

OSTC GROUP HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

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OSTC GROUP HOLDINGS LIMITED

COMPANY INFORMATION

Directors	J D Aucamp R Brophy W English I Firla L A Hodgkinson C Langlais D Langley C Lawrence R Luckin M Saunter M Shirley M Slade
Secretary	J Naik
Company number	12307021
Registered office	3rd Floor Imperial House 21-25 North Street Bromley Kent BR1 1SD
Auditors	RSM UK Audit LLP 3rd Floor Portland 25 High Street Crawley West Sussex RH10 1BG

OSTC GROUP HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report and financial statements for the year ended 31 December 2020.

Fair review of the business

The trading business experienced a robust first half of 2020, reflecting elevated volatility and favourable trading conditions that were conducive to the Group's trading operations. The second half of 2020 was notably quieter, especially as market volumes diminished in advance of the US Presidential election in November 2020. Robust lines of defence, aligned with orderly business continuity, allowed the Markets business to trade safely and profitably throughout 2020 despite alternative working arrangements.

The Group continues its efforts focused on incremental marginal improvements and product diversification in its trading business, underpinned by powerful risk management, all of which will underpin the future growth of the Markets business.

Core to the Group's strategy is a strategic pivot focused on growing non-transaction revenue streams to add growth, diversification, and predictability to the business. This will be accomplished organically by leveraging the expertise of ZISHI, the Group's education and education technology business, to deliver a new form of learning architecture in financial services. Growth will be accelerated through the pursuit of Educational and Educational Technology M&A to rapidly scale distribution channels and customer relationships.

In 2020, the Group generated profit before taxes, non-recurring costs and treasury income – which is the Group's key measure of profitability – of £6,438,933 (2019: £6,023,715). The Group has now firmly established its vision and strategy, completed the disposal of non-core business (in 2019), and is solely focused on optimising its trading business and rapidly growing its education and technology offering, both organically and inorganically.

The financial position of the Group remains strong. As of year-end 2020, the balance sheet is debt-free.

Key performance indicators ("KPIs")

The Group monitors some KPIs, both financial and non-financial, across individual business units. On a group basis, the most significant KPI's used by management are as follows:

KPI	2020	2019
Revenue growth	18.9%	1.4%
Revenue mix	0.3%	0.7%
EBITDA margin	13.7%	10.9%
Profit after tax	8.5%	6.0%
Debt ratio	0.0x	0.6x

Debt ratio is the ratio of debt to EBITDA.

Employees

The average number of employees during the year was 450, a decrease of 4.9% compared to 2019.

Disabled persons

OSTC is an organisation that appreciates and embraces the power of individuality, authenticity, and wellbeing. The Group partners with Evenbreak – which helps inclusive employers attract and retain talented disabled people. A training on disability awareness is provided to line managers alongside access to best practice portal where information about particular disabilities, or long-term health conditions, as well as making interviewing more accessible can be found.

OSTC is an equal opportunity employer, and pledges to not discriminate against employees based on any of the protected characteristics of which disability is one. Reasonable adjustments into working environment are assessed for individuals with disability.

OSTC GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Employee Involvement: information and consultation

The Group's policy is to consult and discuss with employees matters likely to affect their interest. The information about matters of concern is given through periodic CEO webinars and newsletters distributed to all employees, team briefings, systematic use of management communication, email correspondence, as well as through indirect and direct consultations such as employee representatives or employee opinion/satisfaction surveys.

Disseminating information and consulting through the above channels seeks to achieve common awareness of the internal and external factors affecting the Group's performance, and also drives engagement, increases job satisfaction, builds strong organisational culture, and a high performing workforce.

Strategy

Further to the creation of the Group's corporate strategy, vision, and strategic plan in 2019, there has been significant progress in 2020. The Group's strategy is focused on revenue diversification and sustainable growth, centred on four strategic priorities: governance, transformation, education, and culture. Moreover, improved governance, enhanced oversight and control risk management, matured operational resilience, and a clear purpose, vision, values and standards, have all provided a solid foundation for the Group to operate, grow and thrive. Throughout 2020, governance continued to be promoted as the strategic Centre of Gravity – and the maintenance of good governance across the Group underpins all activity.

The Group's Markets business has a business model driven by powerful risk management, which continues to successfully navigate the COVID-19 pandemic despite alternative working arrangements. During the peak of the COVID-19 global pandemic, OSTC had 100% of its employees working from home across the UK, Poland, Russia, India, and China. Robust lines of defence, aligned with orderly business continuity, allowed the Markets business to trade safely and profitably throughout 2020. As part of the shaping phase of OSTC's corporate strategy, the priority has been on expanding in existing locations to capture growth opportunities with minimal new market entry cost and risk. Additionally, the distribution network has been expanded through the Digital Workforce Initiative, which allows the Markets business to scale beyond physical office constraints at a faster space and a lower cost and is aligned both to the realities and to the opportunities presented in a COVID-19 world. Concurrently, planning is underway to land in Africa, to educate a young and ambitious population, while capturing value from the development of nascent capital markets. All this activity is being conducted under the Group's *land and expand* initiative.

Central to Phase 2 (2020-2022) of the corporate strategy is a global strategic pivot, aimed at leveraging the expertise of OSTC Group Holdings, in particular ZISHI, and the growing Education Technology (EdTech) offering to deliver a new form of learning architecture in financial services. OSTC Group Holdings continues to accelerate its growth through the pursuit of EdTech-related M&A. The associated acquisition strategy is focused on non-transaction businesses with recurring revenues in the fragmented EdTech sector to build a critical mass of broad-based products and services, and rapidly scale distribution channels and customer relationships. This represents a meaningful opportunity and aligns with the Group's purpose, mind-set and vision: OSTC imagines a future where anyone, anywhere, can learn and trade; changing lives for the better.

Principal risks and uncertainties

The activities of the Group give rise to both operational and financial risks in the normal course of business. The principal risks that the business faces are described below, together with details of how these risks are mitigated.

Regulatory risk is the risk of non-compliance and future changes in regulatory rules that would impact the company's business. The company's ability to operate as a going concern is dependent on obtaining and maintaining the necessary regulatory authorisations and always complying with the associated rules. The company further mitigates regulatory risk by instilling a compliance culture throughout all levels of the business and by investing significant amounts of time and resource to implement appropriate systems and controls.

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. The company maintains an enterprise risk management framework with regular operational risk review and internal control oversight.

OSTC GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties (continued)

Currency risk is the potential that the company will incur losses due to movements in the foreign exchange markets. The activities of the Group are conducted in four main currencies: British Pounds, Polish Zloty, Euro and US Dollar. Revenue is largely derived in US Dollars while costs are mainly in British Pounds and Polish Zloty. The FX Committee, chaired by the Chief Financial Officer, actively monitors the foreign currency exposure of the Group's balance sheet and income statement, and seeks to mitigate this risk via hedging with forward transactions.

Credit risk is the risk that counterparties will not meet their financial obligations or losses from the placement of funds with other financial institutions. Any deposits the company places with other financial institutions will be subject to due diligence which looks at various indicators including an institution's capital ratios and credit rating.

Market risk is the risk of loss resulting from unfavourable market movements, such as prices, when positions in financial instruments are held. The value of a financial instrument may fluctuate because of changes in factors such as commodity prices, currency rates and other factors that create volatilities in financial markets. OSTC's hedging strategies, in combination with the use of straightforward products and continuous monitoring, aim to minimise this risk. The Group's trading philosophy is that it hedges its positions as perfectly as possible to minimize exposure to the market.

Liquidity risk is the potential that, although remaining solvent, OSTC does not have sufficient liquid financial resources to enable it to meet its obligations as they fall due or can secure them only at excessive costs. The Group manages liquidity risk by maintaining sufficient liquid resources to ensure it can meet its obligations as they fall due. The majority of the Group's assets are held as cash.

Business risk is a broad category. The Group considers its main business risks to be the risk of becoming unprofitable, revenue concentration risk, and reputational risk. The Group's profitability is primarily a function of the level of trading activity, or trading volumes, in the financial instruments in which the company trades, and the bid-ask spreads. To mitigate the risk during periods of little market activity, the group diversifies in products and markets traded. This is to ensure that the Group is not overly dependent on the levels of market activity in one asset class or product category.

Going concern

The directors have reviewed the Group's processes to control the financial risks to which the Group is exposed, its available liquidity, its regulatory capital position, and the annual budget, together with factors likely to affect its future development for at least the next 12 months.

The Group has made a profit for the year after tax. Given the ongoing COVID-19 pandemic, the Group has assessed the key business risks such as potential market closure and volatility, in addition to the risks associated with the Group's strategy focused on growing non-transaction revenue streams to add growth, diversification, and predictability to the business, which will be accomplished organically by leveraging the expertise of ZISHI, and inorganically through the pursuit of Educational and Educational Technology M&A to rapidly scale distribution channels and customer relationships.

The Group maintains strong relationships with the exchanges it trades on and explores other markets and products for diversification. To mitigate its trading risks, the Group actively manages its trading rules and strategies according to the market liquidity and other trading conditions, in addition to managing both cash and margin positions to ensure solvency.

For the first quarter of 2021, the Group completed the acquisition of BG Consulting, significantly expanding its educational offering. The acquisition of BG Consulting and growing ZISHI revenue resulted in total ZISHI external revenue increasing over six times to nearly £400,000 in Q1/21 alone. However, the Markets business had a soft start to the year, with low volumes, a lack of volatility, and unfavourable trading conditions resulting in lower revenue both year-on-year and against budget, reporting a small positive EBITDA before non-recurring items and treasury income in the first quarter. However, the trend is encouraging: the loss in February was less than January, there was a profit in March, and April has begun on solid footing. The directors remain confident that while 2021 financial results are unlikely to exceed those of 2020, a profit for the year will still be achieved.

OSTC GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Going concern (continued)

The Group's total cash balances – both at banks and at clearers – stood at £13.8 million as of 31 March 2021. While down from the £25.4 million at year-end 2020, the Group paid trader bonuses relating to 2020 performance of £7.7 million in Q1/21 and met all other obligations as they became due. This provides reassurance on the Group's business model.

In the event of unexpected ongoing losses, mitigating actions will be considered to seek a proportionate reduction in both fixed and variable cost bases, including hiring and/or salary freezes, bonus and other staff costs reductions, and other cost reductions in areas such as professional fees and marketing costs.

The Group has performed a sensitivity analysis to stress test its business plan and cash position. The Group has considered several scenarios that are the most relevant, including a reduction in trading revenue due to substantially lower market liquidity. The sensitivity analysis demonstrates that the Group has a resilient business model that can sustain severe market stress and enable the Group to maintain its profitability throughout the planning period. While short periods of unprofitability would result, profitability over the planning period would occur because of adjustments in the Group's cost base. The Group is also able to maintain adequate liquid resources, both as to amount and quality, under stress testing scenarios to meet its margin call requirements and operating expenses for at least the next 12 months.

As a result of the above, the directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Future plans

Going forward, the Group will focus on delivering every conceivable marginal improvement it can make, investing in learning technology to provide its traders with an edge and expanding to new locations which have a rich pool of talented and ambitious young people. Management will monitor closely the ongoing coronavirus situation and the impact on its business and take such mitigating actions as may become necessary.

Statement of Director's Duties to Stakeholders (Section 172(1) statement)

The Directors are aware of their duty under S. 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its shareholders, which includes having regard to other stakeholders.

The Board considers it crucial that the Group maintains a reputation for high standards of business conduct. The Board is responsible for setting, monitoring and upholding the culture, values, standards, ethics, brand and reputation of the Group. Management drives the embedding of the desired culture throughout the organisation. The Board has sought to balance the needs of its members with the S. 172 matters throughout the year, for example in the policies and practices which run through the Group, to ensure that obligations to shareholders, employees, suppliers, and others are met.

OSTC identified the most important stakeholders based on past stakeholder communications. All departments took part in jointly evaluating the extent of each stakeholder's relationship within the Group.

OSTC GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Stakeholder engagement

The table below sets out the approach to stakeholder engagement during 2020:

Stakeholders	Why are they important to OSTC?	What's OSTC's approach to engage with them?
Employees	Employees are the most valuable assets of the Company. OSTC's people's commitment is essential for the Group to deliver on its vision.	<ul style="list-style-type: none"> • Through performance management and development framework which promotes (a) capability, competence and fitness; (b) challenges and accountability; and (c) adherence to company values and Code of Conduct; facilitating and informing reward and recognition. • Providing regular and meaningful feedback and encouraging dialogue. • Ensuring employees understand the strategy, vision, and mission of OSTC and the role they play in supporting these. • Equipping people to do their best by making sure that information, training and other needs are provided completely and timely. • Creating an inclusive environment where people can bring their whole self to work. • Setting up a support network to enhance employee wellbeing.
Suppliers	As a proprietary trading firm and liquidity provider, OSTC operates in conjunction with a wide range of exchanges, clearinghouses, and other suppliers such as technology providers. It is vital that OSTC builds strong working relationships with these providers.	<ul style="list-style-type: none"> • The directors maintain oversight of the management of the most important suppliers. OSTC maintains strong relationships with the exchanges it trades on and has regular dialogues with exchanges and clearinghouses to ensure it operates in markets that have robust risk management and business continuity arrangements. • All supplier-related activity is managed in line with the Group Procurement and Outsourcing business standard. This ensures that supply risk is managed appropriately in relation to data security, corporate responsibility, and financial, operational, contractual and brand damage caused by inadequate oversight or supplier failure. • An important part of the Group's culture is the promotion of high legal, ethical, environmental and employee related standards within its business and among suppliers. An anti-bribery policy, including but not limited to the UK Bribery Act, must be adhered to by all employees when dealing with suppliers.
Regulators	OSTC is a FCA regulated firm and subject to financial regulations and approvals in all the markets the Group operates in.	<ul style="list-style-type: none"> • As the subject of close and continuous supervision by regulators, OSTC maintains constructive and open relationships with them. The Group has regular communication between the directors, compliance, and UK regulators.

OSTC GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Stakeholders	Why are they important to OSTC?	What's OSTC's approach to engage with them?
		<ul style="list-style-type: none">• The Risk and Compliance Committee enables continued focus in this area through its oversight of the regulatory landscape.
Shareholders	Four founders and two minority shareholders are the ultimate owners of the Company.	<ul style="list-style-type: none">• The Board meets with shareholders at the Annual General Meeting which provides an opportunity to engage directly with the Board.

By order of the board



L A Hodgkinson
Director

22 April 2021

OSTC GROUP HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activity of the Group during the year was that of trading in futures contracts. The principal activity of the subsidiaries in the Group was that of trading in futures contracts, provision of investment management services to O.S.T.C. Limited, and training and educational services.

The company was incorporated on 11 November 2019.

In December 2019, the Company acquired the entire share capital of OS.T.C. Limited by way of a share for share exchange transaction.

These group accounts have been prepared under merger accounting which means that the group accounts are presented as if the company and its subsidiary undertakings had always been combined. The group's financial statements are therefore presented for the year ended 31 December 2020, whereas the company's financial statements are presented for the 13 month period ended 31 December 2020.

Directors

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

J D Aucamp	(Appointed 12 November 2019)
R Brophy	(Appointed 12 November 2019)
W English	(Appointed 12 November 2019)
I Firla	(Appointed 12 November 2019)
L A Hodgkinson	(Appointed 12 November 2019)
C Langlais	(Appointed 18 June 2020)
D Langley	(Appointed 11 November 2019)
C Lawrence	(Appointed 12 November 2019)
R Luckin	(Appointed 30 January 2020)
M Saunter	(Appointed 12 November 2019)
M Shirley	(Appointed 12 November 2019)
M Slade	(Appointed 12 November 2019)
D Whitehead	(Appointed 12 November 2019 and resigned 31 December 2019)

Results and dividends

The profit for the year, after taxation, amounted to £4,991,288 (2019: £2,991,330) and total comprehensive income for the year amounted to £3,951,604 (2019: £2,937,766). Particulars of dividends paid are detailed in note 15 to the financial statements.

Qualifying third party indemnity provisions

The group has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Engagement with suppliers

As a proprietary trading firm and liquidity provider, OSTC operates in conjunction with a wide range of exchanges, clearers and other suppliers such as technology providers. It is vital that the Group builds strong working relationships with these providers. Further information on engagement with suppliers is provided in the Strategic Report.

Engagement with other stakeholders

Further information on engagement with other stakeholders is provided in the Strategic Report.

OSTC GROUP HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Matters of strategic importance

Information is not shown within the Directors' Report as it is instead included within the Strategic Report on pages 1 to 6 under S414c(11), including disabled persons, employee information, financial risk management and policies and future plans.

COVID-19

The worldwide COVID-19 pandemic continues, and this has impacted markets both in terms of liquidity and volatility. The Group continues with its strategy of pursuing a strategic pivot towards non-transaction revenue to provide recurring revenue streams and predictability to the business, and to be less reliant upon market conditions to generate a meaningful level of profit.

Post reporting date events

On 22 January 2021, OSTC acquired BG Consulting, which is a London-based education company that provides early career training to young people in financial services companies around the world. This acquisition strengthens OSTC's focus on the learning and development sector, transforms its current financial education products and services, and accelerates the global deployment of its ZISHI education platform.

BG is a provider of talent development solutions for the financial services sector. Founded in 2002, it offers clients a range of training courses covering financial markets, corporate finance, financial modelling and valuation, asset and wealth management, accounting and financial analysis, and credit. BG's courses are designed to fit a range of training needs and learning styles and its courses are accredited by the CISI and CIMA.

The acquisition is accretive to OSTC's earnings and accelerates the growth, quality, and diversification of the OSTC revenue base, in line with the organisation's strategic ambitions.

BG will be integrated into OSTC's ZISHI education subsidiary. The acquisition of BG further widens the range and quality of ZISHI's digital education platform offering, with a view to creating new growth opportunities for the business.

The transaction consideration consisted of both cash and shares, and a significant amount of the transaction consideration is deferred and subject to an earn-out.

Auditor

RSM UK Audit LLP was appointed as auditor during the year and has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the group's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditor is aware of that information.

OSTC GROUP HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Streamlined Energy & Carbon Reporting

For O.S.T.C. Limited, the trading business in the UK, it is required to report energy use and carbon emissions in accordance with the Companies and Limited Liability Partnerships (Energy and Carbon Report) Regulations of 2018 because this entity meets the threshold for reporting. The Group has no other subsidiaries in the UK that meet the thresholds for reporting.

OSTC is required to report:

- Building-related energy – natural gas (scope 1) and electricity (scope 2); and
- Employee-owned vehicle (grey fleet) (scope 3).

OSTC voluntarily includes further scope 3 reporting including fuels from vehicles that are not operated by the company – including train, air, and taxi journeys for business purposes to demonstrate transparency and a commitment to emissions reduction.

Energy Efficient Actions

The 2020 financial year was impacted significantly by the lockdowns precipitated by COVID-19. Prior to the onset of the global pandemic, OSTC set a group-wide (global) goal of reducing Carbon Dioxide equivalent (CO₂e) emissions per employee to 1.51 tonnes from 1.71 tonnes in 2019. These emissions include not only the mandated scope 1 and 2 but also elements of scope 3 including business travel using non-company owned transport. The emissions across the group in the financial reporting year of 2020 saw a reduction to 0.88 tonnes per full-time equivalent (FTE) employee.

The emission figures are slightly lower for UK-generated emissions and UK headcount. In 2019, emissions amounted to 1.14 tonnes per FTE. In 2020, the emissions declined to 0.83 tonnes per FTE because of both lower emissions and higher UK headcount.

While the reduction of emissions per FTE in 2020 in the UK has been significant, several programmes introduced throughout 2020, including the Digital Workforce Initiative with the OSTC Markets division and a virtual classroom environment for the ZISHI Cornerstone educational division, are aimed at reducing emissions further. In addition, when the pandemic subsides, efforts to reduce travel and an increase in staff working from home on a more regular basis will assist in ongoing reductions in emissions per FTE. These initiatives, along with the installation of electrical vehicle chargers in the Bromley location and the permanent closure of the Brighton office, will assist the drive for lower emissions in 2021.

OSTC GROUP HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Greenhouse gas (GHG) emissions and energy use data for the period 1 Jan 2020 to 31 December 2020	2020 (tCO ₂ e)
Direct Emissions (Scope 1) - natural gas, LPG and company car fuel	0
Indirect Emissions (Scope 2) - from purchased electricity	43.49
Total tCO₂e (Scopes 1 and 2)	43.49
Other indirect emissions principally business travel (Scope 3)	95.99
Gross total emissions	139.48
Carbon offsetting purchased	0
Net total emissions	139.48
Intensity Metric (Gross Emissions): tonnes of CO ₂ e per employee	0.83
Intensity Metric (Gross Emissions): tonnes of CO ₂ e per £M turnover	0.03
Total energy consumption (kWh)	557,919

By order of the board



L A Hodgkinson
Director

22 April 2021

OSTC GROUP HOLDINGS 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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and to prepare Company financial statements in accordance with UK Accounting Standards and applicable law - UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 101: Reduced Disclosure Framework ("FRS 101").

The Group financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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;
- for the Group financial statements, state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements; and
- 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 the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the 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 OSTC GROUP HOLDINGS LIMITED

Opinion

We have audited the financial statements of OSTC Group Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and Consolidated Statement of Cashflows 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (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;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OSTC GROUP HOLDINGS LIMITED

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.

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 11, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OSTC GROUP HOLDINGS LIMITED

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

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- 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.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS, FRS101, 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 external tax advisors.

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 group is in compliance with these laws and regulations. We inspected compliance documentation, including but not limited to, internal procedures' manuals, reports from external compliance advisers, risk and breaches registers, regulatory returns and correspondence with the FCA as well as considering compliance with the conditions for authorisation, including with any restrictions or requirements placed on the firm, and other regulatory obligations.

The group 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.

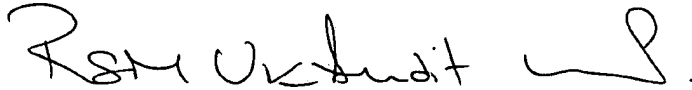
All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the consolidated financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our group audit approach.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OSTC GROUP HOLDINGS LIMITED

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.



Geoff Wightwick BA FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3rd Floor, Portland
25 High Street
Crawley
West Sussex
RH10 1BG

23 April 2021

OSTC GROUP HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Revenue	4	58,820,158	49,475,409
Cost of sales		(35,469,273)	(27,448,353)
Gross profit		<u>23,350,885</u>	<u>22,027,056</u>
Administrative expenses		(16,593,573)	(18,669,585)
Other gains and losses	5	(38,659)	791,180
Finance income	12	97,908	555,025
Finance costs	13	(616,341)	(474,880)
Profit before non-recurring costs, treasury income and tax		<u>6,438,933</u>	<u>6,023,715</u>
Non-recurring costs	7	(1,806,760)	(641,961)
Treasury income/(costs)	7	1,568,047	(1,152,958)
Profit before tax	6	<u>6,200,220</u>	<u>4,228,796</u>
Income tax expense	14	(1,208,932)	(1,237,466)
Profit for the year		<u>4,991,288</u>	<u>2,991,330</u>
Profit for the year attributable to:			
Owners of the parent		3,218,974	2,084,588
Non-controlling interests		1,772,314	906,742
Profit for the year		<u>4,991,288</u>	<u>2,991,330</u>

OSTC GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Profit for the year	4,991,288	2,991,330
Other comprehensive income		
Foreign currency translation	(1,220,700)	656,734
Revaluation gains/(losses) of equity instruments at fair value through other comprehensive income	205,698	(666,536)
Foreign exchange gains/(losses) of equity instruments at fair value through other comprehensive income	(24,682)	(43,762)
	<u>(1,039,684)</u>	<u>(53,564)</u>
Total comprehensive income for the year	<u>3,951,604</u>	<u>2,937,766</u>
Total comprehensive income for the year attributable to:		
Owners of the parent	2,666,022	2,063,571
Non-controlling interests	1,285,582	874,195
Total comprehensive income for the year	<u>3,951,604</u>	<u>2,937,766</u>

OSTC GROUP HOLDINGS LIMITED

Company Registration No. 12307021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 £	2019 £	2018 £
Assets				
Non-current assets				
Goodwill and other intangibles	16	4,665,639	3,904,775	3,165,867
Property, plant and equipment				
- Owned assets	17	765,486	801,180	515,668
- Right-of-use assets	17	2,470,777	3,334,717	3,360,851
Investment properties	18	-	-	2,700,000
Investments	19	-	-	1,089,726
Financial assets at fair value through other comprehensive income	19	1,848,131	1,604,638	2,737,178
Deferred tax	30	832,572	1,124,318	1,285,488
Total non-current assets		10,582,605	10,769,628	14,854,778
Current assets				
Trade and other receivables	23	18,556,209	23,081,743	20,587,017
Current tax receivable		1,305,298	577,883	624,115
Derivative financial instruments	29	424,847	464,829	-
Cash and cash equivalents	24	9,765,931	6,281,580	15,926,261
Total current assets		30,052,285	30,406,035	37,137,393
Total assets		40,634,890	41,175,663	51,992,171
Liabilities				
Current liabilities				
Trade and other payables	25	(20,960,592)	(16,284,157)	(16,639,193)
Current tax liabilities		(77,600)	(81,395)	(203,439)
Borrowings	27	-	(25,000)	(154,340)
Derivative financial instruments	29	-	-	(326,351)
Lease liabilities	28	(752,343)	(817,882)	(816,170)
Total current liabilities		(21,790,535)	(17,208,434)	(18,139,493)
Non-current liabilities				
Trade and other payables	25	(9,438,434)	(11,466,796)	(13,764,465)
Borrowings	27	-	(3,176,510)	(5,084,739)
Lease liabilities	28	(2,052,926)	(2,968,048)	(2,948,902)
Deferred tax	30	(210,078)	(192,078)	(214,507)
Provisions	31	(3,632,247)	(3,550,731)	(4,725,034)
Total liabilities		(37,124,220)	(38,562,597)	(44,877,140)
Net assets		3,510,670	2,613,066	7,115,031


OSTC GROUP HOLDINGS LIMITED

Company Registration No. 12307021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**AS AT 31 DECEMBER 2020**

	Notes	2020 £	2019 £	2018 £
Equity				
Share capital	33	1,484	1,484	1,484
Foreign currency reserve	33	(831,123)	(106,694)	(312,757)
Capital redemption reserve	33	300	300	300
Other reserve	33	399,937	399,937	399,937
Equity reserve	33	1,471,753	1,471,753	1,471,753
Retained earnings	33	(491,265)	(740,752)	5,294,396
Equity attributable to owners of the parent		<u>551,086</u>	<u>1,026,028</u>	<u>6,855,113</u>
Non-controlling interests		2,959,584	1,587,038	259,918
Total equity		<u>3,510,670</u>	<u>2,613,066</u>	<u>7,115,031</u>

The financial statements on pages 16 to 68 were approved by the board of directors and authorised for issue on 22 April 2021 and are signed on its behalf by:



L A Hodgkinson
Director

OSTC GROUP HOLDINGS LIMITED

Company Registration No. 12307021

COMPANY STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2020**

	Notes	2020 £
Assets		
Non-current assets		
Investments	19	1,487
Net assets		<u>1,487</u>
 Equity		
Share capital	33	1,484
Retained earnings	33	3
Total equity		<u>1,487</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 period and total comprehensive income for the period was £3,054,003.

The financial statements on pages 16 to 68 were approved by the board of directors and authorised for issue on 22 April 2021 and are signed on its behalf by:



L A Hodgkinson
Director

OSTC GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Foreign currency reserve £	Capital redemption reserve £	Other reserve £	Equity reserve £	Retained earnings £	Total controlling interests £	Non-controlling interests £	Total equity £
Balance at 1 January 2019		1,484	(312,757)	300	399,937	1,471,753	5,294,396	6,855,113	259,918	7,115,031
Profit for the year		-	-	-	-	-	2,084,588	2,084,588	906,742	2,991,330
Other comprehensive income		-	511,586	-	-	-	(532,603)	(21,017)	(32,547)	(63,664)
Total comprehensive income for the year		-	511,586	-	-	-	1,551,985	2,063,571	874,195	2,937,766
Transactions with owners										
Dividends	15	-	-	-	-	-	(5,000,006)	(5,000,006)	-	(5,000,006)
Distribution in specie	15	-	-	-	-	-	(2,384,507)	(2,384,507)	-	(2,384,507)
Transfer on disposal of subsidiaries		-	(305,523)	-	-	-	457,378	151,855	(151,258)	697
Subsidiary reserves not previously consolidated		-	-	-	-	-	(139,183)	(139,183)	-	(139,183)
Credit to equity for equity-settled share based payments		-	-	-	-	-	83,368	83,368	-	83,368
Acquisition of non-controlling interest		-	-	-	-	-	(604,183)	(604,183)	604,183	-
Balance at 31 December 2019		1,484	(106,694)	300	399,937	1,471,753	(740,762)	1,026,028	1,587,038	2,613,066
Profit for the year		-	-	-	-	-	3,218,974	3,218,974	1,772,314	4,991,288
Other comprehensive income		-	(683,978)	-	-	-	131,026	(552,952)	(486,732)	(1,039,684)
Total comprehensive income for the year		-	(683,978)	-	-	-	3,350,000	2,666,022	1,285,582	3,951,604
Transactions with owners										
Dividends	15	-	-	-	-	-	(3,054,000)	(3,054,000)	-	(3,054,000)
Acquisition of non-controlling interest		-	-	-	-	-	(127,607)	(127,607)	127,607	-
Transfer on disposal of subsidiaries		-	(40,451)	-	-	-	81,094	40,643	(40,643)	-
Balance at 31 December 2020		1,484	(831,123)	300	399,937	1,471,753	(491,265)	551,086	2,959,584	3,510,670

OSTC GROUP HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Retained earnings £	Total equity £
Balance at 11 November 2019		-	-	-
Profit for the period		-	3,054,003	3,054,003
Total comprehensive income for the period		-	3,054,003	3,054,003
Transactions with owners				
Issue of shares		1,484	-	1,484
Dividends	15	-	(3,054,000)	(3,054,000)
Balance at 31 December 2020		1,484	3	1,487

OSTC GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Net cash flows from/(used in) operating activities	34	13,204,013	(1,786,545)
Cash flows from investing activities			
Purchase of intangible fixed assets		(870,705)	(738,908)
Purchase of property, plant and equipment		(355,358)	(693,640)
Purchase of investment property		-	(254,521)
Cash disposed on distribution of subsidiary		-	(206,687)
Purchase of investments		(120,054)	(515,778)
Proceeds on disposal of investments		-	293,611
Net cash used in investing activities		<u>(1,346,117)</u>	<u>(2,115,923)</u>
Cash flows from financing activities			
Lease repayments		(1,089,952)	(910,815)
Repayment of borrowings		(3,201,510)	(1,238,819)
Proceeds from borrowings		-	755,108
Dividends paid to owners of the parent		(3,054,000)	(5,000,006)
Net cash used in financing activities		<u>(7,345,462)</u>	<u>(6,394,532)</u>
Net increase/(decrease) in cash and cash equivalents		<u>4,512,434</u>	<u>(10,297,000)</u>
Cash and cash equivalents at beginning of year		6,281,580	15,926,261
Effect of foreign exchange rate changes		(1,028,083)	652,319
Cash and cash equivalents at end of year		<u>9,765,931</u>	<u>6,281,580</u>

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 General information

OSTC Group Holdings Limited ("the company") is a private company limited by shares, and is registered, domiciled and incorporated in England and Wales. The registered office is 3rd Floor, Imperial House, 21-25 North Street, Bromley, Kent, BR1 1SD.

The group consists of OSTC Group Holdings Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of operations are disclosed in the directors' report.

2 Accounting policies

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

Basis of preparation and first time adoption of IFRS

These consolidated financial statements are the first published consolidated financial statements of OSTC Group Holdings Limited that have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("IFRS"). They have been prepared under the historical cost convention, except for the revaluation of investment properties, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Those parts of the Companies Act 2006 have been applied where applicable to companies that prepare consolidated financial statements in accordance with IFRS. The consolidated financial statements of OSTC Group Holdings Limited were previously prepared in accordance with UK GAAP.

Some of the IFRS recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from UK GAAP. Consequently, the directors have amended certain accounting policies to comply with IFRS. The directors have also taken advantage of certain exemptions from the requirements of IFRS permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards' (IFRS 1). The date of transition to IFRS is 1 January 2019.

The preparation of the financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and management judgements in applying the accounting policies. The significant estimates and judgements have been made and their effect is disclosed in note 3.

First time adoption exemptions applied

Comparative figures have been restated, unless there is an exception to retrospective application required by IFRS 1, or the directors have taken advantage of any of the exemptions from retrospective application permitted by IFRS 1.

IFRS 1 permits certain exemptions from full retrospective application. The Group has applied the mandatory exemptions and certain optional exemptions. The optional exemptions adopted by the Company are set out below:

- The Group has used estimates under IFRS that are consistent with those applied under previous GAAP (with adjustment for accounting policy differences) unless there is objective evidence that those estimates were in error.
- The Group has opted not to apply IFRS 3, Business Combinations, retrospectively from the transition date. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. Therefore any goodwill arising on such business combinations before the transition date has not been adjusted from the carrying value previously determined under UK GAAP.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Basis of preparation and first time adoption of IFRS (continued)

In accordance with IFRS 1, the Group presents three balance sheets in its first IFRS consolidated financial statements.

Reconciliations and descriptions of the effect of the transition to IFRS on the consolidated and company equity, and the consolidated and company total comprehensive income previously reported under UK GAAP are given in note 41.

Reduced disclosures

The figures presented in relation to the Company's individual financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

In accordance with FRS 101 the following exemptions from the requirements of IFRS have been applied in the preparation of the company financial statements and, where relevant, equivalent disclosures have been made in the consolidated financial statements of the parent company:

- Presentation of a Company Cash Flow Statement and related notes;
- Disclosure of the objectives, policies and processes for managing capital;
- Inclusion of an explicit and unreserved statement of compliance with IFRS;
- Disclosure of company key management compensation;
- Disclosure of the categories of financial instrument and nature and extent of risks arising on these financial instruments;
- Disclosure of the effect of financial instruments on the Statement of Comprehensive Income;
- For company financial instruments and investment properties measured at fair value, the valuation techniques and inputs used to measure fair value, the effect of fair value measurements with significant unobservable inputs on the result for the period and the impact of credit risk on the fair value;
- Related party disclosures in respect of two or more wholly owned members of the group; and
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date.

The financial statements of the Company are consolidated within these financial statements.

Adoption of new and revised standards and interpretations

The following amendments to existing standards and new interpretations became effective in the current year, but have no significant impact on the Group's consolidated financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)
- Amendments to IFRS 3 Business Combinations (effective 1 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020)
- Amendment to IFRS 16 Leases Covid-19 Related Rent Concessions (effective 1 June 2020)

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Adoption of new and revised standards and interpretations (continued)

A number of new standards and amendments to standards and interpretations issued are not yet effective for annual periods beginning after 1 January 2020, and have not been early adopted in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group:

- IFRS 17 Insurance Contracts (effective 1 January 2023)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (effective 1 January 2021)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021)
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020 (effective 1 January 2022)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective 1 January 2023)

Going concern

The directors have reviewed the Group's processes to control the financial risks to which the Group is exposed, its available liquidity, its regulatory capital position, and the annual budget, together with factors likely to affect its future development for at least the next 12 months.

The Group has made a profit for the year after tax. Given the ongoing COVID-19 pandemic, the Group has assessed the key business risks such as potential market closure and volatility, in addition to the risks associated with the Group's strategy focused on growing non-transaction revenue streams to add growth, diversification, and predictability to the business, which will be accomplished organically by leveraging the expertise of ZISHI, and inorganically through the pursuit of Educational and Educational Technology M&A to rapidly scale distribution channels and customer relationships.

The Group maintains strong relationships with the exchanges it trades on and explores other markets and products for diversification. To mitigate its trading risks, the Group actively manages its trading rules and strategies according to the market liquidity and other trading conditions, in addition to managing both cash and margin positions to ensure solvency.

For the first quarter of 2021, the Group completed the acquisition of BG Consulting, significantly expanding its educational offering. The acquisition of BG Consulting and growing ZISHI revenue resulted in total external ZISHI revenue increasing over six times to nearly £400 thousand in Q1/21 alone. However, the Markets business had a soft start to the year, with low volumes, a lack of volatility, and unfavourable trading conditions resulting in lower revenue both year-on-year and against budget, reporting a small positive EBITDA before non-recurring items and treasury income in the first quarter. However, the trend is encouraging: the loss in February was less than January, there was a profit in March, and April has begun on solid footing. The directors remain confident that while 2021 financial results are unlikely to exceed those of 2020, a profit for the year will still be achieved.

The Group's total cash balances – both at banks and at clearers – stood at £13.8 million as of 31 March 2021. While down from the £25.4 million at year-end 2020, the Group paid trader bonuses relating to 2020 performance of £7.7 million in Q1/21 and met all other obligations as they became due. This provides reassurance on the Group's business model.

In the event of unexpected ongoing losses, mitigating actions will be considered to seek a proportionate reduction in both fixed and variable cost bases, including hiring and/or salary freezes, bonus and other staff costs reductions, and other cost reductions in areas such as professional fees and marketing costs.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Going concern (continued)

The Group has performed a sensitivity analysis to stress test its business plan and cash position. The Group has considered several scenarios that are the most relevant, including a reduction in trading revenue due to substantially lower market liquidity. The sensitivity analysis demonstrates that the Group has a resilient business model that can sustain severe market stress and enable the Group to maintain its profitability throughout the planning period. While short periods of unprofitability would result, profitability over the planning period would occur because of adjustments in the Group's cost base. The Group is also able to maintain adequate liquid resources, both as to amount and quality, under stress testing scenarios to meet its margin call requirements and operating expenses for at least the next 12 months.

As a result of the above, the directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Foreign currency translation

The financial statements are presented in sterling, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to the Income Statement on disposal or partial disposal of the net investment.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into sterling at exchange rates prevailing on the balance sheet date. The revenues and expenses of foreign operations are translated into sterling using the average exchange rates, which approximate to the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired business. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Business combinations involving a combination of entities under common control are outside of the scope of IFRS 3 'Business Combinations'. Where the Group has entered into a business combination in which all of the combining entities are ultimately controlled by the same party, or parties, both before and after the combination, merger accounting has instead been applied, as is permitted in the absence of specific guidance under IFRS, whereby an appropriate accounting policy should instead be selected using the hierarchy set out in IAS 8. Where merger accounting is applied, group restructuring transactions are accounted for as if the entities had always been combined. The total comprehensive income, assets and liabilities of the entities are amended, where necessary, to align accounting policies. The carrying values of the entities' assets and liabilities are not adjusted to fair value. Any difference between the nominal value of shares issued plus the fair value of other consideration and the nominal value of shares received is taken to other reserves in equity.

Non-current assets (or disposal groups) held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are *measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.*

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Revenue

Trading activities

Revenue arising from proprietary trading activities is calculated by recognising the profit or loss generated from trading transactions which represents the difference between proceeds received on disposal and the initial cost of acquisition, including unrealised profits or losses on open positions. Revenue is recognised net of all costs (less rebates and incentives receivables from exchanges) that are directly associated with the trading activities, including trading and broker commissions and fees paid to access markets and investment exchanges.

Trading activity transactions have a single performance obligation, which is to deliver on the trade, and revenue is therefore recognised when this performance obligation has been satisfied, at completion of the trade. The associated costs are recognised on the same basis.

Revenue from commissions on trades is recognised as commissions occur, in accordance with the terms of the contractual arrangement.

Training and education revenue

Revenue arising from contracts to provide training and educational services is recognised when the distinct training services according to the terms of the contractual arrangement have been performed.

Licence fees and support services

Revenue generated from the provision of software licenses is recognised upfront at the start of the contract period where the contract arrangements represent 'right to use' licenses as the software does not include the ongoing provision of upgrades or end user updates. Revenue from software licences is recognised over the contract period where the contract arrangements represent 'right to access' licenses as the software includes the ongoing provision of upgrades or end user updates during the licence period.

Revenue arising from software support services is recognised over the period the services are provided.

Fees for support services are bundled with the corresponding licence fee and the transaction price is allocated to each performance obligation based on estimated relative standalone selling price, with revenue recognised when the performance obligation has been met.

Intangible assets - goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition. The goodwill is attributable to the people, systems and knowledge that have been created within the trading business, and with the trading relationships which exist between the business and exchanges. Goodwill is carried at cost less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss is recognised as an expense in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Intangible assets – other than goodwill

The Group capitalises development expenditure as an intangible asset when it is able to demonstrate all of the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Capitalised development expenditure is amortised on a straight line basis over its useful life, which is 3 years.

Property, plant and equipment

All property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all property, plant and equipment, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Freehold buildings	- 2.5% to 10% straight line
Plant and machinery	- 20% to 60% straight line
Fixtures, fittings & equipment	- 25% straight line
Right of use assets	- over the lease term

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Land and buildings are accounted for separately even when acquired together.

Impairment of fixed assets

At each reporting date, the company reviews the carrying amounts of its fixed assets (property, plant and equipment, right-of-use assets, and intangible assets other than goodwill) to determine whether there is any indication that they are impaired. 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 the asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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. Any impairment loss is recognised as an expense within profit or loss immediately.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been previously recognised for that asset. A reversal of an impairment loss is recognised as a gain within profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Leases

On commencement of a contract (or part of a contract) which gives the Group the right to use an asset for a period of time in exchange for consideration, the Group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

Initial and subsequent measurement of right-of-use assets

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

Leased property - on a straight-line basis over the life of the lease

The right-of-use asset is adjusted for any re-measurement of the lease liability and lease modifications, as set out below.

An estimate of costs to be incurred in restoring the leased asset to the condition required under the terms and conditions of the lease is recognised as part of the cost of the right-of-use asset when the Group incurs the obligation for these costs.

The costs are incurred at the start of the lease or over the lease term. The provision is measured at the best estimate of the expenditure required to settle the obligation.

Short-term leases

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

Leases of low-value assets

For leases where the underlying asset is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term.

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the Group is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependant on an index or a rate and any residual value guarantees. Variable lease payments are initially measured using the index or rate when the leased asset is available for use.

Termination penalties are included in the lease payments if the lease term has been adjusted because the Company reasonably expects to exercise an option to terminate the lease.

The exercise price of an option to purchase the leased asset is included in the lease liability when the Group is reasonably certain to exercise that option.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Leases (continued)

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss, unless interest is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's policy on borrowing costs.

Variable lease payments are not included in the measurement of the lease liability as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Re-measurement of the lease liability

The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term, the Group's assessment of its option to purchase the leased asset, the amount expected to be payable under a residual value guarantee and/or changes in lease payments due to a change in an index or rate. The adjustment to the lease liability is recognised when the change takes effect and is adjusted against the right-of-use asset, unless the carrying amount of the right-of-use asset is reduced to nil, when any further adjustment is recognised in profit or loss.

Adjustments to the lease payments arising from a change in the lease term or the lessee's assessment of its option to purchase the leased asset are discounted using a revised discount rate. The revised discount rate is calculated as the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee's incremental borrowing rate at the date of reassessment.

Changes to the amounts expected to be payable under a residual value guarantee and changes to lease payments due to a change in an index or rate are recognised when the change takes effect, and are discounted at the original discount rate unless the change is due to a change in floating interest rates, when the discount rate is revised to reflect the changes in interest rate.

Lease modifications

A lease modification is a change that was not part of the original terms and conditions of the lease and is accounted for as a separate lease if it increases the scope of the lease by adding the right to use one or more additional assets with a commensurate adjustment to the payments under the lease.

For a lease modification not accounted for as a separate lease, the lease liability is adjusted for the revised lease payments, discounted using a revised discount rate. The revised discount rate used is the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee Group's incremental borrowing rate at the date of the modification.

Where the lease modification decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. Any difference between the adjustment to the lease liability and the adjustment to the right-of-use asset is recognised in profit or loss.

For all other lease modifications, the adjustment to the lease liability is recognised as an adjustment to the right-of-use asset.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the expenses are recognised for the related costs for which the grants are intended to compensate.

Investment properties

Investment properties, which are freehold properties held to earn rentals or for capital appreciation, are initially measured at cost and subsequently measured at fair value when a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Financial instruments

Financial assets

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of less than three months.

Trade and other receivables

Trade receivables are initially measured at their transaction price. Other receivables are initially measured at fair value plus transaction costs. Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

Investments and other financial assets

Investments and other financial assets, other than investments in subsidiaries and associates, are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Investments in subsidiaries are held at cost less accumulated impairment losses. The Group assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. Impairment losses are recognised in profit or loss.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Trade receivables

For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

Impairment of other receivables measured at amortised cost

The measurement of impairment losses depends on whether the financial asset is 'performing', 'underperforming' or 'non-performing' based on the company's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year-end which have a detrimental impact on cash flows. The financial asset moves from 'performing' to 'underperforming' when the increase in credit risk since initial recognition becomes significant.

In assessing whether credit risk has increased significantly, the company compares the risk of default at the year-end with the risk of a default when the investment was originally recognised using reasonable and supportable past and forward-looking information that is available without undue cost. The risk of a default occurring takes into consideration default events that are possible within 12 months of the year-end ("the 12-month expected credit losses") for 'performing' financial assets, and all possible default events over the expected life of those receivables ("the lifetime expected credit losses") for 'underperforming' financial assets.

Impairment losses and any subsequent reversals of impairment losses, are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Financial liabilities and equity

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

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 company after deducting all of its liabilities.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Trade and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of borrowings using the effective interest rate method.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded at fair value on initial recognition net of transaction costs.

Derecognition of financial assets (including write-offs) and financial liabilities

A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party.

When there is no reasonable expectation of recovering a financial asset it is derecognised ('written off').

The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign currency rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively 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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions.

The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Defined contribution pension schemes

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Dividends

Dividends are recognised as liabilities when declared during the financial year and when they are no longer at the discretion of the company.

Provisions

Where, at the reporting date, a present obligation exists (legal or constructive) as a result of a past event and it is probable that the obligation will be settled, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Separately disclosed items

Separately disclosed items are shown separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount, and include items such as non-recurring professional fees and payroll costs.

3 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Trader bonus provision

Certain provisions are made for rewarding traders for length of service. Provisions are based on past performance and adjusted for the probability that a trader will still be employed at the pay-out date. Judgements are used in estimating the probability of traders remaining in employment, which are determined according to circumstances specific to each region and area of business where the traders are employed.

Capitalisation of software development costs

Internally generated intangible assets are capitalised where there is an expectation of future economic benefit. Management uses judgement to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition.

Leases

The Group uses judgements to assess whether the interest rate implicit in the lease is readily determinable. When the interest rate implicit in the lease is not readily determinable, the Group estimates the incremental borrowing rate based on equivalent external borrowings secured against similar assets, adjusted for the term of the lease.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 Revenue

	2020 £	2019 £
Revenue		
Revenue from contracts with customers	58,820,158	49,475,409
Other revenue		
Finance income (note 12)	97,908	555,025

The Group has a single reportable segment relating to trading in futures contracts. Revenue recognised from contracts with customers for that reportable segment is disaggregated into relevant categories as follows:

	2020 £	2019 £
Revenue by class of business		
Trading activities	58,618,288	49,131,322
Training and education	201,870	344,087
	58,820,158	49,475,409

	2020 £	2019 £
Revenue by geographical market		
United Kingdom	47,211,076	38,482,740
Rest of Europe	6,760	15,881
Rest of World	11,602,322	10,976,788
	58,820,158	49,475,409

	2020 £	2019 £
Timing of revenue		
Recognised at a point in time	58,820,158	49,475,409

The group recognised contract assets for income due at the reporting date not yet received. These assets are recovered within 12 months and no impairment losses were recognised for contract assets.

5	Other gains and losses	2020 £	2019 £
	Fair value (losses)/gains on foreign exchange forward contracts	(38,659)	791,180

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6 Analysis of expenses by nature

The breakdown by nature of cost of sales and administrative expenses is as follows:

	2020 £	2019 £
Exchange (gains)/losses	(1,782,628)	760,899
Depreciation of tangible fixed assets		
- Owned assets	361,270	289,539
- Right-of-use assets	863,633	944,909
Loss on disposal of property, plant and equipment	4,337	139,828
Amortisation of intangible fixed assets	109,841	-
Share based payment expense	-	83,368
Staff costs (note 9)	18,379,212	18,157,552
Subsidiary LLP members remuneration	20,563,793	13,348,625
Other expenses	13,563,388	12,393,218
	<u>52,062,846</u>	<u>46,117,938</u>

7 Non-recurring costs and treasury income

	2020 £	2019 £
Non-recurring costs		
Professional fees	713,566	619,000
Office closure costs	99,430	(31,167)
Data recharge write-off	227,000	-
Non-recurring payroll costs	386,001	-
Costs associated with HMRC audits	129,263	-
Loan write-off	149,259	(7,194)
Other non-recurring costs	102,241	61,322
	<u>1,806,760</u>	<u>641,961</u>

Professional fees of £713,566 relate to acquisition costs and aborted transaction costs (2019: £619,000 professional fees in respect of one-off projects).

Treasury income/costs relates to the net impact of foreign exchange and retranslation gains and losses, mark to market and fair value movements and interest charges.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
8 Auditor's remuneration		
Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
For audit services:		
Audit of the group's and company's financial statements	23,000	37,545
Audit of the company's subsidiaries	137,000	89,455
	<u>160,000</u>	<u>127,000</u>
For other services:		
Audit-related assurance services	3,150	3,000
Taxation compliance services	26,100	26,500
All other non-audit services	89,950	133,750
	<u>279,200</u>	<u>290,250</u>

9 Employees

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

	Group 2020 No	2019 No	Company 2020 No
Number of operations and IT staff	63	77	-
Number of administrative staff	102	75	12
Number of trading staff	285	321	-
	<u>450</u>	<u>473</u>	<u>12</u>

	Group 2020 £	2019 £	Company 2020 £
Staff costs for the above persons:			
Wages and salaries	16,765,065	16,194,024	-
Social security costs	1,493,273	1,879,036	-
Pension costs	120,874	84,492	-
	<u>18,379,212</u>	<u>18,157,552</u>	<u>-</u>

Included within administrative expenses is income of £198,924 (2019: £nil) in respect of contributions towards staff salary costs under the coronavirus job retention scheme.

In addition to the costs noted above, remuneration paid to members of subsidiary LLPs totalled £20,563,793 (2019: £13,348,625). No social security expenses were payable to these members.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
10 Directors' remuneration		
Emoluments	2,161,485	2,074,733
Company contributions to money purchase pension schemes	7,777	6,953
	<u>2,169,262</u>	<u>2,081,686</u>

The number of directors to whom retirement benefits were accruing was 6 (2019: 6).

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

	2020 £	2019 £
Remuneration	432,000	419,040
Company contributions to money purchase pension schemes	1,313	1,188
	<u>433,313</u>	<u>420,228</u>

11 Remuneration of key management personnel

The aggregate remuneration of key management personnel which includes directors and other key management is as follows:

	2020 £	2019 £
Short term employee benefits	4,464,808	2,787,198
Social security costs	575,649	304,675
Post employment benefits	19,033	9,329
	<u>5,059,490</u>	<u>3,101,202</u>

	2020 £	2019 £
12 Finance income		
Bank interest	94,780	65,042
Other loan interest	3,128	144,261
Other investment income	-	345,722
	<u>97,908</u>	<u>555,025</u>

FOR THE YEAR ENDED 31 DECEMBER 2020

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OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Income tax expense (continued)

Factors affecting the tax expense for the year:

	2020 £	2019 £
Profit before tax	6,200,220	4,228,796
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	1,178,042	803,471
Effects of:		
Expenses not deductible in determining taxable profit	561,954	236,785
Income not taxable in determining taxable profit	(102,806)	-
Additional deduction for R&D expenditure	(172,900)	-
Adjustments to tax charge in respect of previous periods	(390,121)	5,917
Deferred tax adjustments in respect of previous periods	33,520	-
Difference in overseas tax rates	(179,004)	45,092
Permanent capital allowances in excess of depreciation	16,785	43,940
Difference in deferred tax rate	(24,754)	9,751
Foreign deferred tax	177,518	(40,297)
Deferred tax not recognised	110,698	132,807
Tax expense for the year	1,208,932	1,237,466

In the Budget of 11 March 2020, the Chancellor announced the reversal of the previously enacted reduction in the rate of corporation tax. This reversal was subsequently confirmed by a resolution under the Provisional Collection of Taxes Act 1968. Deferred tax has been recognised in these financial statements at 19% (2019: 17%).

15 Dividends

	2020 £	2019 £
Equity dividends on ordinary A shares £17.27 (2019: £34.54)	2,072,500	4,144,880
Equity dividends on ordinary C shares £17.27 (2019: £34.54)	180,000	360,156
Equity dividends on ordinary D shares £13.88 (2019: £27.77)	247,500	494,970
Equity dividends on ordinary F shares £5,540 (2019: £nil)	554,000	-
	3,054,000	5,000,006
Dividend in specie	-	2,384,507
	3,054,000	7,384,513

The dividend in specie in the prior year represents the distribution of O.S.T.C. Limited's entire share holding in OSTC Portfolio Limited, as well as the debt owed from OSTC Portfolio Limited and OSTC Trinity St David LLP totalling £1,477,696 and £906,811 respectively to TSDP Holdings Limited.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Goodwill and other Intangibles

Group

	Other intangibles £	Software development costs £	Goodwill £	Total £
Cost				
1 January 2019	-	-	3,165,867	3,165,867
Additions	-	738,908	-	738,908
31 December 2019	-	738,908	3,165,867	3,904,775
Additions	60,000	810,705	-	870,705
31 December 2020	60,000	1,549,613	3,165,867	4,775,480
Amortisation and impairment				
1 January 2019 and 31 December 2019	-	-	-	-
Amortisation charged in the year	-	109,841	-	109,841
31 December 2020	-	109,841	-	109,841
Net book value				
31 December 2020	60,000	1,439,772	3,165,867	4,665,639
31 December 2019	-	738,908	3,165,867	3,904,775
31 December 2018	-	-	3,165,867	3,165,867

The company had no goodwill and other intangibles at 31 December 2020.

The amortisation of intangible fixed assets recognised in profit or loss for the year is included within administrative expenses.

Included within software development costs is £392,953 (2019: £297,801) which relates to a centralised learning platform used to train OSTC traders and external traders, a further £575,996 (2019: £191,732) relates to the costs developing a biometric App and £580,664 (2019: £249,375) which relates to development of a suite of tools using company data to enhance trading outcomes. The amortisation period for these assets is 3 years straight line.

The other intangibles were externally acquired during 2020 and relate to the purchase software, intellectual property and unregistered trademark from a former joint venture partner.

Impairment tests for goodwill

Goodwill is allocated to the Group and Company's cash-generating units (CGUs) identified according to operating segment. In the current and previous year, the CGUs related to the OSTC Wales LLP and OSTC Limited sp. Komandytowa.

The recoverable amount of a CGU is based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. An appropriate discount rate of 8% and 10% (2019: 8% and 10%), representing the CGU's current pre-tax cost of capital, has been applied to these projections.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Goodwill and other Intangibles (continued)

When undertaking the value-in-use calculations, the estimated budgeted revenue growth of the entities is based on approved budgets up to 2025 and thereafter growth is based at an estimated rate of 3%. This growth rate continues to reflect that expansion opportunities remain.

Management consider that there remains headroom for changes in assumptions not to have a negative impact on the value of goodwill.

17 Property, plant and equipment

Group	Right-of-use-assets £	Freehold property £	Fixtures, fittings & equipment £	Total £
Cost				
1 January 2019	5,916,644	502,953	3,522,407	9,942,004
Exchange adjustment	(80,909)	(3,831)	(38,036)	(122,776)
Additions	931,673	-	693,640	1,625,313
Disposals	(779,311)	(192,004)	(464,042)	(1,435,357)
31 December 2019	5,988,097	307,118	3,713,969	10,009,184
Exchange adjustment	(100,056)	7,876	(30,032)	(122,212)
Additions	109,288	-	355,358	464,646
Disposals	-	-	(63,672)	(63,672)
31 December 2020	5,997,329	314,994	3,975,623	10,287,946
Depreciation				
1 January 2019	2,555,793	435,682	3,074,010	6,065,485
Exchange adjustment	(68,011)	(14,665)	(48,441)	(131,117)
Depreciation charged in the year	944,909	29,798	259,741	1,234,448
Eliminated in respect of disposals	(779,311)	(192,004)	(324,214)	(1,295,529)
31 December 2019	2,653,380	258,811	2,961,096	5,873,287
Exchange adjustment	9,539	8,398	(5,109)	12,828
Depreciation charged in the year	863,633	17,966	343,304	1,224,903
Eliminated in respect of disposals	-	-	(59,335)	(59,335)
31 December 2020	3,526,552	285,175	3,239,956	7,051,683
Net book value				
31 December 2020	2,470,777	29,819	735,667	3,236,263
31 December 2019	3,334,717	48,307	752,873	4,135,897
31 December 2018	3,360,851	67,271	448,397	3,876,519

The Group's right-of-use assets relate solely to leasehold land and buildings.

The company had no property, plant and equipment at 31 December 2020.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Investment property

Group	2020 £	2019 £	2018 £
Fair value			
1 January	-	2,700,000	1,751,866
Additions	-	254,521	15,622
Fair value gains	-	-	932,512
Disposals	-	(2,954,521)	-
31 December	-	-	2,700,000

The investment property, owned by an OSTC Group Holdings Limited subsidiary, comprised the Matrix Alpha building. The subsidiary which owned the Matrix Alpha building was disposed of during the prior year.

The valuation method applied to the investment property represented a level 2 valuation, as defined in IFRS 13: Fair Value Measurement, including both direct and indirect observable inputs for the investment property.

The fair value was arrived at on the basis of a valuation carried out by the directors, on an open market basis. The valuation was arrived at by reference to market evidence of transaction prices for similar properties and with advice from an independent firm of chartered surveyors.

The company had no investment property at 31 December 2020.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

19 Investments

Group	Long term loans £	Other investments £	Total £
Cost or valuation			
1 January 2019	1,352,226	2,737,178	4,089,404
Additions	378,580	137,198	515,778
Valuation changes	-	(666,536)	(666,536)
Disposals	(1,730,806)	(556,111)	(2,286,917)
Exchange adjustment	-	(47,091)	(47,091)
31 December 2019	-	1,604,638	1,604,638
Additions	-	120,054	120,054
Valuation changes	-	205,698	205,698
Exchange adjustment	-	(82,259)	(82,259)
31 December 2020	-	1,848,131	1,848,131
Impairment			
1 January 2019	262,500	-	262,500
Reversal of impairment losses	(262,500)	-	(262,500)
31 December 2019 and 31 December 2020	-	-	-
Net book value			
31 December 2020	-	1,848,131	1,848,131
31 December 2019	-	1,604,638	1,604,638
31 December 2018	1,089,726	2,737,178	3,826,904

Other investments represent financial assets held at fair value through other comprehensive income.
See note 32 for further information on fair value measurement.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

19 Investments (continued)

Company

	Group companies £
Cost or valuation	
11 November 2019	-
Additions	1,487
31 December 2020	1,487
Impairment	
11 November 2019 and 31 December 2020	-
Net book value	
31 December 2020	1,487

In December 2019 the company acquired the ordinary share capital of O.S.T.C. Limited by way of a share for share exchange transaction.

20 Subsidiary undertakings

Details of the company's subsidiaries at 31 December 2020 are as follows:

<i>Name of undertaking</i>	<i>Registered office</i>	<i>Proportion of nominal value of ordinary shares held directly</i>	<i>Nature of business</i>
O.S.T.C. Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	100	Trading in futures contracts
*O.S.T.C. Financials Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	100	Dormant
*OSTC Limited sp. Komandytowa	Warsaw Corporate Centre, ul. Emilii Plater 28, 00-688 Warsaw, Poland	n/a	Investment management
*OSTC (Wales) Limited	Technium 2 Unit 13, King Road, Swansea, Wales, SA1 8PH	100	Dormant
*OSTC Equities Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	95	Dormant

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

20 Subsidiary undertakings (continued)

*OSTC AB Partnership Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	100	Dormant
*OSTC Investments Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	100	Intermediary
*OSTC Trading Spain S.L.	Avenida Burgos, 114 4 PLT, 28050 Madrid, Spain	89	Investment management
*OSTC Capital Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	80	Business investment
*OSTC Foreign Exchange Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	64	Foreign currency risk management
*Estire Research and Analytics Private Limited	B-202 Supreme Business Park, Hiranandani Gardens, 400076 Mumbai City, India	100	Research company
*OSTC Holdings Limited	2 nd Floor St Louis House, 17 MGR Gonin Street, Port Louis, Mauritius	100	Trading in futures contracts
*Groupe OSTC Canada Inc.	Suite 1400 14 th Floor, 999 Boul. De Maisonneuve West, H3A 3L4 Montreal, Canada	100	Trading in futures contracts
*OSTC Wales LLP	Technium 2 Unit 13, King Road, Swansea, Wales, SA1 8PH	n/a	Investment management
*OSTC Aton Partnership Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	54	Intermediate holding company
*OSTISI Aton Limited Liability Company	Nab. Ovchinnikovskaya D. 20, STR. 1, 105062 Moscow, Russia	54	Trading in futures contracts
*OSTC Bosphorus	Buyukdere Cad. Maya Akar Centre, 100-102 C Block No: 4/24, 34394 Istanbul, Turkey	100	Trading in futures contracts

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

20 Subsidiary undertakings (continued)

*OSTC Brighton LLP	4 th Floor, Tower Point 44, North Road, Brighton, England, BN1 1YR	n/a	Dormant company
*OSTC Yongan Trading Co. Limited	Room 2103, Tung Chiu Commercial Centre, 193 Lockhard Road, Wan Chai, Hong Kong	51	Trading in futures contracts
*Zhejoing Yongon Investment Advisory Co. Limited	Room 1401, Building 3, Qianjiang International Times Plaza, Jianggan District, Hangzhou, Zhejiang, 310016, China	51	Research company
*OSTC Kondor LLP	Kings Lodge, London Road, West Kingsdown, Nr. Brands Hatch, Kent, TN15 6AR	n/a	Investment management
*QO Technologies LLP	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	n/a	Dormant
*OSTC Strategic Partnerships Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	100	Intermediate holding company
OSTC Investment Management 1 LLP	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	100	Investment management
Zishi Group Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	100	Intermediate holding company
*Zishi Elite Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	100	Software development
*Zishi Adaptive Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	100	Software development
*Market Squared Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	98	Training
*Zishi Cornerstone Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	90	Training
*Shares indirectly held			

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

20 Subsidiary undertakings (continued)

Audit exemption

The subsidiary entities OSTC Strategic Partnerships Limited, OSTC Consultants Limited, OSTC Investment Management 1 LLP, Zishi Cornerstone Limited, Zishi Elite Limited, Zishi Adaptive Limited and QO Technologies LLP have taken the exemption in section 479A of the Companies Act 2006 (the Act) from the requirements in the Act for their individual accounts to be audited. The guarantee given by the company in respect of these subsidiary entities under section 479C of the Act is disclosed in note 35.

Subsidiary year-ends

The financial statements of all subsidiaries are prepared to 31 December, except for OSTC Holdings Limited whose year end is 30 June each year.

21 Acquisitions

On 13 November 2020 the Group purchased an additional 48.75% of the ordinary share capital of Market Squared Limited for cash consideration of £1.

The Group exercised control over Market Squared Limited before and after the acquisition and was already accounting for Market Squared Limited as a subsidiary. As a result of this transaction Market Squared Limited became 97.5% owned, and the non-controlling interests acquired in Market Squared Limited of £127,607 (debit) were taken to retained earnings in equity.

22 Group reorganisation

In December 2019 the company acquired the ordinary share capital of O.S.T.C. Limited by way of a share for share exchange transaction. The transaction did not give rise to any change in ultimate ownership of the O.S.T.C. Limited group. Consequently these group accounts have been prepared under merger accounting, whereby the group accounts are presented as if the company and the subsidiary undertakings had always been combined.

On 31 December 2020 OSTC Group Holdings Limited acquired a direct investment in the entire share capital of Zishi Group Limited by way of a dividend in specie from O.S.T.C. Limited.

23 Trade and other receivables

	2020	Group	2018	Company
	£	2019	£	2020
		£		£
Current				
Trade receivables	16,057	105,800	144,476	-
Amounts due from clearing agent	15,588,014	19,222,645	17,154,150	-
VAT recoverable	-	246,458	3,034	-
Other receivables	612,307	839,233	978,250	-
Prepayments and accrued income	2,339,831	2,667,607	2,307,107	-
	<u>18,556,209</u>	<u>23,081,743</u>	<u>20,587,017</u>	<u>-</u>

The directors consider that the carrying value of trade and other receivable approximates their fair value as the impact of discounting is not significant.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 Trade and other receivables (continued)

Lifetime expected credit losses for trade receivables and amounts due from clearing agents are calculated using a portfolio approach. Receivables are grouped based on the credit terms offered and the transaction type. The probability of default is determined at the year-end based on both the aging of the receivables and historical data about default rates on the same basis. That data is adjusted if it is determined that historical data is not reflective of expected future conditions due to changes in the nature of the counterparties and how they are affected by external factors such as economic and market conditions.

Credit risk associated with trade receivables is considered to be low, and accordingly any impairment provision is considered to be immaterial. No impairment losses have been recognised on trade receivables (2018 and 2019: £nil).

The credit risk relating to the unsettled amounts due from clearing agents is considered extremely low due to the short settlement period involved and the external credit ratings of the counterparties. Potential impairment is measured on a 12-month expected loss basis to reflect the short maturities of the exposures, and the estimated probability of default range considered was 0.5% (2019: 0.5%). Expected credit losses are considered to be immaterial and consequently no impairment losses have been recognised on amounts due from clearing agents (2018 and 2019: £nil).

See note 37 for details of margin requirements included in amounts due from clearing agents above.

24 Cash and cash equivalents

Group	2020 £	2019 £	2018 £
Cash at bank and in hand	9,765,931	6,281,580	15,926,261

Cash and cash equivalents consists of cash in hand and balances held with banks.

There is no material difference between the fair value and the carrying amount of cash and cash equivalents.

The company had no cash and cash equivalents at 31 December 2020.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

25 Trade and other payables

	2020 £	Group 2019 £	2018 £	Company 2020 £
Current				
Trade payables	957,252	681,597	653,340	-
Other tax and social security	1,855,188	370,832	361,096	-
Due to members of subsidiary LLPs	12,364,345	8,703,639	7,507,014	-
Other payables	201,484	1,403,983	2,083,224	-
Accruals and deferred income	5,582,323	5,124,106	6,034,519	-
	<u>20,960,592</u>	<u>16,284,157</u>	<u>16,639,193</u>	<u>-</u>
Non-current:				
Accruals and deferred income	<u>9,438,434</u>	<u>11,466,796</u>	<u>13,764,465</u>	<u>-</u>

The carrying value of trade and other payables approximates their fair value.

Included within Group other payables is £29,260 (2019: £25,411) of unpaid pension contributions at the year end.

26 Contract liabilities

Contract liabilities included within non-current accruals and deferred income are as follows:

Group	2020 £	2019 £	2018 £
Contract liabilities	<u>9,438,434</u>	<u>11,466,796</u>	<u>13,764,465</u>

Reconciliation of the written down values at the beginning and end of the current and previous financial years are set out below:

	2020 £	2019 £	2018 £
Opening balance	11,466,796	13,764,465	7,994,799
Payments received in advance	-	-	6,209,868
Transfer to revenue	(1,856,315)	(1,815,067)	(1,056,984)
Foreign exchange	(172,047)	(482,602)	616,782
	<u>9,438,434</u>	<u>11,466,796</u>	<u>13,764,465</u>

The performance obligations unsatisfied at the year end of £9,438,434 (2019: £11,466,796 and 2018: £13,764,465) will be recognised as revenue or repaid by 30 September 2022 (unless extended), subject to meeting the revenue recognition criteria.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

27 Borrowings

Group	2020 £	Group 2019 £	2018 £	Company 2020 £
Current:				
Shareholder loans	-	-	129,340	-
Bank loans	-	25,000	25,000	-
	<u>-</u>	<u>25,000</u>	<u>154,340</u>	<u>-</u>
Non-current:				
Shareholder loans	-	-	771,526	-
Other loans	-	3,176,510	4,313,213	-
	<u>-</u>	<u>3,176,510</u>	<u>5,084,739</u>	<u>-</u>

Included within bank loans and overdrafts is a mortgage totalling £nil (2019: £25,000). During the prior year, the asset over which the mortgage was held was disposed of. The mortgage was secured by a fixed and floating charge over the assets of OSTC Trinity St David LLP in favour of Handelsbanken.

Shareholder loans across the group in 2018 bore interest at an average rate of 3.83% per annum.

Included within other loans at 31 December 2019 were unsecured borrowings on which interest was charged at 6% and 2% per annum respectively. The balances had been fully repaid at 31 December 2020.

The fair value of borrowings equals their carrying amount.

Group	2020 £	2019 £	2018 £
Included in borrowings are:			
Amounts repayable other than by instalments falling due after more than five years	-	1,187,654	1,741,134

Reconciliation of liabilities arising from financing activities

Group	1 January 2020 £	Cashflows £	Non-cash changes £	31 December 2020 £
Bank loans	25,000	(25,000)	-	-
Other loans	3,176,510	(3,176,510)	-	-
Lease liability	3,785,933	(1,089,952)	109,288	2,805,269
	<u>6,987,443</u>	<u>(4,291,462)</u>	<u>109,288</u>	<u>2,805,269</u>

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

28 Lease liabilities

Group	2020 £	2019 £	2018 £
Current	752,343	817,882	816,170
Non-current	2,052,926	2,968,051	2,948,902
Total lease liabilities	<u>2,805,269</u>	<u>3,785,933</u>	<u>3,765,072</u>

The maturity of the gross contractual undiscounted cash flows due on the Group's lease liabilities is set out below based on the period between 31 December 2020 and the contractual maturity date.

Group	Within 1 year £	Between 1 to 5 years £	Over 5 years £	Total at 31 December 2020 £
Buildings	945,394	2,108,370	197,362	3,251,126
Future finance charges	(193,051)	(249,212)	(3,594)	(445,857)
Present value of lease liabilities	<u>752,343</u>	<u>1,859,158</u>	<u>193,768</u>	<u>2,805,269</u>

Group	Within 1 year £	Between 1 to 5 years £	Over 5 years £	Total at 31 December 2019 £
Buildings	1,089,857	2,997,767	460,513	4,548,137
Future finance charges	(271,975)	(473,659)	(16,570)	(762,204)
Present value of lease liabilities	<u>817,882</u>	<u>2,524,108</u>	<u>443,943</u>	<u>3,785,933</u>

The maturity of the gross contractual undiscounted cash flows due on the Company's lease liabilities is set out below based on the period between 31 December 2020 and the contractual maturity date.

The Group leases properties for use in its operations, of which the lease terms range from 1 - 6 years. There are no material future cash outflows which the Group is exposed to which are not reflected in the measurement of the lease liabilities.

The rates of interest implicit in the Group's lease arrangements range from 3.75% to 18.5%.

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

29 Derivative financial instruments

	2020 £	Group 2019 £	2018 £	Company 2020 £
Forward foreign exchange contracts	424,847	464,829	(326,351)	-

The fair value of forward foreign exchange contracts is based on available market data, which falls within Level 2 of the fair value hierarchy.

See note 32 for further information on financial instruments.

30 Deferred tax

Provision has been made for deferred taxation as follows:

	2020 £	Group 2019 £	2018 £	Company 2020 £
Deferred tax liabilities	(210,078)	(192,078)	(214,507)	-
Deferred tax assets	832,572	1,124,318	1,285,488	-
Net position at 31 December	622,494	932,240	1,070,981	-

The major deferred tax liabilities and assets recognised are:

	2020 £	Group 2019 £	2018 £	Company 2020 £
Deferred tax liabilities				
Other timing differences	(121,489)	(112,814)	(135,243)	-
Capital gains	(88,589)	(79,264)	(79,264)	-
Total	(210,078)	(192,078)	(214,507)	-
	Group 2020 £	2019 £	2018 £	Company 2020 £
Deferred tax assets				
Decelerated capital allowances	19,081	21,688	89,876	-
Tax losses available	-	212,098	218,919	-
Other timing differences	813,491	890,532	976,693	-
Total	832,572	1,124,318	1,285,488	-

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Deferred tax (continued)

	Group £	Company £
1 January 2019	1,070,981	-
Charged to the income statement	(110,250)	-
Foreign exchange	(28,491)	-
31 December 2019	932,240	-
Charged to the income statement	(276,450)	-
Foreign exchange	(33,296)	-
31 December 2020	622,494	-

31 Provisions

Group	Trader bonus provision £	Statutory provisions £	Total £
1 January 2019	3,994,912	730,122	4,725,034
Additional provision in the year	342,418	-	342,418
Reversal of provision	(44,603)	(277,424)	(322,027)
Utilisation of provision	(623,562)	(451,027)	(1,074,589)
Exchange adjustment	(118,434)	(1,671)	(120,105)
31 December 2019	3,550,731	-	3,550,731
Additional provision in the year	453,166	-	453,166
Reversal of provision	(262,305)	-	(262,305)
Exchange adjustment	(109,345)	-	(109,345)
31 December 2020	3,632,247	-	3,632,247

The company had no provisions at 31 December 2020.

Trader bonus provision

Certain provisions are made for rewarding traders for length of service. Provisions are based on past performance and adjusted for the probability that a trader will still be employed at the pay-out date.

Statutory provisions

Provisions totalling £nil (2018: £730,122 and 2019: £nil) related to additional regulatory and statutory levies which were expected to be payable within the next twelve months. The amounts payable were, at the time of approval of the 2018 financial statements, uncertain.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

32 Financial instruments and financial risk management

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. There have been no changes in the exposures to risk or how they arise since the previous period. There have also been no changes in the Group's objectives, policies and processes for managing the risks and the methods used to measure them.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade and other receivables
- trade and other payables
- cash at bank and in hand
- borrowings
- leases

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders.

The directors regularly review the capital structure of the Group and related capital risks, and ensure that regulatory capital resources are in excess of capital adequacy requirements.

Categories of financial instrument

Financial assets	Group 2020 £	2019 £
Loan and receivables:		
Trade and other receivables	16,216,378	20,167,678
Cash and cash equivalents	9,765,931	6,281,580
Contract assets	1,643,582	2,223,943
	<u>27,625,891</u>	<u>28,673,201</u>
Financial assets measured at fair value through profit or loss:		
- Forward foreign exchange contracts	<u>424,847</u>	<u>464,829</u>
Financial assets measured at fair value through other comprehensive income:		
- Investments	<u>1,848,131</u>	<u>1,604,638</u>

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

32 Financial instruments and financial risk management (continued)

Financial liabilities	Group	
	2020 £	2019 £
Measured at amortised cost:		
Trade and other payables	13,523,081	10,789,219
Accruals	5,576,795	5,040,453
Borrowings	-	3,201,510
Lease liabilities	2,805,269	3,785,933
Total financial liabilities	21,905,145	22,817,115

In relation to the nature of the financial instruments that are measured in the Statement of Financial Position at fair value, IFRS 7 requires them to be put into a fair value measurement hierarchy, based on the lowest level of input significant to the overall fair value, as follows:

Level 1 – quoted prices for similar instruments

Level 2 – directly observable market inputs other than Level 1 inputs

Level 3 – inputs not based on observable market data

The inputs used in determining the fair value of the forward foreign exchange contracts and investments fall within Level 2 of the fair value hierarchy.

The Directors consider the book value of all financial instruments to equate to their fair value.

Financial risk management

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk, market risk and liquidity risk.

The Directors monitor the Group's financial risk management policies and exposure and approve financial transactions. The Director's overall risk management strategy seeks to assist the Group in meeting its financial targets whilst minimising potential adverse effects on financial performance.

Details of these risks and the Group's policies for managing these risks are included below:

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from movements in the foreign exchange markets as the activities of the Group are conducted in the following foreign currencies: US Dollar, Euro, Polish Zloty and Russian Ruble. The Group's foreign exchange committee mitigates this risk as much as is prudently possible via hedging with forward transactions.

Foreign exchange forward contracts

A significant proportion of group revenue relates to transactions conducted in foreign currency. The group uses foreign currency forward contracts to manage the foreign exchange risk of future transactions and cash flows.

The contracts are valued based on available market data. The group does not adopt hedge accounting for forward exchange contracts, consequently, fair value gains and losses are recognised in profit or loss.

At the year end, the total carrying amount of outstanding foreign exchange forward contracts that the group has committed to is as follows:

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

32 Financial instruments and financial risk management (continued)

	Group 2020 £	2019 £
US Dollars	7,218,826	13,295,634

OSTC earns the majority of its revenue in US dollars, and the majority of its costs are in British pounds and Polish zloty. OSTC engages in foreign currency hedging to manage the risk and impact to its financial statements from changes in foreign currency movements. OSTC's reporting currency is the British pound. At both year-end 2019 and 2020, OSTC's biggest foreign currency balance sheet exposures were primarily the US dollar and Polish zloty, followed by the euro.

Foreign currency risk arises when the Group and its overseas companies enter into transactions denominated in a currency other than the functional currency, and the Group's main exposure to movements in foreign currencies arising from financial assets and liabilities held in foreign currencies other than functional currency is illustrated below, which assumes that all other variables remain constant:

A 5% strengthening/(weakening) of sterling against the following foreign currencies would have the following impact on the Group:

At 31 December 2020	Polish zloty £	US Dollar £
Impact on profit	154,231	204,298
At 31 December 2019	Polish zloty £	US Dollar £
Impact on profit	(245,239)	142,267

Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise of cash balances which earn interest at floating rates and loans on which interest is charged at fixed rates. Interest bearing liabilities include loans which attract interest at fixed interest rates.

The Group's policy is to minimise interest charges through active cash management. Interest charged on the Group's borrowings is kept under regular review.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group has implemented policies that require always maintaining appropriate credit limits. The Group's credit risk is primarily attributable to its trade receivables balance. The amounts presented in the balance sheet are net of allowances for impairment losses.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

32 Financial instruments and financial risk management (continued)

The Company regularly reviews to determine whether there has been a significant increase in the credit risk of its other receivables since their initial recognition. Where a significant increase in credit risk is identified, the loss allowance is measured based on the risk of a default occurring over the expected life of the instrument rather than considering only the default events expected within 12 months of the year-end.

The Company determines that credit risk has increased significantly when:

- there are significant actual or expected changes in the operating results of the entity, including declining revenues, profitability or liquidity management problems; or
- there are existing or forecast adverse changes to the business, financial or economic conditions that may impact the entity's ability to meet its debt obligations; or
- the entity is unable to rely on the support of other group entities to meet its debt obligations.

Deposits with banks are only held with reputable financial institutions with a credit rating of 'A' or above. The credit worthiness is reviewed periodically in order to ensure active management of counter-party risk.

The maximum exposure to credit risk on The Group's financial assets is set out as follows:

	2020 £	2019 £
Financial assets measured at amortised cost		
Cash and cash equivalents	9,765,931	6,281,580
Trade receivables	-	105,800
Other receivables	16,216,378	20,167,678
Contract assets	1,643,582	2,223,943
	<u>27,625,891</u>	<u>28,779,001</u>

Market risk

Market risk is the risk of loss resulting from unfavourable market movements, such as prices, when positions in financial instruments are held. The value of a financial instrument may fluctuate because of changes in factors such as commodity prices, currency rates and volatilities. The Group's hedging strategies, in combination with the use of straightforward products and continuous monitoring, aim to minimize this risk. The Group's trading philosophy is to hedge positions as perfectly as possible and therefore minimize exposures towards the market.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to maintain sufficient cash and other working capital to always meet its liabilities when they fall due. Liquidity risk and cash requirements are regularly reviewed by reference to short term cash flow forecasts and medium term working capital projections.

The following tables detail the Group's and Company's remaining contractual maturity for non-derivative financial liabilities with agreed maturity periods. These are based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group and Company can be required to pay.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

32 Financial instruments and financial risk management (continued)

Group

At 31 December 2020	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	More than 5 years £
Lease liabilities	752,343	722,073	1,137,085	193,768
Trade and other payables	13,523,081	-	-	-
Accruals	5,576,795	-	-	-
	<u>19,852,219</u>	<u>722,073</u>	<u>1,137,085</u>	<u>193,768</u>

Group

At 31 December 2019	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	More than 5 years £
Bank borrowings	25,000	-	-	-
Other loans	57,844	1,187,654	-	1,931,012
Lease liabilities	817,882	835,780	1,688,328	443,943
Trade and other payables	10,789,219	-	-	-
Accruals	5,040,453	-	-	-
	<u>16,730,398</u>	<u>2,023,434</u>	<u>1,688,328</u>	<u>2,374,955</u>

33 Equity

Share Capital

	120,000 A ordinary shares of £0.01 each	10,427 C ordinary shares of £0.01 each	17,825 D ordinary shares of £0.01 each	2 E ordinary shares of £0.01 each	100 F ordinary shares of £0.01 each
Allotted, issued and fully paid:					
At 31 December 2018, 31 December 2019 and 31 December 2020	<u>1,200</u>	<u>105</u>	<u>178</u>	<u>-</u>	<u>1</u>

The A ordinary, C ordinary and D ordinary share classes rank pari passu in all respects. The shares carry no right to fixed income and each carry the right to one vote at general meetings of the company. The E ordinary and F ordinary shares carry no right to fixed income and do not carry the right to a vote at general meetings of the company.

Reserves

Share premium account

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

Foreign currency reserve

The translation reserve represents foreign exchange gains and losses arising on the retranslation of the financial statements of the company's foreign subsidiaries.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

33 Equity (continued)

Share based payment reserve

The cumulative share-based payment expense.

Capital redemption reserve

The nominal value of shares repurchased and still held at the end of the reporting period.

Other reserve

The company was obliged to apply merger accounting on the acquisition of the remaining shares of a subsidiary, which was already in excess of 90% owned, thus creating a merger reserve.

Equity reserve

The profit on the deemed disposal of shares in subsidiaries, recognised directly within reserves.

Retained earnings

Cumulative profit and loss net of distributions to owners.

34 Notes of cash flow statement

	2020	Group 2019
	£	£
Profit before tax	6,200,220	4,228,796
Adjustments for:		
Finance costs	616,341	474,880
Finance income	(97,908)	(555,025)
Loss on disposal of property, plant and equipment	4,337	139,828
Loss on disposal of subsidiary	-	26,417
Fair value movements on derivatives	39,982	(791,180)
Amortisation of intangible assets	109,841	-
Depreciation of property, plant and equipment	1,224,903	1,234,448
Amounts written off investments	-	200,492
Equity settled share based payment expense	-	83,368
Provision movements	81,516	(1,174,303)
Operating cash flows before movements in working capital	8,179,232	3,867,721
Movements in working capital:		
Decrease/(increase) in trade and other receivables	4,525,537	(2,723,849)
Increase/ (decrease) in trade and other payables	2,604,896	(1,842,068)
Cash generated from/(used in) operations	15,309,665	(698,196)
Interest received	97,908	555,025
Interest paid	(573,164)	(468,825)
Income taxes paid	(1,630,396)	(1,174,549)
Net cash flows from/(used in) operating activities	13,204,013	(1,786,545)

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

34 Notes of cash flow statement (continued)

Consolidated analysis of changes in net debt

	1 January 2020 £	Cashflow £	Other non- cash changes £	31 December 2020 £
Cash at bank balances	6,281,580	4,512,434	(1,028,083)	9,765,931
Borrowings within one year	(25,000)	25,000	-	-
Borrowings after one year	(3,176,510)	3,176,510	-	-
Lease liabilities	(3,785,933)	1,089,952	(109,288)	(2,805,269)
Total net debt	(705,863)	8,803,896	(1,137,371)	6,960,662

35 Retirement benefits

Defined contribution schemes

The group operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the group in an independently administered fund. The contributions payable by the group charged to profit or loss amounted to £120,874 (2019: £84,492).

36 Related party transactions

Group

Transactions between the group and its related parties are disclosed below:

	2020	
	Other related parties £	Key management personnel £
<i>Amount of transactions:</i>		
Consultancy fees	-	24,497
Amounts written off	(139,533)	-
Interest expense	85,098	-
Dividends paid	-	2,252,500
Interest payable waived	(83,233)	-
Rent and premises costs charged	391,416	-
Payments/receipts	(469,269)	-
<i>Amounts outstanding at 31 December:</i>		
Owed to related parties	1,931,012	-
Owed by related parties	4,937	152

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

36 Related party transactions (continued)

	2019	
	Other related parties £	Key management personnel £
<i>Amount of transactions:</i>		
Consultancy fees	-	46,761
Amounts written off	(88,000)	-
Interest expense	144,112	-
Dividends paid	-	4,590,006
Rent and premises costs charged	394,046	-
Payments/receipts	(411,646)	-
<i>Amounts outstanding at 31 December:</i>		
Owed to related parties	1,393,803	-
Owed by related parties	-	185,805

All transactions were made on normal commercial terms and at market rates.

Company

Transactions between the company and its related parties are disclosed below:

	2020	
	Fellow group companies £	Key management personnel £
<i>Amount of transactions:</i>		
Dividends received	3,054,003	-
Dividends paid to directors	-	2,252,500

All transactions were made on normal commercial terms and at market rates.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

37 Other financial commitments

There is a requirement for the group to leave a margin at R.J. O'Brien Limited of a minimum balance of £1,000,000 (2019: £1,000,000). This amount is included in amounts due from clearing agents in debtors (see note 23).

The group also has an unlimited cross guarantee with R.J. O'Brien Limited, guaranteeing any trading losses should any arise across the group.

There is a guarantee of £350,000 with R.J. O'Brien in respect of OSTC Aton LLC.

There is an unlimited guarantee at R.J. O'Brien in respect of OSTC Holdings.

There is a requirement for the group to leave a margin at Societe Generale Newedge UK Limited of a minimum balance of USD2,500,000 (2019: USD2,500,000).

The company is part of an unlimited cross guarantee at Societe Generale Newedge UK Limited in respect of OSTC Limited Sp. komandytowa, guaranteeing any present and future trading losses and liabilities.

O.S.T.C. Ltd (Sp. z o.o.) oddział w Polsce has bank guarantees of PLN504,397 (2019: PLN480,466) in order to secure the performance of office lease agreements.

38 Contingent liabilities

OSTC Group Holdings Limited has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 31 December 2020:

- Zishi Cornerstone Limited
- OSTC Strategic Partnerships Limited
- QO Technologies LLP
- OSTC Consultants Limited
- OSTC Investment Management 1 LLP
- Zishi Elite Limited
- Zishi Adaptive Limited

39 Controlling party

The directors consider there to be no single ultimate controlling party.

40 Events after the reporting period

In January 2021 the group acquired a controlling interest in BG Training Limited (trading as BG Consulting), industry-leading financial training and education specialists. The acquisition combines BG Consulting's educational expertise with the existing Zishi platform, expanding the group's range of services and geographical markets. The initial accounting for this acquisition is not yet complete.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

41 Impact of transition to IFRS

A reconciliation is provided here of the Group's total equity and total comprehensive income reported previously under UK GAAP to the equivalent reported in accordance with IFRS. In accordance with IFRS the reconciliations below show adjustments to total equity and total comprehensive income rather than line by line:

Group

	1 January 2019 £	31 December 2019 £
Total equity reported in accordance with UK GAAP	6,511,295	1,894,160
Effect of transition to IFRS:		
Intangible assets	994,784	1,153,078
Lease liabilities	(404,222)	(451,214)
Deferred tax	13,174	17,042
Total equity in accordance with IFRS	<u>7,115,031</u>	<u>2,613,066</u>
		31 December 2019 £
Total comprehensive income as reported in accordance with UK GAAP		2,822,596
Effects of transition to IFRS:		
<i>Impact on profit or loss:</i>		
Reversal of goodwill amortisation charge		158,294
Reversal of rent expense on operating leases		1,174,507
Depreciation of right of use assets and interest on lease liabilities		(1,221,499)
Deferred tax adjustment in respect of IFRS16		3,868
Investments measured at fair value through other comprehensive income		710,298
<i>Impact on other comprehensive income:</i>		
Investments measured at fair value through other comprehensive income		(710,298)
Total comprehensive income in accordance with IFRS		<u>2,937,766</u>

Impact on Equity and Total Comprehensive Income

Goodwill and intangible assets

Under UK GAAP, goodwill was amortised on a straight-line basis over its useful life of 20 years. IFRS does not permit amortisation of goodwill and requires goodwill to be reviewed at least annually for impairment. Goodwill was tested for impairment on transition to IFRS at 1 January 2018 and no impairment was recognised.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

41 Impact of transition to IFRS (continued)

Certain intangible assets subsumed within goodwill under UK GAAP are recognised separately under IFRS. However, the company has elected not to apply IFRS 3 'Business Combinations' retrospectively to business combinations that arose before 1 January 2018 (the date of transition to IFRS).

Goodwill reported under UK GAAP has been adjusted for the reversal of goodwill amortisation of £994,784 up to 1 January 2019 and of £158,294 in respect of the year ended 31 December 2019, reducing administrative expenses in that year.

Lease liabilities and right of use assets

Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term. The main change from UK GAAP on application of IFRS 16 is in respect of the accounting for 'operating leases' where rentals payable (as adjusted for lease incentives) were previously expensed on a straight-line basis over the lease term.

At 1 January 2019 right-of-use assets of £3,360,850 and lease liabilities of £3,765,072 have been recognised, with a corresponding adjustment of £404,222 within equity. The net impact on profit or loss of additional depreciation and interest expense for the year ended 31 December 2019 in excess of the rental expense is £46,992.

Deferred tax

At 1 January 2019 a deferred tax asset of £13,174 has been recognised, with a corresponding adjustment within equity. The net impact on profit or loss of the deferred tax credit for the year ended 31 December 2019 is £3,868.

Effect on Cash Flows

The transition to IFRS had only a presentational effect on the cash flows reported in accordance with IFRS as compared with those reported UK GAAP. The presentation in the Consolidated Statement of Cash Flows in accordance with IFRS differs from the presentation in accordance with UK GAAP as follows:

- Cash flows are now reconciled from a starting point of profit before tax as compared to profit after tax under UK GAAP; and
- Cash flows of £1,174,507 relating to operating lease expenses under UK GAAP previously reported within net cash flows from operating activities are now presented as repayments of lease liabilities within financing activities

Other matters on IFRS transition

As part of the review of the implementation of IFRS 9 Financial Instruments, it was identified that financial liabilities in respect of balances on pre-paid incentive agreements held with investment exchanges previously recognised as borrowings should instead be classified as deferred income balances in the transition balance sheet.

Consequently an amount relating to pre-paid incentive agreements of £13,764,465 was reclassified from borrowings to deferred income at 31 December 2018, and £11,466,796 was similarly reclassified at 31 December 2019.

The re-presentation from borrowings to deferred income had no impact on equity at both 1 January 2019 and 31 December 2019.