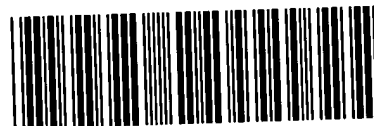


Company Registration No. 06448163 (England and Wales)

THIRD FINANCIAL SOFTWARE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

THURSDAY



AA3GTB97

A14

29/04/2021

#392

COMPANIES HOUSE

THIRD FINANCIAL SOFTWARE LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | E Barroll Brown I Partington M Scott R Foster T Morrell |
| Company number | 06448163 |
| Registered office | Birchin Court Birchin Lane London England EC3V 9DU |
| Auditor | RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB United Kingdom |

THIRD FINANCIAL SOFTWARE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the group strategic report for the year ended 31 December 2020.

Review of Business

Third Financial Software

It's been more of the same for Third Financial Software in 2020. We have continued the progress made in 2019 in enhancing the resilience and performance of our core software product, Tercero, which continues to drive many of the UK's leading wealth management firms as well as our own platform service.

Software bugs are at an all time low and the system is supporting more users, clients, assets and transaction volumes than ever while maintaining its contribution to Group profitability.

Third Platform Services

Revenue is correlated with the value of assets under our administration. It is therefore testament to the volume of our asset inflows through the year that, despite eye-watering falls in asset values when the pandemic first struck and a market that was ultimately down 14% over the course of the year, our revenue grew by over 31%. 96% of this revenue is contractually recurring.

The Group

The Group's business model has proven to be extremely resilient in 2020's challenging circumstances. Staff have worked remotely since just before the UK's first official lockdown started in March 2020 and won't return to their office bases until June 2021 at the earliest.

Group revenue has risen 14% to just shy of £6m, 95% of which is contractually recurring. A post tax profit of £381k is a just reward for the efforts expended.

Our balance sheet and capital adequacy have grown through the year and at year end remain extremely healthy and well above regulatory requirements.

Section 172 Statement

In accordance with the Companies Act 2006 (the 'Act') the Directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Group, under section 172.

The board of directors of Third Financial Software Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the group for the benefit of its shareholders in the decisions taken during the year ended 31 December 2020.

The board have set the strategy to focus on the long term success of the Group, and have progressed on that through investment in our people and our software.

~~As a business-to-business-and-business-to-customer-Group, we have focused on a client-centric business model making sure that our customers and clients benefit from continual improvements to our service.~~

There has been a real focus on employee engagement through regular briefings to all staff on company results and strategy. We have also focused on improving the benefits available to all staff.

THIRD FINANCIAL SOFTWARE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Principal Risks and Uncertainties

The Group faces a number of risks and uncertainties that may have an impact on its operation or future performance.

It is important for the Board to effectively manage risks and opportunities in seeking to achieve the Group's objectives. The directors have overall responsibility for risk management and internal control systems.

The risks and uncertainties described below represent those which the directors consider to be the most significant in achieving the Group's objectives.

Adverse economic and business conditions:

Changing UK conditions and reduction in the UK financial market could adversely affect the Group's trading financial position and prospects.

Market intelligence:

The failure to understand or anticipate changes in the external environment including customer needs, emerging market trends, competitor strategies and regulatory or legal requirements could affect the Group's trading financial position.

Competitive positioning & product development:

Risk that the Group is unable to clearly identify the approach to the market or deploy competitive advantage, including product development. The financial services industry in the UK remains very competitive. The Company will need to continue to invest in its operational and technology infrastructure to ensure it remains competitive in the market.

IT resilience and data security:

The risk of disruption in our technological service or a data security breach as a result of malicious actions, poor IT practice or IT system failure.

Key Performance Indicators

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

On behalf of the board



.....
I Partington
Director

Date: 27.4.21
.....

THIRD FINANCIAL SOFTWARE LIMITED

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Third Financial provides Investment Management Software and Investment Platform Services to Wealth Managers, Family Offices, IFA's and FinTech App providers.

In last year's Chairman's Statement, when the country had just entered the first lockdown, I referred to the potential disruption that would inevitably be created by the COVID pandemic. I am pleased to say, however, that, thanks to the dedication and expertise of all our staff at Third Financial, the company had a record year in 2020, as these accounts show.

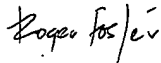
We believe ownership of our own technology continues to give us a significant advantage over many of our competitors. Third Financial's proprietary system, Tercero, is developed and maintained by our in-house Technology Team with no outsourcing of development either offshore or to contractors. This enables us to maintain total control of the product; to leverage the immense experience within that team; to keep abreast of all technology enhancements needed by our software-only clients; and to bring all those benefits to bear – alongside our exceptional Customer Service - on the provision of our Investment Platform.

During 2020 our Private Equity backers, Grafton Capital, demonstrated their confidence in the future via investing further significant funds into the business while also purchasing shares from the original shareholders.

As economic confidence returns we are confident that 2021 will prove to be another exceptional year for the Group.

I would like to take the opportunity on behalf of the Board of Directors to thank all of our staff for their outstanding commitment and hard work during such a difficult year.

On behalf of the board



.....
Roger Foster

Director 27.4.21

Date:

THIRD FINANCIAL SOFTWARE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their group annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company continued to be that of software development. The principal activity of the subsidiary continued to be that of Model B clearing, custody and related services.

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

E Barroll Brown

I Partington

M Scott

R Foster

S Foster

(Resigned 16 October 2020)

C Brown

(Resigned 16 October 2020)

O Thomas

(Resigned 22 March 2021)

T Morrell

(Appointed 22 March 2021)

Directors' insurance

The group maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the group.

Future developments

The group operates in a highly capital-intensive industry and the directors are committed to a long-term investment programme. The capital investment is mainly into the software development. The company continues to pursue new contracts and opportunities.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon reporting

As the group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

THIRD FINANCIAL SOFTWARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Going concern

The directors have prepared the financial statements on a going concern basis. They have carried out a detailed review of the trading position and cash flow projections for the foreseeable future, including stress testing of the business. No scenario where the Group was stressed resulting in an inability to meet its medium-term cash requirements. The directors are confident that sufficient financial resources will be available to enable the Group to meet the cash requirements as set out in the relevant projections for a period of at least 12 months from the date of approval of these financial statements.

On behalf of the board



.....
I Partington
Director

27.4.21
Date:

THIRD FINANCIAL SOFTWARE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Company law requires the directors to prepare group and company financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THIRD FINANCIAL SOFTWARE LIMITED

Opinion

We have audited the financial statements of Third Financial Software Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent 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. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THIRD FINANCIAL SOFTWARE LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THIRD FINANCIAL SOFTWARE LIMITED (CONTINUED)

As a result of these procedures we consider that the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal tax advisers.

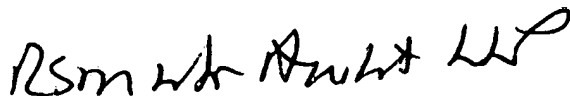
The most significant laws and regulations that have an indirect impact on the financial statements are the rules and principles set by the Financial Conduct Authority (FCA) as regulator for the financial services industry in the UK. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these laws and regulations. We inspected compliance documentation including, but not limited to, internal procedures manuals, risk and breaches registers, regulatory returns and correspondence with the FCA as well as considering compliance with the conditions for authorisation and other regulatory obligations.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included, but were not limited to, testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant unusual transactions and transactions entered into outside the normal course of business and challenging judgements.

A further description of our responsibilities for the audit of the financial statements is located 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.



27/4/2021

David Fenton (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
United Kingdom
.....

THIRD FINANCIAL SOFTWARE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020 £ | 2019 £ |
|---|-------|------------------|------------------|
| Turnover | 3 | 5,961,432 | 5,243,694 |
| Cost of sales | | (2,777,004) | (2,423,786) |
| Gross profit | | 3,184,428 | 2,819,908 |
| Administrative expenses | | (2,992,368) | (2,817,212) |
| Operating profit | 6 | 192,060 | 2,696 |
| Interest receivable and similar income | 8 | 4,915 | 1,168 |
| Interest payable and similar expenses | 9 | (51,900) | (70,110) |
| Profit/(loss) before taxation | | 145,075 | (66,246) |
| Tax on profit/(loss) | 10 | 235,910 | 399,849 |
| Profit for the financial year | | 380,985 | 333,603 |
| Profit for the financial year is attributable to: | | | |
| - Owners of the parent company | | 379,173 | 290,385 |
| - Non-controlling interests | | 1,812 | 43,218 |
| | | 380,985 | 333,603 |
| Total comprehensive income for the year is attributable to: | | | |
| - Owners of the parent company | | 379,173 | 290,385 |
| - Non-controlling interests | | 1,812 | 43,218 |
| | | 380,985 | 333,603 |

THIRD FINANCIAL SOFTWARE LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

| | Notes | 2020 | | 2019 | |
|--|-------|------------------|------------------|------------------|------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 11 | | 2,492,425 | | 2,334,015 |
| Tangible assets | 12 | | 11,328 | | 39,562 |
| | | | <u>2,503,753</u> | | <u>2,373,577</u> |
| Current assets | | | | | |
| Debtors | 16 | 884,264 | | 1,281,490 | |
| Cash at bank and in hand | | 4,412,390 | | 2,943,256 | |
| | | <u>5,296,654</u> | | <u>4,224,746</u> | |
| Creditors: amounts falling due within one year | 17 | (2,326,790) | | (2,699,242) | |
| Net current assets | | | <u>2,969,864</u> | | <u>1,525,504</u> |
| Total assets less current liabilities | | | <u>5,473,617</u> | | <u>3,899,081</u> |
| Creditors: amounts falling due after more than one year | 18 | | (201,573) | | (303,061) |
| Provisions for liabilities | 21 | | (22,060) | | (296,886) |
| Net assets | | | <u>5,249,984</u> | | <u>3,299,134</u> |
| Capital and reserves | | | | | |
| Called up share capital | 23 | | 19,374 | | 17,167 |
| Share premium account | 24 | | 5,821,400 | | 4,322,832 |
| Profit and loss reserves | 24 | | (590,790) | | (1,022,252) |
| Equity attributable to owners of the parent company | | | <u>5,249,984</u> | | <u>3,317,747</u> |
| Non-controlling interests | | | - | | (18,613) |
| | | | <u>5,249,984</u> | | <u>3,299,134</u> |

The financial statements were approved by the board of directors and authorised for issue on 27.4.21
and are signed on its behalf by:



I Partington
Director

THIRD FINANCIAL SOFTWARE LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

| | Notes | 2020 | | 2019 | |
|--|-------|--------------------|------------------|--------------------|------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 11 | 2,492,425 | | 2,334,015 | |
| Tangible assets | 12 | 7,208 | | 38,792 | |
| Investments | 13 | 2,751,667 | | 2,750,417 | |
| | | <u>5,251,300</u> | | <u>5,123,224</u> | |
| Current assets | | | | | |
| Debtors | 16 | 212,933 | | 915,091 | |
| Cash at bank and in hand | | 1,273,547 | | 765,023 | |
| | | <u>1,486,480</u> | | <u>1,680,114</u> | |
| Creditors: amounts falling due within one year | 17 | <u>(1,463,005)</u> | | <u>(2,640,657)</u> | |
| Net current assets/(liabilities) | | | 23,475 | | (960,543) |
| Total assets less current liabilities | | | <u>5,274,775</u> | | <u>4,162,681</u> |
| Creditors: amounts falling due after more than one year | 18 | | (14,073) | | (303,061) |
| Provisions for liabilities | 21 | | (22,060) | | (296,886) |
| Net assets | | | <u>5,238,642</u> | | <u>3,562,734</u> |
| Capital and reserves | | | | | |
| Called up share capital | 23 | | 19,374 | | 17,167 |
| Share premium account | 24 | | 5,821,400 | | 4,322,832 |
| Profit and loss reserves | 24 | | (602,132) | | (777,265) |
| Total equity | | | <u>5,238,642</u> | | <u>3,562,734</u> |

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was £122,844 (2019 - £137,237 loss).

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

.....
I Partington
Director

THIRD FINANCIAL SOFTWARE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | Share capital £ | Share premium account £ | Profit and loss reserves £ | Total controlling interest £ | Non-controlling interest £ | Total £ |
|--|-------|--------------------|----------------------------|-------------------------------|---------------------------------|-------------------------------|------------|
| Balance at 1 January 2019 | | 15,167 | 3,074,832 | (1,312,637) | 1,777,362 | (73,067) | 1,704,295 |
| Year ended 31 December 2019: | | | | | | | |
| Profit and total comprehensive income for the year | | - | - | 290,385 | 290,385 | 43,218 | 333,603 |
| Issue of share capital | 23 | 2,000 | 1,248,000 | - | 1,250,000 | - | 1,250,000 |
| Purchase of shares in subsidiary from non-controlling interest | | - | - | - | - | 11,236 | 11,236 |
| Balance at 31 December 2019 | | 17,167 | 4,322,832 | (1,022,252) | 3,317,747 | (18,613) | 3,299,134 |
| Year ended 31 December 2020: | | | | | | | |
| Profit and total comprehensive income for the year | | - | - | 379,173 | 379,173 | 1,812 | 380,985 |
| Issue of share capital | 23 | 2,207 | 1,498,568 | - | 1,500,775 | - | 1,500,775 |
| Credit to equity for equity settled share-based payments | | - | - | 52,289 | 52,289 | - | 52,289 |
| Purchase of shares in subsidiary from non-controlling interest | | - | - | - | - | 16,801 | 16,801 |
| Balance at 31 December 2020 | | 19,374 | 5,821,400 | (590,790) | 5,249,984 | - | 5,249,984 |

THIRD FINANCIAL SOFTWARE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | Share capital £ | Share premium account £ | Profit and loss reserves £ | Total £ |
|--|-------|--------------------|----------------------------|-------------------------------|------------|
| Balance at 1 January 2019 | | 15,167 | 3,074,832 | (640,028) | 2,449,971 |
| Year ended 31 December 2019: | | | | | |
| Loss and total comprehensive income for the year | | - | - | (137,237) | (137,237) |
| Issue of share capital | 23 | 2,000 | 1,248,000 | - | 1,250,000 |
| Balance at 31 December 2019 | | 17,167 | 4,322,832 | (777,265) | 3,562,734 |
| Year ended 31 December 2020: | | | | | |
| Profit and total comprehensive income for the year | | - | - | 122,844 | 122,844 |
| Issue of share capital | 23 | 2,207 | 1,498,568 | - | 1,500,775 |
| Credit to equity for equity settled share-based payments | | - | - | 52,289 | 52,289 |
| Balance at 31 December 2020 | | 19,374 | 5,821,400 | (602,132) | 5,238,642 |

THIRD FINANCIAL SOFTWARE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020 | | 2019 | |
|---|-------|--------------------|---|--------------------|---|
| | | £ | £ | £ | £ |
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 25 | 1,181,740 | | 1,305,644 | |
| Interest paid | | (51,900) | | (70,110) | |
| Income taxes refunded | | 308,715 | | 440,297 | |
| Net cash inflow from operating activities | | 1,438,555 | | 1,675,831 | |
| Investing activities | | | | | |
| Purchase of minority interest | | (1,250) | | (417) | |
| Purchase of intangible assets | | (1,290,647) | | (1,117,673) | |
| Purchase of tangible fixed assets | | (14,234) | | (3,654) | |
| Interest received | | 4,915 | | 1,168 | |
| Net cash used in investing activities | | (1,301,216) | | (1,120,576) | |
| Financing activities | | | | | |
| Proceeds from issue of shares | | 1,500,775 | | 1,250,000 | |
| Repayment of borrowings | | (418,642) | | (375,090) | |
| Proceeds of new bank loans | | 250,000 | | - | |
| Payment of finance leases obligations | | (338) | | (1,244) | |
| Net cash generated from financing activities | | 1,331,795 | | 873,666 | |
| Net increase in cash and cash equivalents | | 1,469,134 | | 1,428,921 | |
| Cash and cash equivalents at beginning of year | | 2,943,256 | | 1,514,335 | |
| Cash and cash equivalents at end of year | | 4,412,390 | | 2,943,256 | |

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Third Financial Software Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Birchyn Court, Birchyn Lane, London, England, EC3V 9DU.

The group consists of Third Financial Software Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flows and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are included within these consolidated financial statements of Third Financial Software Limited.

Basis of consolidation

The consolidated financial statements incorporate those of Third Financial Software Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Going concern

The directors have prepared the financial statements on a going concern basis. They have carried out a detailed review of the trading position and cash flow projections for the foreseeable future, including stress testing of the business. No scenario where the Group was stressed resulted in an inability to meet its medium-term cash requirements. The directors are confident that sufficient financial resources will be available to enable the Group to meet the cash requirements as set out in the relevant projections for a period of at least 12 months from the date of approval of these financial statements.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The Group reports revenue under two revenue categories:

- Provision of software licences
- Model B clearing, custody and related services

Provision of software revenue occurs in three categories:

- Software licences
- Other software related services which include sale of professional services
- Outsourced software charges

Software licences - the Group recognises the revenue allocated to software licences when all the following conditions have been satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the licence;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Other services (which includes the sale of professional services and training) - revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of the transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The state of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Outsourced software charges are recognised when the risks and rewards of the outsourced service have been performed.

Model B clearing, custody and related services - the Group recognises revenue based on the value of assets for which it is providing clearing, custody and related services. The revenue is recognised as the service is being performed.

Ongoing recurring fees are invoiced on a monthly or quarterly basis and the relevant amount is recognised in the financial statements on a monthly basis. Other services are invoiced and recognised in the same accounting period as the period to which they relate.

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is usually expected to be five years.

Goodwill arising on the acquisition of part of the non-controlling interest in a subsidiary company during the year has been fully amortised during the year.

Intangible fixed assets other than goodwill

Intangible Fixed Assets other than Goodwill relates to the non-physical assets used by the Group to generate revenues and profits. These are completed pieces of software development and in-process software development excluding the research component, which is expensed.

Maintenance and design costs are also expensed. These assets are measured at cost less accumulated amortisation. The cost incurred in developing software enhancements is capitalised in full in the year of development then amortised on a straight line basis over the subsequent 3 years.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|------------------------------|--|
| Leasehold land and buildings | Over the term of the lease |
| Plant and equipment | 33.33% reducing balance |
| Fixtures and fittings | Straight line over 3 years and straight line over 1 year |
| Computers | Straight line over 2 years |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and at bank.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and finance leases, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allowed for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Share based payment

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using an internal company model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

A share based payment charge of £52,289 (2019: £Nil) arises in the year.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution, and presented as an increase in the company's investment in that subsidiary.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the asset's fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

Amortisation of intangible assets

The company exercises judgment to determine useful lives and residual values of intangible fixed assets. The assets are amortised down to their residual values over their estimated useful lives.

3 Turnover and other revenue

| | 2020 | 2019 |
|--|------------------|------------------|
| | £ | £ |
| Turnover analysed by class of business | | |
| Provision of software | 3,003,497 | 2,993,629 |
| Model B clearing, custody and related services | 2,957,935 | 2,250,065 |
| | <u>5,961,432</u> | <u>5,243,694</u> |
| | | |
| | 2020 | 2019 |
| | £ | £ |
| Other revenue | | |
| Interest income | 4,915 | 1,168 |
| | <u>4,915</u> | <u>1,168</u> |

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue (Continued)

| | 2020 £ | 2019 £ |
|---|------------------|------------------|
| Turnover analysed by geographical market | | |
| United Kingdom | 5,909,112 | 5,189,672 |
| Europe | 52,320 | 54,022 |
| | <u>5,961,432</u> | <u>5,243,694</u> |

4 Employees

The average monthly number of persons (including directors) employed during the year was:

| | Group 2020 Number | 2019 Number | Company 2020 Number | 2019 Number |
|-------------------------------|-------------------------|----------------|---------------------------|----------------|
| Management and Administration | 9 | 5 | 5 | 3 |
| Business analysts | 20 | 18 | 5 | 7 |
| Developers | 22 | 23 | 22 | 23 |
| Total | <u>51</u> | <u>46</u> | <u>32</u> | <u>33</u> |

Their aggregate remuneration comprised:

| | Group 2020 £ | 2019 (restated) £ | Company 2020 £ | 2019 (restated) £ |
|-----------------------|--------------------|-------------------------|----------------------|-------------------------|
| Wages and salaries | 3,192,178 | 2,755,748 | 1,733,622 | 1,799,492 |
| Social security costs | 342,023 | 306,631 | 188,065 | 202,257 |
| Pension costs | 181,479 | 140,022 | 107,519 | 78,492 |
| | <u>3,715,680</u> | <u>3,202,401</u> | <u>2,029,206</u> | <u>2,080,241</u> |

The wages and salaries and social security costs disclosed in the financial statements for the year ended 31 December 2019 incorrectly excluded amounts capitalised in software. The comparative amounts for the year ended 31 December 2019 have been restated.

The amounts above include capitalised wages and salaries of £1,062,669 (2019: £883,699), social security costs of £118,789 (2019: £98,585) and pension costs of £63,288 (2019: £Nil) (the group and the company).

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

5 Directors' remuneration

| | 2020 | 2019 |
|---|----------------|----------------|
| | £ | £ |
| Remuneration for qualifying services | 551,679 | 363,976 |
| Company pension contributions to defined contribution schemes | 30,000 | 20,626 |
| | <u>581,679</u> | <u>384,602</u> |

Remuneration disclosed above includes the following amounts paid to the highest paid director:

| | 2020 | 2019 |
|---|----------------|----------------|
| | £ | £ |
| Remuneration for qualifying services | 401,450 | 303,223 |
| Company pension contributions to defined contribution schemes | 20,625 | 18,750 |
| | <u>422,075</u> | <u>321,973</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019 - 2).

The number of directors who exercised share options during the year was 1 (2019: none), being the highest paid director.

6 Operating profit

| | 2020 | 2019 |
|---|------------------|------------------|
| | £ | £ |
| Operating profit for the year is stated after charging/(crediting): | | |
| Exchange gains | (78,803) | (19,268) |
| Depreciation of owned tangible fixed assets | 42,024 | 43,536 |
| Depreciation of tangible fixed assets held under finance leases | 444 | 444 |
| Amortisation of intangible assets | 1,150,288 | 1,107,363 |
| Share-based payments | 52,289 | - |
| Operating lease charges | 190,603 | 223,210 |
| | <u>1,357,845</u> | <u>1,458,385</u> |

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

7 Auditor's remuneration

| | 2020 | 2019 |
|---|---------------|---------------|
| | £ | £ |
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 22,500 | 19,000 |
| Audit of the financial statements of the company's subsidiaries | 9,000 | 9,000 |
| | <u>31,500</u> | <u>28,000</u> |
| For other services | | |
| Other assurance services | 25,000 | 30,000 |
| Taxation compliance services | 12,100 | 8,500 |
| Other taxation services | 24,000 | 22,000 |
| All other non-audit services | 12,000 | 9,000 |
| | <u>73,100</u> | <u>69,500</u> |

8 Interest receivable and similar income

| | 2020 | 2019 |
|---------------------------|--------------|--------------|
| | £ | £ |
| Interest income | | |
| Interest on bank deposits | 4,915 | 1,168 |
| | <u>4,915</u> | <u>1,168</u> |

9 Interest payable and similar expenses

| | 2020 | 2019 |
|--|---------------|---------------|
| | £ | £ |
| Interest on bank overdrafts and loans | 51,900 | 69,843 |
| Interest on finance leases and hire purchase contracts | - | 267 |
| | <u>51,900</u> | <u>70,110</u> |

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

10 Taxation

| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Current tax | | |
| UK corporation tax on profits for the current period | - | (337,506) |
| Adjustments in respect of prior periods | 28,789 | 789 |
| Total current tax | <u>28,789</u> | <u>(336,717)</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (267,326) | (63,132) |
| Changes in tax rates | 34,928 | - |
| Adjustment in respect of prior periods | (32,301) | - |
| Total deferred tax | <u>(264,699)</u> | <u>(63,132)</u> |
| Total tax credit | <u>(235,910)</u> | <u>(399,849)</u> |

The total tax credit for the year included in the income statement can be reconciled to the profit/(loss) before tax multiplied by the standard rate of tax as follows:

| | 2020 £ | 2019 £ |
|---|------------------|------------------|
| Profit/(loss) before taxation | <u>145,075</u> | <u>(66,246)</u> |
| Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) | 27,564 | (12,587) |
| Tax effect of expenses that are not deductible in determining taxable profit | 12,755 | 6,254 |
| Research and development tax credit | (348,242) | (253,784) |
| Other permanent differences | (56,647) | - |
| Under/(over) provided in prior years | 28,789 | 789 |
| Deferred tax adjustments in respect of prior years | (32,301) | - |
| Use of prior year losses not previously recognised in deferred tax | - | (71,712) |
| Deferred tax not recognised | 108,180 | (60,663) |
| Different rate on deferred tax | 23,992 | (8,146) |
| Taxation credit | <u>(235,910)</u> | <u>(399,849)</u> |

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

11 Intangible fixed assets

| Group | Goodwill £ | Software £ | Total £ |
|------------------------------------|---------------|---------------|------------|
| Cost | | | |
| At 1 January 2020 | 341,653 | 9,626,738 | 9,968,391 |
| Additions - separately acquired | 18,051 | 1,290,647 | 1,308,698 |
| At 31 December 2020 | 359,704 | 10,917,385 | 11,277,089 |
| Amortisation and impairment | | | |
| At 1 January 2020 | 341,653 | 7,292,723 | 7,634,376 |
| Amortisation charged for the year | 18,051 | 1,132,237 | 1,150,288 |
| At 31 December 2020 | 359,704 | 8,424,960 | 8,784,664 |
| Carrying amount | | | |
| At 31 December 2020 | - | 2,492,425 | 2,492,425 |
| At 31 December 2019 | - | 2,334,015 | 2,334,015 |
| Company | | | |
| | Goodwill £ | Software £ | Total £ |
| Cost | | | |
| At 1 January 2020 | 330,000 | 9,626,738 | 9,956,738 |
| Additions - separately acquired | - | 1,290,647 | 1,290,647 |
| At 31 December 2020 | 330,000 | 10,917,385 | 11,247,385 |
| Amortisation and impairment | | | |
| At 1 January 2020 | 330,000 | 7,292,723 | 7,622,723 |
| Amortisation charged for the year | - | 1,132,237 | 1,132,237 |
| At 31 December 2020 | 330,000 | 8,424,960 | 8,754,960 |
| Carrying amount | | | |
| At 31 December 2020 | - | 2,492,425 | 2,492,425 |
| At 31 December 2019 | - | 2,334,015 | 2,334,015 |

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

12 Tangible fixed assets

| Group | Leasehold land and buildings | Plant and equipment | Fixtures and fittings | Computers | Total |
|------------------------------------|------------------------------------|------------------------|--------------------------|-----------|----------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 January 2020 | 56,001 | 5,742 | 91,139 | 231,262 | 384,144 |
| Additions | - | - | 3,873 | 10,361 | 14,234 |
| Disposals | (56,001) | - | - | - | (56,001) |
| At 31 December 2020 | - | 5,742 | 95,012 | 241,623 | 342,377 |
| Depreciation and impairment | | | | | |
| At 1 January 2020 | 45,352 | 5,742 | 69,421 | 224,067 | 344,582 |
| Depreciation charged in the year | 10,649 | - | 24,455 | 7,364 | 42,468 |
| Eliminated in respect of disposals | (56,001) | - | - | - | (56,001) |
| At 31 December 2020 | - | 5,742 | 93,876 | 231,431 | 331,049 |
| Carrying amount | | | | | |
| At 31 December 2020 | - | - | 1,136 | 10,192 | 11,328 |
| At 31 December 2019 | 10,649 | - | 21,718 | 7,195 | 39,562 |
| Company | | | | | |
| | Leasehold land and buildings | Plant and equipment | Fixtures and fittings | Computers | Total |
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 January 2020 | 56,001 | 5,742 | 89,617 | 217,033 | 368,393 |
| Additions | - | - | 2,738 | 7,248 | 9,986 |
| Disposals | (56,001) | - | - | - | (56,001) |
| At 31 December 2020 | - | 5,742 | 92,355 | 224,281 | 322,378 |
| Depreciation and impairment | | | | | |
| At 1 January 2020 | 45,352 | 5,742 | 67,900 | 210,607 | 329,601 |
| Depreciation charged in the year | 10,649 | - | 24,455 | 6,466 | 41,570 |
| Eliminated in respect of disposals | (56,001) | - | - | - | (56,001) |
| At 31 December 2020 | - | 5,742 | 92,355 | 217,073 | 315,170 |
| Carrying amount | | | | | |
| At 31 December 2020 | - | - | - | 7,208 | 7,208 |
| At 31 December 2019 | 10,649 | - | 21,717 | 6,426 | 38,792 |

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

12 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

| | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|-----------|--------------------|-----------|----------------------|-----------|
| Computers | - | 1,406 | - | 1,406 |

13 Fixed asset investments

| | Notes | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|-----------------------------|-------|--------------------|-----------|----------------------|-----------|
| Investments in subsidiaries | 14 | - | - | 2,751,667 | 2,750,417 |

Movements in fixed asset investments Company

| | Shares in group undertakings £ |
|--------------------------|---|
| Cost or valuation | |
| At 1 January 2020 | 2,750,417 |
| Additions | 1,250 |
| At 31 December 2020 | 2,751,667 |
| Carrying amount | |
| At 31 December 2020 | 2,751,667 |
| At 31 December 2019 | 2,750,417 |

During the year the company acquired the remaining 7.5% of Third Platform Services Limited for consideration of £1,250.

Third Platform Services Limited is now a wholly owned subsidiary.

14 Subsidiaries

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held | |
|---------------------------------|---|--|----------------------|--------|----------|
| | | | | Direct | Indirect |
| Third Platform Services Limited | Birchin Court, Birchin Lane, London, England, EC3V 9DU | Model B Clearing, custody and related services | Ordinary | 100.00 | - |
| Seguro Nominees Limited | Birchin Court, Birchin Lane, London, England, EC3V 9DU | Nominee company | Ordinary | - | 100.00 |
| TPS Offshore (Jersey) Limited | Whiteley Chambers, Don Street, St Helier, Jersey, JE2 4TR | Investment management | Ordinary | - | 100.00 |

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

15 Acquisitions

On 7 February 2020 the group acquired the remaining 7.5% percent of the issued capital of Third Platform Services Limited for consideration of £1,250.

| | Book Value £ | Adjustments £ | Fair Value £ |
|-------------------------------------|-----------------|------------------|-----------------|
| Share of net liabilities | (16,801) | - | (16,801) |
| Goodwill | | | 18,051 |
| Total consideration | | | 1,250 |
| The consideration was satisfied by: | | | £ |
| Cash | | | 1,250 |

16 Debtors

| | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|---|--------------------|-----------|----------------------|-----------|
| Amounts falling due within one year: | | | | |
| Trade debtors | 725,356 | 736,312 | 21,434 | 194,412 |
| Corporation tax recoverable | - | 337,505 | - | 337,505 |
| Amounts owed by group undertakings | - | - | 104,000 | 259,200 |
| Other debtors | 9,740 | 43,188 | 6,577 | 36,851 |
| Prepayments and accrued income | 98,631 | 103,822 | 80,922 | 87,123 |
| | 833,727 | 1,220,827 | 212,933 | 915,091 |
| Deferred tax asset (note 21) | 50,537 | 60,663 | - | - |
| | 884,264 | 1,281,490 | 212,933 | 915,091 |

Amounts owed by group undertakings are interest free and repayable on demand.

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

17 Creditors: amounts falling due within one year

| | Notes | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|------------------------------------|-------|--------------------|------------------|----------------------|------------------|
| Bank loans | 20 | 62,500 | - | - | - |
| Obligations under finance leases | 19 | - | 338 | - | 338 |
| Other borrowings | 20 | 290,298 | 419,952 | 290,298 | 419,952 |
| Trade creditors | | 264,949 | 271,260 | 133,917 | 147,331 |
| Amounts owed to group undertakings | | - | - | 363,378 | 1,253,573 |
| Other taxation and social security | | 289,937 | 227,583 | 253,303 | 200,240 |
| Other creditors | | 820,856 | 1,021,500 | - | - |
| Accruals and deferred income | | 598,250 | 758,609 | 422,109 | 619,223 |
| | | <u>2,326,790</u> | <u>2,699,242</u> | <u>1,463,005</u> | <u>2,640,657</u> |

Amounts owed to group undertakings are interest free and repayable on demand.

18 Creditors: amounts falling due after more than one year

| | Notes | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|---------------------------|-------|--------------------|----------------|----------------------|----------------|
| Bank loans and overdrafts | 20 | 187,500 | - | - | - |
| Other borrowings | 20 | 14,073 | 303,061 | 14,073 | 303,061 |
| | | <u>201,573</u> | <u>303,061</u> | <u>14,073</u> | <u>303,061</u> |

19 Finance lease obligations

| | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|---|--------------------|------------|----------------------|------------|
| Future minimum lease payments due under finance leases: | | | | |
| Less than one year | - | 338 | - | 338 |
| | <u>-</u> | <u>338</u> | <u>-</u> | <u>338</u> |

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The obligations under finance lease are secured on the assets to which the contracts relate.

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

20 Borrowings

| | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|----------------------------------|--------------------|----------------|----------------------|----------------|
| Bank loans | 250,000 | - | - | - |
| Other loans | 304,371 | 723,013 | 304,371 | 723,013 |
| | <u>554,371</u> | <u>723,013</u> | <u>304,371</u> | <u>723,013</u> |
| Payable within one year | 352,798 | 419,952 | 290,298 | 419,952 |
| Payable after more than one year | 201,573 | 303,061 | 14,073 | 303,061 |
| | <u>201,573</u> | <u>303,061</u> | <u>14,073</u> | <u>303,061</u> |

The other borrowings are secured by a fixed and floating charge over the software and intellectual property of the group.

The group received a Coronavirus Business Interruption Loan on 13 May 2020 for £250,000. No interest is charged on the loan if repaid within 12 months. The loan has a total term of 4 years and is repayable in instalments.

The loan is secured by a fixed and floating charge over the assets of Third Platform Services Limited.

21 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

| | Liabilities 2020 £ | Liabilities 2019 £ | Assets 2020 £ | Assets 2019 £ |
|--------------------------------|--------------------------|--------------------------|---------------------|---------------------|
| Group | | | | |
| Accelerated capital allowances | 382,506 | 401,567 | (783) | (131) |
| Tax losses | (360,446) | (104,681) | 51,320 | 60,794 |
| | <u>22,060</u> | <u>296,886</u> | <u>50,537</u> | <u>60,663</u> |
| | <u>22,060</u> | <u>296,886</u> | <u>50,537</u> | <u>60,663</u> |
| Company | | | | |
| Accelerated capital allowances | 382,506 | 401,567 | - | - |
| Tax losses | (360,446) | (104,681) | - | - |
| | <u>22,060</u> | <u>296,886</u> | <u>-</u> | <u>-</u> |
| | <u>22,060</u> | <u>296,886</u> | <u>-</u> | <u>-</u> |

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

21 Deferred taxation (Continued)

| | Group 2020 £ | Company 2020 £ |
|---------------------------------------|--------------------|----------------------|
| Movements in the year: | | |
| Liability at 1 January 2020 | 236,223 | 296,886 |
| Credit to profit or loss | (264,700) | (274,826) |
| Liability/(Asset) at 31 December 2020 | <u>(28,477)</u> | <u>22,060</u> |

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same trade. The deferred tax liability set out above is not expected to reverse within 12 months and relates to accelerated capital allowances.

22 Retirement benefit schemes

Defined Contribution schemes

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

Amounts of £181,479 (2019: £140,022) were charged to the profit and loss in respect of defined contribution schemes during the year by the group, and £107,519 (2019: £78,492) by the company.

Contributions totalling £Nil (2019: £24,171) were payable to the fund at the year end by the group, and £Nil (2019: £14,421) by the company. These amounts are included in creditors.

23 Share capital

| | Group and Company | | | |
|---|-------------------|----------------|---------------|---------------|
| | 2020 Number | 2019 Number | 2020 £ | 2019 £ |
| Ordinary share capital Issued and fully paid | | | | |
| New A Ordinary shares of £1 each | 9,199 | 7,599 | 9,199 | 7,599 |
| New B Ordinary shares of £1 each | 8,175 | 7,568 | 8,175 | 7,568 |
| | <u>17,374</u> | <u>15,167</u> | <u>17,374</u> | <u>15,167</u> |
| Preference share capital Issued and fully paid | | | | |
| Special A Preference shares of £1 each | 2,000 | 2,000 | 2,000 | 2,000 |
| Total equity share capital | | | <u>19,374</u> | <u>17,167</u> |

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

23 Share capital (Continued)

Both A ordinary and B ordinary shares have full voting and dividend distribution rights.

Preference shares hold the same rights as New A ordinary and New B ordinary shares, except having preferential rights to repayment of capital on winding up. They are convertible into New A ordinary shares following agreement of a majority of the holders of the New A ordinary shares, the New B ordinary shares and the Preference shares.

On 4 December 2020 the company issued 1,600 D1 Ordinary Shares of £1 each and 950 D2 Ordinary Shares of £1 each at par to directors and employees of the group. No amounts had been called up on these shares at 31 December 2020 and calls will only be made on the shares in the event of an exit event.

The D1 and D2 Ordinary Shares do not carry voting rights or any rights to dividends.

In the event of an exit event, the D1 and D2 Ordinary Shares will convert into Ordinary Shares of £1 each, on the basis of one Ordinary Share for each D1 or D2 Ordinary Share held, if the valuation of the IPO exceeds the threshold value set for those shares. If the valuation of the IPO is below the threshold value for the shares, they will convert into Deferred Shares of £1 each on the basis of one Deferred Share for each D1 or D2 Ordinary Share held.

24 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Profit and loss reserves

Cumulative profit and loss net of distributions of owners.

25 Cash generated from group operations

| | 2020 | 2019 |
|--|------------------|------------------|
| | £ | £ |
| Profit for the year after tax | 380,985 | 333,603 |
| Adjustments for: | | |
| Taxation credited | (235,910) | (399,849) |
| Finance costs | 51,900 | 70,110 |
| Investment income | (4,915) | (1,168) |
| Amortisation and impairment of intangible assets | 1,150,288 | 1,107,363 |
| Depreciation and impairment of tangible fixed assets | 42,468 | 43,980 |
| Equity-settled share-based payment expense | 52,289 | - |
| Movements in working capital: | | |
| Decrease/(increase) in debtors | 49,595 | (316,461) |
| (Decrease)/increase in creditors | (304,960) | 468,066 |
| Cash generated from operations | 1,181,740 | 1,305,644 |

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

26 Analysis of changes in net funds - group

| | 1 January 2020 £ | Cash flows £ | 31 December 2020 £ |
|----------------------------------|------------------------|------------------|--------------------------|
| Cash at bank and in hand | 2,943,256 | 1,469,134 | 4,412,390 |
| Borrowings excluding overdrafts | (723,013) | 168,642 | (554,371) |
| Obligations under finance leases | (338) | 338 | - |
| | <u>2,219,905</u> | <u>1,638,114</u> | <u>3,858,019</u> |

27 Share options

At 31st December 2020 there were outstanding options over A Ordinary shares and C Ordinary shares in the Company as follows:

| Date exercisable | Exercise price £ | 1 January 2020 No. | Granted | Exercised | Lapsed/ surrendered No. | 31 December 2020 No. |
|--|---------------------|-----------------------------|--------------|----------------|-------------------------------|-------------------------------|
| <u>A Ordinary shares</u> | | | | | | |
| No fixed date | 625.00 | - | 1,600 | (1,600) | - | - |
| <u>C Ordinary shares</u> | | | | | | |
| 10 January 2010 – 9 January 2020 | 1.00 | 69 | - | - | (69) | - |
| 11 December 2012 – 10 December 2022 | 1.00 | 25 | - | - | (25) | - |
| 27 November 2013 – 26 November 2023 | 1.00 | 200 | - | - | (200) | - |
| 24 May 2017 – 23 May 2027 | 625.00 | 476 | - | - | (476) | - |
| 7 February 2020 - 6 February 2021 | 1.00 | - | 950 | - | (950) | - |
| | | <u>770</u> | <u>2,550</u> | <u>(1,600)</u> | <u>(1,720)</u> | <u>-</u> |

The C ordinary shares rank pari passu with the A Ordinary, B Ordinary and Preference shares except for the level at which they would be entitled to proceeds in the event of an exit. They constitute a different class of share for the purpose of dividends.

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

28 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|-----------------|--------------------|-----------|----------------------|-----------|
| Within one year | 3,065 | 119,282 | 3,065 | 119,282 |

29 Events after the reporting date

On 25 March 2021 the company allotted 200 D2 Ordinary Shares of £1 each at par.

THIRD FINANCIAL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Related party transactions

Grafton Capital Limited charged the company £10,417 (2019: £Nil) for services provided in the year, including the services of Edward Barroll Brown on the Board.

Copperfield Stone Limited is a related party company through a common director. During the year there were purchases of £35,175 (2019: £2,000) and the balance outstanding at the year end was £2,400 (2019: £800).

31 Controlling party

The immediate and ultimate holding company is Grafton Capital (Jersey) GP Limited by virtue of holding the majority of the issued share capital in Third Financial Software Limited. The registered address of Grafton Capital (Jersey) GP Limited is Whiteley Chambers, Don Street, St Helier, Jersey JE2 4TR. Grafton Capital (Jersey) GP Limited holds the shares in Third Financial Software Limited as nominee for Grafton Capital Delta Jersey LP. There is no ultimate controlling party of Grafton Capital Delta Jersey LP.