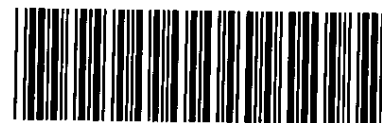


OSTC GROUP HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021

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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 P Lenardos R Luckin M Saunter M Shirley M Slade
Secretary	A Aguda
Company number	12307021
Registered office	3rd Floor Imperial House 21-25 North Street Bromley England 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 2021

The directors present the strategic report and financial statements for the year ended 31 December 2021.

Fair review of the business

The Group's financial performance in 2021 was weak and materially reduced from 2020.

While ZISHI has sustained momentum, the Markets business continues to deliver uneven performance. The Group's strategic pivot makes its business more predictable, more stable, and more cash-flow generative regardless of market cycles, delivering higher quality earnings. OSTC's objectives are to return to meaningful, sustainable growth and profitability, replenish cash balances, and have a diversified revenue base to provide downside protection and increase shareholder value.

OSTC's primary method of trading is mean reversion. The latter half of 2020 and almost the entirety of 2021 experienced either trending markets – thus not reverting to mean, reduced liquidity and risk-taking, primarily as a result of working from home across the industry, or periods of extreme volatility in the Group's chosen end markets, such as oil, natural gas, agriculture and interest rates whereby volatility was so elevated it was not conducive to trade. Furthermore, margin levels applied by central counterparties around the globe increased dramatically because of the unprecedented and prolonged volatility and uncertainty. These factors resulted in levels of trading income well below prior years (2018, 2019, and 2020) and what was budgeted for 2021. Nonetheless, in addition to other initiatives, 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 support the future growth and profitability of the business.

To respond to overall weak financial performance in 2021, the Group is undertaking three key initiatives. First, the Group is diversifying its trading business by focusing more on market making, electronic/algorithmic trading, and has established a global macro desk to be more resilient to adverse market conditions. Second, during the course of 2021, the Group substantially reduced its cost base. Finally, OSTC optimised capital throughout its business by declaring dividends in its joint ventures and by raising external funding from related parties. The Group has a robust plan to address both revenue and costs, and has aggressively implemented it.

In 2021, the Group generated a loss before taxes, non-recurring costs and treasury income – which is the Group's key measure of profitability – of £2,275,617 (2020: £6,438,933 profit). The Group has now firmly established its vision and strategy, completed the disposal of non-core business (in 2019), and is focused on optimising its trading business. Pleasingly, in the first quarter of 2022, revenue increased 54% year-on-year, and adjusted EBITDA (earnings before interest, taxes, depreciation, amortisation, treasury income and non-recurring items) increased more than three-fold from the first quarter of 2021 to over £1.6 million in the first quarter of 2022.

During 2021, cash balances at banks and clearers declined from £25.4 million at year-end 2020 to £13.2 million at year-end 2021, largely because of trader bonus pay-outs in 2021 relating to strong 2020 financial performance, in addition to the costs of restructuring the business which resulted in a materially lower cost base. Encouragingly, cash balances at banks and clearers was relatively stable at £13.1 million at 31 March 2022 despite paying trader bonuses of £3.5 million during the first quarter of 2022 relating to 2021 trading performance and meeting all other obligations as they became due.

While management remains cautious in its outlook, 2022 should be a better year in terms of financial performance and cash flow given the strong start to 2022, lower trader bonus pay-outs because of poor 2021 financial performance (bonuses that were expensed in 2021 but will be paid out of 2022 cash flow, thus benefiting cash flow generation in 2022), and a materially rationalised cost base.

OSTC GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Key performance indicators ("KPIs")

The Group monitors KPIs, both financial and non-financial, across individual business units. The most significant financial KPIs used by management is profit/loss before tax, non-recurring costs and treasury (costs)/income, in addition to adjusted EBITDA, and the associated margins. For the 31 December 2021 year these were:

	2021 £	2020 £	2021 Margin	2020 Margin
(Loss)/profit before tax	(5,336,960)	6,200,220	(14.6)%	10.5%
Non-recurring costs	2,525,528	1,806,760		
Treasury costs/(income)	535,815	(1,568,047)		
(Loss)/profit before tax, non-recurring costs and treasury costs/income	(2,275,617)	6,438,933	(6.2)%	10.9%
Other gains and losses	424,847	38,659		
Finance income	(88,903)	(97,908)		
Finance costs	447,016	616,341		
Depreciation	1,114,661	1,224,903		
Amortisation	582,412	109,841		
Loss on disposal of PPE	77,543	4,337		
Adjusted EBITDA	281,959	8,335,106	0.5%	14.2%

Employees

The average number of employees during the year was 434 (2020: 450), a decrease of 3.6% compared to 2020.

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. Training on disability awareness is provided to line managers alongside access to a Disability Toolkit, a best practice portal where information about particular disabilities, and 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 the working environment are assessed for individuals with disability.

Employee involvement: information and consultation

The Group's policy is to consult and discuss with employees matters likely to affect their interests. The information about matters of concern is given through periodic CEO webinars, team briefings, systematic use of management communication, email correspondence, as well as through in-direct 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 promotes a high performing workforce.

OSTC GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Strategy

Further to the creation of the Group's corporate strategy, vision, and strategic plan in 2019, there has been significant progress in 2021 despite difficult market conditions negatively impacting revenue generation in the Markets business. 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 and from which it can grow. Throughout 2021, 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 a powerful risk management capability, which continues to successfully navigate the COVID-19 pandemic despite alternative working arrangements at various points throughout 2021. 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 throughout 2021. 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 pace and a lower cost and is aligned both to the realities and to the opportunities presented in a COVID-19 world.

The next phase 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 and educational technology offering to deliver a new form of learning architecture in financial services. OSTC Group Holdings continues to accelerate its growth through the pursuit of education-related M&A. The associated acquisition strategy is focused on non-transaction businesses with recurring revenues in the fragmented educational 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.

With regards to its markets business, OSTC's primary method of trading is mean reversion. The latter half of 2020 and almost the entirety of 2021 experienced either trending markets – thus not reverting to mean, reduced liquidity and risk-taking primarily as a result of working from home across the industry, or periods of extreme volatility in the Group's chosen end markets, such as oil, natural gas, agriculture and interest rates whereby volatility was so elevated it was not conducive to trade. Furthermore, margin levels applied by central counterparties around the globe increased dramatically because of the unprecedented and prolonged volatility. These factors resulted in levels of trading income well below prior years (2018, 2019, and 2020) and what was budgeted for 2021. Nonetheless, in addition to other initiatives, 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 support the future growth and profitability 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. The strategic pivot is well underway because of acquisitions and growth in ZISHI's legacy business. The acquisitions transform its financial education products and services, and accelerate the global deployment of its ZISHI education platform, with a view to creating new growth opportunities for the business. In addition, the acquisitions accelerate the growth, quality, and diversification of the OSTC revenue base, in line with the organisation's strategic ambitions.

While ZISHI has sustained momentum, the Markets business continued to deliver uneven performance. The Group's strategic pivot makes its business more predictable, more stable, and more cash-flow generative regardless of market cycles, delivering higher quality earnings. OSTC's objectives are to return to meaningful, sustainable growth and profitability, replenish cash balances, and have a diversified revenue base to provide downside protection and increase shareholder value.

OSTC GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 Group and Company's business. The Group'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 Group 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 Group maintains an enterprise risk management framework with regular operational risk review and internal control oversight.

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, if deemed appropriate, 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 minimise 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.

OSTC GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 latter half of 2020 and almost the entirety of 2021 experienced either trending markets or periods of extreme volatility in the Group's chosen end markets whereby volatility was so elevated it was not conducive to trade. Furthermore, margin levels applied by central counterparties around the globe increased dramatically because of the unprecedented and prolonged volatility and uncertainty. These factors resulted in levels of trading income well below prior years (2018, 2019, and 2020) and what was budgeted for 2021.

In 2021, the Group generated a loss before taxes, non-recurring costs and treasury income – which is the Group's key measure of profitability – of £2,275,617 (2020: £6,438,933 profit). Pleasingly, however, OSTC achieved adjusted EBITDA (earnings before interest, taxes, depreciation, amortisation, treasury income and non-recurring items) of £281,959 (2020: £8,335,106). Nonetheless, 2021 was marked by weak financial performance, cash outflows, and declining total cash balances (both at banks and at clearers). At year-end 2020, the Group had £25.4 million in cash at banks and clearers, and this declined to £13.2 million at year-end 2021.

To combat weak financial performance, the Group is undertaking three key initiatives:

- OSTC is diversifying its trading business by focusing more on market making, electronic/algorithmic trading, and has established a global macro desk to be more resilient to adverse market conditions.
- During the course of 2021, the Group substantially reduced its cost base.
- OSTC optimised capital throughout its business by declaring dividends in its joint ventures and by raising external funding from related parties.

Pleasingly, in the first quarter of 2022, revenue increased 54% year-on-year, and adjusted EBITDA (earnings before interest, taxes, depreciation, amortisation, treasury income and non-recurring items) increased over three-fold from the first quarter of 2021 to more than £1.6 million in the first quarter of 2022. Further, cash balances at banks and clearers was relatively stable at £13.1 million at 31 March 2022 (31 December 2021: £13.2 million), despite paying trader bonuses of £3.5 million during the first quarter of 2022 relating to 2021 trading performance and meeting all other obligations as they became due. This provides reassurance on the Group's business model.

The directors are confident that 2022 financial results, both in terms of financial performance and cash flow generation, are likely to be materially better than what was achieved in 2021 given the strong start to 2022, lower trader bonus pay-outs because of poor 2021 financial performance (bonuses that were expensed in 2021 but will be paid out of 2022 cash flow, thus benefiting cash flow generation in 2022), and a materially rationalised cost base. In the event of unexpected ongoing losses, further mitigating actions will be considered to seek a proportionate reduction in both fixed and variable cost bases, including salary freezes, bonus and other staff cost 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 and further unfavourable trading conditions. 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 from the date of approval of these financial statements.

As a result of the above, the directors have a reasonable expectation that the Group and the Company have 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.

OSTC GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Future plans

Going forward, the Group will maintain its vigilance on costs and focus on delivering every conceivable marginal improvement it can make in its trading operations, in addition to continuing to add traders and analysts in existing locations and fully remote settings, and potentially new locations which have a rich pool of talented and ambitious young people. With regards to the global environment, management will closely monitor the ongoing coronavirus situation and developments in Ukraine, and the respective impact each may have on its business in order to take 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 its obligations to its 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 with the Group.

OSTC GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Stakeholder engagement

The table below sets out the approach to stakeholder engagement during 2021:

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 Group. OSTC's people's commitment is essential for the Group to deliver on its vision.	<ul style="list-style-type: none"> • Enhanced performance management and development framework which promotes (a) capability, competence and fitness; (b) challenges and accountability; and (c) adherence to group and company values and Code of Conduct; all of which facilitate and inform reward and recognition. • Increased regular and meaningful feedback which encourages dialogue. • Ensured employees understand the strategy, vision, and mission of OSTC and the role they play in supporting these through group discussions, team meetings, and presentations by senior management. • Equipped people to do their best by making sure that information, training and other needs are provided completely and timely. • Created an inclusive environment where people can bring their whole self to work through the establishment of groups focused on Diversity and Inclusion, in addition to Employee Wellbeing. • Set up a support network of external advisors to enhance employee wellbeing through the provision of guidance and therapy when requested by the employee.
Suppliers	As a proprietary trading firm and liquidity provider, the Group operates in conjunction with a wide range of exchanges, clearinghouses, and other suppliers such as technology providers. It is vital that the Group builds strong working relationships with these providers.	<ul style="list-style-type: none"> • The directors maintain oversight of the management of the most important supplier relationships. OSTC maintains strong relationships with the exchanges it trades on and has regular dialogues with exchanges and clearing houses 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's Procurement and Outsourcing business standards. 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.

OSTC GROUP HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Regulators	The Group includes OSTC Limited which is an FCA regulated firm and subject to financial regulations and approvals in all the markets in which it operates.	<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, senior management, compliance, and UK regulators.• The Risk and Compliance Committee enables continued focus in this area through its oversight of the regulatory landscape.
Shareholders	The four founders of the parent company collectively own over 80% of OSTC Group Holdings. The four founders and the remaining 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. In addition, senior management meets with shareholders quarterly to provide a financial update on OSTC's financial performance.

By order of the board

Lee Hodgkinson

L A Hodgkinson
Director

Date: 16/06/22

OSTC GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the Group continued to be 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.

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
R Brophy
W English
I Firla
L A Hodgkinson
C Langlais
D Langley
C Lawrence
P Lenardos (Appointed 29 April 2021)
R Luckin
M Saunter
M Shirley
M Slade

Results and dividends

The loss for the year, after taxation, amounted to £4,203,487 (2020: £4,991,288 profit) and total comprehensive expense for the year amounted to £4,028,977 (2020: £3,951,604 income). Particulars of dividends paid are detailed in note 14 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.

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 9 under S414c(11), including disabled persons, employee information, financial risk management and policies and future plans.

Post reporting date events

On 16 March 2022, the Group announced that because of the horrific conflict in Ukraine and the global response to the crisis, operating its joint venture in Russia has become increasingly complex and challenging. The escalating challenges, and the decision of the Group's clearing partner to withdraw services from clients operating in Russia, mean that continuing the Group's activities in Russia is no longer viable. Accordingly, the Group has decided to suspend its Russian operations for the foreseeable future.

OSTC GROUP HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Auditor

RSM UK Audit LLP 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.

Streamlined Energy & Carbon Reporting

As a large, unquoted organisation, OSTC is required to report its energy use and carbon emissions in accordance with the Companies and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 because it meets the thresholds for reporting. OSTC has no other subsidiaries in the UK that meet the thresholds for reporting.

SECR requirements are for OSTC 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 our commitment to emissions reduction.

Energy Efficient Actions

Like the 2020 financial year, 2021 was impacted significantly by the lockdowns caused by COVID-19. Prior to the onset of the global pandemic, OSTC had set a groupwide (including non-UK subsidiaries) goal of reducing its 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 OSTC achieve a reduction to 0.88 tonnes per FTE. In 2021, through a further reduction in office spaces, travel and people, OSTC further reduced this figure to 0.80 tonnes per employee.

Within the UK, these numbers are slightly lower based on UK-generated emissions and employee headcount. In 2019, UK-based emissions totalled 170.49 tonnes across 150 employees for a figure of 1.14 tonnes per FTE. In 2020, the emissions totalled 139.48 tonnes across 168 employees for a total of 0.83 tonnes per FTE. In 2021, UK-based emissions reduced further to 81.93 tonnes and 0.48 tonnes per employee based on a headcount of 174 employees. OSTC's Intensity Metrics reduced compared to the 2020 reporting year from 0.83 tonnes per employee to 0.47 tonnes per employee, and from 5.45 tonnes per £1 million of turnover in 2020 to 5.39 tonnes per £1 million of turnover in 2021.

While the reduction of emissions per FTE in 2021 in the UK has been significant, a number of programmes introduced throughout the year, including the reduction in travel, a further reduction in office space, and an increase in staff working from home on a more permanent basis or at least occasional basis, should maintain OSTC's progress of further reducing emissions.

OSTC GROUP HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Greenhouse gas (GHG) emissions and energy use data	2021 (tCO ₂ e)	2020 (tCO ₂ e)
Direct Emissions (Scope 1) - natural gas, LPG and company car fuel	0	0
Indirect Emissions (Scope 2) - from purchased electricity	56.52	43.49
Total tCO ₂ e (Scopes 1 and 2)	56.52	43.49
Other indirect emissions principally business travel (Scope 3)	25.42	95.99
Gross Total Emissions	81.94	139.48
Carbon Offsetting Purchased	0	0
Net Total Emissions	81.94	139.48

Methodology

The data detailed in this report represents energy use and emissions for OSTC's UK operations for the financial reporting period of 1 January 2021 through to 31 December 2021, and the comparable period in 2020. OSTC utilised the calculators from carbonfootprint.com to ascertain its emissions in accordance with Defra's "Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting requirements." While consolidated group accounts are used for the qualifying criteria, OSTC's UK figures are used for the emissions and intensity metrics.

By order of the board

Lee Hodgkinson

L A Hodgkinson
Director

Date: 16/06/22

OSTC GROUP HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 UK-adopted International Accounting Standards 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 UK-adopted International Accounting Standards 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 UK-adopted International Accounting Standards, 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 2021 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 2021 and of the group's loss 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 (CONTINUED)

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 13, 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 (CONTINUED)

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.

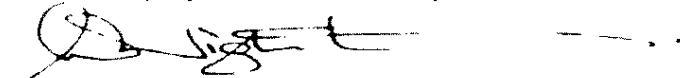
The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments 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.

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
Date: 16 June 2022

OSTC GROUP HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Revenue	4	36,481,173	58,820,158
Cost of sales		(20,771,691)	(35,469,273)
Gross profit		15,709,482	23,350,885
Non-recurring costs	7	(2,525,528)	(1,806,760)
Treasury (costs)/income	7	(535,815)	1,568,047
Amortisation & depreciation	16 / 17	(1,697,073)	(1,334,744)
Other operating costs		(15,505,066)	(15,020,116)
Administrative expenses		(20,263,482)	(16,593,573)
Operating (loss) / profit		(4,554,000)	6,757,312
Other gains and losses	5	(424,847)	(38,659)
Finance income	12	88,903	97,908
Finance costs	13	(447,016)	(616,341)
(Loss) / profit before tax	6	(5,336,960)	6,200,220
Income tax credit / (expense)	15	1,133,473	(1,208,932)
(Loss) / profit for the year		(4,203,487)	4,991,288
(Loss) / profit for the year attributable to:			
Owners of the parent		(5,209,262)	3,218,974
Non-controlling interests		1,005,775	1,772,314
(Loss) / profit for the year		(4,203,487)	4,991,288

OSTC GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
(Loss) / profit for the year	(4,203,487)	4,991,288
Other comprehensive income		
Foreign currency translation	(344,412)	(1,220,700)
Revaluation gains of equity instruments at fair value through other comprehensive income	491,024	205,698
Foreign exchange gains/(losses) of equity instruments at fair value through other comprehensive income	27,898	(24,682)
	<u>174,510</u>	<u>(1,039,684)</u>
Total comprehensive (expense) / income for the year	(4,028,977)	3,951,604
Total comprehensive (expense) / income for the year attributable to:		
Owners of the parent	(5,322,277)	2,666,022
Non-controlling interests	1,293,300	1,285,582
Total comprehensive (expense) / income for the year	(4,028,977)	3,951,604

OSTC GROUP HOLDINGS LIMITED

Company Registration No. 12307021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
Assets			
Non-current assets			
Goodwill and other intangibles	16	6,667,153	4,665,639
Property, plant and equipment			
- Owned assets	17	446,064	765,486
- Right-of-use assets	17	1,681,392	2,470,777
Financial assets at fair value through other comprehensive income	18	2,180,515	1,848,131
Deferred tax	28	1,638,428	832,572
Total non-current assets		12,613,552	10,582,605
Current assets			
Trade and other receivables	21	13,195,524	18,556,209
Current tax receivable		1,570,437	1,305,298
Derivative financial instruments	27	-	424,847
Cash and cash equivalents	22	2,581,651	9,765,931
Total current assets		17,347,612	30,052,285
Total assets		29,961,164	40,634,890
Liabilities			
Current liabilities			
Trade and other payables	23	(24,254,192)	(20,960,592)
Current tax liabilities		-	(77,600)
Lease liabilities	25	(740,174)	(752,343)
Borrowings	26	(700,000)	-
Total current liabilities		(25,694,366)	(21,790,535)
Non-current liabilities			
Trade and other payables	23	(520,346)	(9,438,434)
Lease liabilities	25	(1,336,907)	(2,052,926)
Deferred tax	28	(716,146)	(210,078)
Provisions	29	(2,493,042)	(3,632,247)
Total non-current liabilities		(5,066,441)	(15,333,685)
Total liabilities		(30,760,807)	(37,124,220)
Net (liabilities)/assets		(799,643)	3,510,670

OSTC GROUP HOLDINGS LIMITED

Company Registration No. 12307021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**AS AT 31 DECEMBER 2021**

	Notes	2021 £	2020 £
Equity			
Share capital	32	1,492	1,484
Share premium	32	489,839	-
Foreign currency reserve	32	(1,175,535)	(831,123)
Capital redemption reserve	32	300	300
Other reserve	32	399,937	399,937
Equity reserve	32	9,344	1,471,753
Retained earnings	32	(4,004,067)	(491,265)
Equity attributable to owners of the parent		(4,278,690)	551,086
Non-controlling interests		3,479,047	2,959,584
Total equity		(799,643)	3,510,670

The financial statements on pages 17 to 73 were approved by the board of directors and authorised for issue on 16/06/22..... and are signed on its behalf by:

Lee Hodgkinson

L A Hodgkinson
Director

OSTC GROUP HOLDINGS LIMITED

Company Registration No. 12307021

COMPANY STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2021**

	Notes	2021 £	2020 £
Assets			
Non-current assets			
Investments	18	376,833	1,487
Deferred tax	28	6,471	-
Total non-current assets		383,304	1,487
Current assets			
Trade and other receivables	21	1,219,744	-
Total current assets		1,219,744	-
Total assets		1,603,048	1,487
Liabilities			
Current liabilities			
Trade and other payables	23	(155,111)	-
Borrowings	26	(700,000)	-
Total current liabilities		(855,111)	-
Non-current liabilities			
Trade and other payables	23	(375,346)	-
Total liabilities		(1,230,457)	-
Net assets		372,591	1,487
Equity			
Share capital	32	1,492	1,484
Share premium	32	489,839	-
Retained earnings	32	(118,740)	3
Total equity		372,591	1,487

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 loss for the period and total comprehensive expense for the year was £118,743 (2020: £3,054,003 profit and total comprehensive income).

The financial statements on pages 17 to 73 were approved by the board of directors and authorised for issue on 16/06/22 and are signed on its behalf by:

Lee Hodgkinson

L A Hodgkinson
Director

OSTC GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £	Share premium £	Foreign currency reserve £	Capital redemption reserve £	Other reserve £	Equity reserve £	Retained earnings £	Total controlling interests £	Non-controlling interests £	Total equity £
Balance at 1 January 2020		1,484	-	(106,694)	300	399,937	1,471,753	(740,752)	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	14	-	-	-	-	-	-	(3,054,000)	(3,054,000)	-	(3,054,000)
Acquisitions of non-controlling interest	20	-	-	-	-	-	-	(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
Loss for the year		-	-	-	-	-	-	(5,209,262)	(5,209,262)	1,005,775	(4,203,487)
Other comprehensive income		-	-	(344,412)	-	-	-	231,397	(113,015)	287,525	174,510
Total comprehensive income for the year		-	-	(344,412)	-	-	-	(4,977,865)	(5,322,277)	1,293,300	(4,028,977)
Transactions with owners											
Issue of shares	32	8	489,839	-	-	-	-	-	489,847	-	489,847
Dividends	14	-	-	-	-	-	-	-	-	(771,183)	(771,183)
Disposal of subsidiaries		-	-	-	-	-	(1,462,409)	1,465,063	2,654	(2,654)	-
Balance at 31 December 2021		1,492	489,839	(1,175,535)	300	399,937	9,344	(4,004,067)	(4,278,690)	3,479,047	(799,643)

OSTC GROUP HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £	Share premium £	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	14	-	-	(3,054,000)	(3,054,000)
Balance at 31 December 2020		1,484	-	3	1,487
Loss for the year		-	-	(118,743)	(118,743)
Total comprehensive income for the year		-	-	(118,743)	(118,743)
Transactions with owners					
Issue of shares	32	8	489,839	-	489,847
Balance at 31 December 2021		1,492	489,839	(118,740)	372,591

OSTC GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Net cash flows (used in)/generated from operating activities	33	(3,742,086)	13,204,013
Cash flows from investing activities			
Purchase of intangible fixed assets		(520,264)	(870,705)
Purchase of property, plant and equipment		(62,122)	(355,358)
Cash disposed on disposal of subsidiary		(125,906)	-
Purchase of subsidiaries (net of cash acquired)		(1,582,142)	-
Purchase of investments		-	(120,054)
Net cash used in investing activities		(2,290,434)	(1,346,117)
Cash flows from financing activities			
Lease repayments		(730,758)	(1,089,952)
Repayment of borrowings		(100,000)	(3,201,510)
Proceeds from borrowings		800,000	-
Dividends paid to owners of the parent		-	(3,054,000)
Dividends paid to non-controlling interest		(771,183)	-
Net cash used in financing activities		(801,941)	(7,345,462)
Net (decrease)/increase in cash and cash equivalents		(6,843,461)	4,512,434
Cash and cash equivalents at beginning of year		9,765,931	6,281,580
Effect of foreign exchange rate changes		(349,819)	(1,028,083)
Cash and cash equivalents at end of year		2,581,651	9,765,931

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

The preparation of consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards. They have been prepared under the historical cost convention financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The preparation of the financial statements in compliance with UK-adopted International Accounting Standards 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.

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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (effective 1 January 2021)
- Amendment to IFRS 16 Leases Covid-19 - Related Rent Concessions beyond 30 June 2021 (effective 1 April 2021)

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:

- Amendments to IFRS 3, IAS 16, IAS 37 and Annual improvements 2018-2020 (effective 1 January 2022)
- IFRS 17 Insurance Contracts (effective 1 January 2023)
- 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 (deferred until not earlier than 1 January 2024)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (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 latter half of 2020 and almost the entirety of 2021 experienced either trending markets or periods of extreme volatility in the Group's chosen end markets whereby volatility was so elevated it was not conducive to trade. Furthermore, margin levels applied by central counterparties around the globe increased dramatically because of the unprecedented and prolonged volatility and uncertainty. These factors resulted in levels of trading income well below prior years (2018, 2019, and 2020) and what was budgeted for 2021.

In 2021, the Group generated a loss before taxes, non-recurring costs and treasury income – which is the Group's key measure of profitability – of £2,275,617 (2020: £6,438,933 profit). Pleasingly, however, OSTC achieved adjusted EBITDA (earnings before interest, taxes, depreciation, amortisation, treasury income and non-recurring items) of £281,959 (2020: £8,335,106). Nonetheless, 2021 was marked by weak financial performance, cash outflows, and declining total cash balances (both at banks and at clearers). At year-end 2020, the Group had £25.4 million in cash at banks and clearers, and this declined to £13.2 million at year-end 2021.

To combat weak financial performance, the Group is undertaking three key initiatives:

- OSTC is diversifying its trading business by focusing more on market making, electronic/algorithmic trading, and has established a global macro desk to be more resilient to adverse market conditions.
- During the course of 2021, the Group substantially reduced its cost base.
- OSTC optimised capital throughout its business by declaring dividends in its joint ventures and by raising external funding from related parties.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Going concern (continued)

Pleasingly, in the first quarter of 2022, revenue increased 54% year-on-year, and adjusted EBITDA (earnings before interest, taxes, depreciation, amortisation, treasury income and non-recurring items) increased over three-fold from the first quarter of 2021 to more than £1.6 million in the first quarter of 2022. Further, cash balances at banks and clearers was relatively stable at £13.1 million at 31 March 2022 (31 December 2021: £13.2 million), despite paying trader bonus during the first quarter of 2022 relating to 2021 trading performance of £3.5 million, and meeting all other obligations as they became due. This provides reassurance on the Group's business model.

The directors are confident that 2022 financial results, both in terms of financial performance and cash flow generation, are likely to be materially better than what was achieved in 2021 given the strong start to 2022, lower trader bonus pay-outs because of poor 2021 financial performance (bonuses that were expensed in 2021 but will be paid out of 2022 cash flow, thus benefiting cash flow generation in 2022), and a materially rationalised cost base. In the event of unexpected ongoing losses, further mitigating actions will be considered to seek a proportionate reduction in both fixed and variable cost bases, including salary freezes, bonus and other staff cost 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 and further unfavourable trading conditions. 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 from the date of approval of these financial statements.

As a result of the above, the directors have a reasonable expectation that the Group and the Company have 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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Foreign currency translation (continued)

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.

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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

The Group has opted to disapply the requirements of Companies Act Section 844(1) in respect of the treatment of capitalised software development costs as a realised loss on the grounds that the development costs give rise to an asset with a finite life that is being amortised to profit and loss over the period of its economic life.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Leases (continued)

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.

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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Leases (continued)

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.

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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

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 2021

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 judgement 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.

Impairment of goodwill and intangibles

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require estimates in respect of the allocation of goodwill to cash-generating units, the future cash flows and an appropriate discount rate. The key inputs to the value in use calculations are the discount rate and the future earnings growth. These calculations use cash flow projections based on financial budgets approved by management. The calculations inevitably involve the use of estimates. During the year an impairment charge of £401,077 has been recognised in respect of software development costs (2020: £nil). Further details of the value-in-use calculations and assumptions therein are set out in note 16.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Critical accounting estimates and areas of judgement (continued)

Other intangibles - customer relationships and intellectual property

Intangible fixed assets includes £641,000 that relates to the existing customer relationships of BG Training Limited and FSTP Limited. The fair value of the customer relationships was determined at the date of acquisition using the excess earnings method. The key assumptions of the valuation method are those regarding future cash flows based on a customer attrition rate of 5%, an adjusted earnings before interest and taxes margin of 9.6% to 16.2%, a corporation tax rate of 19% increasing to 25% from 1 April 2023, and a discount rate of 16.3% to 21.3%. The customer relationships are estimated to have a useful life of approximately 12 years.

Intangible fixed assets includes £465,000 that relates to the Content IP of BG Training Limited and FSTP Limited. The fair value of the intellectual property was determined at the date of acquisition using the royalty relief model. The key assumptions of the valuation method are those regarding future cash flows based on an assumed royalty rate of 5% of turnover, an obsolescence curve of 15%, a corporation tax rate of 19% increasing to 25% from 1 April 2023, and a discount rate of 18.3% to 23.3%. The intellectual property are estimated to have a useful life of approximately 12 years.

Contingent consideration and cash settled share based payments

The agreement for the acquisition of BG Training Limited and FSTP Limited included contingent earn-out clauses whereby key shareholders would receive additional payments in the future based on the performance of the combined businesses. The additional consideration may be payable through both the issuance of shares and payment in cash.

In respect of the BG Training Limited acquisition the value of the contingent consideration included in the purchase price reflects the fact that a portion of the total contingent consideration payable under the acquisition agreement is treated as post-combination remuneration for a key employee and as such has been accounted for as a share-based payment in accordance with IFRS 2 Share-based payments. In respect of the FSTP Limited acquisition the contingent payment arrangements are, in substance, remuneration for the continued employment of the selling shareholders and as such have been wholly accounted for as a share-based payment.

Within the contingent payment arrangements are put options granted to the selling shareholders, which, if exercised, would give the sellers the right to put upon the Group the obligation to repurchase all their sale shares at a fixed price if certain conditions are met. These options may be exercised from 1 January 2024 to 31 January 2024.

The amounts recognised in these financial statements include contingent consideration of £145,000 and cash settled share based payment liabilities of £375,345. These represent management's best estimate of the amount that will be payable. The fair value of the contingent consideration was estimated by calculating the present value of the future expected cash flows, discounted at rate of 24.5%. The total cash settled share based payment expense/liability has been determined using the assumptions set out in note 31. The actual amounts paid or shares issued may be different to the figures estimated in these financial statements.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Revenue

	2021 £	2020 £
Revenue		
Revenue from contracts with customers	36,481,173	58,820,158
Other revenue		
Finance income (note 12)	88,903	97,908

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:

	2021 £	2020 £
Revenue by class of business		
Trading activities	33,041,483	58,618,288
Training and education	3,409,690	201,870
Software licensing and support fees	30,000	-
	36,481,173	58,820,158

	2021 £	2020 £
Revenue by geographical market		
United Kingdom	15,772,111	47,211,076
Rest of Europe	11,123,983	6,760
Rest of World	9,585,079	11,602,322
	36,481,173	58,820,158

	2021 £	2020 £
Timing of revenue		
Recognised at a point in time	36,451,173	58,820,158
Recognised over time	30,000	-
	36,481,173	58,820,158

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

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
5 Other gains and losses		
Fair value losses on foreign exchange forward contracts	(424,847)	(38,659)
6 Analysis of expenses by nature		
The breakdown by nature of cost of sales and administrative expenses is as follows:		
	2021 £	2020 £
Exchange gains	(249,749)	(1,782,628)
Depreciation of tangible fixed assets		
- Owned assets	309,966	361,270
- Right-of-use assets	804,695	863,633
Loss on disposal of property, plant and equipment	77,543	4,337
Amortisation of intangible fixed assets	582,412	109,841
Staff costs (note 9)	17,337,082	18,379,212
Subsidiary LLP members remuneration	5,953,495	20,563,793
Non-recurring costs	2,525,528	1,806,760
Treasury costs/(income)	535,815	(1,568,047)
Other expenses	13,158,386	13,324,675
	<u>41,035,173</u>	<u>52,062,846</u>
7 Non-recurring costs and treasury (costs)/income		
	2021 £	2020 £
Non-recurring costs		
Non-recurring payroll costs	1,760,745	386,001
Impairment of intangible fixed assets	401,077	-
Loss on disposal of other investments	186,538	-
Professional fees	103,086	713,566
Loan write-off	77,369	149,259
Office closure costs	(10,585)	99,430
Other non-recurring costs	7,298	102,241
Data recharge write-off	-	227,000
Costs associated with HMRC audits	-	129,263
	<u>2,525,528</u>	<u>1,806,760</u>

Professional fees of £9,025 relate to acquisition costs and aborted transaction costs (2020: £713,566).

Non-recurring payroll costs during the current year relate to staff redundancy payments.

Treasury costs of £535,815 (2020: income of £1,568,047) 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 2021

8	Auditor's remuneration	2021 £	2020 £
	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	24,750	23,000
	Audit of the company's subsidiaries	147,800	137,000
		<u>172,550</u>	<u>160,000</u>
	For other services:		
	Audit-related assurance services	3,350	3,150
	Taxation compliance services	37,350	26,100
	All other non-audit services	59,250	89,950
		<u>272,500</u>	<u>279,200</u>

9 Employees

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

	Group		Company	
	2021 No	2020 No	2021 No	2020 No
Number of operations and IT staff	37	63	-	-
Number of administrative staff	102	102	13	12
Number of trading staff	283	285	-	-
	<u>422</u>	<u>450</u>	<u>13</u>	<u>12</u>

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Employees (continued)

	Group		Company	Company
	2021	2020	2021	2020
Staff costs for the above persons:	£	£	£	£
Wages and salaries	15,636,386	16,765,065	-	-
Social security costs	1,581,448	1,493,273	-	-
Pension costs	119,248	120,874	-	-
	<u>17,337,082</u>	<u>18,379,212</u>	<u>-</u>	<u>-</u>

Included within administrative expenses is income of £70,116 (2020: £198,924) in respect of contributions towards staff salary costs under the coronavirus job retention scheme.

Included in the above is £1,760,745 (2020: £nil) relating to redundancy costs and related social security costs.

In addition to the costs noted above, remuneration paid to members of subsidiary LLPs totalled £5,953,495 (2020: £20,563,793). No social security expenses were payable in respect of these members.

10 Directors' remuneration	2021	2020
	£	£
Emoluments	2,068,220	2,161,485
Company contributions to money purchase pension schemes	9,674	7,777
	<u>2,077,894</u>	<u>2,169,262</u>

The number of directors to whom retirement benefits were accruing was 8 (2020: 6).

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

	2021	2020
	£	£
Remuneration	384,000	432,000
Company contributions to money purchase pension schemes	1,319	1,313
	<u>385,319</u>	<u>433,313</u>

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Remuneration of key management personnel

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

	2021 £	2020 £
Short term employee benefits	3,477,499	4,464,808
Social security costs	456,061	575,649
Post employment benefits	19,014	19,033
Redundancy costs	515,199	-
	<u>4,467,773</u>	<u>5,059,490</u>

12 Finance income

	2021 £	2020 £
Bank interest	88,903	94,780
Other loan interest	-	3,128
	<u>88,903</u>	<u>97,908</u>

13 Finance costs

	2021 £	2020 £
Interest on bank overdrafts and loans	134,591	315,007
Interest on other loans	122,983	33,145
Interest on lease liabilities	189,442	268,189
	<u>447,016</u>	<u>616,341</u>

14 Dividends

	2021 £	2020 £
Equity dividends on ordinary A shares £nil (2020: £17.27)	-	2,072,500
Equity dividends on ordinary C shares £nil (2020: £17.27)	-	180,000
Equity dividends on ordinary D shares £nil (2020: £13.88)	-	247,500
Equity dividends on ordinary F shares £nil (2020: £5,540)	-	554,000
	<u>-</u>	<u>3,054,000</u>

During the year dividends totalling £771,183 were paid to non-controlling interests.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
15 Income tax (credit)/expense		
Current tax		
UK corporation tax on profits for the current period	-	626,355
Adjustments in respect of prior periods	(775,661)	(390,121)
Foreign current tax on profits for the current period	219,377	871,399
Double taxation relief on foreign tax	-	(175,151)
Total income tax (credit) / expense	(556,284)	932,482
Deferred tax		
Origination and reversal of timing differences	(498,263)	254,612
Changes in tax rates	2,529	(20,309)
Adjustments in respect of prior periods	-	33,520
Adjustment in respect of foreign deferred tax	(81,455)	8,627
Total deferred tax (credit) / expense	(577,189)	276,450
Total income tax (credit) / expense	(1,133,473)	1,208,932
Factors affecting the tax expense for the year:		
	2021 £	2020 £
(Loss)/profit before tax	(5,336,960)	6,200,220
(Loss)/profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	(1,014,022)	1,178,042
Effects of:		
Expenses not deductible in determining taxable profit	1,713,635	561,954
Income not taxable in determining taxable profit	(1,543,262)	(102,806)
Additional deduction for R&D expenditure	-	(172,900)
Adjustments to tax charge in respect of previous periods	(775,661)	(390,121)
Deferred tax adjustments in respect of previous periods	-	33,520
Difference in overseas tax rates	(279,032)	(179,004)
Capital allowances in excess of depreciation	14,972	16,785
Difference in deferred tax rate	2,529	(24,754)
Foreign deferred tax	(308,471)	177,518
Deferred tax not recognised	1,050,139	110,698
Chargeable gains	5,700	-
Income tax (credit) / expense for the year	(1,133,473)	1,208,932

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 on 24 May 2021. These included an increase of the corporation tax rate to 25% from 1 April 2023. As this change was substantively enacted at the balance sheet date deferred tax is recognised at a rate of 25% in the current year (2020: 19%).

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

16 Goodwill and other Intangibles

Group						
	Goodwill	Software development costs	Customer relationships	Intellectual property	Other intangibles	Total
	£	£	£	£	£	£
Cost						
1 January 2020	3,165,867	738,908	-	-	-	3,904,775
Additions	-	810,705	-	-	60,000	870,705
31 December 2020	3,165,867	1,549,613	-	-	60,000	4,775,480
Additions	-	520,264	-	-	-	520,264
Business combination	1,358,739	-	641,000	465,000	-	2,464,739
31 December 2021	4,524,606	2,069,877	641,000	465,000	60,000	7,760,483
Amortisation and impairment						
1 January 2020	-	-	-	-	-	-
Amortisation charged in the year	-	109,841	-	-	-	109,841
31 December 2020	-	109,841	-	-	-	109,841
Amortisation charged in the year	-	490,245	53,417	38,750	-	582,412
Impairment charged in the year	-	401,077	-	-	-	401,077
31 December 2021	-	1,001,163	53,417	38,750	-	1,093,330
Net book value						
31 December 2021	4,524,606	1,068,714	587,583	426,250	60,000	6,667,153
31 December 2020	3,165,867	1,439,772	-	-	60,000	4,665,639

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

Included within software development costs is £155,064 (2020: £283,112) which relates to a centralised learning platform used to train OSTC traders and external traders, £nil (2020: £575,996) relates to the costs of developing a biometric App and a further £913,650 (2020: £580,664) which relates to development of a suite of tools using company data to enhance trading outcomes.

The other intangibles were externally acquired during 2020 and relate to the purchase of software, intellectual property and unregistered trademark from a former joint venture partner. No amortisation has been charged as the asset is not currently in use.

The company had no goodwill and other intangibles at 31 December 2021.

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

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

16 Goodwill and other Intangibles (continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. In the current year the CGUs related to the OSTC Wales LLP and OSTC Limited sp. Komandytowa, BG Training Limited and FSTP Limited. And in the previous year the CGUs related to 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%, 10% and 15% (2020: 8% and 10%), representing the CGU's current pre-tax cost of capital, has been applied to these projections.

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 2% (2020: 3%). This growth rate continues to reflect that expansion opportunities remain.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which goodwill is allocated. The directors have reviewed the sensitivity of changes in assumptions within the value-in-use calculations and consider that at 31 December 2021 there remains significant headroom for the OSTC Limited sp. Komandytowa, BG Training Limited and FSTP Limited CGUs such that there are no reasonably foreseeable circumstances that would have a negative impact on the carrying value of goodwill, customer relations and intellectual property.

With regards to the carrying value of the goodwill relating to OSTC Wales LLP, a reduction in expected annual sales growth by 1.85 percentage points over the period to 2025 would reduce the headroom of the value in use over the carrying value of goodwill of the CGU to nil.

The effects of either a reduction in annual sales growth rate to 2025 or an increase in the discount rate on the headroom of the value in use over the Group's carrying value of OSTC Wales LLP's goodwill are set out below:

Sales growth rate to 2025				Break even movement
Reduction in growth rate – percentage point change	1.0%	1.5%	2.0%	
Headroom over carrying value - £'000s	1,015	422	(162)	(1.85%)
Discount rate				Break even movement
Increase in discount rate – percentage points change	2.0%	4.0%	6.0%	
Headroom over carrying value - £'000s	865	58	(473)	4.3%

Impairment tests of other intangibles

Value-in-use calculations have identified an impairment of £401,077 in respect of software development costs, specifically in relation to the costs of developing a biometric App.

The value-in-use calculations applied growth rates of between 3% and 5% and a discount rate of 20% over a period up to 2025.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

17 Property, plant and equipment

Group	Right-of-use-assets £	Freehold property £	Fixtures, fittings & equipment £	Total £
Cost				
1 January 2020	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
Exchange adjustment	(2,483)	54,745	(74,856)	(22,594)
Lease modifications	(183,819)	-	-	(183,819)
Additions	-	8,693	53,429	62,122
Business combination	138,373	-	231,503	369,876
Disposals	-	(6,538)	(119,696)	(126,234)
31 December 2021	5,949,400	371,894	4,066,003	10,387,297
Depreciation				
1 January 2020	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
Exchange adjustment	(1,242)	53,397	(80,156)	(28,001)
Lease modifications	(109,221)	-	-	(109,221)
Depreciation charged in the year	804,695	11,339	298,627	1,114,661
Business combination	47,224	-	232,186	279,410
Eliminated in respect of disposals	-	(1,194)	(47,497)	(48,691)
31 December 2021	4,268,008	348,717	3,643,116	8,259,841
Net book value				
31 December 2021	1,681,392	23,177	422,887	2,127,456
31 December 2020	2,470,777	29,819	735,667	3,236,263

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 2021 or 31 December 2020.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

18 Investments

Group

	Other investments £
Cost or valuation	
1 January 2020	1,604,638
Additions	120,054
Valuation changes	205,698
Exchange adjustment	(82,259)
31 December 2020	1,848,131
Valuation changes	491,024
Exchange adjustment	27,898
Disposals	(186,538)
31 December 2021	2,180,515
Net book value	
31 December 2021	2,180,515
31 December 2020	1,848,131

Other investments represent financial assets held at fair value through other comprehensive income. See note 30 for further information on fair value measurement.

Company

	Group companies £
Cost or valuation	
1 January 2020 and 31 December 2020	1,487
Additions	865,193
Disposals	(489,847)
31 December 2021	376,833
Impairment	
1 January 2020, 31 December 2020 and 31 December 2021	-
Net book value	
31 December 2021	376,833
31 December 2020	1,487

The additions in the year relate to the fair value of shares issued in part consideration for the acquisition of BG Training Limited and FSTP Limited (note 20). The shares acquired were subsequently hived down to a subsidiary undertaking, Zishi Group Limited, at book value.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Subsidiary undertakings

Details of the company's subsidiaries at 31 December 2021 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. Limited sp. Komandytowa	Warsaw Corporate Centre, ul. Emilii Plater 28, 00-688 Warsaw, Poland	n/a (indirectly held)	Investment management
OSTC Holdings Limited	2 nd Floor St Louis House, 17 MGR Gonin Street, Port Louis, Mauritius	100% (indirectly held)	Trading in futures contracts
Estire Research and Analytics Private Limited	B-202 Supreme Business Park, Hiranandani Gardens, 400076 Mumbai City, India	100% (indirectly held)	Research company
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% (indirectly held)	Intermediate holding company
OSTC Aton Limited Liability Company	Nab. Ovchinnikovskaya D. 20, STR. 1, 105062 Moscow, Russia	54% (indirectly held)	Trading in futures contracts
OSTC Yongan Trading Co. Limited	Room 2103, Tung Chiu Commercial Centre, 193 Lockhard Road, Wan Chai, Hong Kong	51% (indirectly held)	Trading in futures contracts

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Subsidiary undertakings (continued)

Zhejoing Yongon Investment Advisory Co. Limited	Room 1401, Building 3, Qianjiang International Times Plaza, Jiangnan District, Hangzhou, Zhejiang, 310016, China	51% (indirectly held)	Research company
OSTC Kondor LLP	Kings Lodge, London Road, West Kingsdown, Nr. Brands Hatch, Kent, TN15 6AR	n/a (indirectly held)	Investment management
QO Technologies LLP	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	n/a (indirectly held)	Dormant
OSTC Polska Sp. z o.o.	Warsaw Corporate Centre, ul. Emilii Plater 28, 00-688 Warsaw, Poland	100% (indirectly held)	Investment management
O.S.T.C. Limited sp. jawna	Warsaw Corporate Centre, ul. Emilii Plater 28, 00-688 Warsaw, Poland	100% (indirectly held)	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% (indirectly held)	Software development
Zishi Adaptive Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	100% (indirectly held)	Software development
Market Squared Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	97.5% (indirectly held)	Training
Zishi Cornerstone Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	90% (indirectly held)	Training

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Subsidiary undertakings (continued)

FSTP Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	100% (indirectly held)	Training
BG Training Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	100% (indirectly held)	Training
BG Consulting Group Limited	Imperial House, 21-25 North Street, Bromley, Kent, England, BR1 1SD	100% (indirectly held)	Training

On 1 January 2021 the company acquired a 100% interest in OSTC Polska Sp. z o.o.

On 22 January 2021 the company acquired 100% of the ordinary share capital of BG Training Limited and its subsidiary undertakings. The following companies were subsequently dissolved on 21 December 2021: BG Professional Learning Limited, BG Learning and PD Limited, BG Employee Benefit Trustee Limited and BG Credit Limited.

On 21 May 2021 the company acquired 100% of the ordinary share capital of FSTP Limited.

On 1 October 2021 the company incorporated and subsequently acquired a 100% interest in O.S.T.C Limited sp. jawna.

The following subsidiaries were disposed of or dissolved during the year: OSTC Consultants Limited, OSTC Trading Spain S.L., Groupe OSTC Canada Inc, O.S.T.C. Financials Limited, OSTC (Wales) Ltd, OSTC Brighton LLP, OSTC Equities Limited, OSTC AB Partnership Limited, OSTC Investments Limited, OSTC Capital Limited, OSTC Foreign Exchange Limited, OSTC Strategic Partnerships Limited, OSTC Bosphorus and OSTC Investment Management 1 LLP.

On 1 February 2022 QO Technologies LLP was dissolved.

Audit exemption

The subsidiary entities Zishi Cornerstone Limited, Zishi Elite Limited, Zishi Adaptive Limited, OSTC Aton Partnership Limited, Market Squared Limited, OSTC Wales LLP, OSTC Kondor LLP, BG Training Limited, BG Consulting Group Limited and FSTP Limited 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 36.

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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Subsidiary undertakings (continued)

Material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts at 31 December 2021 before intragroup eliminations:

	OSTC Aton Limited Liability Company £	OSTC Yongan Trading Co. Limited £
Non-current assets	1,003,722	42,940
Current assets	5,203,526	5,105,572
Current liabilities	(1,899,980)	(2,304,780)
Non-current liabilities	(633,623)	(112,856)
	<u>479,556</u>	<u>787,678</u>
Total comprehensive income attributable to non-controlling interests	479,556	787,678
	<u>273,252</u>	<u>497,931</u>
Dividends paid to non-controlling interests	273,252	497,931

The above table excludes amounts attributable to immaterial non-controlling interests.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

20 Acquisitions

On 22 January 2021 the company acquired 100% of the ordinary share capital of BG Training Limited and its subsidiary undertakings.

	Book value £	Fair value adjustment £	Fair value at date of acquisition £
Goodwill	173,183	-	173,183
Intangible assets	-	707,000	707,000
Property, plant and equipment	12,631	-	12,631
Right-of-use assets	77,835	-	77,835
Trade receivables	26,290	-	26,290
Prepayments and accrued income	49,716	-	49,716
Other receivables	29,173	-	29,173
Cash and cash equivalents	142,420	-	142,420
Total assets	511,248	707,000	1,218,248
Trade payables	(118,031)	-	(118,031)
Other payables	(25,465)	-	(25,465)
Accruals and deferred income	(44,600)	-	(44,600)
Lease liabilities	(77,168)	-	(77,168)
Deferred tax	-	(134,330)	(134,330)
Total liabilities	(265,264)	(134,330)	(399,594)
Net assets acquired			818,654
Goodwill			752,397
Total consideration			1,571,051
Satisfied by:			
- Cash			1,126,640
- Share issue			299,411
- Contingent consideration			145,000
			1,571,051

The goodwill is attributable to the workforce and future profitability of the acquired business. It will not be deductible for tax purposes.

Contribution by the acquired business for the reporting period included in the group statement of comprehensive income since acquisition:

Revenue	1,917,832
Profit after tax	47,169

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

20 Acquisitions (continued)

On 21 May 2021 the company acquired 100% of the ordinary share capital of FSTP Limited.

	Book value £	Fair value adjustment £	Fair value at date of acquisition £
Intangible assets	-	399,000	399,000
Trade receivables	49,905	-	49,905
Prepayments	5,753	-	5,753
Cash and cash equivalents	18,670	-	18,670
Total assets	<u>74,328</u>	<u>399,000</u>	<u>473,328</u>
Trade payables	(23,649)	-	(23,649)
Deferred tax	-	(75,810)	(75,810)
Total liabilities	<u>(23,649)</u>	<u>(75,810)</u>	<u>(99,459)</u>
Net assets acquired			<u>373,869</u>
Goodwill			433,159
Total consideration			<u>807,028</u>
Satisfied by:			
- Cash			616,592
- Share issue			190,436
			<u>807,028</u>

The goodwill is attributable to the workforce and future profitability of the acquired business. It will not be deductible for tax purposes.

Contribution by the acquired business for the reporting period included in the group statement of comprehensive income since acquisition:

Revenue	762,726
Profit after tax	<u>118,838</u>

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

21 Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Current				
Trade receivables	650,056	16,057	-	-
Amounts due from clearing agent	10,623,165	15,588,014	-	-
Amounts due from group	-	-	1,219,744	-
Other receivables	320,573	612,307	-	-
Prepayments and accrued income	1,601,730	2,339,831	-	-
	<u>13,195,524</u>	<u>18,556,209</u>	<u>1,219,744</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.

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 (2020: £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% (2020: 0.5%). Expected credit losses are considered to be immaterial and consequently no impairment losses have been recognised on amounts due from clearing agents (2020: £nil).

See note 36 for details of margin requirements included in amounts due from clearing agents above.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

22 Cash and cash equivalents

Group	2021 £	2020 £
Cash at bank and in hand	2,581,651	9,765,931

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 2021 or 31 December 2020.

23 Trade and other payables

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Current				
Trade payables	931,918	957,252	-	-
Other tax and social security	712,606	1,855,188	-	-
Amounts due to group	-	-	155,111	-
Due to members of subsidiary LLPs	9,699,020	12,364,345	-	-
Other payables	269,715	201,484	-	-
Accruals and deferred income	12,640,933	5,582,323	-	-
	<u>24,254,192</u>	<u>20,960,592</u>	<u>155,111</u>	<u>-</u>
Non-current:				
Accruals and deferred income	-	9,438,434	-	-
Contingent consideration	145,000	-	-	-
Share based payment liability	375,346	-	375,346	-
	<u>520,346</u>	<u>9,438,434</u>	<u>375,346</u>	<u>-</u>

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

Included within Group other payables is £20,080 (2020: £29,260) of unpaid pension contributions at the year end.

Included in current accruals is £9,638,777 of deferred income which will be recognised as revenue during the coming year or, to the extent not recognised, falls to be repaid by 30 September 2022. Following the year end, an agreement was reached and the repayment date was extended to 30 September 2023, subject to certain conditions.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

24 Contract liabilities

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

Group	2021 £	2020 £
Contract liabilities	9,638,777	9,438,434

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

	2021 £	2020 £
Opening balance	9,438,434	11,466,796
Payments received in advance	2,191,861	-
Transfer to revenue	(2,076,984)	(1,856,315)
Foreign exchange	85,466	(172,047)
	9,638,777	9,438,434

The performance obligations unsatisfied at the year end of £9,638,777 (2020: £9,438,434) will be recognised as revenue or repaid by 30 September 2022, subject to meeting the revenue recognition criteria. Following the year end, the repayment date was extended to 30 September 2023.

The company had no contract liabilities at 31 December 2021 or 31 December 2020.

25 Lease liabilities

Group	2021 £	2020 £
Current	740,174	752,343
Non-current	1,336,907	2,052,926
Total lease liabilities	2,077,081	2,805,269

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 2021 and the contractual maturity date.

Group	Within 1 year £	Between 1 to 5 years £	Over 5 years £	Total at 31 December 2021 £
Buildings	864,228	1,457,725	-	2,321,953
Future finance charges	(124,054)	(120,818)	-	(244,872)
Present value of lease liabilities	740,174	1,336,907	-	2,077,081

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

25 Lease liabilities (continued)

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>

The Group leases properties for use in its operations, for which the lease terms range from 1 - 7 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.

The company had no lease liabilities at 31 December 2021 or 31 December 2020.

26 Borrowings

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Other loans	<u>700,000</u>	<u>-</u>	<u>700,000</u>	<u>-</u>

On 14 May 2021 800,000 £1 loan notes were issued by the group and company of which £100,000 was repaid in November 2021. The remaining balance is included within other loans and accrues interest at 15% per annum with a repayment date of 29 April 2022. The loan notes are secured by a fixed and floating charge over the assets of the group.

Reconciliation of liabilities arising from financing activities

Group	1 January 2021 £	Cashflows £	Non-cash changes £	31 December 2021 £
Other loans	-	700,000	-	700,000
Lease liability	2,805,269	(730,758)	2,570	2,077,081
	<u>2,805,269</u>	<u>(30,758)</u>	<u>2,570</u>	<u>2,777,081</u>

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

26 Borrowings (continued)

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>

27 Derivative financial instruments

	Group 2021 £	2020 £	Company 2021 £	2020 £
Forward foreign exchange contracts	-	424,847	-	-

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 30 for further information on financial instruments.

28 Deferred tax

Provision has been made for deferred taxation as follows:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Deferred tax liabilities	(716,146)	(210,078)	-	-
Deferred tax assets	1,638,428	832,572	6,471	-
Net position at 31 December	<u>922,282</u>	<u>622,494</u>	<u>6,471</u>	<u>-</u>

The major deferred tax liabilities and assets recognised are:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Deferred tax liabilities				
Accelerated capital allowances	(244,066)	-	-	-
Other timing differences	(348,016)	(121,489)	-	-
Capital gains	(124,064)	(88,589)	-	-
Total	<u>(716,146)</u>	<u>(210,078)</u>	<u>-</u>	<u>-</u>

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

28 Deferred tax (continued)

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Deferred tax assets				
Decelerated capital allowances	-	19,081	-	-
Tax losses available	614,388	-	6,471	-
Other timing differences	1,024,040	813,491	-	-
Total	1,638,428	832,572	6,471	-
Net deferred tax (liability) / asset			Group	Group
			£	£
1 January 2020			932,240	-
Charged to the income statement			(276,450)	-
Foreign exchange			(33,296)	-
31 December 2020			622,494	-
Charged to the income statement			577,189	6,471
Foreign exchange			(67,261)	-
Acquired on business combinations (note 20)			(210,140)	-
31 December 2021			922,282	6,471

29 Provisions

Group	Trader bonus provision
	£
1 January 2020	3,550,731
Additional provision in the year	453,166
Reversal of provision	(262,305)
Exchange adjustment	(109,345)
31 December 2020	3,632,247
Additional provision in the year	1,468,155
Reversal of provision	(2,489,007)
Utilisation of provision	(118,048)
Exchange adjustment	(305)
31 December 2021	2,493,042

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

29 Provisions (continued)

The company had no provisions at 31 December 2021 or 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.

30 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

	Group	
Financial assets	2021	2020
	£	£
Loan and receivables at amortised cost:		
Trade and other receivables	11,593,794	16,216,378
Cash and cash equivalents	2,581,651	9,765,931
Contract assets	997,231	1,643,582
	<u>15,172,646</u>	<u>27,625,891</u>
Financial assets measured at fair value through profit or loss:		
- Forward foreign exchange contracts	-	424,847
	<u>-</u>	<u>424,847</u>
Financial assets measured at fair value through other comprehensive income:		
- Investments	2,180,515	1,848,131
	<u>2,180,515</u>	<u>1,848,131</u>

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

30 Financial instruments and financial risk management (continued)

Financial liabilities	Group	
	2021 £	2020 £
Measured at amortised cost:		
Trade and other payables	10,900,653	13,523,081
Accruals	3,002,157	5,576,795
Borrowings	700,000	-
Lease liabilities	2,077,081	2,805,269
Total financial liabilities	16,679,891	21,905,145
Measured at fair value through profit and loss:		
Contingent consideration	145,000	-
Share based payment liability	375,346	-
	520,346	-

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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

30 Financial instruments and financial risk management (continued)

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:

	Group 2021 £	2020 £
US Dollars	-	7,218,826

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. OSTC's biggest foreign currency balance sheet exposures were primarily the US dollar and Polish zloty, followed by the euro in both the current and prior year.

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 2021	Polish zloty £	US Dollar £
Impact on profit	13,301	2,017
At 31 December 2020	Polish zloty £	US Dollar £
Impact on profit	154,231	204,298

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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

30 Financial instruments and financial risk management (continued)

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.

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:

	2021 £	2020 £
Financial assets measured at amortised cost		
Cash and cash equivalents	2,581,651	9,765,931
Trade receivables	650,056	-
Other receivables	10,943,738	16,216,378
Contract assets	997,231	1,643,582
	<u>15,172,646</u>	<u>27,625,891</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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

30 Financial instruments and financial risk management (continued)

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.

Group

At 31 December 2021	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	More than 5 years £
Lease liabilities	740,174	647,616	689,291	-
Trade and other payables	10,900,653	-	-	-
Accruals	3,002,157	-	-	-
Borrowings	700,000	-	-	-
Contingent consideration	-	-	145,000	-
Share-based payment liability	-	-	375,346	-
	<u>15,342,984</u>	<u>647,616</u>	<u>1,209,637</u>	<u>-</u>

Company

At 31 December 2021	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	More than 5 years £
Borrowings	700,000	-	-	-
	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

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>

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

31 Share based payments

Equity-settled share based payments

Options over Ordinary shares in the company have been granted to certain employees at the discretion of the directors and they will be settled in equity, once exercised. If the options remain unexercised after the end of the exercise period, they will expire. Options are forfeited if the employee leaves the group.

Options are granted at a fixed exercise price and the vesting period is four years. There are no performance conditions other than the vesting period and continued employment within the group. The options become exercisable when an "exit event" occurs, which includes an initial public offering of the company.

The fair value of share options, which has been determined by the use of the Black Scholes model, at the date of issue was £nil.

Details of the inputs to the model for share options granted in the period are as follows:

	January 2021
Share value at grant	£352.42
Exercise price	£465.10
Expected life	4 years
Staff turnover	25%
Risk-free rate	1.30%
Expected volatility	0.75%

Details of the number of share options and the weighted average exercise price ('WAEP') outstanding during the year are as follows:

	2021		2020	
	Number	WAEP - £	Number	WAEP - £
Outstanding at beginning of year	-	-	-	-
Granted during the year	715	465.10	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Outstanding at end of the year	<u>715</u>	<u>465.10</u>	<u>-</u>	<u>-</u>
Exercisable at end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The weighted average remaining life of share options at the end of the year was 3 years.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

31 Share-based payments (continued)

Cash-settled share based payments

The Group maintained one cash-settled share-based payment arrangement relating to the acquisitions of BG Training Limited and FSTP Limited. This arrangement provides that certain of the selling shareholders in these acquisitions will receive share consideration in future periods if the Group achieves certain performance targets. Where the share consideration is forfeited by key employees who leave the business during the earnout period, the consideration has been accounted for as a share-based payment in accordance with IFRS 2 Share-based payments.

The selling shareholders have also been granted an option allowing them to mandate the Group to repurchase in cash all acquisition and contingent shares at the acquisition share price, exercisable between 1 January 2024 and 31 January 2024, if certain conditions are met. As this option is settled in cash, the share-based payment arrangement is considered cash-settled. Where the put option has been identified as relating to the post-combination remuneration of the selling shareholders the fair value of the put option granted has been accounted for as a share-based payment in accordance with IFRS 2 Share-based payments.

The Group has recorded a total share based payment expense and corresponding liability of £375,346 (2020: £nil). The fair value has been determined using the Black Scholes model, applying the assumptions noted in the table below:

	BG Training Limited	FSTP Limited
Share value at grant	£611	£540
Exercise price	£582	£605
Expected life	2.94 years	2.62 years
Probability of exercise	50%	50%
Risk free rate	0.1%	0.1%
Expected volatility	40%	40%

32 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	830 H ordinary shares of £0.01 each
Allotted, issued and fully paid:						
At 1 January 2020						
and 31 December						
2020	1,200	105	178	-	1	-
Shares issued	-	-	-	-	-	8
31 December 2021	<u>1,200</u>	<u>105</u>	<u>178</u>	<u>-</u>	<u>1</u>	<u>8</u>

The A ordinary, C ordinary, D and H 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.

During the year 830 H ordinary shares were issued for consideration at a fair value totalling £489,847.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

32 Equity (continued)

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.

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.

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33 Notes of cash flow statement

	Group	
	2021	2020
	£	£
(Loss)/profit before tax	(5,336,960)	6,200,220
Adjustments for:		
Finance costs	447,016	616,341
Finance income	(88,903)	(97,908)
Loss on disposal of property, plant and equipment	77,543	4,337
Profit on disposal of subsidiaries	(13,548)	-
Fair value movements on derivatives	424,847	39,982
Amortisation and impairment of intangible assets	983,489	109,841
Depreciation of property, plant and equipment	1,114,661	1,224,903
Loss on disposal of other investments	186,538	-
Provision movements	(1,089,705)	81,516
Operating cash flows before movements in working capital	(3,295,022)	8,179,232
Movements in working capital:		
Decrease in trade and other receivables	5,396,682	4,525,537
(Decrease)/increase in trade and other payables	(5,766,439)	2,604,896
Cash (used in)/generated from operations	(3,664,779)	15,309,665
Interest received	88,903	97,908
Interest paid	(447,016)	(573,164)
Income taxes received/(paid)	280,806	(1,630,396)
Net cash flows (used in)/generated from operating activities	(3,742,086)	13,204,013

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.

Consolidated analysis of changes in net debt

	1 January 2021 £	Cashflow £	Acquisition £	Other non- cash changes £	31 December 2021 £
Cash at bank balances	9,765,931	(6,834,461)	-	(349,819)	2,581,651
Lease liabilities	(2,805,269)	730,758	(77,168)	74,598	(2,077,081)
Borrowings	-	(700,000)	-	-	(700,000)
Total net debt	6,960,662	(6,803,703)	(77,168)	(275,221)	(195,430)

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33 Notes of cash flow statement (continued)

Consolidated analysis of changes in net debt – prior year

	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	<u>(705,863)</u>	<u>8,803,896</u>	<u>(1,137,371)</u>	<u>6,960,662</u>

34 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 £119,248 (2020: £120,874).

35 Related party transactions

Group

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

	2021 Other related parties £	Key management personnel £
<i>Amount of transactions:</i>		
Consultancy fees	-	53,814
Amounts written off	49,500	-
Interest expense	17,602	87,410
Dividends paid	627,708	143,477
Rent and premises costs charged	392,085	-
(Payments)/receipts	<u>(389,625)</u>	<u>-</u>
<i>Amounts outstanding at 31 December:</i>		
Owed to related parties	<u>-</u>	<u>700,000</u>

OSTC GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35 Related party transactions (continued)

	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)	-
	<hr/>	<hr/>
<i>Amounts outstanding at 31 December:</i>		
Owed to related parties	1,931,012	-
Owed by related parties	4,937	152
	<hr/>	<hr/>

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

Company

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

	2021	
	Fellow group companies	Key management personnel
	£	£
<i>Amount of transactions:</i>		
Interest (received)/paid	(53,369)	53,369
	<hr/>	<hr/>
<i>Amounts outstanding at 31 December:</i>		
Owed to related parties	155,111	700,000
Owed by related parties	1,219,744	-
	<hr/>	<hr/>

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

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 2021

35 Related party transactions (continued)

Cannon Bridge Ventures LLP, a related party by virtue of common members, shareholders and directors, has deposited £900,000 and \$1,672,000 with R.J. O'Brien Limited as margin against which the Group is able to trade.

36 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 (2020: £1,000,000). This amount is included in amounts due from clearing agents in receivables (see note 21).

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

During the year there was a full cross guarantee between O.S.T.C. Limited and OSTC Aton LLC at year-end 2021 (2020: £350,000), post year-end, this cross guarantee no longer exists because of the suspension of the trading operations in Russia.

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

OSTC Ltd sp. jawna has given bank guarantees of PLN508,869 (£90,773) (2020: PLN504,397 (£100,879) O.S.T.C. Ltd Sp. z o.o., oddział w Polsce which was closed during 2021) to secure the performance of office lease agreements.

37 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 2021:

- Zishi Cornerstone Limited;
- Zishi Elite Limited;
- Zishi Adaptive Limited;
- OSTC Aton Partnership Limited;
- Market Squared Limited;
- OSTC Wales LLP;
- OSTC Kondor LLP;
- BG Training Limited;
- BG Consulting Group Limited; and
- FSTP Limited.

38 Controlling party

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

39 Events after the reporting period

On 16 March 2022, the Group announced that because of the horrific conflict in Ukraine and the global response to the crisis, operating its joint venture in Russia has become increasingly complex and challenging. The escalating challenges, and the decision of the Group's clearing partner to withdraw services from clients operating in Russia, mean that continuing the Group's activities in Russia is no longer viable. Accordingly, the Group has decided to suspend its Russian operations for the foreseeable future.