Registered number: 01604930

TRAFALGAR HOUSE TRUSTEES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the Year ended 31 December 2018

TRAFALGAR HOUSE TRUSTEES LIMITED

STRATEGIC REPORT
For the year ended 31 December 2018

The Directors present the Strategic Report of the company ("THTL") for the year ended 31 December 2018.

REVIEW OF THE BUSINESS IN THE PERIOD

The Group's principal activity in the year, has been the provision of pension administration and Trustee secretarial services to a portfolio of clients including the Trustee of the Trafalgar House Pension Trust (the "Trust"), for whom investment related services are also provided.

PENSIONS AND EMPLOYEE MATTERS

Pension benefits are provided for Group staff through a Group Personal Pension scheme, which was set-up in July 2014. Death-in-service and incapacity benefits for Group staff are provided by external insurers.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces a variety of risks in the operation of its business. These risks are actively monitored and managed at multiple levels. The Trafalgar House Pensions Administration Limited ("THPA") Board manages the risks associated with its trading.

The other risks are monitored and managed by the senior managers within Trafalgar House Serviceco Limited ("THSL") and THPA, Executive Directors, and the wider Boards of THSL, THPA and THTL.

THE TRUST

THSL is the responsible employer for the Trust. A liability would only crystallise if an insolvency event occurs. The risk to the THSL is therefore not relevant to its ongoing trading.

EMPLOYEE RETENTION RISK

Our long-term retention of staff is one of our principal assets, which enables us to deliver first-class service to our clients. We have a core team of permanent staff and we add to this with short-term contract positions to cover peak workloads or specific projects.

Staff turnover across the business is low. The turnover percentage of permanent staff across the whole business for the last three calendar years totals 9.3%.

LIQUIDITY AND CASH FLOW RISK

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group retains sufficient cash, invested in short term deposits, to meet its foreseeable needs over the next year, subject to projected cash flows from trading.

EXCHANGE RISK

The Group has no assets held in foreign currencies.

INTEREST RATE RISK

The Group has no bank borrowings or finance and continues to operate its working capital with positive cash reserves. Accordingly, the Group's exposure to interest rate fluctuations on its cash deposits is managed by the use of current accounts and short-term deposits. This maximises interest earned on the cash which is surplus to current needs.

CREDIT RISK

The Group's principal financial assets are bank deposits, cash and trade debtors. The credit risk associated with the bank deposits is limited and therefore the principal credit risk arises from trade debtors.

In order to manage credit risk, the Directors set limits for customers based on a regular review of debt ageing and collection history. For new customers with a limited history, checks are carried out, and payment can be required in advance of services being provided.

Formal agreements are in place with all customers, which determine the underlying bases for payment terms.

STRATEGIC REPORT
For the year ended 31 December 2018

FINANCIAL KEY PERFORMANCE INDICATORS

The Directors consider the key performance indicators to be systems development, employee retention, the trading activity for the year and debtor collection period. They specifically do not regard Group turnover as a key performance indicator as it is highly variable depending upon amounts paid out on behalf of the Trust in various fees.

The turnover for the Group for the year ended 31 December 2018 was £8,413,527 (2017: £6,667,401).

The profit for the year and debtor collection period is comparable with the prior year and is considered satisfactory.

The loss for the year, before taxation, was £1,478,892 (2017 Profit: £460). The loss for the year, after taxation, was £1,432,099 (2017: £460).

This report was approved by the board on 28 March 2019 and signed on its behalf.

Mr J O Froeshaug (Chairman)
Director

TRAFALGAR HOUSE TRUSTEES LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

The Directors are satisfied that it is appropriate to adopt the Going Concern basis when preparing the financial statements since the Group is expected to continue to be able to meet its day to day working capital requirements through the cash generated by its principal activities.

DIVIDEND

The Directors do not recommend the payment of any dividend to shareholders at this time. Profits are retained to support business' growth.

RESEARCH AND DEVELOPMENT

During the year, the Group continued to keep its operating model and underlying administration systems under review to ensure that it delivers ongoing efficiencies, enhancements and functionality required by its clients and their members. Investment continued to be made in member related website development to further improve the member experience whilst simultaneously creating operational efficiencies. Other areas of operational development included the standardisation of automated calculation suites for benefit entitlements, workflows, and member communications and client reporting.

THPA attained the ICAEW AAF 01/06 Type 2 accreditation as at October 2018, for the third consecutive year, following the Type 1 accreditation being achieved in September 2015.

FUTURE DEVELOPMENTS

We continue to focus on opportunities to grow the business and to develop the operating model and services, for both existing and new clients, seeking to deliver a first-class service to all. The forthcoming year is expected to be an exciting and challenging one for THPA as it looks to build on the investment made in its operating model with a focus on the member experience and outcomes.

TRAFALGAR HOUSE TRUSTEES LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2018

POST BALANCE SHEET EVENTS

On 20 February 2019, 4,999,900 Ordinary £1 shares were issued at par.

DIRECTORS' INSURANCE

During the year, the Group paid for Pension Trustee Liability insurance for the Directors.

DIRECTORS

The Directors who served during the year were:

Mr J O Froeshaug (Chairman)
Mr R M Bartley
Mr D J E Day
Mrs M R A Ellis
Mr A J Gemmell
Ms L J Inward
Mr N C Jensen
Mr D G Moorhouse
Mr J M Sampson

MATTERS COVERED IN THE STRATEGIC REPORT

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors report have been omitted as they are included in the strategic report on pages 4 and 5. These matters relate to the review of the business, principal risks and uncertainties and financial key performance indicators.

PROVISION OF INFORMATION TO AUDITORS

So far as each of the Directors is aware, at the time the report is approved:

- there is no relevant audit information of which the Group's auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This report was approved by the board on 28 March 2019 and signed on its behalf.

Jen O. Froeshaug

Mr J O Froeshaug (Chairman)
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TRAFALGAR HOUSE TRUSTEES LIMITED

Opinion

We have audited the financial statements of Trafalgar House Trustees Limited (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2018 which comprise the Consolidated Statement of Profit & Loss & Other Comprehensive Income; the Consolidated Statement of Financial Position; the Company Statement of Financial Position; the Consolidated Statement of Cash Flow; the Consolidated Statement of Changes in Equity; the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TRAFALGAR HOUSE TRUSTEES LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TRAFALGAR HOUSE TRUSTEES LIMITED

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

M Stallabrass

Matthew Stallabrass
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

7 May 2019

TRAFALGAR HOUSE TRUSTEES LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	Year Ended 31 December 2018 £	*9 Months Ended 31 December 2017 £*
TURNOVER	5	**8,413,527**	*6,667,401*
Administrative expenses		**(9,898,197)**	*(6,667,401)*
OPERATING (LOSS)/PROFIT	6	**(1,484,670)**	-
Interest receivable		**5,778**	*460*
(LOSS)/PROFIT BEFORE TAXATION		**(1,478,892)**	*460*
Tax on (loss)/profit	9	**46,793**	-
(LOSS)/PROFIT AFTER TAXATION		**(1,432,099)**	*460*
Non-controlling interest		**164,636**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,267,463)**	*460*

All amounts relate to continuing operations.

The related notes 1 to 24 form part of these financial statements.

TRAFALGAR HOUSE TRUSTEES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2018
Company number: 01604930

	Note	2018 £	2017 £
FIXED ASSETS			
Intangible fixed assets	11	**267,525**	*273,369*
Tangible fixed assets	12	**493,687**	*504,928*
		761,212	*778,297*
CURRENT ASSETS			
Work in progress		**15,511**	*11,339*
Debtors	13	**1,975,608**	*1,958,625*
Cash at bank		**6,291,580**	*2,382,820*
		8,282,699	*4,352,784*
CREDITORS: amounts falling due within one year	14	**(6,931,864)**	*(1,712,208)*
NET CURRENT ASSETS		**1,350,835**	*2,640,576*
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,112,047**	*3,418,873*
PROVISIONS FOR LIABILITIES	15	**(91,640)**	*(155,367)*
NET ASSETS		**2,020,407**	*3,263,506*
CAPITAL AND RESERVES			
Called up share capital	16	**2,600,100**	*2,600,100*
Profit and loss account		**(604,057)**	*663,406*
Non-controlling interest		**24,364**	-
SHAREHOLDERS' FUNDS		**2,020,407**	*3,263,506*

The related notes 1 to 24 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 March 2019.

Jon O. Froeshaug

Mr J O Froeshaug (Chairman)
Director

G Wake.

Mr G Wake
Secretary

COMPANY STATEMENT OF FINANCIAL POSITION
31 December 2018
Company number: 01604930

	Note	2018 £	*2017 £*
FIXED ASSETS			
Investments	10	**7,600,011**	*2,600,011*
CURRENT ASSETS			
Debtors - Other		**100**	*100*
CURRENT LIABILITIES			
Creditors - Amount owed to parent undertaking		**(5,000,000)**	-
NET CURRENT (LIABILITIES)/ASSETS		**(4,999,000)**	*100*
NET ASSETS		**2,600,111**	*2,600,111*
CAPITAL AND RESERVES			
Called up share capital	16	**2,600,100**	*2,600,100*
Profit and loss account		**11**	*11*
SHAREHOLDERS' FUNDS		**2,600,111**	*2,600,111*

The related notes 1 to 24 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 March 2019.

Jan O. Froeshaug

Mr J O Froeshaug (Chairman)
Director

G Wake.

Mr G Wake
Secretary

TRAFALGAR HOUSE TRUSTEES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	2018	*2017*
	£	*£*
CASHFLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit for financial year	**(1,432,098)**	*460*
Adjustments for:		
Amortisation of intangible fixed assets	**94,598**	*33,906*
Depreciation of tangible fixed assets	**98,121**	*72,606*
Loss on disposal of tangible fixed assets	**11,303**	-
Interest received	**(5,665)**	*(460)*
Taxation	**(47,308)**	-
Decrease /(Increase) in trade and other debtors	**(32,290)**	*774,941*
(Increase) in work in progress	**(4,172)**	*(4,216)*
(Decrease) in trade and other creditors	**203,235**	*(612,167)*
Cash flows from Operations	**(1,114,277)**	*265,070*
Income taxes paid	**15,307**	*(1,936)*
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(1,098,970)**	*263,134*
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance from parent undertaking	**5,000,000**	-
Non-controlling interest	**189,000**	-
Purchase of tangible and intangible fixed assets	**(186,935)**	*(177,634)*
Interest received	**5,665**	*460*
Net cash flow from Investing Activities	**5,007,730**	*(177,174)*
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,908,760**	*85,960*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,382,820**	*2,296,860*
CASH AND CASH EQUIVALENTS AT END OF YEAR	**6,291,580**	*2,382,820*

The related notes 1 to 24 form part of these financial statements.

TRAFALGAR HOUSE TRUSTEES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Called Up Share Capital	Profit and Loss Account	Non-Controlling interest	Total
	£	£	£	£
1 April 2017	2,600,100	662,946	-	3,263,046
Profit for the period	-	460	-	460
1 January 2018	2,600,100	663,406	-	3,263,506
Non-controlling interest acquisition			189,000	189,000
Loss for the year	-	(1,267,463)	(164,636)	(1,432,099)
31 December 2018	**2,600,100**	**(604,057)**	**24,364**	**2,020,407**

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Called Up Share Capital	Profit and Loss Account	Total
	£	£	£
1 April 2017	2,600,100	11	2,600,111
Profit for the period	-	-	-
1 January 2018	2,600,100	11	2,600,111
Profit for the year	-	-	-
31 December 2018	**2,600,100**	**11**	**2,600,111**

The related notes 1 to 24 form part of these financial statements.

1. COMPANY INFORMATION

The Company is a private company (limited by shares), incorporated in England and Wales.

The Company's registered address and principal place of business is: Cheapside House, 138 Cheapside, London, EC2V 6BJ

The Group's principal activity in the period has been the provision of pension administration and trustee secretarial services to a portfolio of clients, including the parent, the Trustees of the Trafalgar House Pension Trust (the "Trust"), to whom investment related services are also provided.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings drawn up to 31 December each year.

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The Company's profit for the year was £Nil (2017: £Nil).

The individual accounts of the Company have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes, as any such statement would reflect no cash movements.

Going concern

The Directors are satisfied that it is appropriate to adopt the Going Concern basis when preparing the financial statements since the Group is expected to continue to be able to meet its day to day working capital requirements through the cash generated by its principal activities. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

Preparation of the financial statements requires management to make significant judgements and estimates. The principal items in the financial statements where such judgments and estimates have been made are:

3.1 Judgements

THSL, a wholly owned subsidiary of the company is legally the responsible employer of the Trafalgar House Pension Trust defined benefit scheme. In the opinion of the directors the accounting for this relationship is a significant accounting judgement. As set out in note 20 this has been treated as a contingent liability in accordance with Section 21 of FRS 102 and the defined benefit scheme liability has not been recognised on the balance sheet.

3.2 Estimates

The Group has made provision for the expected cost of dilapidations arising at the end of its property lease (see note 15). The lease terminates during May 2026 and any dilapidations payable will be subject to negotiation.

The Group has estimated that the useful economic life ("UEL") of its core computer software capitalised is five years (see notes 4.3 and 11). This is based on the long-term client contracts in place which are serviced by the software. The UEL of non-core software is reviewed on a project by project basis, with a three-year UEL typically being applied. This policy is subject to continual review by the Group to ensure appropriate capitalisation periods are maintained.

4. PRINCIPAL ACCOUNTING POLICIES

4.1 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately before goodwill.

4.2 Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the Company's individual financial statements.

4.3 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged at the point the asset is ready for use so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Core software development costs: 5 years
- Acquired or non-core software: 3 years or the relevant licence period, if less

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

4.4 Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, over their expected useful lives, using the straight-line method. The rates applicable are:

- Leasehold property improvements: over the term of the lease
- Furniture Fixtures and Fittings: 5 years
- Computer Equipment: 3 years
- Office Equipment: 3 years

4.5 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.6 Work in progress

Work in progress represents work undertaken on behalf of clients which is not yet due to be invoiced. Work in progress is measured at the lower of cost and net realisable value.

4.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

4.8 Creditors

Short term creditors are measured at transaction price.

4.9 Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefits of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

4.10 Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

4.11 Taxation

Current tax is recognised for the amount of Corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

4.12 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

Turnover includes revenue earned from the rendering of services.

Rendering of services

Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs.

Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract can be estimated reliably.

4.13 Employee benefits

Short-term employee benefits and contributions to the Group Personal Pension scheme are recognised as an expense in the period in which they are incurred.

4.14 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty-four hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

5. TURNOVER

Turnover analysed geographically between markets, was as follows:

	2018	2017
	£	£
Europe	8,413,527	6,667,401

Turnover analysed by category, was as follows:

	2018	2017
Direct recharge of costs to Trust	5,056,928	3,719,684
Other	3,356,599	2,947,717
	8,413,527	6,667,401

6. OPERATING LOSS

Operating loss is stated after charging:	2018	2017
	£	£
Auditors' remuneration:		
- Audit of the company's annual accounts	4,800	4,100
- Audit of accounts of subsidiaries.	23,500	21,753
- Tax compliance services	39,793	11,032
Operating lease rentals:- land and buildings	288,373	216,352

7. STAFF COSTS

Staff costs including remuneration of Directors, during the year were as follows:

	2018	*2017*
	£	*£*
Wages and salaries	3,850,563	*2,355,482*
Social security costs	417,805	*265,367*
Pension costs - defined contribution scheme	191,570	*139,383*
	4,459,938	*2,760,232*

The average monthly number of employees, including the Directors, during the year was as follows:

	2018	*2017*
	No.	*No.*
Business Development and Administration staff	28	*20*
Finance and Investment staff	10	*8*
Projects, Operations & Other staff	14	*13*
	52	*41*

8. DIRECTORS' REMUNERATION

During the year, £132,000 (2017: £42,886) was payable to the Directors of Trafalgar House Trustees Limited, for Directors' fees in respect of THSL. All Trustee Directors' fees were paid by THSL and reimbursed by the Trafalgar House Pension Trust. No Directors received pension contributions in either the current year or previous period.

9. TAXATION

	2018	*2017*
Analysis of tax charge in the year	£	*£*
Current Tax		
UK corporation tax charge on loss/profits for the year	-	*(9,186)*
Adjustment for (over)/under provision in prior period	-	*(15,291)*
Total Current Tax (see note below)	-	*(24,477)*
Deferred Tax (see note 15)		
Origination and reversal of timing differences	(46,793)	*24,477*
	(46,793)	*-*

9. TAXATION (continued)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

	2018	*2017*
	£	*£*
(Loss)/profit before tax	**(1,478,892)**	*460*
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 19% *(2017: 19%)*	**(280,989)**	*87*
Effects of:		
Difference on actual tax rate	**14,198**	-
Expenses not deductible for tax purposes	**7,910**	*15,059*
Other timing differences	**(35,453)**	-
Capital allowances in excess of depreciation	**11,293**	*145*
Adjustment for (over)/under provision in prior years	**-**	*(15,291)*
Losses carried forward	**236,248**	-
Current tax charge for the year	**(46,793)**	-

10. FIXED ASSET INVESTMENTS: INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	£
Cost and net book value at 31 December 2018	**7,600,011**
Cost and net book value at 31 December 2017	2,600,011

At 31 December 2018 the Company had the following subsidiary undertakings:

Subsidiaries	**Nature of business**
Trafalgar House Serviceco Limited	Pensions Administration
Trafalgar House Pensions Administration Limited ("THPA")	Pensions Administration
Trafalgar House Investco Limited	Pensions Administration
Trafalgar House Holdings Limited	Dormant

The Company's subsidiary undertakings have the same registered office as the Company and are all incorporated in the United Kingdom.

THPA is 89.5% owned by the company whilst the other three subsidiary undertakings are wholly owned.

11. INTANGIBLE FIXED ASSETS

The Group	Computer Software	Total
	£	£
Cost		
1 January 2018	810,250	810,250
Additions	88,753	*88,753*
31 December 2018	899,003	*899,003*
Depreciation		
1 January 2018	536,881	536,881
Charge for the year	94,597	*94,597*
31 December 2018	631,478	*631,478*
Net Book Value		
31 December 2018	267,525	**267,525**
31 December 2017	273,369	273,369

12. TANGIBLE FIXED ASSETS

The Group	Leasehold Improvements	Furniture, Fixtures & Fittings	Computer Equipment	Office Equipment	Total
	£	£	£	£	£
Cost					
1 January 2018	462,846	101,129	100,762	43,879	**708,616**
Additions	-	37,660	57,760	2,762	**98,182**
Disposals	-	(60,456)	-	-	**(60,456)**
31 December 2018	462,846	78,333	158,522	46,641	**746,342**
Depreciation					
1 January 2018	61,513	58,159	59,915	24,101	**203,688**
Charge for the year	46,284	14,422	24,757	10,658	**96,121**
Disposals	-	(47,155)	-	-	**(47,155)**
31 December 2018	107,797	25,426	84,672	34,759	**252,654**
Net Book Value					
31 December 2018	355,049	52,907	73,849	11,882	**493,687**
31 December 2017	401,333	42,970	40,847	19,778	504,928

13. DEBTORS

	The Group	
	2018	2017
	£	£
Due after more than one year		
Other debtors	**273,600**	*273,600*
Due within one year		
Trade debtors	**368,457**	*174,178*
Amounts owed by parent undertaking	**90,321**	*247,207*
Amounts paid and accrued but not yet invoiced to parent undertaking	**712,010**	*826,575*
Corporation tax	**9,170**	*24,477*
Other debtors	**142,409**	*99,009*
Prepayments and accrued income	**379,641**	*313,579*
	1,975,608	*1,958,625*

14. CREDITORS:

Amounts falling due within one year:

	The Group	
	2018	2017
	£	**£**
Trade creditors	**213,532**	*53,360*
Amounts owed to parent undertaking	**5,000,000**	-
Social security and other taxes	**295,643**	*148,925*
Other creditors	**144,845**	*7,460*
Accruals and deferred income	**1,277,844**	*1,502,463*
	6,931,864	*1,712,208*

15. PROVISIONS FOR LIABILITIES

The Group

	Obligations arising from property lease £	Deferred taxation £	Leave pay £	Total £
1 January 2018	78,128	60,305	16,934	155,367
Movement	-	(46,793)	18,520	(28,273)
Reclassification	-	-	(35,454)	(35,454)
31 December 2018	**78,128**	**13,512**	**-**	**91,640**

The Group has made a provision for the cost of dilapidations in accordance with the refurbishment clauses and reinstating alterations given in the 10 year lease of the Group's premises.

The deferred tax provision is analysed as follows:

	The Group 2018 £	2017 £
Accelerated capital allowances	-	*19,535*
Short term timing difference	**41,557**	*40,770*
Losses carried forward	**(28,045)**	-
	13,512	*60,305*

16. SHARE CAPITAL

	2018 £	*2017* £
Allotted, Called Up and Fully Paid		
2,600,100 Ordinary shares of £1 each	**2,600,100**	*2,600,100*

On 20 February 2019, 4,999,900 Ordinary £1 shares were issued at par.

17. PENSION COMMITMENTS

Pension benefits are provided for Group staff through a Group Personal Pension scheme. The assets of the scheme are held separately from those of the Group.

The pension cost charge, representing contributions payable by the Group to the Group Personal Pension scheme amounted to £191,570 (2017: £139,383) for the year.

Contributions totalling £42,538 (2017: £Nil) were outstanding as at the balance sheet date and are included in creditors.

18. OPERATING LEASE COMMITMENTS

At 31 December 2018 the Group had future minimum operating lease payments under non-cancellable operating leases as follows:

	2018	2017
	£	£
Not later than 1 year	304,000	304,000
Less than 1 year and not later than 5 years	380,000	684,000

In addition to the rental commitment recorded above, the Group has a commitment to pay related service charges and insurance.

19. RELATED PARTY TRANSACTIONS

The Group	2018 £	2017 £
Sales to THPT	1,733,803	2,315,416
Costs reimbursed by THPT	5,056,928	3,719,684
Trade debtor amounts due from THPT	90,321	247,207
Accrued income amounts due from THPT	712,010	826,575
Advance form THTL	5,000,000	-
Key management personnel THSL	1,040,605	591,426
Key management personnel THTL	409,200	432,745

The Company	2018 £	2017 £
Trade debtor amounts due from THPT	100	100
Advance from THTL	5,000,000	-
Reimbursed costs incurred by ultimate parent undertaking	4,800	4,100

During the year, as well as providing pension administration services to third-party clients, THPA provided services on behalf of the Trust; the group's ultimate controlling party. The Group charged the Trust £ 1,733,803 (2017: £2,315,416) for the provision of these services.

In addition to this, the Group bore pension scheme related costs such as investment management, legal, actuarial and other adviser expenses totalling £5,056,928 (2017: £3,719,684) on behalf of the Trust.

At the year end, the Trust owed the Group £802,331 (2017: £1,065,348), which includes paid and accrued costs of £712,010 (2017: £826,575) relating to December 2018, which had not been invoiced to the Trust as at 31 December 2018.

During the year, an amount of £409,200 (2017: £432,745) was paid by THSL to the Directors of Trafalgar House Trustees Limited, the immediate parent undertaking, for Trustee Directors' fees in respect of the company. All Trustee Directors' fees are reimbursed by the Trust.

The amount payable and due to Trustee Directors, who are also Directors of the company, is disclosed in note 8.

Niels Jensen, one of the Company Directors, is a partner in Absolute Return Partners. With effect from 6 December 2016, Absolute Return Partners were appointed as an investment manager to the Trafalgar House Pension Trust.

During the year the net fee paid on behalf of the Trust to Absolute Return Partners was £600,000 (2017: £475,000). Accrued fees held on the balance sheet as at 31 December 2018 was £50,000 (2017: £107,000)

During the year, £5,000,000 was advanced to the Group by the Trust. On 20 February 2019 the advance was capitalised, with 4,999,900 shares being issued at par.

20. CONTINGENT LIABILITY

Based on legal advice obtained by the Group, as THSL is the responsible employer in relation to the Trafalgar House Pension Trust, the Directors understand that THSL could be liable to the Trust for deficit reduction contributions.

Whilst legally THSL is the responsible employer in relation to the Trafalgar House Pension Trust, it has never participated in the defined benefit plan and only ever provided money purchase benefits to its employees. Consequently, in accordance with FRS 102, the Trust is not recognised on the balance sheet although a contingent liability is disclosed.

The last formal review of financial position was obtained as at 31 December 2017 and this concluded that the Trust, with assets of £1,847m, was 91% funded on a technical provisions basis. Whilst the formal recovery plan produced by the Trust shows that it expects to achieve full funding of its liabilities by September 2023, and this does not rely on any contributions being made by THSL, the potential does exist for THSL to be legally required to make further contributions to the Trust over and above those obligations provided for within the financial statements.

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking and ultimate controlling party is the Trust. The entire issued share capital of the Company is held as nominee by the Directors Mrs M R A Ellis and Mr J O Froeshaug, on behalf of the Trust.

22. FINANCIAL RISK MANAGEMENT

The Group has exposure to one main area of risk – customer credit exposure.

The Group may offer credit terms to its customers which allow payment of the debt after delivery of services rendered. The Group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. The risk is mitigated by the strong on-going customer relationships.

23. FINANCIAL INSTRUMENTS

	2018	*2017*
	£	*£*
Financial assets		
Financial assets measured at amortised cost	**1,586,797**	*1,612,135*
Financial liabilities		
Financial liabilities measured at amortised cost	**654,535**	*209,847*

Financial assets measured at amortised cost comprise trade debtors, amounts owed to Group undertakings and other debtors. Financial liabilities measured at amortised cost comprise trade creditors, social security and other taxes and other creditors.