

TRAFALGAR HOUSE SERVICECO LIMITED

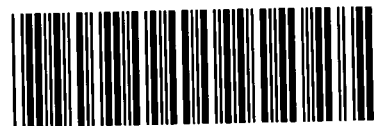
Formerly
TRAFALGAR HOUSE PENSIONS ADMINISTRATION LIMITED

INFORMATION FOR FILING WITH REGISTRAR

FINANCIAL STATEMENTS

For the Period Ended 31 December 2017

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TRAFALGAR HOUSE SERVICECO LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2017

Company number 02997636

		31 December 2017 £	31 March 2017 £
	Note		
FIXED ASSETS			
Investments	5	1	1
Intangible fixed assets	6	273,369	163,916
Tangible fixed assets	7	504,929	543,260
		<u>778,299</u>	<u>707,177</u>
CURRENT ASSETS			
Work in progress		11,339	7,123
Debtors	8	1,958,625	2,709,089
Cash at bank		2,382,820	2,296,860
		<u>4,352,784</u>	<u>5,013,072</u>
CREDITORS: amounts falling due within one year	9	<u>(1,712,310)</u>	<u>(2,303,287)</u>
NET CURRENT ASSETS		<u>2,640,474</u>	<u>2,709,785</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,418,773</u>	<u>3,416,962</u>
PROVISIONS FOR LIABILITIES	10	<u>(155,367)</u>	<u>(154,016)</u>
NET ASSETS		<u><u>3,263,406</u></u>	<u><u>3,262,946</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	2,600,001	2,600,001
Profit and loss account		663,405	662,945
SHAREHOLDERS' FUNDS		<u><u>3,263,406</u></u>	<u><u>3,262,946</u></u>

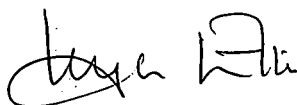
The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A – small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

The Company has opted not to file the Statement of profit and loss and other comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 17 April 2018.

Mrs M R A Ellis
Director



The related notes 1 to 17 form part of these financial statements.

TRAFALGAR HOUSE SERVICECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 December 2017

1. COMPANY INFORMATION

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

The Company's registered address and principal place of business is: 2nd Floor, (South West) Cheapside House, 138, Cheapside, London, EC2V 6BJ.

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

The average monthly number of employees, including the Directors, during the period was 41 (31 March 2017: 37).

2. 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 Section 1A of Financial Reporting Standard 102 –The Financial Reporting Standard applicable in the United Kingdom and Ireland ("FRS 102"), and with the Companies Act 2006.

The Company is a subsidiary undertaking and is exempt from the requirement to prepare group financial statements by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking only and not about its group.

Going concern

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

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

Judgements:

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 14 this has been treated as a contingent liability in accordance with Section 21 of FRS 102 and the defined benefit scheme has not been recognised on the balance sheet.

TRAFALGAR HOUSE SERVICECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 December 2017

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimates:

The Company has made provision for the expected cost of dilapidations arising at the end of its property lease (see note 10). The lease terminates during May 2026 and any dilapidations payable will be subject to negotiation.

The Company has estimated that the useful economic life ("UEL") of its core computer software capitalised is five years (see notes 4.1 and 6). This is based on the long term client contracts in place which are served 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 Company to ensure appropriate capitalisation periods are maintained.

4. PRINCIPAL ACCOUNTING POLICIES

4.1 INTANGIBLE ASSETS

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

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

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

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

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

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

4.2 TANGIBLE FIXED ASSETS

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

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

Leasehold Improvements	Over the term of the lease
Furniture, Fixtures & Fittings	3 years
Computer Equipment	3 years
Office Equipment	3 years

TRAFALGAR HOUSE SERVICECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 December 2017

4.3 IMPAIRMENT OF ASSETS

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

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

4.4 WORK IN PROGRESS

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

4.5 DEBTORS

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

4.6 CREDITORS

Short term creditors are measured at the transaction price.

4.7 LEASES

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

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

4.8 PROVISION FOR LIABILITIES

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

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

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

The Company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

TRAFALGAR HOUSE SERVICECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Period Ended 31 December 2017

4.9 TAXATION

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

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

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

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

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

4.10 TURNOVER

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

Turnover includes revenue earned from the rendering of services.

Rendering of services

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

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

4.11 EMPLOYEE BENEFITS

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

4.12 CASH AND CASH EQUIVALENTS

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

TRAFALGAR HOUSE SERVICECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 December 2017

5.- FIXED ASSET INVESTMENTS: INVESTMENT IN SUBSIDIARY UNDERTAKING

	£
Cost and net book value at 31 December 2017	<u>1</u>
Cost and net book value at 31 March 2017	<u>1</u>

At 31 December 2017 the Company had an interest in the following subsidiary:

Subsidiary	Nature of Business
Trafalgar House Holdings Limited	Dormant

The Company's subsidiary undertaking has the same registered office as the Company, is 100% owned (all ordinary shares) and is incorporated in the United Kingdom.

6. INTANGIBLE FIXED ASSETS

	Computer Software £	Total £
COST		
At 1 April 2017	666,891	666,891
Additions	143,359	143,359
At 31 December 2017	<u>810,250</u>	<u>810,250</u>
DEPRECIATION		
At 1 April 2017	502,975	502,975
Charge for the year	33,906	33,906
At 31 December 2017	<u>536,881</u>	<u>536,881</u>
NET BOOK VALUE		
At 31 December 2017	<u>273,369</u>	<u>273,369</u>
At 31 March 2017	<u>163,916</u>	<u>163,916</u>

TRAFALGAR HOUSE SERVICECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2017

7. TANGIBLE FIXED ASSETS

	Leasehold Improvement	Furniture, Fixtures & Fittings	Computer Equipment	Office Equipment	Total
	£	£	£	£	£
COST					
At 1 April 2017	462,846	94,883	72,733	43,879	674,341
Additions	-	6,246	28,029	-	34,275
Disposals	-	-	-	-	-
At 31 December 2017	462,846	101,129	100,762	43,879	708,616
DEPRECIATION					
At 1 April 2017	26,799	44,294	48,946	11,042	131,081
Charge for the period	34,713	13,865	10,969	13,059	72,606
Disposals	-	-	-	-	-
At 31 December 2017	61,512	58,159	59,915	24,101	203,687
NET BOOK VALUE					
At 31 December 2017	401,334	42,970	40,847	19,778	504,929
At 31 March 2017	436,047	50,589	23,787	32,837	543,260

TRAFALGAR HOUSE SERVICECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 December 2017

8. DEBTORS

	31 December 2017 £	31 March 2016 £
DUE AFTER MORE THAN ONE YEAR		
Other debtors	273,600	273,600
DUE WITHIN ONE YEAR		
Trade debtors	174,178	165,704
Amounts owed by group undertakings	247,207	273,284
Amounts paid and accrued, but not yet invoiced to group undertakings	826,575	1,592,210
Corporation tax	24,477	-
Other debtors	99,009	156,576
Prepayments and accrued income	313,579	247,715
	<u>1,958,625</u>	<u>2,709,089</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2017 £	31 March 2017 £
Trade creditors	53,360	44,865
Corporation tax	-	1,936
Social security and other taxes	148,925	126,561
Other creditors	7,562	34,434
Accruals and deferred income	1,502,463	2,095,491
	<u>1,712,310</u>	<u>2,303,287</u>

TRAFALGAR HOUSE SERVICECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 December 2017

10. PROVISIONS FOR LIABILITIES

	Obligations arising from property lease £	Deferred taxation £	Leave pay £	Total £
At 1 April 2017	78,128	35,828	40,060	154,016
Movement	-	24,477	(23,126)	1,351
At 31 December 2017	<u>78,128</u>	<u>60,305</u>	<u>16,934</u>	<u>155,367</u>

The leave pay provision represents holiday balances accrued as a result of services rendered in the current year and which employees are entitled to carry forward for 3 months. The provision is measured as the salary cost payable for the period of absence.

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

The deferred tax provision is analysed as follows:

	31 December 2017 £	31 March 2017 £
Accelerated capital allowances	19,535	2,536
Short term timing differences	40,770	33,292
	<u>60,305</u>	<u>35,828</u>

TRAFALGAR HOUSE SERVICECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 December 2017

11. SHARE CAPITAL

	31 December 2017 £	31 March 2017 £
ALLOTTED, CALLED UP AND FULLY PAID		
2,600,001 Ordinary shares of £1 each	<u>2,600,001</u>	<u>2,600,001</u>

12. OPERATING LEASE COMMITMENTS

The company's total future minimum operating lease payments are as follows:

	31 December 2017 £	31 March 2017 £
Within 1 year	<u>304,000</u>	<u>304,000</u>
Between 2 and 5 years	<u>684,000</u>	<u>912,000</u>

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

TRAFALGAR HOUSE SERVICECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Period Ended 31 December 2017

13. RELATED PARTY TRANSACTIONS

	31 December 2017 £	31 March 2017 £
Sales to THPT	2,315,416	2,985,881
Costs reimbursed by THPT	3,719,684	4,967,623
Trade debtor amounts due from THPT	247,207	273,284
Accrued Income amounts due from THPT	826,575	1,592,210
Key management personnel of THSL	591,426	522,762
Key management personnel of THPT	432,745	453,117

During the period as well as providing pension administration services to Third Party clients, the Company provided services on behalf of the Trust; the Company's ultimate controlling party. The Company charged the Trust £2,315,416 (31 March 2017: £2,985,881) for the provision of these services.

In addition to this, the Company bore pension scheme related costs such as investment management, legal, actuarial and other adviser expenses totalling £3,719,684 (31 March 2017: £4,967,623) on behalf of the Trust.

At the year end, the Trust owed the Company £1,065,348 (31 March 2017: £1,865,494), which includes paid and accrued costs of £818,141 relating to December 2017, which had not been invoiced to the Trust as at 31 December 2017.

During the period, an amount of £432,745 (31 March 2017: £453,117) was paid by the Company to the Directors of Trafalgar House Trustees Limited, the immediate parent undertaking, for Trustee Directors' fees in respect of Trafalgar House Trustees Limited. All Trustee Directors' fees are reimbursed by the Trust.

14. CONTINGENT LIABILITY

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

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

The last formal review of financial position was obtained as at 31 December 2016 and this concluded that the Trust, with assets of £1,916m, was 88.2% funded on a technical provisions basis. Whilst the formal recovery plan produced by the Trust shows that it expects to achieve full funding of its liabilities by June 2024, and this does not rely on any contributions being made by the Company, the potential does exist for the Company to be legally required to make further contributions to the Trust over and above those obligations provided for within the financial statements.

TRAFALGAR HOUSE SERVICECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Period Ended 31 December 2017

15. ULTIMATE CONTROLLING PARTY

The Company's ultimate controlling party is Trafalgar House Pension Trust ("the Trust"). The entire issued share capital of the Company is held by its immediate parent undertaking, Trafalgar House Trustees Limited ("THT"), a Company registered in England and Wales, beneficially on behalf of the Trust. THT is the Trustee of the Trust.

THT prepares consolidated financial statements that are publicly available from Companies House.

16. POST BALANCE SHEET EVENTS

On 1 January 2018 the pension administration and trustee secretarial services division within THSL was sold to a newly created group company, ultimately owned by the Trust, as part of an intra-company reorganisation, which included the transfer of the THPA name to the new company. The total consideration received was £800,000 in cash. As a result of the sale, £1,773,642 of the reported £6,667,401 reported turnover in the period (with no associated profit) transfers as part of the transaction.

On the same date, Mr Garry Wake (Managing Director), Mr Richard Tartaglia (Chief Financial Officer) and Mr Daniel Taylor (Client Director) resigned as Executive Directors of the THSL Board and became Executive Directors of the new company (THPA). Mr Robert Branagh and Mr Jan Froeshaug resigned as Non-Executive Directors of THSL and became Non-executive Directors of the new company (THPA).

From 1 January 2018, THSL will continue to provide General management and Trustee Management Services to the other entities within the Group, with the new company (THPA) providing pension administration and trustee secretarial services to third-party clients, including the Trust.

17. AUDITORS' INFORMATION

The auditors' report included in the annual accounts delivered to members was unqualified. The audit report was issued by Crowe Clark Whitehill LLP and the senior statutory auditor was Matthew Stallabrass.