

Registered number: 01604930

TRAFALGAR HOUSE TRUSTEES LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**



TRAFALGAR HOUSE TRUSTEES LIMITED

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors present the strategic report of Trafalgar House Trustees Limited ("THTL", "the company") and its group for the year ended 31 December 2023.

Business review and future developments**THTL**

THTL is the corporate trustee body for the Trafalgar House Pension Trust ("the Trust"). The principal responsibility of the trustee directors is to ensure the administration of the Trust in accordance with the Trust rules.

The board meets quarterly to discuss the affairs of the Trust and to make decisions, and to ratify decisions made on its behalf by the various committees and the secretary between meetings. The trustee delegates tasks to various committees for the Trust, as follows

- Audit Committee - requiring accounting, audit, risk management and compliance expertise.
- Finance Committee - requiring accounting and financial expertise as well as knowledge of actuarial principles and methods.
- Investment Committee - requiring investment, economic, risk budgeting and liability management expertise.
- Nomination Committee - requiring governance, competency and performance evaluation expertise.

The activities of the company's three active subsidiary undertakings are summarised below:

Trafalgar House Pensions Administration Limited ("THPA")

THPA is a specialist third-party pensions administration business with a clear mission: to set the highest standards in pensions administration by any recognised measure. Established in 2006, and with offices in London and Farnborough and a team of more than 160 pensions administration professionals, it now provides services to over 35 occupational pension schemes, including the Trust and some of the UK's biggest and most respected brands.

Originating as the Trust's in-house administrator, its commitment to quality, member experience, technology and innovation has been the driving force behind its evolution into a leading third-party administrator, underscored by internationally recognised accreditations in quality, security, development, customer service, and environmental protection.

2023 was the sixth successive year of strong and stable growth since the business relaunched as a standalone business in January 2018. Since then, revenue has quadrupled, and a strong profitable position has been attained.

THPA has made considerable progress throughout the past year in reinforcing its commitment to excellence, sustainability, innovation, and compliance through:

- Continuing to make significant investments in systems, IT infrastructure, and security to meet and exceed the needs and protect the interests of clients and members. The strategic technology transformation plan, 'Vision 25,' symbolises its proactive approach to adopting advanced technologies that drive efficiency, security, and resilience.
- Achieving carbon neutrality represented a pivotal milestone in THPA's environmental responsibility journey. Certified by Planet Mark and adhering to the PAS2060:2014 guidelines, demonstrating commitment to minimising ecological impact and promoting sustainable business practices.

TRAFALGAR HOUSE TRUSTEES LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Business review and future developments (continued)

- Opening of the new London office, demonstrating commitment to fostering a collaborative and innovative work environment. This space not only enhances operational capabilities, but also aligns with the growth aspirations of the business.
- Commitment to people and diversity, demonstrated by being aligned to the Stonewall Diversity Champions Programme, and multiple accreditations including Investors in People Gold, Investors in Wellness Silver, Investor in Customers Gold, and being a Disability Confident Employer that supports the Living Wage movement. Enhancing its People Plan during the year and introducing an apprenticeship programme also highlight the commitment to developing sustainable career paths and nurturing talent.

The successful recertification of ISO27001 shows excellence in security and compliance, and commitment to information security management. exception-free AAF 01/20 report also highlights operational integrity and reliability, and adherence to rigorous audit standards.

Trafalgar House ServiceCo Limited ("THSL")

THSL's principal activities in the year were the provision of trustee management services to the Trust, including the provision of all related support services and the settlement of costs incurred by the trustee in the running of the Trust, including its advisers and consultants.

THSL is also the responsible employer in relation to the Trust, see note 19 for further details.

Trafalgar House InvestCo Limited ("THIL")

THIL is the immediate parent undertaking of THPA and its role is to oversee the group's investment in THPA and its capital structure.

Group Key Financial Highlights

The key group financial highlights for the year are:

- Third party revenue increasing 16% from £9,855k to £11,450k (see note 4)
- EBITDA increasing 31% from £1,363k to £1,783k
- Profit before taxation increasing 33% from £780k to £1,037k

Financial key performance indicators

The directors consider the group's KPIs to be third party revenue, EBITDA and profit before tax.

Please see the financial highlights section of the business review above for details of changes in those KPIs in the current year.

TRAFALGAR HOUSE TRUSTEES LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

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, including the boards of THPA, THSL and THIL, and the executive directors and senior managers within THSL.

THTL's board is ultimately responsible for overseeing the implementation and maintenance of the risk management framework across the group.

The principal risks and uncertainties associated with the group are the maintenance of:

- Changes in external events and pensions markets;
- Loss of sufficiently skilled and motivated staff;
- Effective risk controls and compliance;
- Information security;
- Counterparty risk;
- Capital risk and liquidity; and
- THPA's sustained growth and relationships with its clients and their members

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

DocuSigned by:

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R M Bartley (Chair)
Director

Date: 22 March 2024

TRAFALGAR HOUSE TRUSTEES LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors present their report and the financial statements for the year ended 31 December 2023.

Principal activity

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.

The company's principal activity is to act as a parent company.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £853,890 (2022 - £868,701).

No dividends were paid in the year ended 31 December 2023 or in the subsequent period to date.

Directors

The directors who served during the year were:

R M Bartley (Chair)
D J E Day
M R A Ellis
A J Gemmell
L J Inward
N C Jensen
D G Moorhouse (resigned 30 June 2023)
R A Parry
J M Sampson

Matters covered in the strategic report

The strategic report contains details of principal activities, business review and future developments, principal risks and uncertainties and financial key performance indicators.

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

TRAFALGAR HOUSE TRUSTEES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Post balance sheet events

There have been no significant events affecting the group since the year end.

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: 22 March 2024

TRAFALGAR HOUSE TRUSTEES LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 the 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 group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TRAFALGAR HOUSE TRUSTEES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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 2023, which comprise the Consolidated statement of comprehensive income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes, 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 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 United Kingdom, including the Financial Reporting Council'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 group's or the parent company'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 other information comprises the information included in the annual report other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 course of 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 AUDITOR'S REPORT TO THE MEMBERS OF TRAFALGAR HOUSE TRUSTEES LIMITED
(CONTINUED)**

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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 Group 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 its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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.

TRAFALGAR HOUSE TRUSTEES LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAFALGAR HOUSE TRUSTEES LIMITED
(CONTINUED)**

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 Group financial statements.

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

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.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

TRAFALGAR HOUSE TRUSTEES LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAFALGAR HOUSE TRUSTEES LIMITED
(CONTINUED)**

The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

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.

M Stallabrass

Matthew Stallabrass (Senior statutory auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

55 Ludgate Hill

London

EC4M 7JW

Date: 2 April 2024

TRAFALGAR HOUSE TRUSTEES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 £	2022 £
Turnover	4	23,064,516	20,507,909
Administrative expenses		(22,123,397)	(19,742,636)
Operating profit	5	941,119	765,273
Interest receivable and similar income	8	95,621	14,936
Profit before taxation		1,036,740	780,209
Tax on profit	9	(102,447)	88,492
Profit for the financial year		934,293	868,701
Profit for the year attributable to:			
Non-controlling interests		80,403	-
Owners of the parent company		853,890	868,701
		934,293	868,701

There was no other comprehensive income for 2023 (2022: £NIL).

The notes on pages 16 to 30 form part of these financial statements.

TRAFALGAR HOUSE TRUSTEES LIMITED
REGISTERED NUMBER: 01604930

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	10	1,565,727	1,284,092
Tangible assets	11	230,665	369,764
		<u>1,796,392</u>	<u>1,653,856</u>
Current assets			
Debtors: amounts falling due after more than one year	13	-	30,200
Debtors: amounts falling due within one year	13	4,549,273	3,673,512
Cash at bank and in hand	14	10,658,022	9,302,148
		<u>15,207,295</u>	<u>13,005,860</u>
Creditors: amounts falling due within one year	15	(6,390,977)	(4,995,254)
Net current assets		<u>8,816,318</u>	<u>8,010,606</u>
Total assets less current liabilities		<u>10,612,710</u>	<u>9,664,462</u>
Provisions for liabilities			
Deferred taxation	16	(13,955)	-
Other provisions	17	(83,445)	(83,445)
		<u>(97,400)</u>	<u>(83,445)</u>
Net assets		<u><u>10,515,310</u></u>	<u><u>9,581,017</u></u>
Capital and reserves			
Called up share capital	18	10,600,000	10,600,000
Profit and loss account		(165,093)	(1,018,983)
Equity attributable to owners of the parent company		<u>10,434,907</u>	<u>9,581,017</u>
Non-controlling interests		80,403	-
		<u><u>10,515,310</u></u>	<u><u>9,581,017</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 March 2024.

Roger Bartley
R. M. Bartley (Chair)
Director


The notes on pages 16 to 30 form part of these financial statements.

TRAFALGAR HOUSE TRUSTEES LIMITED
REGISTERED NUMBER: 01604930

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 £	2022 £
Fixed assets			
Investments	12	10,600,011	10,600,011
Net assets		<u>10,600,011</u>	<u>10,600,011</u>
Capital and reserves			
Called up share capital	18	10,600,000	10,600,000
Profit and loss account brought forward			
and profit and loss account carried forward		11	11
		<u>10,600,011</u>	<u>10,600,011</u>

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

Date: 22 March 2024

The notes on pages 16 to 30 form part of these financial statements.

TRAFALGAR HOUSE TRUSTEES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Called up share capital £	Profit and loss account £	Equity attributable to owners of parent company £	Non- controlling interests £	Total equity £
At 1 January 2022	10,600,000	(1,887,684)	8,712,316	-	8,712,316
Profit for the year	-	868,701	868,701	-	868,701
At 1 January 2023	10,600,000	(1,018,983)	9,581,017	-	9,581,017
Profit for the year	-	853,890	853,890	80,403	934,293
At 31 December 2023	10,600,000	(165,093)	10,434,907	80,403	10,515,310

The notes on pages 16 to 30 form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2022	10,600,000	11	10,600,011
At 1 January 2023	10,600,000	11	10,600,011
At 31 December 2023	10,600,000	11	10,600,011

The notes on pages 16 to 30 form part of these financial statements.

TRAFALGAR HOUSE TRUSTEES LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023 £	2022 £
Cash flows from operating activities		
Profit for the financial year	934,293	868,701
Adjustments for:		
Amortisation of intangible assets	538,728	421,311
Depreciation of tangible assets	302,884	175,956
Interest received	(95,621)	(14,936)
Taxation charge	102,447	(88,492)
(Increase)/decrease in debtors	(933,911)	48,460
Increase in creditors	1,395,723	891,814
Corporation tax (paid)/received	(142)	13,715
Net cash generated from operating activities	2,244,401	2,316,529
Cash flows from investing activities		
Purchase of intangible fixed assets	(820,363)	(625,391)
Purchase of tangible fixed assets	(163,785)	(26,866)
Interest received	95,621	14,936
Net cash from investing activities	(888,527)	(637,321)
Net increase in cash and cash equivalents	1,355,874	1,679,208
Cash and cash equivalents at beginning of year	9,302,148	7,622,940
Cash and cash equivalents at the end of year	10,658,022	9,302,148
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	10,658,022	9,302,148

The notes on pages 16 to 30 form part of these financial statements.

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. General information

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

The company's registered office and principal place of business is Ascent 4, 2 Gladiator Way, Farnborough Aerospace Centre, Farnborough GU14 6XN.

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 company's parent undertaking the Trafalgar House Pension Trust, to whom investment related services are also provided.

2. Accounting policies**2.1 Basis of preparation of financial statements**

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

2.2 Basis of consolidation

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

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

2.3 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.

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Operating leases: the group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

2.9 Current and deferred taxation

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

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

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

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

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.10 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 from the date 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.

2.11 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.

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.12 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- over the term of the lease
Computer equipment	- 3 years
Fixtures and fittings	- 3-5 years
Office equipment	- 3 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Debtors

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

2.15 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 24 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.

2.16 Creditors

Short-term creditors are measured at transaction price.

2.17 Provisions for liabilities

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

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 19 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 2.10 and 10) whilst the UEL of its client implementation costs is estimated at between four to five years (see notes 2.11 and 10). 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.

4. Turnover

An analysis of turnover by class of business is as follows:

	2023 £	2022 £
Direct recharge of costs to Trafalgar House Pension Trust	11,614,041	10,652,682
Third party	11,450,475	9,855,227
	<u>23,064,516</u>	<u>20,507,909</u>

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2023 £	2022 £
Depreciation of tangible fixed assets	302,884	175,956
Amortisation of intangible fixed assets	538,728	421,311
Operating lease rentals: Land and buildings	300,306	324,211
Auditors remuneration: As auditors	40,535	36,850
	<u>1,182,453</u>	<u>938,328</u>

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

6. Employees

Staff costs were as follows:

	Group 2023 £	<i>Group 2022 £</i>
Wages and salaries	7,871,390	7,138,177
Social security costs	836,817	781,251
Cost of defined contribution pension scheme	582,698	504,733
	<u>9,290,905</u>	<u>8,424,161</u>

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

	2023 No.	<i>2022 No.</i>
Business development and administration	126	98
Finance and investment	3	3
Projects, operations and other	14	13
	<u>143</u>	<u>114</u>

7. Directors' remuneration and key management personnel

During the year, £140,040 (2022: £148,000) was payable to the directors of the company, for directors' fees in respect of Trafalgar House Serviceco Limited ("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 year.

During the year, an amount of £584,163 (2022: £574,062) was paid by THSL to the directors of the company, for trustee directors' fees in respect of the company. All trustee directors' fees are reimbursed by the Trust.

During the year, key management personnel remuneration was £1,011,513 (2022: £981,062) and £584,163 (2022: £574,062) for THSL and the company respectively.

8. Interest receivable

	2023 £	<i>2022 £</i>
Bank and other	<u>95,621</u>	<u>14,936</u>

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

9. Taxation

	2023 £	2022 £
Current tax		
Current tax on profits for the year	142	(142)
Total current tax	<u>142</u>	<u>(142)</u>
Deferred tax		
Origination and reversal of timing differences	102,305	(88,350)
Total deferred tax	<u>102,305</u>	<u>(88,350)</u>
Tax on profit	<u>102,447</u>	<u>(88,492)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - *lower than*) the standard rate of corporation tax in the UK of 23.5% (2022 - 19.0%). The differences are explained below:

	2023 £	2022 £
Profit before tax	<u>1,036,740</u>	<u>780,209</u>
Profit before tax multiplied by standard rate of corporation tax in the UK of 23.5% (2022 - 19%)	243,634	148,240
Effects of:		
Other differences	(141,187)	(236,732)
Total tax charge for the year	<u>102,447</u>	<u>(88,492)</u>

Factors that may affect future tax charges

At 31 December 2023 the group had tax losses carried forward of approximately £1.6m (2022: £2.5m).

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

10. Intangible assets**Group**

	Client implementat ion costs £	Computer software £	Total £
Cost			
At 1 January 2023	1,650,054	938,082	2,588,136
Additions	278,836	541,527	820,363
Disposals	-	(9,499)	(9,499)
At 31 December 2023	<u>1,928,890</u>	<u>1,470,110</u>	<u>3,399,000</u>
Amortisation			
At 1 January 2023	805,247	498,797	1,304,044
Charge for the year on owned assets	425,209	113,519	538,728
On disposals	-	(9,499)	(9,499)
At 31 December 2023	<u>1,230,456</u>	<u>602,817</u>	<u>1,833,273</u>
Net book value			
At 31 December 2023	<u>698,434</u>	<u>867,293</u>	<u>1,565,727</u>
At 31 December 2022	<u>844,807</u>	<u>439,285</u>	<u>1,284,092</u>

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. Tangible fixed assets**Group**

	Short-term leasehold improvements £	Furniture, fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost					
At 1 January 2023	316,181	71,660	31,605	369,703	789,149
Additions	29,823	-	14,934	119,028	163,785
Disposals	-	(8,349)	-	(36,091)	(44,440)
At 31 December 2023	<u>346,004</u>	<u>63,311</u>	<u>46,539</u>	<u>452,640</u>	<u>908,494</u>
Depreciation					
At 1 January 2023	92,117	48,193	19,850	259,225	419,385
Charge for the year on owned assets	186,749	11,331	9,564	95,240	302,884
Disposals	-	(8,349)	-	(36,091)	(44,440)
At 31 December 2023	<u>278,866</u>	<u>51,175</u>	<u>29,414</u>	<u>318,374</u>	<u>677,829</u>
Net book value					
At 31 December 2023	<u>67,138</u>	<u>12,136</u>	<u>17,125</u>	<u>134,266</u>	<u>230,665</u>
At 31 December 2022	<u>224,064</u>	<u>23,467</u>	<u>11,755</u>	<u>110,478</u>	<u>369,764</u>

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

12. Fixed asset investments**Company**

	Investments in subsidiary companies £
Cost	
At 1 January 2023	10,600,011
At 31 December 2023	<u>10,600,011</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Trafalgar House Serviceco Limited ("THS")	Pensions administration	Ordinary	100%
Trafalgar House Pensions Administration Limited ("THPA")	Pensions administration	Ordinary	89.5%
Trafalgar House Investco Limited ("THI")	Pensions administration	Ordinary	100%
Trafalgar House Holdings Limited ("THH")	Dormant	Ordinary	100%

THS and THI are directly owned whilst THPA is directly owned by THI and THH is directly owned by THS.

All four subsidiaries have the same registered office as the company.

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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13. Debtors

	Group 2023 £	<i>Group 2022 £</i>
Due after more than one year		
Other debtors	-	30,200
	<u> </u>	<u> </u>
	Group 2023 £	<i>Group 2022 £</i>
Due within one year		
Trade debtors	2,107,721	1,796,277
Amounts owed by Trafalgar House Pension Trust	1,079,000	907,045
Other debtors	110,495	116,333
Prepayments and accrued income	1,252,057	765,507
Deferred taxation	-	88,350
	<u>4,549,273</u>	<u>3,673,512</u>

14. Cash and cash equivalents

	Group 2023 £	<i>Group 2022 £</i>
Cash at bank and in hand	10,658,022	9,302,148
	<u> </u>	<u> </u>

15. Creditors: Amounts falling due within one year

	Group 2023 £	<i>Group 2022 £</i>
Trade creditors	343,827	178,844
Other taxation and social security	615,537	631,762
Other creditors	86,820	80,679
Accruals and deferred income	5,344,793	4,103,969
	<u>6,390,977</u>	<u>4,995,254</u>

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

16. Deferred taxation**Group**

	2023 £	2022 £
At beginning of year	88,350	-
(Charged)/credited to profit or loss	(102,305)	88,350
At end of year	(13,955)	88,350
	Group 2023 £	Group 2022 £
Accelerated capital allowances	(446,141)	(390,333)
Tax losses carried forward	405,648	455,609
Short-term timing differences	26,538	23,074
	(13,955)	88,350

17. Provisions: Dilapidations**Group**

	£
At 1 January 2023	83,445
At 31 December 2023	83,445

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.

18. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
10,600,000 (2022 - 10,600,000) Ordinary shares of £1 each	10,600,000	10,600,000

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

19. Contingent liabilities

Based on legal advice obtained by the group, as Trafalgar House Serviceco Limited ("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 98% 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.

20. Pension commitments

Pension benefits are provided for the group's staff through a group personal pension scheme.

In relation to the money purchase section, 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, is detailed in the employees note.

Contributions totalling £89,568 (2022: £75,078) were outstanding at the balance sheet date.

21. Commitments under operating leases

At 31 December 2023 the group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2023 £	<i>Group 2022 £</i>
Not later than 1 year	272,000	<i>134,000</i>
Later than 1 year and not later than 5 years	661,000	<i>737,000</i>
	933,000	<i>871,000</i>

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

TRAFALGAR HOUSE TRUSTEES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

22. Financial instruments

Financial assets measured at amortised cost comprise trade debtors, other debtors and amounts owed by group undertakings. At 31 December 2023 the total of such assets was £3,297,216 (2022: £2,819,655).

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and other taxes and social security. At 31 December 2023 the total of such liabilities was £1,046,184 (2022: £891,285).

23. Related party transactions

The company has taken advantage of the exemption available under FRS 102 not to disclose transactions with its subsidiary undertakings.

The following further related party transactions have occurred during the year:

Trafalgar House Pension Trust ("THPT")

THPT is the company's ultimate controlling party (see note 25 for further details).

The group bore pension scheme related costs such as investment management, legal, actuarial, other advisory and general administration costs. The amounts detailed in note 4 represent the full recharge of those costs to THPT.

Amounts owed by THPT at the end of the current year and previous year are detailed in note 13. The amounts owed have no fixed repayment date and do not attract interest.

Absolute Return Partners LLP ("ARP")

N C Jensen, a director of the company, is a designated member of ARP who act as investment managers to THPT.

During the year ended 31 December 2023, the net fees payable by the group on behalf of THPT to ARP were £113,000 (2022: £600,000).

Included in accruals at 31 December 2023 were fees payable to ARP of £9,000 (2022: £50,000).

24. Post balance sheet events

There have been no significant events affecting the group since the year end.

25. Parent undertaking and controlling party

The company's immediate parent undertaking and ultimate controlling party is the Trafalgar House Pension Trust ("the Trust").

The company's entire issued share capital is held by two of its directors M R A Ellis and R M Bartley, on behalf of the Trust.