><i>Considerations of the impact of COVID-19 (group and parent)</i></p> <p>The Covid-19 pandemic has disrupted financial markets and normal patterns of human behaviour during the year. This is translating into adverse impacts on the UK economy and uncertainty in the UK housing market. In response, the UK Government and the financial services regulators have announced measures to support borrowers and firms alike. The Covid-19 pandemic has also changed the way companies operate their businesses, with one of the most substantial impacts being the transition to remote working for many.</p> <p>A substantial proportion of the Group and company's staff has been working remotely during 2020. Our audit team has also been working remotely for most of the audit.</p> <p>The impact of the Covid-19 pandemic and resulting uncertainty has impacted certain estimates (in particular the annual impairment assessment of goodwill and other intangibles) in the revised Group financial statements.</p> <p>The directors has specifically considered a number of matters including:</p> <ul style="list-style-type: none"> - The going concern assessment of the Group and company; and - The impairment assessment of the valuation of Goodwill and other intangible assets. <p>The directors' disclosures explaining how the pandemic has impacted the company are included in page 9 of revised annual report. Disclosures relating to the appropriateness of the use of the going concern basis of preparation and the considerations made by the director's when drawing this conclusion are given in Note 8 of the revised annual report.</p>	<p>We have given specific consideration to the impact of COVID-19 during the planning of the audit and our audit risk assessment.</p> <p>We considered the impact of COVID-19 on the group and company control environment, through our audit testing and inquiries of management. We adapted our working practices to remote working and ensured we gathered appropriate audit evidence. Substantially all of the information and audit evidence we need for our audit is provided in electronic format.</p> <p>We considered the risk that goodwill and other intangible assets may be impaired as explained by the above key audit matter.</p> <p>We have reviewed management's going concern assessment and findings are included in the section 'Conclusions relating to going concern', later in the opinion.</p> <p>As a result of these procedures we concluded that the impact of COVID-19 has been appropriately evaluated and reflected in the preparation of these revised financial statements.</p>
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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 revised 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 two significant trading entities More 2 Life Ltd and Key Retirement Solutions Limited, these are assessed as significant components for the revised group financial statements. Audit procedures were performed over all material account balances and financial information of these entities.

There are twenty two subsidiaries in the group. The entities in the group which constitute balances material to the revised group financial statements include KRS Services Limited, Key Retirement Group Limited, KRS Finance Ltd, Key Group Bidco Limited, Home Equity Release Service Limited, Equity Release Club Holdings Limited, TERE Advisers Ltd, Theo Group Midco 1 Limited, Theo Group Midco 2 Limited, The Retirement Lending Advisers Limited, Primetime Retirement Limited, Primetime Retirement Group 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 performed by a single audit team.

THEO MIDCO LIMITED

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

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 revised financial statements as a whole.

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

	Revised Financial statements - group	Revised Financial statements - company
<i>Overall materiality</i>	£444,000 (2019: £542,000).	£1,490,000 (2019: £1,399,000).
<i>How we determined it</i>	2.5% of last three years average earnings before interest, tax, depreciation and amortisation	1% of total assets
<i>Rationale for benchmark applied</i>	Based on the benchmarks used in the revised annual report and revised financial statements, earnings before interest, tax depreciation and amortisation is considered to be 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 £180,000 and £316,000. 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% of overall materiality, amounting to £333,000 for the revised group financial statements and £1,117,000 for the revised 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 £22,000 (group audit) (2019: £25,000) and £74,000 (company audit) (2019: £76,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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;
- Evaluating the reasonableness of the group and company's latest forecasts and the group downside scenario 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;
- Corroborating legal and regulatory correspondence through audit procedures performed to ensure that there are no compliance issues which may impact the going concern of the group;
- Considering the impact of Covid-19 on the business, and whether any further risks to going concern have arisen as a result;
- Consideration as to whether our audit procedures have identified events or conditions which may impact the going concern of the group; and
- *Considering whether the disclosures on going concern in Note 2.1 of the revised financial statements give an accurate description of Directors' assessment of going concern, including the identified risks, uncertainties and related sensitivities.*

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

THEO MIDCO LIMITED

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

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

In connection with our audit of the revised financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the revised 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 revised 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 2020 is consistent with the revised 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 revised financial statements and the audit

Responsibilities of the directors for the revised financial statements

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the revised 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 revised financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the revised 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 revised financial statements

Our objectives are to obtain reasonable assurance about whether the revised 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 revised 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.

THEO MIDCO LIMITED

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

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 tax legislation, and we considered the extent to which non-compliance might have a material effect on the revised financial statements. We also considered those laws and regulations that have a direct impact on the revised financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the revised financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential for 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;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Testing and evaluation of significant accounting estimates and judgements made by management, in particular in relation to goodwill and other intangible assets, excluding software may be impaired (see related key audit matter); and
- Testing of journal entries which contained unusual account combinations back to corroborating evidence.

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 revised 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 auditors' responsibilities for the audit of financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. In the context of an audit of revised financial statements, in respect of our conclusion relating to going concern, we are only required to consider audit evidence up to the date of our original auditors' report. In other respects, this description forms part of our auditors' report.

We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors. The audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Companies (Revision of Defective Accounts and Reports) Regulations 2008 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

Opinion prescribed by the Companies (Revision of Defective Accounts and Reports) Regulations 2008

The original financial statements for the year ended 31 December 2020 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in note 2 to these revised financial statements.

THEO MIDCO LIMITED

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

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 revised company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

H. Varley

Heather Varley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
14 September 2021

THEO MIDCO LIMITED

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

GROUP	Note	2020 £'000	Restated 2019 £'000
Turnover	4	95,127	98,066
Cost of sales		<u>(20,401)</u>	<u>(15,047)</u>
Gross profit		74,726	83,019
Administrative expenses		(85,489)	(85,297)
Operating profit before amortisation, depreciation, loss on disposal, exceptionals and share based payment charge		13,023	21,691
Share based payment liability		-	(4)
Amortisation, depreciation and profit on disposal		(23,629)	(22,532)
Exceptional administrative expenses		<u>(157)</u>	<u>(1,433)</u>
Group operating loss	5	(10,763)	(2,278)
Finance income	8	8	85
Finance costs	9	<u>(15,821)</u>	<u>(14,716)</u>
Loss before taxation		(26,576)	(16,909)
Tax on loss	10	<u>(477)</u>	<u>(735)</u>
Loss for the financial year		(27,053)	(17,644)
Movement in interest rate cap		(20)	-
Movement in cash flow hedging reserve		<u>130</u>	<u>(209)</u>
Total comprehensive expense for the financial year		<u>(26,943)</u>	<u>(17,853)</u>
Total Comprehensive (expense)/income attributable to:			
Owners of the parent		(27,128)	(17,624)
Non-controlling interest		185	(229)
		<u>(26,943)</u>	<u>(17,853)</u>

The Company loss for the year ended 31 December 2020 was £2,905k (2019: £3,096k).

The loss / (profit) for the year is derived wholly from continuing operations.

The notes on pages 28 to 51 form part of these revised financial statements.

The restatement in the 2019 comparative figures has been discussed within Note 2.1.

THEO MIDCO LIMITED

GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Fixed assets					
Intangible assets	12	175,542	192,913	-	-
Tangible assets	13	2,034	1,992	-	-
Investments	14	-	-	57,925	57,925
		177,576	194,905	57,925	57,925
Current assets					
Trade and other receivables: amounts falling due within one year	15	6,867	5,550	2,810	5
Trade and other receivables: amounts falling due after one year	15	-	77	88,315	98,339
Cash at bank and in hand	16	24,312	22,042	-	-
		31,179	27,669	91,125	98,344
Creditors: amounts falling due within one year	17	(10,332)	(12,481)	(3,102)	(1)
Net current assets		20,847	15,188	88,023	98,343
Total assets less current liabilities		198,423	210,093	145,948	156,268
Provisions for liabilities	21	(16,019)	(15,629)	-	-
Creditors: amounts falling due after more than one year	18	(220,376)	(205,494)	(124,940)	(132,355)
Net (liabilities)/assets		(37,972)	(11,029)	21,008	23,913
Capital and reserves					
Called up share capital	24	-	-	-	-
Cash flow hedging reserve		2	(108)	-	-
Capital Contribution		29,613	29,613	29,613	29,613
Accumulated losses:					
At 1 January		(39,784)	(22,369)	(5,700)	(2,604)
Loss for the year attributable to the owners		(27,238)	(17,415)	(2,905)	(3,096)
		(67,022)	(39,784)	(8,605)	(5,700)
Total equity attributable to owners of the parent		(37,407)	(10,279)	21,008	23,913
Non-controlling interests		(565)	(750)	-	-
Total shareholders' (deficit)/funds		(37,972)	(11,029)	21,008	23,913

THEO MIDCO LIMITED

GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION
(CONTINUED) AS AT 31 DECEMBER 2020

The revised financial statements on pages 22 to 51 were approved and authorised for issue by the board and were signed on its behalf on 14th September 2021.

Simon Thompson

S Thompson
Director

The notes on pages 28 to 51 form part of these revised financial statements.

THEO MIDCO LIMITED

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

GROUP	Share capital £'000	Cash flow hedging reserve £'000	Capital contribution £'000	Accumulated losses £'000	Non- controlling interests £'000	Total equity £'000
Balance at 1 January 2019 (unaudited)	-	102	29,613	(22,369)	(521)	6,825
<i>Comprehensive expense</i>						
Loss for the financial year	-	-	-	(17,415)	-	(17,415)
Fair value movement from cash flow hedging instrument	-	(210)	-	-	-	(210)
Loss attributable to Non- Controlling Interests	-	-	-	-	(229)	(229)
Total comprehensive expense	-	(210)	-	(17,415)	(229)	(17,854)
Balance at 31 December 2019 and at 1 January 2020	-	(108)	29,613	(39,784)	(750)	(11,029)
<i>Comprehensive (expense)/income</i>						
Loss for the financial year	-	-	-	(27,238)	-	(27,238)
Interest rate cap	-	(20)	-	-	-	(20)
Fair value movement from cash flow hedging instrument	-	130	-	-	-	130
Profit attributable to Non- Controlling Interests	-	-	-	-	185	185
Total comprehensive expense	-	110	-	(27,238)	185	(26,943)
Balance at 31 December 2020	-	2	29,613	(67,022)	(565)	(37,972)

The notes on pages 28 to 51 form part of these revised financial statements.

THEO MIDCO LIMITED

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

COMPANY	Share Capital £'000	Capital Contribution £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2019	-	29,613	(2,604)	27,009
<i>Comprehensive expense</i>				
Loss and total comprehensive expense for the year	-	-	(3,096)	(3,096)
Balance at 31 December 2019 and at 1 January 2020	-	29,613	(5,700)	23,913
<i>Comprehensive expense</i>				
Loss and total comprehensive expense for the year	-	-	(2,905)	(2,905)
Balance at 31 December 2020	-	29,613	(8,605)	21,008

The notes on pages 28 to 51 form part of these revised financial statements.

THEO MIDCO LIMITED

**GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

GROUP	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2019 £'000
Net cash from operating activities	22	9,263		21,486	
Taxation paid		(312)		(2,423)	
Net cash generated from operating activities			8,951		19,063
Cash flow from investing activities					
Purchase of intangible assets		(6,081)		(5,677)	
Purchase of tangible assets		(294)		(1,353)	
Interest received		8		-	
Net cash used in investing activities			(6,367)		(7,030)
Cash flow from financing activities					
Issue of new loan notes		-		49	
Interest paid		(3,774)		(4,036)	
Additional credit facility		5,000		-	
Bank fees		(400)		-	
Movement in derivatives		(40)		-	
Repayment of bank borrowings		(1,100)		-	
Net cash used in financing activities			(314)		(3,987)
Net increase in cash and cash equivalents			2,270		8,046
Cash and cash equivalents at beginning of year			22,042		13,996
Cash and cash equivalents at end of year			24,312		22,042
Cash and cash equivalents consists of:					
Cash at bank and in hand			24,312		22,042

The notes on pages 28 to 51 form part of these revised financial statements.

THEO MIDCO LIMITED

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

1. General information

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the revised financial statements are disclosed in Note 3.

2. Accounting policies

2.1 Basis of preparation of financial statements

The revised financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has also taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these revised financial statements.

The Company has taken advantage of the exemption allowed under FRS 102 from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these revised financial statements, includes the company's cash flows.

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

Going concern

After reviewing the Group's forecasts and projections (which include the Company) and the relationship of the Company with its Group and its position as obligor, the Board of Directors have determined that the Company has adequate resources to continue to prepare the Company financial statements on a going concern basis.

Whilst there are always uncertainties when considering the future, the board has taken a cautious view from the data at hand and has concluded that the business is in a good place to take advantage of this period following the easing of restrictions.

In evaluating the risk, the board has considered a reasonable down-side stress test of the forecasts and cashflows including covenant testing, for the 12 month period beyond the signing of the accounts. In this scenario, which the board considers to be the worst realistic down-side, the business is able to operate inside its banking covenants. The company also maintains its strong cash balance.

In addition there are a number of levers that the board is able to pull should it need to. These include (but are not limited to), reducing cost spend incurred from marketing activities, recruitment and other salary and benefit levers, reducing capital expenditure and the ability to refinance its senior facilities agreement.

Additional details of the approach taken by the Board to come to this conclusion and the actions taken as a result of this assessment are included within the Strategic Report.

The principal accounting policies applied in the preparation of these financial statements are set out below.

THEO MIDCO LIMITED

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

2. Accounting policies (continued)

These policies have been consistently applied to all periods presented, unless otherwise stated.

Revision

Subsequent to the signing of the original financial statements for the year ended 31 December 2020, it had been identified that the company's intention to take advantage of the section 479A audit exemption in relation to certain subsidiary undertakings, had not been disclosed. As a result, this omission has been corrected for in Note 14 in the revised financial statements to comply with the requirements of the Companies Act 2006. *The Revised Report and Financial Statements replace the original financial statements for the year ended 31 December 2020 and are now the statutory accounts for the Group and Company. The Revised Report and Financial Statements have been prepared as at the date of the original financial statements which is 22 June 2021 and not as at the date of revision and accordingly does not deal with events between these dates.*

Restatement

The group's consolidated statement of comprehensive income for 2019 has been restated. The prior year revenue and cost of sales have been reduced by £4,042k as part of a consolidation adjustment relating to intercompany sales and cost of sales which was not recorded in the previous year. The restatement does not result in any impact on EBITDA and Profit before or after tax.

The restatement does not have any impact on the group balance sheet and cash flow statement.

2.2 Basis of consolidation

The consolidated revised 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 revised financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Turnover

Turnover represents sales to external customers and third parties at invoiced amounts less Value Added Tax or local taxes on sales. Turnover incorporates commissions from equity release and annuity providers; packaging fees from equity release providers; loan sale premiums and servicing fees from third parties; administration, advice, arrangement and other fees from customers; customer fees for will writing services; and distribution fees earned on the sale of retirement products.

Turnover is recognised at various stages as the equity release customer goes through the lending process. Administration fees due from equity release customers are recognised at the point of the equity release arrangement being written. All other customer fees, commission, packaging fees and loan sale premiums are recognised as part of turnover at the point of the completion of the arrangement. Servicing fees are recognised on a monthly basis in line with the contractual agreements. Distribution fees are recognised over the life of the product from the date the funds are invested.

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

2. Accounting policies (continued)

2.4 Exceptional administrative expenses

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

2.5 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.

2.6 Other operating income

Other operating income incorporates income received from equity release providers as a contribution towards marketing and other expenses borne by the Group.

2.7 Hedge accounting

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

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

Derivatives consist of a two year interest rate cap of £20k with a notional amount of £73,900k and a maturity date of 31 December 2022. The fair value is recognised in the statement of comprehensive income at £20k

The Group adopted the amendments to FRS 102 published in December 2019 related to interest rate benchmark reform. There were no updates or amendments required to the Groups existing hedge accounting relationships or documentation and it is expected that there will be minimal impact from interest rate benchmark reform on the existing hedging relationships, with all LIBOR linked interest rate swap contracts being expected to be closed out prior to the end of 2021.

2.8 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income 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. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

THEO MIDCO LIMITED

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

2. Accounting policies (continued)

2.9 Finance income

Interest is recognised in the Statement of Comprehensive Income when it is charged and includes an accrual at the end of the period for accrued interest not yet charged.

2.10 Pension costs

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

2.11 Dividends

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

2.12 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- 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.

THEO MIDCO LIMITED

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

2. Accounting policies (continued)

2.13 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life. Goodwill is amortised over a 10 year period.

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 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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed fifteen years. Goodwill is amortised over 10 years.

2.14 Intangible fixed assets

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

Computer software	-	20% per annum straight line
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Amortisation is included in administrative expenses in the profit and loss account.

THEO MIDCO LIMITED

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

2. Accounting policies (continued)

2.15 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Fixtures, fittings and equipment	-	20% per annum straight line
Tenant improvements	-	10% per annum straight line or the remaining lease term, whichever is shorter
Computer hardware	-	20% per annum straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.16 Impairment of tangible assets

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

2.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.18 Mortgage assets

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

2.19 Trade debtors

Trade debtors are amounts due from funders and customers. If the collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are classified as non-current assets.

Trade Debtors are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using effective interest method, less any impairment.

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

2. Accounting policies (continued)

2.20 Prepayments and accrued income

Prepayments relate to amounts paid in advance of benefits to be received. These are recognised at fair value.

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

2.21 Trade creditors

Creditors are obligations to pay for services acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, classified as non-current liabilities.

Creditors are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.22 Financial liabilities and equity

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

2.23 Leased assets

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

Reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

2.24 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the date of the Statement of Financial Position, and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the date of the Statement of Financial Position.

2.25 Share-based payment

In line with the leaver provisions detailed in the articles, a liability has been recognised for bad leavers at cost, any additional amount is recognised as an equity settled share based payment at fair value as at the grant date. Judgements that have been made in relation to shares / equity versus cash settled are detailed in the accounting policies.

THEO MIDCO LIMITED

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

2. Accounting policies (continued)

2.26 Reserves

The Group's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Share premium account represents the premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.
- The cash flow hedging reserve represents the movement in the fair value of any cash flow hedging instruments which have been designated as effective.

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

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

3.1 Impairment of intangible assets including goodwill, other intangible assets and investments

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

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

Due to the nature of the intangible assets, the group is considered as one cash generating unit (CGU), a discounted cash flow using terminal values was produced and sensitised. The discounted cash flows used a Weighted Average Cost of Capital (WACC) of 7.05% as the discount factor.

The baseline cash flow assumed revenue growth of 23% in 2021 with an EBITDA margin consistent with that achieved in 2020. Revenue growth in subsequent years was initially 10% per annum reducing gradually to 5% per annum by 2026. EBITDA margins over the same period gradually increased from current levels to 23% per annum.

The baseline cashflow was then sensitised under different downside scenarios, based on which management have concluded no impairment for the year. The most significant assumption in impairment assessment is the growth rate in revenue; a negative growth rate of 3.4% would lead to an impairment in goodwill and other intangible assets.

Sensitivities were also performed on the discount factor by increasing the WACC in the original scenarios by 100 percentage points to stress test the results in each scenario. The baseline, scenario 1 and scenario 2, all returned results requiring no impairment as a result of this test.

As a result management have concluded that the Group continues to have headroom against the carrying value of all its goodwill and other intangible assets.

THEO MIDCO LIMITED

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

4 Turnover

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

5 Group Operating loss

	2020 £'000	2019 £'000
The group operating loss is stated after charging/(crediting):		
Depreciation	438	573
Profit on disposal	(3)	(13)
Hire of other assets - operating leases	73	41
Hire of land and buildings - operating leases	342	379
Amortisation of goodwill and other intangible assets	23,191	21,972
Exceptional administrative expenses	157	1,433

Exceptional administrative expenses include; £157k (2019:£669k) relating to the launch of a new business proposition, £nil relating to rebranding costs (2019: £653k), Primetime losses of £nil (2019:£111k).

Auditors' remuneration	2020 £'000	2019 £'000
Fees payable to the Group's auditors and its associates in respect of:		
Fees payable to the Group's auditors for the audit of the company and the Group's consolidated financial statements	30	30
Audit of the Company's subsidiaries	159	137
Covenants reporting	5	5
Total amount payable to the Company's auditors	<u>194</u>	<u>172</u>

THEO MIDCO LIMITED

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

6 Employee numbers and expense

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

	2020 No.	2019 No.
Management	63	51
Sales staff	210	350
Administration staff	276	145
	<u>549</u>	<u>546</u>

	2020 £'000	2019 £'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	23,708	21,108
Social security costs	2,565	2,170
Other pension costs	782	815
	<u>27,055</u>	<u>24,093</u>

The Company has no employees.

7 Directors' remuneration

	2020 £'000	2019 £'000
Aggregate emoluments	1,582	1,737
Group pension contributions to money purchase schemes	20	20
	<u>1,602</u>	<u>1,757</u>
Highest paid Director		
Aggregate emoluments	321	334
Group pension contributions to money purchase schemes	-	-
	<u>321</u>	<u>334</u>

THEO MIDCO LIMITED

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

8 Finance income

	2020	2019
	£'000	£'000
Other interest	8	85
	<u>8</u>	<u>85</u>

9 Finance costs

	2020	2019
	£'000	£'000
Bank interest payable and other charges	4,867	4,512
Interest payable on loan notes and other charges	10,954	10,204
	<u>15,821</u>	<u>14,716</u>

10 Tax on loss

Group	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
<i>Current tax</i>				
UK corporation tax at 19.00% (2019: 19.00%)	21		1,451	
Adjustments in respect of prior periods	<u>(26)</u>		<u>(460)</u>	
Total current tax (credit)/ charge		(5)		991
<i>Deferred tax</i>				
Origination and reversal of timing differences	(17)		(854)	
Adjustments in respect of prior periods	63		598	
Effect of tax rate change on opening balance	<u>436</u>		<u>-</u>	
Total deferred tax charge/ (credit)		<u>482</u>		<u>(256)</u>
Tax on loss		<u>477</u>		<u>735</u>

THEO MIDCO LIMITED

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

10 Tax on loss (continued)

	2020 £'000	2019 £'000
Loss before tax	<u>(26,576)</u>	<u>(16,909)</u>
Tax on loss before taxation at the standard rate of corporation tax in the UK of 19% (2019: 19%)	(5,049)	(3,213)
Effects of:		
Fixed asset differences	-	4
Expenses not deductible for tax purposes	11,043	13,309
Income not taxable for tax purposes	(6,059)	(5,662)
Group income	-	(3,653)
Group relief surrendered/(claimed)	500	(246)
Adjustments to tax charge in respect of previous periods	37	(458)
Effects of rate change	5	-
Adjustments to tax charge in respect of previous periods - deferred tax	-	598
Adjust closing deferred tax to average rate	-	107
Adjust opening deferred tax to average rate	-	(118)
Deferred tax not recognised	-	67
Total tax charge	<u>477</u>	<u>735</u>

Tax rate changes

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantially enacted at the balance sheet date, its effects are not included in these revised financial statements. However, it is likely that the overall effect of the change, had it been substantially enacted by the balance sheet date, would be to increase the tax expense for the period by £3,009k and to increase the deferred tax liability by £3,009k.

11 Exceptional administrative expenses

	2020 £'000	2019 £'000
Exceptional items	<u>157</u>	<u>1,433</u>
	<u>157</u>	<u>1,433</u>

Exceptional administrative expenses include; £0.1m (2019: £0.7m) relating to the launch of a new business proposition. £nil relating to rebranding costs (2019: £0.6m).

THEO MIDCO LIMITED

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

12 Intangible assets

Group	Goodwill £'000	Other £'000	Computer Software £'000	Computer Lists £'000	Total £'000
Cost					
At 1 January 2020	128,508	101,374	14,490	-	244,372
Adjustments	-	-	(41)	-	(41)
Additions	-	-	5,831	250	6,081
Reclass	-	-	94	-	94
At 31 December 2020	<u>128,508</u>	<u>101,374</u>	<u>20,374</u>	<u>250</u>	<u>250,506</u>
Accumulated amortisation					
At 1 January 2020	30,983	16,333	4,143	-	51,459
Adjustments	-	-	314	-	314
Charge for the year	12,851	6,758	3,565	17	23,191
At 31 December 2020	<u>43,834</u>	<u>23,091</u>	<u>8,022</u>	<u>17</u>	<u>74,964</u>
Net book value					
At 31 December 2020	<u>84,674</u>	<u>78,283</u>	<u>12,352</u>	<u>233</u>	<u>175,542</u>
At 31 December 2019	<u>97,525</u>	<u>85,041</u>	<u>10,347</u>	<u>-</u>	<u>192,913</u>
Other:		Net book value		Remaining amortisation	
		2020	2019	2020	2019
		£'000	£'000	Years	Years
Lender relationships - More 2 Life Ltd		62,768	68,187	11.5	12.5
Lender relationships - Key Retirement Solutions Limited		7,270	7,898	11.5	12.5
Brand - Key Retirement Solutions Limited		8,245	8,956	11.5	12.5
		<u>78,283</u>	<u>85,041</u>		

THEO MIDCO LIMITED

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

13 Tangible assets

Group	Tenant Improvements £'000	Computer Hardware £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost				
At 1 January 2020	1,122	1,497	227	2,846
Adjustments	57	(12)	(4)	41
Additions	96	192	6	294
Disposals	-	25	30	55
At 31 December 2020	<u>1,275</u>	<u>1,702</u>	<u>259</u>	<u>3,236</u>
Accumulated depreciation				
At 1 January 2020	136	580	138	854
Adjustments	-	(145)	-	(145)
Charge for the year	124	280	34	438
On disposals	-	25	30	55
At 31 December 2020	<u>260</u>	<u>740</u>	<u>202</u>	<u>1,202</u>
Net book value				
At 31 December 2020	<u>1,015</u>	<u>962</u>	<u>57</u>	<u>2,034</u>
At 31 December 2019	<u>986</u>	<u>917</u>	<u>89</u>	<u>1,992</u>

THEO MIDCO LIMITED

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

14 Investments

<u>Company</u>	Group undertakings £'000
<i>Cost</i>	
At 1 January 2020	57,925
Addition	-
At 31 December 2020	<u>57,925</u>
<i>Net book value</i>	
At 31 December 2020	<u>57,925</u>
At 31 December 2019	<u>57,925</u>

THEO MIDCO LIMITED

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

14. Investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Theo Bidco Limited (b)	England & Wales	Ordinary	100%
Key Group Topco Limited (a) (b)	England & Wales	Ordinary	100%
Key Group Midco 1 Limited (a) (b)	England & Wales	Ordinary	100%
Key Group Midco 2 Limited (a) (b)	England & Wales	Ordinary	100%
Key Group Bidco Limited (a) (b)	England & Wales	Ordinary	100%
Key Retirement Group Limited (a) (b)	England & Wales	Ordinary	100%
KRS Finance Limited (a) (b)	England & Wales	Ordinary	100%
KRS Group Limited (a)	England & Wales	Ordinary	100%
Key Retirement Solutions Limited (a)	England & Wales	Ordinary A	100%
		Ordinary B	
Key Partnerships Limited (a)	England & Wales	Ordinary	100%
More 2 Life Limited (a)	England & Wales	Ordinary	100%
More 2 Life SPV 1 Limited (a)	England & Wales	Ordinary	100%
More 2 Life Asset SPV 2 Limited (a)	England & Wales	Ordinary	100%
KRS Services Limited (a) (b)	England & Wales	Ordinary	100%
Equity Release Assured Limited (a) (b)	England & Wales	Ordinary	100%
Retirement People Limited (a)	England & Wales	Ordinary	100%
Modern Lending Advisers Limited (a) (b)	England & Wales	Ordinary	100%
Home Equity Release Service Limited (a) (b)	England & Wales	Ordinary	100%
Key Money Limited (a)	England & Wales	Ordinary	100%
Primetime Retirement Group Limited (a) (b)	England & Wales	A Ordinary	79%
Primetime Retirement Limited (a) (b)	England & Wales	Ordinary	79%
Key Move Property Services Limited (a)	England & Wales	Ordinary	100%
Key Secured Lending Limited (a)	England & Wales	Ordinary	100%
More 2 Life Retirement Income Limited (a)	England & Wales	Ordinary	100%
The Retirement Lending Advisers Limited (a) (b)	England & Wales	Ordinary	100%
Equity Release Club Holdings Limited (a) (b)	England & Wales	Ordinary	51%
Answers in Retirement Limited (a) (b)	England & Wales	Ordinary	51%
Later Life Guidance Limited (a) (b)	England & Wales	Ordinary	51%
Key Later Life Services Limited (a) (b)	England & Wales	Ordinary	100%
Key Legal Trustees Limited (a) (b)	England & Wales	Ordinary	100%
TERE Advisers Limited (a) (b)	England & Wales	Ordinary	51%
Key Group Asset Management Limited (a)	England & Wales	Ordinary	100%

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

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

(b) 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 of these companies.

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

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15. Trade and other receivables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<i>Amounts falling due within one year</i>				
Trade debtors	1,668	1,828	-	-
Amounts owed by Group undertakings	-	-	2,809	-
Corporation tax	1,338	1,011	-	-
Derivatives	20	-	-	-
Other debtors	1,250	1,237	-	-
Prepayments and accrued income	2,591	1,474	1	5
	<u>6,867</u>	<u>5,550</u>	<u>2,810</u>	<u>5</u>

Derivatives consist of a two year interest rate cap of £20k with a notional amount of £73,900k and a maturity date of 31 December 2022. The fair value is recognized in the statement of comprehensive income at £20k.

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<i>Amounts falling due after one year</i>				
Amounts owed by Group undertakings	-	-	88,315	98,339
Other debtors - Mortgage assets	-	77	-	-
	<u>-</u>	<u>77</u>	<u>88,315</u>	<u>98,339</u>

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand. The Company is an Obligor under the Group Senior Facility Agreement, which governs the £73,900k senior loan and £5,000k revolving credit facility (fully drawn in March 2020). This means that the Company has given security over its assets and, in conjunction with the rest of the Group, is responsible for maintaining compliance with its covenants.

16. Cash at bank and in hand

	Group 2020 £'000	Group 2019 £'000
Cash at bank and in hand	24,312	22,042
	<u>24,312</u>	<u>22,042</u>

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17. Creditors: amounts falling due within one year

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade creditors	2,059	1,785	-	-
Amounts owed to Group undertakings	-	-	3,102	-
Taxation and social security	1,227	794	-	-
Other creditors	185	300	-	-
Accruals and deferred income	6,861	9,602	-	1
	<u>10,332</u>	<u>12,481</u>	<u>3,102</u>	<u>1</u>

18. Creditors: amounts falling due after more than one year

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Bank loans and overdrafts	77,350	73,007	-	-
Loan notes	90,178	83,424	79,792	83,424
Derivatives	-	130	-	-
Amounts owed to Group undertakings	52,848	48,932	45,148	48,931
	<u>220,376</u>	<u>205,493</u>	<u>124,940</u>	<u>132,355</u>

Amounts owed to Group undertakings are unsecured, interest free and are repayable on demand. The Company is an Obligor under the Group Senior Facility Agreement, which governs the £73,900k senior loan and £5,000k revolving credit facility (fully drawn in March 2020). This means that the Company has given security over its assets and, in conjunction with the rest of the Group, is responsible for maintaining compliance with its covenants.

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19. Loans

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

£73,900k bank loan, accruing an interest rate of LIBOR +4.25% per annum, due for repayment in 2024. The carrying value as at 31 December 2020 was £73,900k (2019: £75,000k). Security has been taken on the assets of the major trading subsidiaries of the Group. The syndicate of lenders as at 31 December 2020 comprise Credit Suisse (Switzerland) Limited, National Westminster Bank Plc, Hermes Direct Lending Fund I S.à r.l., EMMPD (Investment) S.à r.l. and EMMPD (ABR) S.à r.l. The Group has access to a revolving credit facility of £5m, repayable in 2023, which was drawn in March 2020 (2019: undrawn).

Bank loan arrangement fees of £3,061k (2019: £3,061k) have been capitalised against the carrying value of the bank loan. As at 31 December 2020, £1,068k (2019: £1,993k) had not been charged to the Income Statement.

Derivatives of £nil (2019: £0.1m (creditor)) relate to cash flow hedging instruments.

£78,429k (2019: £72,619k) A Loan Notes, accruing an interest rate of 8% per annum, due for repayment in 2025. The carrying value as at 31 December 2020 including accrued interest was £80,560k (2019: £75,023k). £9,618k (2019: £8,596k) B Loan Notes, accruing an interest rate of 8% per annum, due for repayment in 2025. The carrying value as at 31 December 2020 including accrued interest was £9,591k (2019: £8,881k).

Loan note issue costs of £620k have been capitalised against the carrying value of the A & B Loan Notes. As at 31 December 2020, £355k (2019: £425k) has been charged to the Income Statement.

The UK regulators have reiterated their intention to transition from the London Interbank Offered Rate ("LIBOR") to alternative benchmark rates by the end of 2021. The Group is directly impacted through exposure to LIBOR linked assets and liabilities. Planning continues to manage the impact of this transition

Debt maturity:

Group	Loan notes		Bank loans and overdrafts		Derivatives	
	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
Due less than one year	-	-	-	-	-	-
Due between two to five years	90,178	83,424	77,350	73,007	-	130
Due more than five years	-	-	-	-	-	-
	90,178	83,424	77,350	73,007	-	130

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20. Financial instruments

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

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<i>Financial assets</i>				
Financial assets that are debt instruments measured at amortised cost	2,918	3,065	91,124	98,339
<i>Financial liabilities</i>				
Financial liabilities measured at amortised cost	(229,480)	(217,180)	(128,043)	(132,356)

21. Provisions for liabilities

	Bad leaver provision	Deferred tax provision	Loan sale premium	Total
At 1 January 2020	965	14,436	228	15,629
Amounts utilised	-	-	(92)	(92)
Charge for the year	-	482	-	482
At 31 December 2020	965	14,918	136	16,019

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22. Net cash from operating activities

	2020	2019
	£'000	£'000
Loss for the financial year	(27,053)	(17,644)
Adjustments for:		
Other non-cash expenses	(368)	-
Tax on loss	477	735
Net interest expense	15,813	14,631
Operating loss	(11,131)	(2,278)
Amortisation of intangible assets	23,191	21,972
Profit on disposal of intangible assets	(3)	(13)
Depreciation of tangible assets	438	573
Working capital movements:		
Increase in debtors	(990)	(1,302)
(Decrease)/increase in payables	(2,242)	2,534
Cash flow from operating activities	9,263	21,486

Analysis of changes in net debt £'000

	At 1 January 2020	Cash Flows	Non-Cash Movements	At 31 December 2020
Cash and cash equivalents	22,042	2,270	-	24,312
<i>Debt Due After 1 Year:</i>				
Loan Notes	(83,424)	-	(6,754)	(90,178)
Bank Loan and overdrafts	(73,007)	274	(4,617)	(77,350)
Intercompany Loan Notes	(9,732)	-	(778)	(10,510)
Derivative Instrument	(130)	-	130	-
Net Debt	(144,251)	2,544	(12,019)	(153,726)

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23. Called up share capital

	2020	2019
	£'000	£'000
Allotted, called up and fully paid		
1 (2019: 1) Ordinary shares of £1.00 each	-	-

24. Commitments under operating leases

At 31 December 2020 the Group had future minimum lease payments under non- cancellable operating leases as follows:

Group	2020	2019
	£'000	£'000
Not later than one year	516	522
Later than one year and not later than five years	635	1,149
Later than five years	-	-
Total	1,151	1,671

25. Company Statement of Comprehensive Income

The Company has taken advantage of the exemption of section 408 of the Companies Act 2006 from presenting its own Statement of Comprehensive Income. The Company loss for the year ended 31 December 2020 was £2,905k (2019: £3,096k).

26. Non-controlling interests

In November 2019 the Group set up a 51% owned subsidiary in TERE Advisers Limited.

Group and Company

The movement in non-controlling interests was as follows:

	2020	2019
	£'000	£'000
At 1 January	(750)	(521)
Total comprehensive income/(expense) attributable to non-controlling interests	185	(229)
At 31 December	(565)	(750)

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27. Related party transactions

The following Directors of Group Companies are also shareholders of the Group; S Thompson, S Groves, D Young, D Harris, W Hale, N Swarbrick and C Bibby. These individuals have interests in the B loan notes, which accrue interest at 8%. 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 for the executive directors has been reviewed by the Group remuneration committee and represents a market normal remuneration package for each individual given their role 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, which have de facto control of the Group, also have an interest in the A loan notes.

During the period, 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 2020 are as follows:

	2020 £'000	2019 £'000
<i>Partners Group</i>		
Amounts owed in relation to A loan notes at 1 January	75,023	69,466
Charges from related party		
Interest accruing on A loan notes	6,002	5,557
Payable in relation to A loan notes at 31 December	<u>81,025</u>	<u>75,023</u>
 <i>Directors' interest on loan notes</i>		
Payable in relation to B loan notes at 1 January	8,880	8,220
Charges from related party		
Interest accruing on B loan notes	710	660
Payable in relation to B loan notes at 31 December	<u>9,590</u>	<u>8,880</u>
Advisory fee	<u>1,265</u>	<u>1,265</u>

THEO MIDCO LIMITED

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28. Key management personnel compensation

Key management is composed of the Directors. The compensation paid or payable to key management of the Group for employee services is disclosed in Note 7. Changes in Directors after the reporting date of 31 December 2020 have been disclosed in the Directors report.

29. Ultimate parent company

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

Theo Midco Limited is the parent company of the smallest group of which the Company is a member and for which consolidated financial statements are prepared. Copies of the consolidated revised financial statements can be obtained from Baines House, Midgery Court, Fulwood, Preston, PR2 9ZH.

Theo Topco Limited is the parent of the largest group of which the Company is a member and for which consolidated financial statements are prepared. Copies of the consolidated financial statements can be obtained from Baines House, Midgery Court, Fulwood, Preston, PR2 9ZH.

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