

Kane Bidco Limited
Interim Report and the condensed consolidated
financial statements
for the 3 month period ended 31 March 2023
Unaudited

Jersey registered number 137782

Kane Bidco Limited Interim Report and the condensed
consolidated financial statements
for the 3 month period ended 31 March 2023

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Kane Bidco Limited

Directors and advisers for the 3 month period ended 31 March 2023

Directors

Rebecca Hunter

Jodi Baife

Registered office

Aztec Group House

11-15 Seaton Place

St. Helier

JE4 0QH

Jersey

Bankers

Lloyds Bank plc

25 Gresham Street

London

EC2V 7HN

The Royal Bank of Scotland plc

Bishopsgate

Threadneedle Street

London

EC2R 8AH

Kane Bidco Limited

Interim management report for the 3 month period ended 31 March 2023

These condensed consolidated interim financial statements for the 3 month period ended 31 March 2023 comprise the Kane Bidco Group representing the consolidated group of Kane Bidco Ltd (the 'Company'), its subsidiary True Potential Group Ltd (TPGL) and TPGL's subsidiaries (True Potential Group). True Potential Group's principal activities are the provision of financial advisory, investment management services and support services to financial advisers and retail investors.

The purpose of these statements is to show the financial performance and the financial position of the Kane Bidco Group for the 3-month period ended 31 March 2023.

The Company was incorporated on 27 August 2021 for the purpose of acquiring and holding equity investment in True Potential Group Limited. The Company acquired the entire share capital of True Potential Group Limited on 21 January 2022. The Company is a wholly owned subsidiary of Kane Midco Limited.

True Potential Group business review

The True Potential Group began 2023 with a strong quarter for sales, recording £1.6 billion in asset sales during the 3-month period that ended on 31 March 2023. Total asset sales for the 9-month period ended 31 March 2023 were £4.8 billion (3-month period ended 31 March 2022 £1.8 billion).

Asset sales over the period were driven by productivity from our True Potential Wealth Management Partners and Directly Authorised financial advisers.

Sales were also a result of continued innovation from our in-house development team, who drive sales through direct sales to clients and support for financial advisers.

As of 31 March 2023, 1,077 financial advisers were appointed in the Group's subsidiary, True Potential Wealth Management LLP, an increase of 46 over the previous quarter.

Asset sales through financial advisers and directly from clients resulted in £24.8 billion of client assets on the True Potential Platform as of 31 March 2023 (31 March 2022: £21.2 billion) and £22.6 billion of assets under management within True Potential Investments own funds (31 March 2022: £18.9 billion).

The True Potential Group has generated gross revenue of £96.1 million in the 3-month period ending on 31 March 2023 (3 month period ending 31 March 2022: £80.3 million).

Earnings before interest, taxes, depreciation and amortisation for the 3-month period to 31 March 2023 were £52.7 million, with a profit before taxation of £43.4 million (3-month period ending 31 March 2022: £43.7 million and £17.2 million respectively).

Client logins continued at high levels once again, with the first quarter of 2023 recording total 2,132,587 logins and 1,658,745 of those being through our True Potential app.

This high level of engagement also led to sales directly to clients, with 12,851 top ups through our unique impulseSave® technology to the value of £64.5 million. Clients transferred a further 10,992 policies through our Digital Direct Offer process, with a total value of £858.4 million.

Kane Bidco Limited

Interim management report for the 3 month period ended 31 March 2023 (continued)

True Potential Group business review (continued)

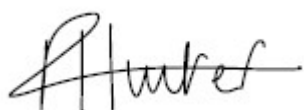
The Group support standards for clients remained high, with our Customer Care team answering 24,450 phone calls, 8,935 live chats and 9,088 emails over the quarter. Our average answer time for March 2023 was 1 minute and 30 seconds for phone calls.

As a result of our excellent levels of service, we maintained our ‘Excellent’ rating on Trustpilot and increase our rating on Google Reviews to 4.9 out of 5.

Finally, our charitable work continued over the quarter with staff raising money for great causes including the Charlie and Carter Foundation, MLD and the Bloom Appeal.

Client onboarding costs

The Group recognises client onboarding costs under IFRS 15 for the incremental costs to obtain a revenue contract. The Group has added £68.5million to client onboarding costs in the 3 month period to 31 March 2023, representing the recruitment initiatives in place to introduce new clients onto the True Potential platform and investment funds. Significant estimation is used to assess the carrying value of these assets. There is significant estimation in the appropriateness of the carrying value of client onboarding costs. In assessing for impairment market growth assumptions, client retention assumptions and the discount rate applied to obtain a Net Present Value (NPV) of expected cashflows form key forward looking estimates. Management has concluded that no impairment exists at 31 March 2023.



Rebecca Hunter

Director

31 May 2023

Jersey registered number 137782

Kane Bidco Limited

Condensed consolidated profit and loss account for the 3 month period ended 31 March 2023

	Note	3 months to 31 Mar 2023 (unaudited) £'000	21 Jan to 31 Mar 2022 (unaudited) £'000	Year to 31 Dec 2022 £'000
Revenue	4	96,115	62,295	319,805
Fee expenses		(30,022)	(20,734)	(106,072)
Net revenue		66,093	41,561	213,733
Administrative expenses		(30,278)	(18,075)	(101,571)
Exceptional items		-	(36,749)	(38,924)
Operating profit/(Loss)		35,815	(13,263)	73,238
Finance income		294	-	200
Finance costs		(14,440)	(28,320)	(69,952)
Profit/(Loss) before tax		21,669	(41,583)	3,486
Taxation	5	(6,604)	(360)	(12,446)
Profit/(Loss) for the period		15,065	(41,943)	(8,960)
Items that may be reclassified subsequently to profit or loss				
<i>Cash flow hedges</i>				
Fair value movements recognised in other comprehensive income		(880)	-	(3,178)
Other comprehensive expenses for the year, net of tax		(880)	-	(3,178)
Total comprehensive income for the year		14,185	(41,943)	(12,138)

The consolidated profit and loss account for Kane Bidco Group includes income and expenses incurred from the 1 January 2023 to the period ended 31 March 2023. Costs classified as exceptional items during the period 21 January 2022 to 31 December 2022 predominantly relate to the transaction costs incurred in the acquisition of True Potential Group and the issuance of £700.0million bond.

Kane Bidco Limited

Condensed consolidated balance sheet as at 31 March 2023

	Note	31 Mar 2023 (unaudited) £'000	31 Dec 2022 £'000
Non-Current Assets			
Goodwill	7	1,621,702	1,621,702
Intangible assets	7	893,237	906,885
Property, plant and equipment	8	4,296	4,569
Client onboarding costs	9	297,607	233,605
Financial asset	11	11,897	13,928
Total non-current assets		2,828,739	2,780,689
Current assets			
Trade and other receivables	10	44,004	38,190
Current tax asset		18	-
Cash at bank and in hand		93,083	61,241
Total Current assets		137,105	99,431
Total Assets		2,965,844	2,880,120
Current liabilities			
Trade and other payables	12	(31,788)	(27,681)
Financial liabilities	14	(124,850)	(113,760)
Deferred tax		(7,866)	(7,866)
Provisions	13	(2,558)	(3,137)
Current tax liability		-	(1,582)
Total Current liabilities		(167,062)	(154,026)
Non-current liabilities			
Financial liabilities	14	(883,057)	(824,554)
Deferred tax		(118,508)	(118,508)
Total Non-current liabilities		(1,001,565)	(943,062)
Total liabilities		(1,168,627)	(1,097,088)
Net assets		1,797,217	1,783,032
Equity			
Share capital		1,795,170	1,795,170
Hedging reserve		(4,058)	(3,178)
Retained earnings		6,105	(8,960)
Total Equity		1,797,217	1,783,032

These interim financial statements on pages 4 to 19 were approved by the board of directors on 31 May 2023 and are signed on their behalf by:



Rebecca Hunter, Director
31 May 2023

Jersey registered number 137782

Kane Bidco Limited

Condensed consolidated statement of changes in equity for the 3 month period ended 31 March 2023

	Called up share capital	Hedging Reserves	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000
Balance as at 1 January 2023	1,795,170	(3,178)	(8,960)	1,783,032
Other comprehensive expense	-	(880)	-	(880)
Profit for the Period	-	-	15,065	15,065
Balance as at 31 March 2023	1,795,170	(4,058)	6,105	1,797,217

	Called up share capital	Hedging reserves	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000
Balance as at 21 January 2022	-	-	-	-
Issue of shares	1,795,170	-	-	1,795,170
Other comprehensive expense	-	(3,178)	-	(3,178)
Loss for the Period	-	-	(8,960)	(8,960)
Balance as at 31 March 2022	1,795,170	(3,178)	(8,960)	1,783,032

Kane Bidco Limited

Condensed consolidated statement of cash flows for the 3 month period to 31 March 2023

	Note	Period from 1 Jan to 31 Mar 2023 £'000	Period from 21 Jan to 31 March 2022 £'000
Net cash from operating activities		(236)	(41,232)
Taxation paid		(8,204)	(6,542)
Net cash generated from operating activities		(8,440)	(47,774)
Cash flow on investing activities			
Purchase of property, plant and equipment	8	(94)	(308)
Purchase of intangible assets	7	-	(335)
Interest received		294	-
Acquisition of subsidiary, net of cash acquired		-	(1,774,099)
Net cash used in investing activities		200	(1,774,742)
Cash flow from financing activities			
Proceeds from issue of shares		-	1,795,170
Issuance of high yield bond, net of borrowing costs		-	679,646
Drawdown from revolving credit facility		15,000	25,000
Trust loan		-	36,500
Repayment of finance loans		(15)	(589,912)
Interest paid		(23,259)	(28,649)
Drawdown of Finance Loans		48,500	-
Lease principal payments		(144)	(127)
Net cash generated from in financing activities		40,082	1,917,628
Net increase in cash and cash equivalents in the period		31,842	95,112
Cash and cash equivalents at the beginning of the period		61,241	-
Cash and cash equivalents at the end of the period		93,083	95,112

Kane Bidco Limited

Notes to the financial statements for the 3 month period ended 31 March 2023

1. Nature of business

Kane Bidco Limited (the “Company”) and its subsidiaries (together the “Group”, “KB Group”) provide financial advisory and investment management services, and support services to retail investors and financial advisers. The Company is a private company limited by shares and is incorporated in Jersey, UK. The address of its registered office is Aztec Group House, 11-15 Seaton Place, St Helier, Jersey, JE4 0QH. The ultimate controlling party is Cinven Capital Management (VII) General Partner Limited.

2. Accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those significant policies which apply in preparing the consolidated financial statements for the period ended 31 December 2022. The policies have been applied consistently to all periods presented. The financial statements are presented in pound sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies (Jersey) Law 1991. The accounting policies adopted in these condensed consolidated financial statements are consistent with those adopted in the annual financial statements for the Group for the year ended 31 December 2022.

These financial statements have been prepared on a going concern basis and on a historical cost basis, except for certain debt and equity financial assets that have been measured at fair value.

The Directors have considered the Group’s current and future prospects, risks and uncertainties set out in the risk management objectives and policies, and its availability of financing, and are satisfied that the Group can continue to pay its liabilities as they fall due for at least 12 months from the date of signing. For this reason, the Directors continue to adopt the going concern basis of preparation for these financial statements. Further detailed information is provided in the going concern statement in the going concern statement.

2.2 Going concern

These consolidated and separate financial statements are prepared on a going concern basis. This is appropriate due to the cash generative nature of the Group and expectations of future levels of activity and profit. There is a net asset position with sufficient cash resources and other financing facilities available. Management has prepared detailed cash flow forecasts which demonstrate that the entity will be able to continue as a going concern for a period of at least twelve months from the date of signing these financial statements.

Throughout the period management monitored cashflow and covenant compliance very closely, running daily forward-looking modelling on both cashflow and leverage given the market volatility experienced. The forecasts positively show significant headroom to capital requirements both throughout the period and at the period-end. The financial position of the Group is continued to be monitored closely to ensure there are sufficient funds in order to meet liabilities as they fall due and sufficient headroom on covenants.

Kane Bidco Limited

Notes to the financial statements for the 3 month period ended 31 March 2023 (continued)

3. Critical accounting judgements and estimates

The preparation of the financial statements requires Management to make judgements, estimates and assumptions in applying the Group's accounting policies to determine the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively. The following critical accounting judgements and estimates have been identified:

- Value of client onboarding costs
- Expected life of client onboarding costs
- Impairment of client onboarding costs
- Intangible assets recognised on acquisition and amortisation period

Application of these estimates is consistent with the approach following in preparing the Annual Group accounts for the year ended 31 December 2022.

Kane Bidco Limited

Notes to the financial statements for the 3 month period ended 31 March 2023 (continued)

4 Turnover

Turnover represents fees earned in respect of the financial services activities of the Group. Turnover is attributable to the Group's continuing principal activities and arose wholly within the United Kingdom. The turnover recognised in the period/year splits by class as follows:

	Kane Bidco Limited	Kane Bidco Limited	Kane Bidco Limited
	1 Jan to 31 Mar 2023 (unaudited)	21 Jan to 31 Mar 2022 (unaudited)	Year to 31 Dec 2022
	£'000	£'000	£'000
Turnover	96,115	62,295	319,806
<i>True Potential Adviser Services LLP</i>	1,089	853	3,925
<i>True Potential Wealth Management LLP</i>	57,269	23,131	188,608
<i>True Potential Investments LLP</i>	3,050	15,236	10,114
<i>True Potential Administration LLP</i>	34,707	23,075	117,159

True Potential Adviser Services LLP

Turnover represents fees earned from the provision of back-office services to financial advice companies. Turnover is recognised on a receivable basis and arises fully within the UK.

True Potential Wealth Management LLP

Turnover represents fees earned from restricted wealth management advice proposition. Turnover is recognised on an accruals basis and arises fully within the UK.

True Potential Investments LLP

Turnover represents fees earned from provision of a wealth platform and investment management. Turnover is recognised on an accruals basis and arises fully within the UK.

True Potential Administration LLP

Turnover represents Annual Management Charges in respect of the True Potential funds.

Kane Bidco Limited

Notes to the financial statements for the 3 month period ended 31 March 2023 (continued)

5 Tax on profit

Income tax is recognised on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

	3 months to 31 Mar 2023	Period to 31 Mar 2022
	£'000	£'000
Profit/(loss) before taxation	21,669	(42,986)
Profit before taxation multiplied by the standard rate of corporation tax for the UK of 19%	(4,117)	(8,167)
Effects of:		
Disallowed expenses and non taxable income	(2,487)	7,807
Tax rate changes	-	-
Movement on intangibles	-	-
Taxation	(6,604)	(360)

6 Dividends paid

No dividends were paid or payable in either period.

7 Goodwill and other intangible assets

On 21 January 2022 the Group acquired 100% of the voting share capital of True Potential Group Limited, a non-listed company based in England and Wales and specialising in investment management and advice to the UK market. The Group acquired True Potential Group Limited to establish its purpose as a UK investment management and advice group. As a result of the acquisition, £1.6 billion of goodwill was recognised, allocated to True Potential Group as a single cash generating unit. The goodwill recognised represents the growth potential identified and the assembled workforce in the existing True Potential Group. At 31 March 2023 the carrying value of goodwill was £1.6 billion. No impairments have been recognised in the period since acquisition.

Kane Bidco Limited

Notes to the financial statements for the 3 month period ended 31 March 2023 (continued)

7 Goodwill and intangible assets (continued)

Intangible assets other than Goodwill

	Brand	Customer relationships	Other intangible assets	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2023	49,861	885,207	22,040	957,108
Additions	-	-	-	-
At 31 March 2023	49,861	885,207	22,040	957,108
Accumulated amortisation and impairment				
At 1 January 2023	7,240	40,574	2,409	50,223
Charge for the period	1,938	11,064	646	13,648
At 31 March 2023	9,178	51,638	3,055	63,871
Net book value at 31 March 2023	40,683	833,569	18,985	893,237
Net book value at 31 December 2022	42,621	844,633	19,631	906,885

Kane Bidco Limited

Notes to the financial statements for the 3 month period ended 31 March 2023 (continued)

7 Goodwill and intangible assets (continued)

Other intangible assets are primarily capitalised staff costs allocated to development projects and software licenses acquired by the group. Staff costs are capitalised from the point the asset is likely to be completed. Amortisation commences from the point the asset is in full use over a period of 10 years. Software licences are amortised over the terms specified in the licence which currently range from 3-5years.

	Brand	Customer relationships	Other intangible assets	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2022	-	-	-	-
Assets acquired 21 Jan 2022	49,861	885,207	21,495	956,563
Additions	-	-	545	545
At 31 December 2022	49,861	885,207	22,040	957,108
Accumulated amortisation and impairment				
At 1 January 2023	-	-	-	-
Charge for the year	7,240	40,574	2,409	50,223
At 31 December 2022	7,240	40,574	2,409	50,223
Net book value at 31 December 2022	42,621	844,633	19,631	906,885
Net book value at 1 January 2022	-	-	-	-

Kane Bidco Limited

Notes to the financial statements for the 3 month period ended 31 March 2023 (continued)

8 Property, plant and equipment

	Fixtures, fittings, and equipment	Short Leasehold Buildings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2023	4,175	1,745	5,920
Additions	91	-	91
At 31 March 2023	4,266	1,745	6,011
Depreciation and impairments			
At 1 January 2023	1,034	317	1,351
Charges for the year	280	84	364
At 31 March 2023	1,314	401	1,715
Net book value at 31 March 2023	2,952	1,344	4,296
Net book value at 31 December 2022	3,141	1,428	4,569

	Fixtures, fittings, and equipment	Short Leasehold Buildings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2022	-	-	-
Acquired at 27 January 2022	3,567	1,745	5,312
Additions	608	-	608
At 31 December 2022	4,175	1,745	5,920
Depreciation and impairments			
At 1 January 2022	-	-	-
Charges for the year	1,034	317	1,351
At 31 December 2022	1,034	317	1,351
Net book value at 31 December 2022	3,141	1,428	4,569
Net book value at 1 January 2022	-	-	-

Kane Bidco Limited

Notes to the financial statements for the 3 month period ended 31 March 2023 (continued)

9 Client onboarding costs

Client onboarding costs are the incremental costs of obtaining contracts with customers. The client onboarding costs are recognised only if TP Group expects to recover these costs from the underlying revenue contracts and represents only those costs that would not have been incurred if the underlying revenue contract had not been obtained.

In the current period £68.5million of client onboarding costs have been added to the balance sheet. This represents managements best estimate of expected payments for the onboarding of revenue contracts. Cash paid in the period relating to onboarding costs has been recognised through movements in working capital in the statement of cash flows.

Assessment of the carrying value of client onboarding costs contains significant judgement. Key areas of judgement include the discount rate on future cashflows, the expected recovery period and market growth expectations.

	Period to 31 Mar 2023
	£'000
Client onboarding costs	
At 1 January 2023	233,605
Additions	66,441
Amortisation	(2,440)
At 31 Mar 2023	297,606

10 Trade and other receivables

	31 March 2023	31 December 2022
	£'000	£'000
Other receivables	37,644	32,834
Intercompany balances	526	235
Prepayments and accrued income	5,834	5,121
Total	44,004	38,190

11 Derivative financial instruments

Derivative financial instruments that are designated and effective as hedging instruments carried at fair value at 31 March 2023 (31 December 2022: £13,928) were as follows:

	2023	2022
	£'000	£'000
Fx Rate Risk		
<i>Cross Currency swap asset*</i>	11,897	13,928

*The total nominal amount is £128.7M with maturity of 5 years (Dec 2026).

Kane Bidco Limited

Notes to the financial statements for the 3 month period ended 31 March 2023 (continued)

11 Derivative financial instruments (continued)

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

12 Trade and other payables

	31 March 2023	31 December 2022
	£'000	£'000
Trade payables	285	211
Other taxation and social security	1,813	812
Other payables	22,102	17,853
Accruals and deferred income	7,588	8,806
Total current liabilities	31,788	27,682

13 Provisions

	Complaints Provision	Total Provisions
	£'000	£'000
At 1 January 2023	3,137	3,137
Provided for in the period	-	-
Utilised during the period	(254)	(254)
Released in the period	(325)	(325)
At 31 March 2023	2,558	2,558

Kane Bidco Limited

Notes to the financial statements for the 3 month period ended 31 March 2023 (continued)

13 Provisions (continued)

Complaints provisions

Complaints provisions held within True Potential Wealth management relate to the expected cost of correcting deficiencies, compensation and redress associated with financial advice given. The provision represents managements best estimate of expected outcomes based on previous experience and a review of the details of each case. Management maintains Professional Indemnity Insurance with an FCA compliant limit of indemnity to mitigate this risk and in the event of complaints payments, would anticipate full recovery up to the limit of indemnity after application of the Group's excess. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. The best estimate of the timing of outflows is that the majority of the balance is expected to be settled within 12 months.

14 Financial Liabilities

Current	31 March 2023	31 December 2022
	£'000	£'000
Lease liabilities	676	690
Finance loan	6	60
Accrued interest	8,028	16,810
Customer relationships	116,086	96,200
Total current financial liabilities	124,350	113,760

Non-current	31 March 2023	31 December 2022
	£'000	£'000
High yield bond	700,878	702,098
Shareholder Loan	29,492	29,347
Senior loans	48,500	-
Lease liabilities	1,116	1,245
Revolving Credit Facility	100,000	85,000
Finance loan	40	54
Customer relationships	3,031	6,810
Total non-current financial liabilities	883,057	824,554

Kane Bidco Limited

Directors' responsibilities statement

Directors' responsibilities statement

The directors are responsible for preparing the directors' report and the condensed interim financial statements for the 3 month period ended 31 March 2023 in accordance with applicable law and regulation.

The directors can confirm that these condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2022. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The directors are also responsible for safeguarding the assets of the Group 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 and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006.

On behalf of the Board



Rebecca Hunter

Director

31 May 2023

Kane Bidco Limited

Jersey registered number 137782