

Company registration number: 03188002 (England and Wales)

TRUSTQUAY FINANCIAL SYSTEMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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TRUSTQUAY FINANCIAL SYSTEMS LIMITED

COMPANY INFORMATION

Directors	E Jackson R Browning
Company secretary	M Daykin
Company registration number	03188002
Registered office	Sentinel House Harvest Crescent Ancells Business Park Fleet Hampshire GU51 2UZ
Independent auditors	BDO LLP Chartered Accountants and Statutory Auditors 55 Baker Street London W1U 7EU

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

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TRUSTQUAY FINANCIAL SYSTEMS LIMITED

STRATEGIC REPORT

for the year ended 31 December 2021

Principal activities

The principle activity of the company is that of an intermediate holding company within the TrustQuay Group ("TrustQuay"). The ultimate parent undertaking of TrustQuay Financial Systems Limited is Redwood Holdco Limited. TrustQuay is a leading software provider to the Trust & Private Wealth, Corporate Services and Alternative Fund Administration industries. TrustQuay helps clients to leverage the power of technology to maximise efficiencies, reduce costs, ensure compliance and drive new revenue opportunities.

Key Strategic Decisions

TrustQuay Financial Systems Limited has no key strategic decisions to report.

Business review

TrustQuay Financial Systems Limited continues to transition remaining group management services to TrustQuay Limited, the principle management services provider to the Group. In accordance with the Group's transfer pricing policy, remaining operating costs continue to be recharged by TrustQuay Financial Systems Limited to TrustQuay Ltd as passthrough with a view to novating and transferring all remaining suppliers to TrustQuay Limited as soon as is practically possible. TrustQuay Limited onward charges operating costs to the wider TrustQuay Group in accordance with the Group Transfer Pricing Policy.

The Company accrues interest receivable and payable at an annual rate of 3% on intercompany treasury balances.

Principal Risks and Uncertainties

The key business risks affecting the company are as set out below:

Interest rate risk

The Company has interest bearing assets and liabilities in the form of intercompany loan balances which incur interest at a fixed annual rate of 3%.

Credit risk

The Company's credit risk exposures arise from loans to group undertakings. Where the company holds intercompany loan amounts due from fellow group companies, IFRS 9 requires the measurement of expected credit losses. At the balance sheet date, the Company holds amounts due from certain group undertakings however this amount is netted off by amounts owed to other group undertakings. This would be settled by way of an intragroup loan agreement if required. Consequently, no expected credit losses are expected at the balance sheet date.

The Company has no other significant concentrations of exposure to credit risk.

Liquidity risk

The Company manages a liquidity position with the objective of maintaining the ability to fund commitments and repay liabilities in accordance with their required terms. The financing of operations is managed at a Group level by the Company's ultimate parent undertaking.

COVID-19 minimal impact

The software sector and the sectors TrustQuay's clients operate in have proven to be resilient throughout the COVID pandemic. Despite the restrictions imposed by the pandemic, the drivers of the markets TrustQuay serves remain unchanged – increasing consolidation, ongoing demands from regulators and rising expectations of end clients. The pressure on firms to digitalise their business models in order to survive and thrive in the coming years continues to grow.

Since the pandemic started TrustQuay successfully used a variety of digital solutions to replicate the important two-way communication that is required during a complex migration and go-live of a new system. TrustQuay now has a proven track record of successful remote implementations and established new ways of working, combining remote and on-site working to deliver the best project experience possible to its customers.

The Group did not apply for or receive any government grants, payment holidays or take advantage of any payment deferral plans offered as a result of the COVID 19 pandemic.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

STRATEGIC REPORT (CONTINUED) for the year ended 31 December 2021

COVID 19 (continued)

At the time of approving the financial statements, the directors considered the impact COVID-19 has had and is likely to have on the trading performance of the Group. Following that assessment, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Trading performance remains in line with expectations and cash balances remain strong.

Ukraine and Business Impact

TrustQuay stands with the people of Ukraine and supports the call for the immediate restoration of peace and diplomacy. From a business perspective, TrustQuay has negligible direct exposure to Russia and has no resources based in Russia, Ukraine or Eastern Europe. TrustQuay is committed to complying with all sanctions whether directly or by assisting its clients to do so.

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

DocuSigned by:

Robert Browning

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R Browning
Director
29 April 2022

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2021

The Directors of TrustQuay Financial Systems Limited (the "Company") present their report and the audited financial statements of the Company for the year ended 31 December 2021.

Results and Dividends

The results of the Company are set out in the financial statements and notes that appear on pages 8 to 25.

Dividends of 2.5p (2020: 1.2p) per share totaling £7,200,000 were paid in the year (2020: £3,660,000). See note 6 for further details. No further dividend is proposed in respect of the year ended 31 December 2021 (2020: £nil).

The review of the business is contained in the Strategic Report.

Directors

Details of Directors who have held office during the year and up to the date of signing these financial statements are given below:

E Jackson
R Browning

Future developments

The future outlook is given in the Strategic Report.

Financial risk management policy

The principal risk and uncertainties of the Company are given in the Strategic Report.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Directors continue to believe it appropriate to prepare the financial statements on a going concern basis.

Qualifying third party indemnity provision

The Company has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors. The Directors are entitled to the benefit of an indemnity under article 18 of the Company's articles of association. Pursuant to this article 18, the Company has granted indemnities for the benefit of current and future Directors and the Company Secretary of the Company in respect of liabilities which may attach to them in their capacity as Directors or Company Secretary of the Company to the extent permitted by law and also committing to maintain Directors' and Officers' insurance cover. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 31 December 2021 and continue in force, in relation to certain losses and liabilities which the Directors (or Company Secretary) may incur to third parties in the course of acting as Directors (or Company Secretary).

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED) for the year ended 31 December 2021

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

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

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

DocuSigned by:

Eileen Jackson

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Eileen Jackson

Director

29 April 2022

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRUSTQUAY FINANCIAL SYSTEMS LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its 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.

We have audited the financial statements of TrustQuay Financial Systems Limited ("the Company") for the year ended 31 December 2021 which comprise the statement of comprehensive income, statement of financial position, 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 is applicable law and United Kingdom Generally Accepted Accounting Practice

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company 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.

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 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. 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 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.

Other Companies Act 2006 reporting

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

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRUSTQUAY FINANCIAL SYSTEMS LIMITED (CONTINUED)

Other Companies Act 2006 reporting (continued)

In the light of the knowledge and understanding of the Company and its 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Statement of Directors' Responsibilities, 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 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 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.

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

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:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those relating to the reporting framework, the Companies Act 2006 and relevant tax compliance regulations.
- We assessed how the Company is complying with legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and papers provided to the board.
- We communicated relevant legal and regulatory frameworks and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered there was a susceptibility to fraud.
- Our audit planning identified fraud risks in relation to management override. We considered the processes that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how management monitors such processes.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRUSTQUAY FINANCIAL SYSTEMS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)


- We challenged management's assessments, assumptions and evaluated data used as the basis for making estimates to assess whether judgements made in making accounting estimates are indicative of potential bias by management.
- We designed our audit procedures to detect irregularities, including fraud. Our procedures included journal entry testing with a focus on large or unusual transactions based on our knowledge of the business, enquiries with group management, and focussed testing.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.

DocuSigned by:

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Leighton Thomas (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
29 April 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2021

		Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
	Note		
Revenue from management services		779	1,160
Operating costs	2	(731)	(1,375)
Operating profit	2	48	(215)
Income from shares in group undertakings	4	6,393	3,660
Profit before interest and tax		6,441	3,445
Finance income	5	182	180
Finance costs	5	(289)	(125)
Profit before income tax		6,334	3,500
Income tax expense	7	(3)	(2)
Profit for the year		6,331	3,498

The accounting policies and notes on pages 11 to 25 are an integral part of these financial statements.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

	Note	As at 31 Dec 2021 £000	As at 31 Dec 2020 £000
ASSETS			
Non-current assets			
Property, plant and equipment	8	494	602
Goodwill	9	4,000	4,000
Investments in subsidiaries	10	4,889	4,889
Deferred tax assets	11	11	7
		9,394	9,498
Current assets			
Trade and other receivables	12	5,892	7,080
Cash and cash equivalents		232	80
		6,124	7,160
Total assets		15,518	16,658
LIABILITIES			
Current liabilities			
Trade and other payables	13	(186)	(397)
Lease obligations	14	(104)	(89)
		(290)	(486)
Net current assets		5,834	6,674
Non-current liabilities			
Provisions	15	(100)	(100)
Lease obligations	14	(235)	(310)
		(335)	(410)
NET ASSETS		14,893	15,762
SHAREHOLDERS' EQUITY			
Share capital	16	14,602	14,602
Retained earnings		291	1,160
TOTAL EQUITY		14,893	15,762

The accounting policies and notes on pages 11 to 25 are an integral part of these financial statements.

The financial statements on pages 8 to 25 were authorised for issue by the Board of Directors on 29 April 2022 and were signed on its behalf by:

DocuSigned by:

Eileen Jackson

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E Jackson

Director

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2021

	Note	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2020		14,602	1,322	15,924
Comprehensive income for the year		–	3,498	3,498
Dividends paid	6	–	(3,660)	(3,660)
Balance at 31 December 2020		14,602	1,160	15,762
Comprehensive income for the year		–	6,331	6,331
Dividends paid	6	–	(7,200)	(7,200)
Balance at 31 December 2021		14,602	291	14,893

The accounting policies and notes on pages 11 to 25 are an integral part of these consolidated financial statements.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

ACCOUNTING POLICIES

for the year ended 31 December 2021

General Information

The Company is a private company limited by shares and incorporated and domiciled in England and Wales.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 1).

The Company is a wholly owned subsidiary of Redwood Holdco Limited and is included in the consolidated financial statements of Redwood Holdco Limited which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements.

Changes in Accounting policy and disclosures

(a) New standards, interpretations and amendments effective from 1 January 2021

Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2021.

The above amendment has not had a material impact on the financial statements.

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The above amendment has not had a material impact on the financial statements.

(b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 December 2021

(b) New standards, interpretations and amendments not yet effective (continued)

instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Company is currently assessing the impact of these new accounting standards and amendments. The Company will assess the impact of the final amendments to IAS 1 on classification of its liabilities once those are issued by the IASB. The Company does not believe that the amendments to IAS 1, in their present form, will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the annual financial statements.

Financial reporting standard 101 - reduced disclosure exemptions

In preparing these financial statements, the Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Company, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers

Property, plant and equipment

Property, plant and equipment is shown at historic purchase cost less accumulated depreciation and adjusted for any impairment. Right-of-use assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term, full details of the initial recognition and ongoing measurement of these assets is provided within the leasing policy note on pages 14 to 15. Land is not depreciated. Costs include expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided on assets so as to write off the cost of property, plant and equipment less their residual value over their estimated useful economic lives by equal annual instalments at the following rates.

Leasehold improvements	10 – 20 per cent (or the life of the lease if shorter)
Plant and machinery	20 – 50 per cent
Fixtures and fittings	20 per cent

Estimation of the useful economic life includes an assessment of the expected rate of technological developments and the intensity at which the assets are expected to be used. The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 December 2021

Interest income and expense

Interest is recognised using the effective interest method.

Impairment of non-financial assets

Assets that have an indefinite useful economic life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Investments

Investments in subsidiaries are stated in the financial statements of the Company at cost less any provision for impairment.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and to the extent that it is deemed necessary are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company assesses impairment on a forward-looking basis using the expected credit loss method and has applied the simplified approach which permits the use of the lifetime expected loss provision for all trade and other receivables.

The amount of any provision is recognised in the income statement within other operating costs.

Trade payables, other payables and accruals

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Goodwill

Goodwill is capitalised on the balance sheet and subject to an annual impairment test. The carrying value of goodwill is cost less accumulated impairment. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combinations in which the goodwill arose. Impairment reviews are carried out by the Board at least annually. Impairments to goodwill are charged to the income statement in the period in which they arise.

Foreign currency

Functional and presentational currency

Items included within the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in sterling, which is the Company's functional and presentational currency.

Transactions and balances

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Cash and cash equivalents

Cash is defined as cash in hand and on demand deposits. Cash equivalents are defined as short term, highly liquid investments with original maturities of three months or less.

Current and deferred income tax

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 December 2021

Current and deferred income tax (continued)

It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Leasing

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involved the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purposes the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset if either:
 - The Company has the right to operate the asset; or
 - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

The Company has applied this approach on a fully retrospective basis to any contracts entered into.

On lease commencement date, the Company recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate adjusted for lease specific and asset specific terms where appropriate, measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentives received.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 December 2021

Leasing (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate adjusted for lease specific and asset specific terms where appropriate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- Lease payments in an option renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment of whether it will exercise an extension or termination option.

If the contract includes options to break or terminate the lease which are at the right of the lessor, the Company measures the lease term based on the expectation that these will lapse unless it has been made otherwise aware at the time of adoption. If subsequently the lessor decides to exercise any of these options, the lease liability is then remeasured due to the change in future lease payments.

When the lease liability is remeasured in the above circumstances, a corresponding adjustment is made to the carrying value of the right-of-use asset or is recorded in the profit or loss if the carrying value of the right-of-use asset has been reduced to zero.

Where the Company has a legal obligation for future expenditure in relation to onerous lease properties which are either vacant or being sublet, the right-of-use asset is adjusted by the present value of management's best estimate of the expenditure required to settle the present obligation. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the lease agreement. The Group presents right-of-use assets within "property, plant and equipment" and lease liabilities in "capital lease obligations".

Short term lease and leases of low-value assets

The Company has elected to take the exemption not to recognise right-of-use assets and lease liabilities for short-term lease of machinery that have a lease term of 12 months or less and leases of low-value assets. The Company defines leases of low-value assets as being any lease agreement where the total value of payments made across the lease term is less than £5,000. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Borrowings

The Company has acceded to a £34 million senior term and revolving facilities, dated 29 May 2019. The facilities are reported in the consolidated Report of Redwood Holdco Limited. The Company has access to the revolving credit facility in order to meet working capital requirements as these might arise.

Borrowings from this revolving credit facility are initially recognised at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest rate method.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or reschedule payments, on a long-term basis is completed after the balance sheet date and before financial statements were authorised for issue. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings on the balance sheet.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 December 2021

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Provisions

Provisions are created on the Company's leased properties where it has a legal obligation to return them to their fair condition at the end of their respective lease terms. The provision is measured at the present value of Management's best estimate of the future expected repair costs required at the balance sheet date. The discount rate used to determine the present value reflects the current market assessments of the time value of money and the risks specific to the liability.

Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholder or in respect of interim dividends when they are paid.

Dividend income

Dividend income to the Company received from subsidiary investments is recognised in the Company's income statement in the period in which it is received.

Financial Instruments

Financial Assets

The Company's financial assets measured at amortised cost comprise intercompany loans and other receivables in the statement of financial position.

The credit risk associated with intercompany loans is assessed by the directors who form an assessment of the overall health of the underlying trading performance of the TrustQuay group of wholly owned subsidiaries. In forming that assessment, the directors reviewed the consolidated audited annual report of Redwood Holdco Limited as well as future financial projections. The probability of non-payment was specifically assessed. Following that assessment, the directors concluded credit risk to be low and therefore no impairment provision was required.

For intercompany loans receivable, which are reported net, impairment provisions are recorded in a separate provision account with the loss being recognised within operating expenses in the statement of comprehensive income. On the confirmation that the loan and / or accrued interest will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties are recognised on a forward expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not been increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which the credit risk has increased significantly, lifetime expected credit losses along with gross interest income is recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Financial Liabilities

The Company has two classes of financial liabilities, those recorded at amortised cost and those at fair value as detailed below.

Loans from group undertakings are initially recognised at fair value, net of any transaction costs directly attributable to the issue of the instrument and are subsequently measured at amortised cost using the effective interest rate method. This ensures that any interest and associated finance costs over the period and up to repayment date is recognised. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption as well as any interest payable while the liability is outstanding.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 December 2021

Going concern

The Company has access to a £4 million Revolving Credit Facility held by its parent undertaking, TrustQuay Limited.

At the time of approving the financial statements, the directors considered the impact COVID-19 has had and is likely to have on the trading performance of the Company. The nature of the Company's business, being a software provider, means that the majority of operational activities can be delivered and managed remotely which has been helpful during the COVID-19 crisis. Current trading performance remains in line with expectations. The directors' assessment of going concern status included a review of the latest forecasts adjusted for potential impacts of COVID-19 and the resultant forecast working capital levels. The Directors also performed a stress test of the forecasts.

Following the assessment above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021

1. Critical Accounting Estimates and Judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. In preparing the financial statements for the period ended 31 December 2021, management and the directors made certain estimates and judgements in the following areas:

(a) Impairment of investments

The Company carries out regular impairment reviews on the value of investments held. Where the investment is held in a company which has an ongoing trade, the value is derived by a value in use calculation of the cash generating units. Where the investment or goodwill is held in a company which is no longer trading, the value is derived from the carrying value of the net assets on the balance sheet of that entity.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The discount rate applied in the value in use calculation approximates to the Group's Weighted Average Cost of Capital. The Group annually reviews the goodwill valuation based on various scenarios and each of these scenarios have different growth rate assumptions. The growth rate assumptions are in relation to periods covered by Board approved plans. Impairments recognised during the year are charged against the carrying value of goodwill. Any impairment is recognised in the income statements in the period which it is deemed to arise.

(c) Taxation

The actual tax the Company pays on its profits is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are then recognised in the financial statements. The Company believes the estimates, assumptions and judgements are reasonable, however the estimates may involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements and may result in the recognition of an additional tax expense or tax credit in the income statement.

(d) Deferred Tax Assets

The amount of deferred tax asset included in the statement of financial position is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In estimating the amount of deferred tax asset that may be recognised, the directors make judgements, based on current budgets and forecasts, about the amount of future taxable profits and timing of when these will be realised.

2. Operating profit

The following items are included in operating costs:

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
	£000	£000
Continuing operations:-		
Management fee charged to subsidiary undertakings	779	1,160
Depreciation on property, plant and equipment (note 8)	145	174
Repairs and maintenance expenditure on property, plant and equipment	53	52
Exchange differences	9	(8)
Defined contribution pension costs (note 17)	—	16
Restructuring costs	—	250

For 2021 the audit fee for the Company was borne by the ultimate parent entity, Redwood Holdco Limited. A full breakdown of audit fees is disclosed in the consolidated financial statements of Redwood Holdco Limited.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2021

3. Employees

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Employee benefit expense during the year		
Wages and salaries	–	274
Social security costs	–	38
Other pension costs (note 17)	–	16
	<u>–</u>	<u>328</u>

TrustQuay Financial Systems Limited is no longer the principle management services company for the wider TrustQuay Group and has therefore transferred the employees undertaking these services to the current Group management services provider, TrustQuay Limited.

Average monthly number of employees (excluding Directors) during the year was as follows:

	Year ended 31 Dec 2021 Number	Year ended 31 Dec 2020 Number
Management, finance and administration	<u>–</u>	<u>3</u>

Headcount at 31 December 2021 excluding the Directors was Nil (2020: Nil).

Key management compensation:

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Salaries and short-term employee benefits	–	118
Post-employment benefits	–	7
	<u>–</u>	<u>125</u>

Key management compensation for the Company includes the remuneration paid to the Directors of TrustQuay Financial Systems Limited. Average monthly number of directors and senior executives were Nil (2020: 4).

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Directors:		
Salaries and short-term employee benefits	–	87
Post-employment benefits	–	5
	<u>–</u>	<u>92</u>

From 1 May 2020, the emoluments for the Directors are borne solely by TrustQuay Limited, of whom the Directors are employees. A full breakdown of the emoluments received by the Directors in the year is provided in the Redwood Holdco Limited 2020 Annual Report.

4. Income from shares in group undertakings

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Dividends received:		
Interim dividend	<u>6,393</u>	<u>3,660</u>

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2021

5. Net finance costs

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Finance income		
Interest on bank deposits	–	2
Interest on amounts due from group undertakings	182	178
	<u>182</u>	<u>180</u>
Finance costs		
Interest payable on capital lease obligations	(12)	(18)
Interest payable on revolving credit facility (note 19)	–	(28)
Interest on amounts due to group undertakings	(277)	(79)
	<u>(289)</u>	<u>(125)</u>
Net finance costs	<u><u>(107)</u></u>	<u><u>55</u></u>

6. Dividends paid

	2021 pence per share	2020 pence per share	2021 £000	2020 £000
Dividends paid during the year	2.5	1.2	7,200	3,660
	<u>2.5</u>	<u>1.2</u>	<u>7,200</u>	<u>3,660</u>

The Directors do not propose paying a final dividend for the year ended 31 December 2021 (2020: £nil).

7. Income tax expense

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Analysis of charge in the year		
Current tax:		
- current tax on profits for the year	7	–
Total current tax expense	<u>–</u>	<u>–</u>
Deferred tax (note 11):		
- originating and reversal of timing differences	(2)	4
- adjustments to tax in respect of prior periods	–	(1)
- effect of tax rate change in opening balance	(2)	(1)
Total deferred tax expense	<u>(4)</u>	<u>2</u>
Income tax expense	<u><u>3</u></u>	<u><u>2</u></u>

UK corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2021

7. Income tax expense (continued)

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

Profit before tax	6,336	3,500
Tax at the UK corporation tax rate of 19% (2020: 19%)	1,204	665
Effects of:		
Adjustments to brought forward values	–	(1)
Group (claimed) / relief surrendered	–	(4)
Expenses not deductible for tax purposes	–	18
Income not taxable for tax purposes	(1,215)	(696)
Fixed Asset differences	18	21
Deferred tax not recognised	(1)	–
Changes in tax rates	(3)	(1)
Total income tax expense	3	2

8. Property, plant and equipment

	Freehold land and buildings £000	Right-of-use assets and Leasehold Improvements £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost					
At 1 January 2021	98	842	632	79	1,651
Lease modification adjustment	–	37	–	–	37
At 31 December 2021	98	879	632	79	1,688
Accumulated depreciation					
At 1 January 2021	98	325	587	39	1,049
Charge for the year	–	120	5	20	145
At 31 December 2021	98	445	592	59	1,194
Net book amount					
At 31 December 2021	–	434	40	20	494

	Freehold land and buildings £000	Right-of-use assets and Leasehold Improvements £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost					
At 1 January 2020	98	804	611	79	1,592
Additions	–	38	21	–	59
At 31 December 2020	98	842	632	79	1,651
Accumulated depreciation					
At 1 January 2020	98	213	539	26	876
Charge for the year	–	112	48	14	174
At 31 December 2020	98	325	587	39	1,049
Net book amount					
At 31 December 2020	–	517	45	40	602

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2021

8. Property, plant and equipment (continued)

As per the rental agreement, a rent review was performed with effective from 1 January 2021 resulting in a lease modification adjustment.

9. Goodwill

	2021 £000	2020 £000
Cost		
At 1 January and 31 December	<u>4,000</u>	<u>4,000</u>
Net book amount		
At 1 January and 31 December	<u>4,000</u>	<u>4,000</u>

The Board approved plan, prepared for the TrustQuay Financial Systems operating business, projects a continuation of current operating profit levels for at least the next 3 years. The Board considers this achievable through continued organic growth in the Trust Fund and Corporate Services sectors. The terminal growth rates for the period after 2023 is assumed to be 2%. The conversion to cash ratio is assumed to be 100%.

The utilisation of deferred tax losses to offset the tax payable has not been considered. A post-tax discount rate of 21.7% has been applied to the pre-tax cashflows of the CGU and sensitivity analysis was performed on the underlying assumptions. An impairment is only triggered if operating profits were to see a reduction of 10% year on year for the period to 2025. Given the business benefits from high levels of recurring revenue based on its Annual Licence Fee model, complemented by the business' ability to maintain cash surplus, the risk of significant impairment is considered to be low.

10. Investments in subsidiaries

	2021 £000	2020 £000
Cost		
At 1 January	<u>21,888</u>	<u>21,888</u>
At 31 December	<u>21,888</u>	<u>21,888</u>
Accumulated Impairment		
At 1 January	<u>16,999</u>	<u>16,999</u>
At 31 December	<u>16,999</u>	<u>16,999</u>
Net book amount		
At 31 December	<u>4,889</u>	<u>4,889</u>

Investments are held at cost less provisions for impairment. If an impairment is triggered then the recoverable amounts of the investments are determined by calculating a value in use for the appropriate subsidiary investment. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the subsidiary investments. During the year the following dividends were received from subsidiary investments:

TrustQuay (Guernsey) Limited	- £4,900,000
TrustQuay Solutions (UK) Limited	- £1,493,000

Where the investment is held in a company which is no longer trading, the value is derived from the carrying value of the net assets on the balance sheet of that entity.

The Directors consider the value of the investments to be supported by their underlying assets.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2021

10. Investments in subsidiaries (continued)

Principal subsidiaries	Country	Activity
TrustQuay (Guernsey) Limited	Guernsey	Software and Services
TrustQuay (UK) Limited *	England & Wales	Software and Services
TrustQuay Solutions (UK) Limited	England & Wales	Software and Services
TrustQuay Solutions (Jersey) Limited*	Jersey	Software and Services
TrustQuay Solutions (Canada) Limited*	Canada	Software and Services
Infoscreen (Cyprus) Limited*	Cyprus	Software and Services
* Indirectly held by TrustQuay Financial Systems Limited		

The Company owns 100% of the ordinary share capital in the above subsidiaries.

The registered office of the Company's principal subsidiaries which is not that of the Company are detailed below:

Subsidiary	Registered office
TrustQuay (Guernsey) Limited	Bucktrout House, Gategny Esplanade, St Peter Port, GY1 1WR, Guernsey
TrustQuay Solutions (Jersey) Limited	24 Seale Street, St Helier, JE2 3QG, Jersey
TrustQuay Solutions (Canada) Limited	Suite 2600, Three Bentall Centre, 595 Burrard Street, PO Box 49314, Vancouver, Canada
Infoscreen (Cyprus) Limited	1 Archbishop Makarios III Avenue, Mitsi Building 3, 2nd floor, Suite 211 1065, Nicosia, Cyprus

11. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2020: 19%) for balances expected to be recovered within 15 months and 25% (2020: 19%) for all subsequent periods.

	2021 £000	2020 £000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	17	7
Deferred tax assets to be recovered within 12 months	—	—
	<u>17</u>	<u>7</u>
Deferred tax liabilities		
Deferred tax liability to be settled after more than 12 months	(5)	—
Deferred tax liability to be settled within 12 months	—	—
	<u>(5)</u>	<u>—</u>
Net deferred tax asset		
At 1 January	7	9
Total credit / (charged) to income statement for the year	<u>4</u>	<u>(2)</u>
	<u>11</u>	<u>7</u>
Deferred tax asset		

Deferred tax assets have been recognised in respect of other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered. At the balance sheet date, the Company has unused tax losses of £23,367,480 (2020: £23,367,480) available for offset against future profits. No deferred asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

TRUSTQUAY FINANCIAL SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2021

12. Trade and other receivables

	2021 £000	2020 £000
Amounts owed by group undertakings	5,689	6,961
Other receivables	203	119
	<u>5,892</u>	<u>7,080</u>

Amounts owed by group undertakings are unsecured and repayable on demand. Interest of 3% p.a. (2020: 3% is charged on intercompany treasury balances).

13. Trade and other payables

	2021 £000	2020 £000
Trade payables	–	32
Amounts owed to group undertakings	2	28
Corporation tax	7	–
Other tax and social security payable	139	275
Other payables	–	5
Accruals	38	57
	<u>186</u>	<u>397</u>

The amounts owed to group undertakings are unsecured, repayable upon demand. Interest of 3% p.a. (2020: 3%) is charged on intercompany treasury balances.

14. Lease obligations

The Company leases various offices and plant and machinery which met the criteria set out to be recognised as capital lease agreements.

	2021 £000	2020 £000
Amounts payable under capital lease arrangements		
Within one year	113	104
Within two to five years	243	330
After five years	–	–
Total	<u>356</u>	<u>434</u>
Less: future finance charges	(17)	(35)
Present value of lease obligations	<u>339</u>	<u>399</u>
Less: Amount due for settlements within 12 months (shown under current liabilities)	(104)	(89)
	<u>235</u>	<u>310</u>

The present value of lease obligations is split as follows:

	2021 £000	2020 £000
Within one year	104	89
Within two to five years	235	310
After five years	–	–
Total	<u>339</u>	<u>399</u>

TRUSTQUAY FINANCIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2021

15. Provisions

	2021 £000	2020 £000
At 1 January	100	62
Utilised	-	-
Charged to income statement	-	38
At 31 December	100	100

Provisions have been analysed between current and non-current as follows:

	2021 £000	2020 £000
Current	-	-
Non-current	100	100
	100	100

The provision relates to the cost of dilapidations in respect of the Company's occupied leasehold premises. The non-current provision for the Company is expected to unwind within 2 to 5 years.

16. Share capital

	2021 Number	£000	2020 Number	£000
Issued and fully paid:				
Ordinary shares of 5p each				
At 1 January	292,054,829	14,602	292,054,829	14,602
Issued during the year	-	-	-	-
At 31 December	292,054,829	14,602	292,054,829	14,602

17. Retirement benefit schemes

The Company operates defined contribution retirement benefit plans for qualifying employees in the UK. The assets of the plans are held separately from those of the Company in funds under the control of trustees.

The total expense recognised in the income statement of £Nil (2020: £16,000) represents contributions payable to these plans by the Company at rates specified in the rules of the plans. As at 31 December 2021, no contributions (2020: nil) due in respect of the 2021 reporting year had not been paid over to the plans and were included within accruals.

18. Immediate and ultimate parent undertaking

The immediate parent undertaking is TrustQuay Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and controlling party is Redwood Holdco Limited, a Company incorporated in England. The consolidated financial statements of Redwood Holdco Limited are available from Sentinel House, Harvest Crescent, Ancells Business Park, Fleet, GU51 2UZ.

19. Financial commitments, guarantees and contingent liabilities

The Company has acceded to a £34 million senior term and revolving facilities, dated 29 May 2019. The facilities are reported in the consolidated Report of Redwood Holdco Limited.

20. Events after the Reporting Period

There are no post balance sheet events requiring disclosure in the financial statements for the year ended 31 December 2021.