

Registered number: 01604930

TRAFALGAR HOUSE TRUSTEES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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TRAFALGAR HOUSE TRUSTEES LIMITED

STRATEGIC REPORT YEAR ENDED 31 DECEMBER 2022

The Directors present the Strategic Report of the company ("THTL") for the year ended 31 December 2022.

Business review

The Group's principal commercial 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.

The continued expansion of these services to a growing portfolio of clients has provided a significant increase in revenue of 28%. A profitable trading position was also achieved, which was ahead of expectations during a period of sustained investment in the business to support its growth.

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 Executive Directors and senior managers within Trafalgar House Serviceco Limited ("THSL") and THPA and the wider Boards of Trafalgar House Investco Limited ("THIL"), 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 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 growing core team of permanent staff and we add to this with short-term contract positions to cover peak workloads or specific projects as required.

Staff turnover across the business is low. The turnover percentage of permanent staff across the whole business for the last three calendar years totals 7%.

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.

TRAFALGAR HOUSE TRUSTEES LIMITED

**STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2022**

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.

Financial key performance indicators

The Directors consider the key performance indicators to be continued commercial turnover growth in THPA of £11,459,208 (2021: £8,953,382) and the operational efficiency over the year.

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 profit for the year when compared to the prior year loss and is ahead of expectations. The debtor collection period is comparable and is considered satisfactory.

The profit for the year, before taxation, was £780,209 (2021 loss: £269,658). The profit for the year, after taxation, was £868,701 (2021 loss: £242,416).

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

DocuSigned by:

Roger Bartley

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**R M Bartley (Chair)
Director**

Date: 28 March 2023 | 4:53 PM BST

TRAFALGAR HOUSE TRUSTEES LIMITED

DIRECTORS' REPORT YEAR ENDED 31 DECEMBER 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

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

Please see note 2 for the directors' assessment as to why the going concern basis is appropriate when preparing these financial statements

Dividend

The Directors do not recommend the payment of any dividend to shareholders at this time.

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 the business and its clients and their members. Investment was made in solutions for Guaranteed Minimum Pension equalisation and Pensions Dashboard solutions for clients, starting a program of work to consolidate all clients onto the latest version of the pensions administration software used to deliver the services, whilst simultaneously continuing to develop service and operational efficiencies.

THPA attained the updated ICAEW AAF 01/20 accreditation as at October 2022, following six years of retaining the previous AAF 01/06 version. The business also attained the ISO 27001:2013 accreditation during the period, and also holds the Cyber Essentials Plus, Gold standard Investor in Customers, Investors in People, Planet Mark and Living Wage Employer accreditations.

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 TPHA as it looks to continue to expand on its client base, and to continue to build on the ongoing investment made in its operating model.

TRAFALGAR HOUSE TRUSTEES LIMITED

DIRECTORS' REPORT YEAR ENDED 31 DECEMBER 2022

Post balance sheet events

There were no significant post balance sheet events affecting the Group.

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:

R M Bartley
D J E Day
M R A Ellis
A J Gemmell
L J Inward
N C Jensen
D G Moorhouse
R A Parry
J M Sampson

Matters covered in the strategic report

The strategic report includes matters relating to the business review, 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 and signed on its behalf.

DocuSigned by:



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R M Bartley (Chair)
Director

Date: 28 March 2023 | 4:53 PM BST

TRAFALGAR HOUSE TRUSTEES LIMITED

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 2022 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).

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 2022 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

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

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 company's or its group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

TRAFALGAR HOUSE TRUSTEES LIMITED

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

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.

TRAFALGAR HOUSE TRUSTEES LIMITED

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

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:

Extent to which the audit is capable of detecting irregularities, including fraud

We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We design our procedures so as to obtain sufficient appropriate audit evidence that the financial statements are not materially misstated due to non-compliance with laws and regulations or due to fraud or error.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations - this responsibility lies with management with the oversight of the directors.

Based on our understanding of the company and its industry together with discussions with management and directors, we identified financial reporting standards and Companies Act 2006 as having a direct effect on the amounts and disclosures in the financial statements.

As part of the engagement team discussion about how and where the company's and its group's financial statements may be materially misstated due to fraud, we did not identify any areas with an increased risk of fraud.

Our audit procedures included:

- completing a risk-assessment process during our planning for this audit that specifically considered the risk of fraud;
- enquiry of management about the company's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review, where applicable, of minutes of meetings of the board of directors;
- enquiry of management, about any litigations and claims and inspection of relevant correspondence;
- analytical procedures to identify any unusual or unexpected relationships;
- specific audit testing on and review of areas that could be subject to management override of controls and potential bias, most notably around the key judgments and estimates;
- considering management override of controls outside of the normal operating cycles including testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements including evaluating the business rationale of significant transactions, outside the normal course of business.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organised schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

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.

TRAFALGAR HOUSE TRUSTEES LIMITED

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

Use of our report

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.

DocuSigned by:

Matthew Stallabrass

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Matthew Stallabrass
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
55 Ludgate Hill
London
EC4M 7JW

Date: 28 March 2023 | 4:53 PM BST

TRAFALGAR HOUSE TRUSTEES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
TURNOVER	5	20,507,909	19,467,771
Administrative expenses		<u>(19,742,636)</u>	<u>(19,741,550)</u>
OPERATING PROFIT/(LOSS)	6	765,273	(273,779)
Interest receivable		<u>14,936</u>	<u>4,121</u>
PROFIT/(LOSS) BEFORE TAXATION		780,209	(269,658)
Tax on loss	9	<u>88,492</u>	<u>27,242</u>
PROFIT/(LOSS) AFTER TAXATION		868,701	(242,416)
Non-controlling interest		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>868,701</u>	<u>(242,416)</u>

All amounts relate to continuing operations.

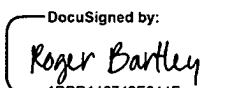
The related notes 1 to 22 form part of these financial statements.

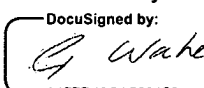
TRAFALGAR HOUSE TRUSTEES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2022
Company number: 01604930

	Note	2022 £	2021 £
FIXED ASSETS			
Intangible fixed assets	11	1,284,092	1,080,012
Tangible fixed assets	12	369,764	518,854
		<u>1,653,856</u>	<u>1,598,866</u>
CURRENT ASSETS			
Debtors	13	3,703,712	3,677,395
Cash at bank		<u>9,302,148</u>	<u>7,622,940</u>
		13,005,860	11,300,335
CREDITORS: amounts falling due within one year	14	<u>(4,995,254)</u>	<u>(4,103,440)</u>
NET CURRENT ASSETS		<u>8,010,606</u>	<u>7,196,895</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,664,462</u>	<u>8,795,761</u>
PROVISIONS FOR LIABILITIES	15	<u>(83,445)</u>	<u>(83,445)</u>
NET ASSETS		<u><u>9,581,017</u></u>	<u><u>8,712,316</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	10,600,000	10,600,000
Profit and loss account		<u>(1,018,983)</u>	<u>(1,887,684)</u>
SHAREHOLDERS' FUNDS		<u><u>9,581,017</u></u>	<u><u>8,712,316</u></u>

The related notes 1 to 22 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

R M Bartley (Chair)
 Director

DocuSigned by:

G Wake
 Secretary


Date: 28 March 2023 | 4:53 PM BST

TRAFALGAR HOUSE TRUSTEES LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2022
Company number: 01604930

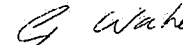
	Note	2022 £	2021 £
FIXED ASSETS			
Investments	10	<u>10,600,011</u>	<u>10,600,011</u>
NET ASSETS		<u>10,600,011</u>	<u>10,600,011</u>
CAPITAL AND RESERVES			
Called up share capital	16	10,600,000	10,600,000
Profit and loss account		<u>11</u>	<u>11</u>
SHAREHOLDERS' FUNDS		<u>10,600,011</u>	<u>10,600,011</u>

The related notes 1 to 22 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

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R M Bartley (Chair)
 Director

DocuSigned by:

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G Wake
 Secretary

Date: 28 March 2023 | 4:53 PM BST

TRAFALGAR HOUSE TRUSTEES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2022

	2022	2021
	£	£
Cashflows from operating activities		
Profit/(loss) for financial year	868,701	(242,416)
Adjustments for:		
Amortisation of intangible fixed assets	421,311	360,135
Depreciation of tangible fixed assets	175,956	203,366
Loss on disposal of tangible fixed assets	-	15,129
Interest received	(14,936)	(4,121)
Taxation	(88,492)	(27,242)
Movement in debtors	48,460	(479,375)
Movement in creditors	891,814	1,229,749
Cash flows from operations	2,302,814	1,055,225
Corporation tax recovered	13,715	13,669
Net cash flows from operating activities	2,316,529	1,068,894
Cash flows from investing activities		
Purchase of tangible and intangible fixed assets	(652,257)	(802,190)
Interest received	14,936	4,121
Net cash flow from Investing Activities	(637,321)	(798,069)
Net increase in cash and cash equivalents	1,679,208	270,825
Cash and cash equivalents at beginning of year	7,622,940	7,352,115
Cash and cash equivalents at end of year	<u>9,302,148</u>	<u>7,622,940</u>

The related notes 1 to 22 form part of these financial statements.

TRAFALGAR HOUSE TRUSTEES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2022

	Called Up Share Capital	Profit and Loss Account	Non- Controlling Interest	Total
	£	£	£	£
1 January 2021	10,600,000	(1,645,268)	-	8,954,732
Loss for the year	-	(242,416)	-	(242,416)
1 January 2022	10,600,000	(1,887,684)	-	8,712,316
Profit for the year	-	868,701	-	868,701
31 December 2022	10,600,000	(1,018,983)	-	9,581,017

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Called Up Share Capital	Profit and Loss Account	Total
	£	£	£
1 January 2021	10,600,000	11	10,600,111
Profit for financial year	-	-	-
1 January 2022	10,600,000	11	10,600,011
Profit for financial year	-	-	-
31 December 2022	10,600,000	11	10,600,011

The related notes 1 to 22 form part of these financial statements.

TRAFALGAR HOUSE TRUSTEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

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 Ascent 4, 2 Gladiator Way, Farnborough Aerospace Centre, Farnborough GU14 6XN, England.

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 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 (2021: £Nil).

Going concern

The Directors consider the going concern basis to be appropriate having paid due regard to the Group's projected results during the twelve months from the date the financial statements are approved, the anticipated cash flows and other mitigating actions that can be taken during that period.

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

Trafalgar House Serviceco Limited, 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 estimated that the useful economic life ("UEL") of its core computer software capitalised is five years (see notes 4.3 and 11) whilst the UEL of its client implementation costs is estimated at between four to five years (see notes 4.4 and 11). These UELs are based on the length of the 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.

TRAFALGAR HOUSE TRUSTEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

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: software development costs ("SDCs")

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

SDCs 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 SDCs: 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.

TRAFALGAR HOUSE TRUSTEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

4.4 Intangible assets: client implementation costs ("CICs")

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

Client implementations are treated as individual projects. CICs are calculated as internal time costs and external consultancy fees related to the implementation less any associated revenue from the client.

CICs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the implementation so that it will be available for use or sale.
- The intention to complete the implementation and use or sell it.
- The ability to use the implementation or to sell it.
- How the implementation 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 implementation during its development.

Amortisation is charged from the date the implementation goes live and 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 CICs are amortised over the length of the contracts with the clients, which currently range from 4 to 5 years for all projects with capitalised costs.

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.

4.5 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

4.6 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.

TRAFALGAR HOUSE TRUSTEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

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 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 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.

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022**

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:

	2022	2021
	£	£
Europe	<u>20,507,909</u>	<u>19,467,771</u>

Turnover analysed by category, was as follows:

Direct recharge of costs to Trust	10,652,682	12,028,450
Other	9,855,227	7,439,321
	<u>20,507,909</u>	<u>19,467,771</u>

6. Operating profit

Operating loss is stated after charging:

	2022	2021
	£	£
Auditors' remuneration		
- Audit of the company's annual accounts	5,500	5,000
- Audit of accounts of subsidiaries	31,350	28,500
- Tax compliance services	16,555	14,200
Operating lease rentals - land and buildings	<u>133,512</u>	<u>171,800</u>

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022**

7. Staff costs

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

	2022	2021
	£	£
Wages and salaries	7,138,177	6,077,829
Social security costs	781,251	659,373
Pension costs - defined contribution scheme	504,733	426,132
	<u>8,424,161</u>	<u>7,163,334</u>

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

	2022	2021
	No.	No.
Business Development and Administration staff	121	103
Finance and Investment staff	5	5
Projects, Operations & Other staff	24	22
	<u>150</u>	<u>130</u>

8. Directors' remuneration

During the year, £148,000 (2021: £138,000) was payable to the Directors of THTL, for Directors' fees in respect of THSL. All Trustee Directors' fees were paid by THSL and reimbursed by the Trust. No Directors received pension contributions in either the current year or previous period.

9. Taxation

	2022	2021
	£	£
Analysis of tax charge in the year		
Current Tax		
UK corporation tax charge on loss for the year	-	-
Adjustment for over provision in prior years	-	(27,242)
Total Current Tax (see below)	-	(27,242)
Deferred Tax		
Origination and reversal of timing differences	(88,492)	-
	<u>(88,492)</u>	<u>(27,242)</u>

TRAFALGAR HOUSE TRUSTEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

9. Taxation (continued)

Factors affecting tax charge for the year

	2022 £	2021 £
Profit/(Loss) before tax	<u>780,202</u>	<u>(269,658)</u>
Profit/(Loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	148,238	(51,235)
Effects of:		
Adjustment for over provision in prior years	-	(27,242)
Losses carried forward and other differences	(148,238)	51,235
Tax charge for the year	<u>-</u>	<u>(27,242)</u>

Factors that may affect future tax charges

At 31 December 2022, the Group had trading tax losses carried forward of approximately £2,400,000 (2021: £3,100,000). At that date deferred tax asset of £88,350 (2021: £Nil) has been recognised on an element of those losses (see note 13).

10. Fixed asset investments: investment in subsidiary undertakings

	£
Cost and net book value at 31 December 2022	<u>10,600,011</u>
Cost and net book value at 31 December 2021	<u>10,600,011</u>

At 31 December 2022 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 ("THI")	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 THI whilst the other three subsidiary undertakings are wholly owned.

TRAFALGAR HOUSE TRUSTEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

11. Intangible fixed assets

The group	Client Implementation Costs	Computer Software	Total
	£	£	£
Cost			
1 January 2022	1,398,768	563,977	1,962,745
Additions	251,286	374,105	625,391
Disposals			
31 December 2022	<u>1,650,054</u>	<u>938,082</u>	<u>2,588,136</u>
Depreciation			
1 January 2022	459,320	423,413	882,733
Charge for the year	345,927	75,384	421,311
Disposals			
31 December 2022	<u>805,247</u>	<u>498,797</u>	<u>1,304,044</u>
Net Book Value			
31 December 2022	<u>844,807</u>	<u>439,285</u>	<u>1,284,092</u>
31 December 2021	<u>939,448</u>	<u>140,564</u>	<u>1,080,012</u>

12. Tangible fixed assets

The group	Leasehold Improvements	Furniture, Fixtures & Fittings	Computer Equipment	Office Equipment	Total
	£	£	£	£	£
Cost					
1 January 2022	316,181	68,799	345,698	31,605	762,283
Additions	-	2,861	24,005	-	26,866
Disposals	-	-	-	-	-
31 December 2022	<u>316,181</u>	<u>71,660</u>	<u>369,703</u>	<u>31,605</u>	<u>789,149</u>
Depreciation					
1 January 2022	52,570	30,530	150,991	9,338	243,429
Charge for the year	39,547	17,663	108,234	10,512	175,956
Disposals	-	-	-	-	-
31 December 2022	<u>92,117</u>	<u>48,193</u>	<u>259,225</u>	<u>19,850</u>	<u>419,385</u>
Net Book Value					
31 December 2022	<u>224,064</u>	<u>23,467</u>	<u>110,478</u>	<u>11,755</u>	<u>369,764</u>
31 December 2021	<u>263,611</u>	<u>38,269</u>	<u>194,707</u>	<u>22,267</u>	<u>518,854</u>

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022**

13. Debtors

	The Group	
	2022	2021
	£	£
Due after more than one year		
Other debtors	30,200	30,200
Due within one year		
Trade debtors	1,796,277	1,546,327
Amounts owed by parent undertaking	907,045	850,119
Corporation tax	-	13,573
Deferred Tax (see note 9)	88,350	-
Other debtors	116,333	112,700
Prepayments and accrued income	765,507	1,124,476
	<u>3,703,712</u>	<u>3,677,395</u>

14. Creditors: Amounts falling due within one year

	The Group	
	2022	2021
	£	£
Trade creditors	178,844	364,070
Social security and other taxes	631,762	399,726
Other creditors	80,679	71,564
Accruals and deferred income	4,103,969	3,268,080
	<u>4,995,254</u>	<u>4,103,440</u>

TRAFALGAR HOUSE TRUSTEES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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15. Provisions for liabilities: Dilapidations

The Group	£
1 January 2022	83,445
Movement	-
31 December 2022	<u>83,445</u>

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

16. Share capital

	2022	2021
	£	£
Allotted, Called Up and Fully Paid		
10,600,000 Ordinary shares of £1 each	<u>10,600,000</u>	<u>10,600,000</u>

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 £504,733 (2021: £426,132) for the year.

Contributions totalling £78,861 (2021: £66,687) were outstanding as at the balance sheet date and are included in creditors.

18. Operating lease commitments

At 31 December 2022 the Group had future minimum operating lease payments under non-cancellable operating leases as follows:

	2022	2021
	£	£
Not later than 1 year	<u>134,000</u>	<u>134,000</u>
Less than 1 year and not later than 5 years	<u>737,000</u>	<u>871,000</u>

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

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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19. Related party transactions

	2022	2021
	£	£
The Group		
Sales to THPT	1,940,567	1,660,151
Costs reimbursed by THPT	10,652,682	12,028,450
Amounts due from THPT	907,045	850,119
Remuneration of key management personnel THSL	981,062	913,643
Remuneration key management personnel THTL	574,062	435,227
	<hr/>	<hr/>
	2022	2021
	£	£
The Company		
Reimbursed costs incurred by ultimate parent undertaking	5,000	5,000
	<hr/>	<hr/>

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 £1,628,095 (2021: £1,660,151) 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 £10,652,682 (2021: £12,028,450) on behalf of the Trust.

During the year, an amount of £574,062 (2021: £435,227) 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 ("ARP"). With effect from 6 December 2016, ARP 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 ARP was £600,000 (2021: £600,000). Accrued fees held on the balance sheet as at 31 December 2022 was £50,000 (2021: £50,000).

TRAFALGAR HOUSE TRUSTEES LIMITED

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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 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 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 2022 and this concluded that the Trust, with assets of £1,374m, was 97% funded on a technical provision's basis. Whilst the formal recovery plan produced by the Trust as at 31 December 2020 shows that it expects to achieve full funding of its liabilities by September 2029, 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 R M Bartley, on behalf of the Trust.

22. Financial instruments

	2022	2021
	£	£
Financial assets		
Financial assets measured at amortised cost	<u>2,819,655</u>	<u>2,509,146</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>891,285</u>	<u>835,360</u>

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