

Multrees Investor Services Limited
Annual report and financial statements
for the year ended 31 December 2020

Registered number: 07225386

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Multrees Investor Services Limited

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Multrees Investor Services Limited

Company information

DIRECTORS

A. H. Mullan (Chairman)
A. Abbas (Non-executive)
R. Gifford (Non-executive)
C. Fisher
C. Stelfox
D. Nicol (Non-executive)

SECRETARY

F. A. Bennett

REGISTERED OFFICE

One Carter Lane,
London,
EC4V 5AN

REGISTERED NUMBER

07225386

BANKERS

Lloyds Bank Plc,
39 Threadneedle Street,
London,
EC2R 8AU

AUDITOR

Deloitte LLP,
Saltire Court,
20 Castle Terrace,
Edinburgh,
EH1 2DB

Multrees Investor Services Limited

Strategic report

The Directors present their Strategic Report on the Company for the year ended 31 December 2020.

REVIEW OF THE BUSINESS

Multrees Investor Services Limited ("Multrees") ("the Company") provides full, discreet investment administration, record keeping, accounting, custody and client reporting services to wealth managers and other investment management organisations. The Company is regulated by the Financial Conduct Authority ("FCA").

The Directors keep under review the uncertainties faced by the Company, which include changes in regulatory and legislative requirements, changes in the conditions surrounding the investment management industry and market performance.

The Company's mission is to be a trusted market provider for wealth management administration services and offer quality, cost effective solutions to asset management boutiques. The strategy is to successfully grow the business and achieve profitability using scalable and flexible systems architecture and through investment in people and technology. Good progress has been made in developing the client proposition further and achieving scalability through the use of emerging technologies.

RESULTS AND PERFORMANCE

The Company reports a loss of £9,000 (2019: profit of £772,000) and Earnings Before Interest, Tax, Depreciation, Dilapidations and Amortisation ("EBITDA") for the year of £409,000 (2019: £1,259,000).

Turnover for the year ended 31 December 2020 was £10,215,000 (2019: £10,581,000). This reduction was due to changes in market conditions relating to the Covid-19 pandemic, in particular: downward pressure on interest rates and clients delaying implementations. There was a loss of £9,000 (2019: profit of £772,000). This included amortisation of £251,000, depreciation of £172,000 and dilapidations of £nil (2019: amortisation of £225,000, depreciation of £169,000 and dilapidations of £93,000). The Company also claimed R&D Tax credits of £139,000 (2019: £140,000), included within the tax charge for the year in respect of system development activities.

Key performance indicators

The Company's principal business Key Performance Indicators ("KPIs") concentrate on measurement of the Company's success in achievement of its main strategic objectives of quality service, scalability and technology leadership. Main financial KPIs include annual and quarterly operating profit/loss pre investment expenditure adding back depreciation and amortisation (equivalent to EBITDA, above).

Future developments

As noted above, Multrees will continue to invest in technology and product development to enhance the Company's service, products and offerings. The Directors remain pleased with the quality and stature of the Company's client base, which they believe will act as a sound base for attracting additional clients with similar profiles.

Duty to promote the success of the Company

The Directors are committed to promoting the success of the Company for the benefit of its members as a whole, and in doing so applies all factors required in s.172 of the Companies Act 2006 in their decision making. The Directors review, amongst other items: stakeholder information, including client satisfaction, employee relations and material outsource providers and other suppliers; short to long term financial impact information and risk impact including reputational risk. The impact of decisions on the community and the environment are also considered through the new values statement supporting both Environmental, Social and Governance and Diversity and Inclusion. The long-term impact of decisions is also considered through the three-year and longer-term strategic plans.

Employee well-being was additionally considered throughout 2020, with the Company providing additional support for working from home, increased communication at all levels, staff surveys and the offer of additional mental and physical health support.

Multrees Investor Services Limited

Strategic report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are committed to a continual process of improvement and enhancement to the risk management framework within the Company. Ensuring the business identifies existing and emerging risks is a key focus along with developing adequate mitigation strategies.

Governance and policies

Overall responsibility for risk management rests with the Board, while oversight responsibility resides with the Head of Risk. The Board review the Risk Management Framework and the Audit and Risk Committee provide more detailed oversight on a quarterly basis.

Regulatory risk

Regulatory risk is the risk to earnings, capital and reputation associated with a failure to comply with regulatory requirements and expectations. The Company operates in an increasingly regulated and competitive environment. Relevant guidance is reviewed and incorporated into the Company's Risk Management Framework and compliance against this is monitored to ensure appropriate adherence. Exposure to regulatory financial loss is managed appropriately through internal compliance monitoring and oversight.

Competitive risk

Competitive pressure in the UK is a key risk for Multrees, which could result in it losing new business to key competitors. The Company manages this risk by aiming to provide a superior standard of service to its clients, constantly reviewing its service offering and pricing compared to market practice. The Company actively seeks new income streams while enhancing services delivered to existing clients and customers.

Market risk

Market risk is the risk of loss due to adverse changes in the financial markets and interest rates. The Company does not trade on its own account so exposure is limited. However, capital market fluctuations can have an effect on client activity and Assets Under Administration ("AUA"). Revenue earned by the Company will be impacted by overall levels of equity markets due to the practice of levying fees as a percentage of AUA and by interest earned on deposits; however, the Company actively monitors actual and forecasted revenue streams. Comparison of historical market movements against revenue has shown that the impact on Multrees is less than actual market movements, due to a combination of minimum fees and the expertise of Clients. Interest rate risk has been minimised through increasing fees and reducing retained revenue from deposits.

Operational risk

The risk of loss from any operational failure of the Company is identified as a key risk. Exposure to operational failure is controlled and monitored through the Company's Risk Management Framework.

The Directors also recognise the risk of technology failure with the Company's various systems, databases, and applications, along with the criticality of data that they support and their importance to core business operations. The architecture of the Company's systems and networks to determine their interconnections with internal and external systems is consistently enhanced and developed to ensure the Company remains competitive and offers an advanced, flexible and scalable service offering to all clients. The Directors consider outsourced systems as an extension of the Company's core platform and recognises the importance of conducting frequent vendor control assessments. Business continuity procedures are in place to address disaster recovery plans in the event of a catastrophic systems failure.

Professional indemnity insurance is also in place to protect clients and customers from any loss arising from operational risk events. The level was benchmarked against industry practice and is appropriate for the level of AUA.

Reputation risk

Another relevant risk is potential to damage Multrees' reputation, earnings and capital arising from adverse perception regarding the Company's business practices causing a decline in customer base, costly litigation and revenue reduction. The Company's value system and vision is based on integrity and accountability. The IT and security procedures within Multrees are very robust in order to remain robust to ensure that the risk of fraudulent access to Client and Customer data is minimised. The possibility of internal fraud is reduced through strong controls, background checks and hiring good calibre staff.

Multrees Investor Services Limited

Strategic report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Public health risk

There was and remains additional market and operational risk due to the economic and societal impacts following the outbreak of the coronavirus Covid-19 in the UK and globally in late February and March 2020, which has continued to have an impact throughout 2020 and into 2021. Risk to employee health and wellbeing and reputational risk are also considered.

The mitigants and controls applicable to these risks generally continue to apply in the unique situation of Covid-19 and further with the robust controls of the operation of the Company's Business Continuity Plan, which includes minimisation of employee health risks, greater employee wellbeing monitoring, external and internal fraud controls, increased communications within and out of the Company and increased risk oversight and compliance monitoring.

FINANCIAL RISKS

Financial risk management

Identifying exposures and risks forms the basis for an appropriate financial risk management strategy through rigorous budgeting, forecasting, cash flow management and overall financial monitoring.

Credit risk

Credit risk covers default risk from counterparties. The Company does not undertake any activities that result in exposure to credit risk from any lending or extension of credit terms to any Client, Customer, their agents or any other third parties. Credit risk is limited to amounts receivable from clients, deposits held at financial institutions and Herstatt risk. All of the Company's Clients are FCA regulated, further reducing our exposure to credit risk. Only reputable financial institutions are used to hold Company cash.

Liquidity risk

Liquidity risk is the risk that a solvent firm does not have access to sufficient liquid resources to meet its financial obligations as they fall due, or cannot secure timely resources at a reasonable cost. The Company's liquidity is fully dependent on cash. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company enforces a strict cash flow monitoring regime and contingency funding planning to ensure solvency is maintained.

Going concern

The Company's forecasts and projections, taking account of potential changes in trading performance, show that the Company is able to operate within the level of its current resources. The Company has continued to produce positive EBITDA and is cash generative. Analysis within the Going Concern considerations for the period has continued to consider the effects of the economic and societal impacts following the outbreak of the coronavirus COVID-19 in the UK and globally. Cash flow forecasts show that the Company has sufficient available funds for the foreseeable future. The Directors, therefore, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months and the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Approved by the Board and signed off on its behalf by:



C. Fisher
Director
Edinburgh

27 April 2021

Multrees Investor Services Limited

Directors' Report

The Directors present their report and audited financial statements for the year ended 31 December 2020.

Principal activities and future developments

The principal activities and likely future developments in the Company are discussed in the Strategic Report.

Financial risk management

Information regarding the Company's financial risk management policies has been included in the Strategic Report.

Dividends

No dividends were paid in the year (2019: £nil).

Post balance sheet events

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

Directors

The Directors who served throughout the year were as follows:

A. Abbas (Non-Executive)
R. Gifford (Non-Executive)
A. H. Mullan (Chairman)
C. Fisher
C. Stelfox
D. Nicol

Appointed 26 February 2021

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Disclosure of information to auditors

So far as each person who was a Director at the date of approving this report is aware:

- There is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware, and
- Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Regulatory capital

The Company's regulatory capital requirement is established by reference to the Internal Capital Adequacy Assessment Process ("ICAAP") as required by the FCA. The ICAAP establishes the minimum capital requirement with reference to a number of stress-tests and scenario analyses. Accordingly, the Company's long-term capital plan is set to ensure that the amount of capital held remains above this level at all times. In addition, details of the Company's approach to capital adequacy are included in its 'Pillar 3' Capital and Risk Management disclosure document, which also provides information regarding the remuneration policies and practices for those staff whose professional activities have a material impact on the Company's risk profile. The Pillar 3 disclosure is found at: www.multrees.com/pillar-3-disclosure

Multrees Investor Services Limited

Directors' Report (continued)

Auditor

Deloitte LLP have indicated their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



C. Fisher
Director
Edinburgh
27 April 2021

Multrees Investor Services Limited

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Multrees website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Multrees Investor Services Limited

Independent auditor's report to the members of Multrees Investor Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Multrees Investor Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's 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.

Multrees Investor Services Limited

Independent auditor's report to the members of Multrees Investor Services Limited

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the FCA's Client Asset rules.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the recognition of manually calculated fee revenue and our specific procedures performed to address included:

- Assessing the design and implementation of controls in place over the fee calculation process;
- Re-calculating a sample of fees charged to clients based on the signed client agreements;
- Agreeing a sample of fees charged to clients to their corresponding invoices; and
- Tracing a sample of fees charged to clients to the bank statement.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Multrees Investor Services Limited

Independent auditor's report to the members of Multrees Investor Services Limited

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations;
- reviewing the company's regulatory correspondances; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

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

Matters on which we are required to report by exception

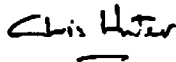
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.



Chris Hunter CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
27 April 2021

Multrees Investor Services Limited

Profit and loss account

For the year ended 31 December 2020

	Note	2020 £000's	2019 £000's
Turnover		10,215	10,581
Grant income		-	-
Operating expenses		(10,229)	(9,809)
Operating (Loss)/Profit	5	<u>(14)</u>	<u>772</u>
(Loss)/Profit before taxation		<u>(14)</u>	<u>772</u>
Taxation	6	5	-
(Loss)/Profit for the financial year		<u><u>(9)</u></u>	<u><u>772</u></u>

The results for the Company are in respect of continuing operations. There were no items of other comprehensive income in the current year (2019: none).

The accompanying notes on pages 15 to 28 form an integral part of these financial statements.

Multrees Investor Services Limited

Balance Sheet

At 31 December 2020

Registered number: 07225386

	Note	2020 £000's	2019 £000's
Fixed assets			
Intangible assets	7	1,490	1,594
Tangible assets	8	437	506
		<u>1,927</u>	<u>2,100</u>
Current assets			
Debtors – due within one year	9	3,301	3,139
Debtors – due after one year	9	659	659
Cash at bank and in hand		2,100	1,634
		<u></u>	<u></u>
Creditors: Amounts falling due within one year	10	(1,599)	(1,153)
Provision for liabilities	10	(318)	(318)
		<u></u>	<u></u>
Net current assets		<u>4,143</u>	<u>3,961</u>
Net assets		<u>6,070</u>	<u>6,061</u>
Capital and reserves			
Called-up share capital	11	9,773	9,773
Share premium account	12	1,703	1,703
Profit and loss account	12	(5,406)	(5,415)
		<u></u>	<u></u>
Shareholders' funds	12	<u>6,070</u>	<u>6,061</u>

The accompanying notes on pages 15 to 28 form an integral part of these financial statements.

The financial statements of Multrees Investor Services Limited (Registered number: 07225386) were approved by the board of Directors and authorised for issue on 27 April 2021. They were signed on its behalf by:



Director

C. Fisher

Multrees Investor Services Limited

Statement of changes in equity

For the year ended 31 December 2020

	Share premium account £000's	Ordinary share capital £000's	B Ordinary share capital £000's	Profit and loss account £000's	Total £000's
At 1 January 2019	1,703	9,767	6	(6,200)	5,276
Profit for the financial year	-	-	-	772	772
Charge in relation to share based payments	-	-	-	13	13
At 31 December 2019	1,703	9,767	6	(5,415)	6,061
Profit for the financial year	-	-	-	(9)	(9)
Charge in relation to share based payments	-	-	-	18	18
At 31 December 2020	1,703	9,767	6	(5,406)	6,070

Multrees Investor Services Limited

Cash Flow Statement

For the year ended 31 December 2020

		2020 £000's	2019 £000's
	Note		
Net cash inflow from operating activities	13	<u>716</u>	<u>1,338</u>
Investing activities			
Capital expenditure	14	<u>(250)</u>	<u>(733)</u>
Cash inflow before financing		<u>466</u>	<u>605</u>
Financing activities	14	<u>-</u>	<u>-</u>
Increase in cash in the year	14	<u>466</u>	<u>605</u>
Analysis of changes in the year	15		
Balance as at 1 January		1,634	1,029
Net cash inflow		466	605
Balance as at 31 December		<u>2,100</u>	<u>1,634</u>

The accompanying notes on pages 15 to 28 form an integral part of these financial statements.

Multrees Investor Services Limited

Notes to the financial statements

For the year ended 31 December 2020

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding period.

General information and basis of accounting

Multrees Investor Services Limited is a company incorporated in the United Kingdom, registered in England and Wales, under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council.

Functional currency

The functional currency of Multrees Investor Services Limited is considered to be pounds sterling as the currency of the primary economic environment in which the Company operates.

Basis of preparation

The Company has three wholly-owned UK subsidiary undertakings and holds £1 ordinary share capital in each.

Company	Registered address
IMWS (Nominees) Limited - Holds and administers securities and other assets as a sub-custodian on behalf of Multrees Investor Services.	One Carter Lane London EC4V 5AN
Multrees (Nominees) Limited - Holds and administers securities and other assets as a sub-custodian on behalf of Multrees Investor Services.	One Carter Lane London EC4V 5AN
Multrees Newco Limited – Set up to facilitate the transfer of company names.	40 Princes Street Edinburgh EH2 2BY

The Company also has a wholly-owned Luxembourg subsidiary, in which it holds €12,500 ordinary share capital.

Company	Registered address
MIS Nominees (Luxembourg) S.a.r.l – Company formed to hold and administer securities and other assets offshore as a sub-custodian on behalf of Multrees Investor Services.	4, rue Petermelchen L-2370 Howald

All subsidiary undertakings were non-trading during the year. Consolidated accounts have not been prepared as the subsidiary undertakings are considered immaterial.

Multrees Investor Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review of the business on page 2 which forms part of the Strategic Report.

The Company's forecasts and projections, taking account of potential changes in trading performance, show that the Company is able to operate within the level of its current resources. The Company has continued to produce positive EBITDA and is cash generative. Further analysis has been completed for the Going Concern period to consider the effects of the current economic and societal impacts following the outbreak of the coronavirus COVID-19 in the UK and globally. The Company has produced updated annual projections and performed sensitivity analysis. Cash flow forecasts show that the Company has sufficient available funds for the foreseeable future. The Directors, therefore, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months of the date of the annual report. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Intangible assets

Intangible assets are included at cost and amortised in equal annual instalments over the estimated useful economic life. The economic useful lives of the intangible assets are detailed in note 7. Development costs have been capitalised in accordance with FRS 102 Section 18 *Intangible Assets other than Goodwill* and are therefore not treated, for dividend purposes, as a realised loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated on a straight line basis to write off the cost of all tangible fixed assets over their expected useful lives as follows:

Computer equipment	- 3 years
Computer software	- 3 years
Office fit-out and furniture	- Lesser of 5 years or end of the building lease

Turnover

Turnover is stated net of VAT and trade discounts. Turnover represents the supply of clearing and settlement, investment administration, custody and related services, recognised on an accruals basis.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Multrees Investor Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rate that is expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Foreign currency

Transactions in foreign currencies are recorded at the average exchange rate for the month the transaction took place. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange gains and losses arising on conversion are dealt with in the profit and loss account.

Leases

Rentals in respect of operating leases are charged to the profit and loss account on a straight-line basis over the life of the lease.

Pension contributions

The Company operates a salary exchange process that allows all employees who are members of the personal pension plan to contribute a proportion of their salary and employees can reinvest national insurance contribution savings into the scheme. The Company contributes a percentage based on number of years' service.

Share based payments

The Company operates an HMRC approved share option incentive scheme. FRS 102 section 26 requires an expense to be recorded in the profit and loss account, with a corresponding credit to reserves. This charge is measured at the fair value of the share option at the date of grant. The fair value is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Company will comply with the conditions of the grant. Grants are credited to the profit and loss account over the same period as the related expenditure is incurred.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Multrees Investor Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following was the critical judgement that the Directors have made in the process of applying the Company's accounting policies and that has the most significant effect on the amounts recognised in the financial statements. There were no key sources of estimation uncertainty made in the preparation of the financial statements.

Intangible assets are included at cost less any impairment loss and amortised in equal annual instalments over the estimated useful economic life. The assessment of whether or not indicators of impairment exist in relation to intangible assets held on the balance sheet is a critical judgement. Management assess at each reporting date whether there is any indication that an asset may be impaired. At 31 December 2020, no indicators of impairment were identified.

3. Employees

The average monthly number of persons employed by the Company during the year was as follows:

	2020 Number	2019 Number
Directors	5	5
Office and secretarial	77	76
Total	82	81

	2020 £000's	2019 £000's
Staff costs comprise:		
Wages and salaries	3,848	3,743
Social security costs	425	414
Other pension costs	234	226
Share Options	Note 17 18	13
Total	4,525	4,396

The Company operates a personal pension plan for all employees. The pension costs noted above represents contributions payable to the scheme during the year. At the balance sheet date there were outstanding contributions totalling £38,206 (2019: £37,216).

Multrees Investor Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

4. Directors' remuneration

	2020 £000's	2019 £000's
Directors' emoluments		
Emoluments	409	409
Pension costs	31	27
Total	440	436
	2020 £000's	2019 £000's
Remuneration of highest paid Director:		
Emoluments	175	205
Pension costs	18	18
	193	223

The highest paid director did not exercise any share options in the year (2019: did not exercise any share options) and had no shares receivable under long-term incentive schemes.

5. Operating profit

Operating profit, all of which arises from continuing operations, is stated after charging:

	2020 £000's	2019 £000's
Directors' remuneration	440	436
Auditor's remuneration:		
Audit Services	21	20
Audit-related assurance services	116	110
Tax compliance services	7	6
Amortisation of intangible fixed assets	251	225
Depreciation of tangible fixed assets	172	41
Dilapidations expenses in respect of operating leases	0	93
Operating lease rentals – Land & buildings	252	205
Operating lease rentals – Other	8	7
FX (gain)/losses	4	(5)

Reconciliation of EBITDA

	2020 £000's	2019 £000's
(Loss)/Profit for the financial year	(9)	772
Adjustments for:		
Amortisation	251	225
Depreciation	172	169
Dilapidations charged to profit and loss	-	93
Research and development tax credit and other taxes	(5)	-
EBITDA	409	1,259

Multrees Investor Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

6. Tax on profit/(loss)

	2020 £000's £	2019 £000's £
Current tax on profit		
UK corporation tax	-	-
<i>Adjustments in respect of prior years</i>		
Research and development tax credit	(5)	-
Total current tax	(5)	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax on profit	(5)	-

The tax charge differs from the amount calculated by multiplying the standard rate of corporation tax by the loss before taxation. The sources and tax effects of the differences are shown as follows:

	2020 £000's	2019 £000's
(Loss)/Profit before tax	(14)	772
(Loss)/Profit multiplied by a pro-rata standard rate of UK corporation tax of 19% (2020: 19%)	(3)	147
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5	5
Provisions tax adjustment	-	1
Capital allowances (in excess of)/below depreciation	17	(32)
Net Taxable on intangible fixed assets	3	19
Unrelieved taxable losses	112	-
Adjustment for R&D expenditure	(139)	(140)
Total tax on profit	(5)	-

Following the year end, the government announced that legislation will be introduced in the Finance Bill 2021 to set the main rate of corporation tax at 25% from financial year 2023 onwards. The impact to value of the deferred tax asset is not expected to be material.

Multrees Investor Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

7. Intangible fixed assets

	Licence Cost £000's	Development Cost £000's	Other Intangibles £000's	Total £000's
Cost				
At 1 January 2020	3,018	2,949	5	5,972
Additions	6	141	-	147
At 31 December 2020	3,024	3,090	5	6,119
Amortisation and impairment				
At 1 January 2020	2,801	1,572	5	4,378
Amortisation charge for the year	66	185	-	251
At 31 December 2020	2,867	1,757	5	4,629
Net book value				
At 31 December 2020	157	1,333	-	1,490
At 31 December 2019	217	1,377	-	1,594

Capitalised development costs relate to consultancy costs incurred for the design and build of an Operational Data Store, design and build of the online interactive web portal "Compass" and development of an upgraded Custody Platform. Internal staff costs have not been capitalised. The useful economic lives of the Operational Data Store and Compass Portal are eleven years and eight years from date of implementation, respectively. The useful economic life of the Custody Platform development consultancy and Licence costs are nine years from the date of the reversal of the impairment of the asset. The useful economic life of the Multrees.com website domain ("other intangibles") was three years and is now fully amortised.

Development costs have been capitalised in accordance with FRS 102 Section 18 Intangible Assets other than Goodwill and are therefore not treated, for dividend purposes, as a realised loss.

Multrees Investor Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

8. Tangible fixed assets

	Computer Equipment £000's	Computer Software £000's	Office Fit-out and Furniture £000's	Total £000's
Cost				
At 1 January 2020	374	342	447	1,163
Additions	77	21	5	103
At 31 December 2020	451	363	452	1,266
Depreciation				
At 1 January 2019	273	285	99	657
Charge for the year	60	28	84	172
At 31 December 2019	333	313	183	829
Net book value				
At 31 December 2020	118	50	269	437
At 31 December 2019	101	57	348	506

9. Debtors

	2020 £000's	2019 £000's
Amounts falling due within one year:		
Trade debtors	144	276
Other debtors	203	284
Prepayments and accrued income	2,954	2,579
	3,301	3,139
Amounts falling due after one year:		
Deferred taxation (see below)	659	659
	659	659

Multrees Investor Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

9. Debtors (continued)

The elements of deferred taxation are as follows:

	2020 £000's	2019 £000's
Difference between accumulated depreciation and amortisation and capital allowances	1	6
Tax losses carried forward	659	659
Tax losses utilised	-	-
Share based payments	18	13
Change in tax legislation - intangible development	(19)	(19)
Deferred taxation – net asset	659	659

The deferred tax asset is regarded as due in more than one year with the exception of £35,000 which relates to the expected net reversal of timing differences within the next 12 months.

10. Creditors – amounts falling due within one year

	2020 £000's	2019 £000's
Trade creditors	387	372
Other taxation and social security	413	270
Accruals and deferred income	761	474
Pension scheme accrual	38	37
	1,599	1,153

SEB-Stiftelsen Skandinaviska Enskilda Bankens Pensionsstiftelse provided the Company with a £1.5m two-year interest free working capital loan facility in 2020 to ensure the business remained in a position to meet all working capital requirements, there was £nil drawn down at 31 December 2020 (2019: £nil).

Provisions

	Lease dilapidations £000's
At 1 January 2020	318
Additions	-
Charged to profit and loss account	-
At 31 December 2020	318

Provisions are in respect of lease dilapidations associated with the Company's current and terminated operating leases in respect of property. The provision in respect of the terminated operating lease will be settled in 2021 and the remaining provisions for the current operating lease will be settled at the end of the lease period in 2024.

Multrees Investor Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

11. Called-up share capital

	2020 £000's	2019 £000's
Allotted, called-up and fully-paid		
Ordinary shares of £1 each	9,767	9,767
B ordinary shares of £0.01 each	6	6
	<u>9,773</u>	<u>9,773</u>
Total	<u>9,773</u>	<u>9,773</u>

Both the Ordinary and B1 Ordinary classes of shares carry the same rights to income and dividends. In the event of a liquidation, capital is applied firstly to the Ordinary shares, to a threshold and thereafter equally to all shares.

There were no share transactions in the year. (2019: There were no share transactions in the year.)

12. Reconciliation of movements in shareholders' funds

	Share premium account £000's	Ordinary share capital £000's	B Ordinary share capital £000's	Profit and loss account £000's	Total £000's
At 1 January 2020	1,703	9,767	6	(5,415)	6,061
Profit for financial year	-	-	-	(9)	(9)
Charge in relation to share based payments	-	-	-	18	18
	<u>1,703</u>	<u>9,767</u>	<u>6</u>	<u>(5,406)</u>	<u>6,070</u>
At 31 December 2020	<u>1,703</u>	<u>9,767</u>	<u>6</u>	<u>(5,406)</u>	<u>6,070</u>

The Share premium account contains the excess amount received by the Company in excess of the nominal value of its shares. This forms part of the non-distributable reserves of the Company.

The profit and loss account represents cumulative profits or losses and other adjustments.

13. Reconciliation of operating profit to operating cash flows

	2020 £000's	2019 £000's
Operating profit	(9)	772
Depreciation and amortisation	423	266
Disposal of fixed assets	-	128
Dilapidations provision	-	318
(Increase) in debtors	(157)	(628)
Decrease in net deferred tax asset	-	-
(Increase)/decrease in amounts receivable for R&D tax credits	(5)	159
Increase/(decrease) in creditors	446	310
Share based payments charge	18	13
	<u>716</u>	<u>1,338</u>
Net cash inflow from operating activities	<u>716</u>	<u>1,338</u>

Multrees Investor Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

14. Analysis of cash flows

	2020 £000's	2019 £000's
Capital expenditure		
Purchase of intangible fixed assets	(147)	(269)
Purchase of tangible fixed assets	(103)	(464)
Net cash outflow from capital expenditure	<u>(250)</u>	<u>(733)</u>
Net cash inflow from operating activities	716	1,338
Net cash (outflow)/inflow from financing activities	<u>-</u>	<u>-</u>
Increase in cash in the period	<u>466</u>	<u>605</u>

15. Reconciliation of net cash flow to movements in net cash

	2020 £000's	2019 £000's
Increase in cash in the period	466	605
Net funds at 1 January	<u>1,634</u>	<u>1,029</u>
Net funds at 31 December	<u>2,100</u>	<u>1,634</u>

Multrees Investor Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

16. Financial commitments

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

	2020		2019	
	Land and buildings £000's	Other £000's	Land and buildings £000's	Other £000's
- within one year	252	7	251	7
- between two and five years	589	7	838	14
- over five years	-	-	-	-
	<u>841</u>	<u>14</u>	<u>1,089</u>	<u>21</u>

Lease payments under operating leases recognised as an expense in the year were £260,000 (2019: £212,000)

The Company is subject to rent reviews at specified intervals and is required to pay all insurance, maintenance and repair costs.

17. Share based payments

The Company has a share option scheme for all employees. Options are exercisable at a price equal to the estimated fair value of the Company's shares on the date of grant. The vesting period is four years. Options are only exercisable in relation to an Exit Event. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Company before the options vest.

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares.

Nature of scheme/ Grant date	No. of shares	Contractual life of options
Equity-settled granted in May 2012	343,000	10 years or exercisable on sale or listing
Equity-settled granted in October 2012	293,000	10 years or exercisable on sale or listing
Equity-settled granted in September 2013	150,306	10 years or exercisable on sale or listing
Equity-settled granted in August 2014	695,718	10 years or exercisable on sale or listing
Equity-settled granted in November 2016	532,916	10 years or exercisable on sale or listing
Equity-settled granted in February 2020	207,870	10 years or exercisable on sale or listing

Multrees Investor Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

17. Share-based payments (Continued)

As at 31 December 2020, 1,216,180 (2019: 1,050,810) of the above noted options had vesting conditions attached. The options have a vesting condition of 48 months from the date of issue. All other options have no conditions attached. Details of the share options outstanding during the year are as follows:

	2020		2019	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of year	1,050,810	1.30	1,140,810	1.30
Granted during the year	207,870	1.30	-	-
Forfeited during the year	(42,500)	1.30	(90,000)	1.30
Outstanding at end of the year	1,216,180	1.30	1,050,810	1.30
Exercisable at the end of the year	-	-	-	-

The inputs into the Black Scholes model are as follows:

	2020	2019
Weighted average share price	£1.20	£1.20
Weighted average exercise price	£1.30	£1.30
Expected volatility	25%	25%
Expected life	4 years	4 years
Risk-free rate	0.08%	0.13%
Expected dividend yield	0%	0%

The total expense recognised for the period arising from share based payments is as follows:

	2020 £000's	2019 £000's
Equity settled share based payments charge	18	13

Multrees Investor Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

18. Related party transactions

Total remuneration for key management personnel was £577,000 (2019: £634,000). Key management personnel includes the executive Directors and executive senior management.

19. Retirement benefit schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to income of £233,923 (2019: £225,313) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2020, contributions of £38,206 (2019: £37,216) due in respect of the current reporting period had not been paid over to the schemes.

20. Controlling interest

SEB-Stiftelsen Skandinaviska Enskilda Bankens Pensionsstiftelse owns 81% (2019: 81%) of the share capital of the Company, having its registered offices at Kungstradgardsgatan 8, Stockholm, Sweden (Org no 802000-7871) and is regulated by the Swedish Financial Supervisory Authority.