

Registered number: 06298923

CALASTONE LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**



CALASTONE LIMITED

COMPANY INFORMATION

Director J Hammerson

Company secretary J Griffiths

Registered number 06298923

Registered office Birchin Court
20 Birchin Lane
London
EC3V 9DU

CALASTONE LIMITED

CONTENTS

	Page
Group Strategic Report	1 - 4
Group Directors' Report	5 - 7
Independent Auditors' Report	8 - 11
Consolidated Statement of Comprehensive Income	12
Consolidated Balance Sheet	13
Company Balance Sheet	14
Consolidated Statement of Changes in Equity	15
Company Statement of Changes in Equity	16
Consolidated Statement of Cash Flows	17
Notes to the Financial Statements	18 - 37

CALASTONE LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

Review of the business

Calastone ('the Group' or 'the Company') continued to grow in 2020 with turnover increasing to £48.4m, an increase of 29.7% on 2019 (£37.3m).

EBITDA for the financial year was a loss of £4.2m (2019: £2.0m profit). Adjusted EBITDA* was a profit of £9.8m (2019: £2.6m). The loss for the financial year of £4.1m (2019: £1.8m profit), shown in the profit and loss account, will be taken to reserves. As discussed below the group was acquired by The Carlyle Group on 30 December 2020. Prior to the sale various bonuses to employees and other exceptional staff costs became due. The Group incurred various Legal & Professional and other expenses as part of the sale transaction. Together these additional staff costs and sale transaction costs are classified as exceptional due to their nature.

The net assets of the group are £9.8m (2019: £9.2m net assets). As part of the sale transaction the group has borrowed £11m from its intermediate parent company.

The Group continues to develop commercial opportunities as we partner with our global client base and contribute to the automation, risk mitigation and cost reduction in the global funds industry.

* EBITDA is used as the primary metric to monitor company profitability. Adjusted EBITDA is calculated as Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA), Exceptional Items and Share Based Payments. Exceptional items are excluded as these are one-off items. Share Based Payments is excluded due to the notional nature of the accounting entry.

The board of directors are responsible for setting financial and operational risk management policy and objectives, and approves the parameters within which the various aspects of risk management are operated.

Principal risks and uncertainties

Key financial and operational risks are continuously monitored across the business by the senior leadership team and reported to the board on a monthly basis; the principal risks are highlighted below:

Information Security Policy

The information security policy is continuously reassessed and is part of each new employee's induction process. The highest standards of data protection and security are built into Calastone's systems. Individuals requiring access to our internal systems have unique IDs.

Regular penetration tests are carried out to test the resilience of the information security controls in place.

Regulatory Changes

Calastone is regulated as a Service Company by the Financial Conduct Authority and is regulated under a specific category. Understanding the applicable regulations is part of each employee's induction, and updates are provided by the General Counsel to all staff throughout the year.

System Capacity and Availability

Calastone's capacity is monitored in real time and increases in bandwidth, scalability and latency are planned each year based on existing and expected future activity. Calastone conducts an annual formal business continuity planning test with clients from all regions. The most recent test was conducted successfully in October 2020.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Financial Failure

Management information reports are produced routinely, and include both actual and forecasted financials and KPIs. These are reviewed by both the board of directors and the senior executive team to manage financial risk and monitor performance.

Management/ Staffing

Retaining and attracting high calibre staff is key to our continued success. Excessive staff turnover is likely to impact both our service and our financial performance. To mitigate this we routinely benchmark members of staff and new roles across the industry to ensure that our compensation packages are well structured and competitive. Staff training programs are in place and include external qualifications and internal knowledge sharing.

Capital Management

The board of directors and management team monitor the Group's working capital and ensure that all bank accounts are held with highly rated banks.

Brexit

The UK ceased to be a member of the European Union effective 31 January 2020 and the transition period ended at 23:00 on 31 December 2020. Management considered the impact to the business as low but set out plans to ensure contingencies were in place.

Additional subsidiaries domiciled in Ireland (Calastone Ireland Limited) and Luxembourg (Calastone Luxembourg S.a.r.l.) were set up as part of ongoing Brexit contingency plans. Both entities are wholly owned subsidiaries of Calastone Limited.

Acquisition by The Carlyle Group

The Carlyle Group acquired the majority of the share capital in Calastone Limited on 30 December 2020. Management continue to hold a minority interest in the go forward group structure and will continue to drive the business forward to deliver against the agreed business plan.

The business plan is underpinned by the continued delivery of an optimum service to all its customers, across its core mutual funds product offering and other business verticals. This will be achieved by utilising scalable and resilient technology and Calastone's vast transaction network, and by continuing to develop and promote initiative thinking within its people.

The shareholders are committed to investing in Calastone's technology and its people.

The Directors will continue to ensure, under the new structure, that the business continues to meet the requirements of, and foster business relationships for all stakeholders, including its customers, employees, suppliers, regulatory bodies, and other partners.

As part of the acquisition, Calastone Limited acted as an agent in distributing amounts to various parties. This included the distribution of proceeds to option holders, settlement of taxes and payments for transaction related expenses. As a result the amount paid downstream from entities affiliated with The Carlyle Group to Calastone Limited was £58.7m

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Future Developments

Calastone will continue to focus on network growth in its existing markets whilst diversifying its product penetration and geographical reach.

As a key participant in a number of industry bodies we are well placed to respond to changes in regulation and market practice, and to shape the direction of the industry.

We will continue to be leaders of technological development of Straight Through Processing (STP) in the funds industry by engaging with our clients, partners and regulators.

Key Performance Indicators

Measuring performance is integral to the next phase of our strategic growth, the metrics we use to measure the performance of the business are kept under constant review at all levels of the business.

The board of directors consider that the appropriate key performance indicators to benchmark the Group's progress at this stage are:

- o Revenue: £48.4m (2019: £37.3m)
- o Adjusted EBITDA: £9.8m profit (2019: £2.6m profit)
- o Headcount: 180 (2019: 161)

The performance of these KPIs have been discussed in the review of the business section.

Section 172 (1) Statement and Statement of engagement with employees and other stakeholders in accordance with the Companies Act 2006 (as amended by the Companies Miscellaneous Reporting) Regulations 2018).

This Statement focuses on how the Directors have had regard during the year to the matters set out in Section 172(1) (a) to (f) of the Act when performing their duty to promote the success of the Company under Section 172.

In the performance of its duty to promote the success of the Company, the Board has regard to a number of matters, including the likely consequences of any decisions in the long-term and listening to the views of the Company's key stakeholders to build trust and to ensure it fully understands the potential impacts of the decisions it makes.

The strategic report provides an overview of the performance of the business and the principal risks and uncertainties faced by the business. We are committed to maintaining high standards of business conduct and our culture encourages our people to act with integrity at all times.

Clients and Business Partners

Our clients and business partners are key to ensuring the long-term success of the Company and as a result, it is important to develop and maintain strong client relationships. Our purpose is to help them achieve their long-term objectives through engaging with them and understanding how those objectives will evolve, thereby enabling us to develop products aligned to their requirements and long-term goals.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Employees

We recognise that our value is in our people. We are building a culture where everyone feels included, empowered and inspired. We endeavour to maintain an open dialogue with our employees through regular town halls, internal communications, the group intranet where we provide regular business updates and encourage employees to ask questions. In addition, we undertake regular employee surveys to seek their feedback on range of items.

In order to ensure that we continue to attract, develop and retain talent, we have a reward structure in place which is attractive in the market and consistent across the business and provides a wide range of benefits covering health and wellbeing, lifestyle and family.

Suppliers

We value the relationship we have with our suppliers and they are fundamental to our business success and we ensure that there is an appropriate oversight framework in place. This includes ensuring that our suppliers are paid promptly for goods or services received. Each department engages with their respective suppliers and are responsible for ensuring oversight of key suppliers, including appropriate service level agreements are in place and that these are closely monitored to ensure that service delivery standards are met.

Regulator

The Company is regulated by the Financial Conduct Authority ("FCA") and engages with the FCA in an open and transparent manner. Our Compliance Team are primarily responsible for engaging with regulators.

Society

We aim to provide value to society through a number of initiatives. Our investment activities deliver growth for our clients and provide responsible stewardship of our clients' assets, which create value for our clients and for wider society. As a group, we aim to minimise our impact on the environment, support our communities and charities, including the participation of various Corporate Social Responsibility ("CSR") initiatives, and act with integrity at all times.

This report was approved by the board on 23 August 2021 and signed on its behalf.

Julien Hammerson

J Hammerson
Director

CALASTONE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activity of the Group is the provision of a transaction network to the participants in the funds industry enabling straight through processing for all aspects of the trade cycle.

The Company's subsidiaries, Calastone Hong Kong Limited, Calastone Inc., Calastone Pty Limited, Calastone Singapore Pte. Limited, Calastone Ireland Limited, Calastone Italia S.r.l., Calastone Luxembourg Sarl and Calastone Technology Limited provide sales and support services to the parent company or are inactive/dormant.

Directors statement

The directors continued to consider the need to foster the company's business relationships with suppliers, customers and others. During the year a number of projects were completed to sustain technological and operational resilience, and to that effect allow the business to maintain strategic relationships with its clients and partners. Please refer to the S172 statement within the strategic report for further information.

Future developments

Future developments have been disclosed in the strategic report.

Dividend

No dividend was paid during the year (2019: £nil). The directors do not recommend the payment of a dividend for the financial year ended 31 December 2020.

Branches

The Company has a branch office in Luxembourg.

Financial Risk Management

The Company's operations expose it to a variety of financial risks including, foreign exchange risk, interest rate cash flow risk and credit risk. The Company operates systems and controls to mitigate any adverse effects across the range of risks.

There is also indirect financial risk by virtue of Calastone Limited being a guarantor of the external borrowings in its parent company. The company is a party to a financial guarantee and the debenture guaranteeing the borrowings of the parent and therefore the company is exposed to financial risk associated with this arrangement.

The Company earns fees in foreign currencies from several overseas clients. The Company's policy is to hold only a minimum amount of currency to cover operational needs and therefore converts foreign currency on receipt. Direct exposure is therefore limited to the short-term outstanding currency fee debts at any time. The Company does not normally hedge this risk.

The Company is exposed to interest rate risk in the level of return it earns on its cash deposits.

The Company has implemented policies that require appropriate credit checks on customers. The Company is also directly exposed to credit risk in the placement of its cash deposits.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

COVID-19

The company has continued to service its network of clients throughout the period of restrictions, without any adverse impact on service delivery. The company has continued to support all its stakeholders and has offered the necessary support to its employees, through remote working and flexible working arrangements.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Results and dividends

The loss for the year, after taxation, amounted to £4,136,000 (2019 - profit £1,836,000).

Directors

The Directors who served during the year were:

J Donaldson (resigned 30 July 2021)
J Hammerson
S De Rycker (resigned 30 December 2020)
J Oliver (resigned 30 December 2020)
K Tregidgo (resigned 30 December 2020)
C Wade (resigned 30 December 2020)
C Conde (resigned 30 December 2020)

CALASTONE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

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

This report was approved by the board on 23 August 2021 and signed on its behalf.

Jules Hammerson

J Hammerson
Director

Report on the audit of the financial statements

Opinion

In our opinion, Calastone Limited's group financial statements and company financial statements (the "financial statements"):

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

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated Balance Sheet and the Company Balance Sheet as at 31 December 2020; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CALASTONE LIMITED (CONTINUED)

Reporting on other information

The other information comprises all of the information in the Annual Report, other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Group Strategic Report and Group Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Group Strategic Report and Group Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Group Strategic Report and Group Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Group Strategic Report and Group Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CALASTONE LIMITED (CONTINUED)

Auditors' 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 auditors' 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.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries with management, including consideration of any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing correspondence with the Financial Conduct Authority and reviewing meeting minutes, including those of the Board;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; entries posted with unusual account descriptions; entries posted with unusual amounts and entries posted on unusual days, where any such journal entries were identified;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CALASTONE LIMITED (CONTINUED)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Iain Kirkpatrick (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

23 August 2021

CALASTONE LIMITED

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

	Note	2020 £000	2019 £000
Turnover	4	48,371	37,304
Gross profit		<u>48,371</u>	<u>37,304</u>
Administrative expenses		(41,621)	(35,525)
Exceptional administrative expenses	9	(21,171)	-
Operating (loss)/profit	5	<u>(14,421)</u>	<u>1,779</u>
Tax on (loss)/profit	10	10,285	57
(Loss)/profit for the financial year		<u><u>(4,136)</u></u>	<u><u>1,836</u></u>
Currency translation differences		(18)	(34)
Other comprehensive expense for the year		<u>(18)</u>	<u>(34)</u>
Total comprehensive expense for the year		<u><u>(4,154)</u></u>	<u><u>1,802</u></u>

The notes on pages 18 to 37 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	12	22	9
Tangible assets	13	467	543
		489	552
Current assets			
Debtors	15	19,128	7,884
Cash at bank and in hand	16	21,733	5,055
		40,861	12,939
Creditors: amounts falling due within one year	17	(31,536)	(4,269)
		9,325	8,670
Net current assets		9,325	8,670
Total assets less current liabilities		9,814	9,222
Net assets		9,814	9,222
Capital and reserves			
Called up share capital	19	1	1
Share premium account	20	15,298	13,304
Translation reserve	20	(45)	(27)
Profit and loss account	20	(5,440)	(4,056)
Total equity		9,814	9,222

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 August 2021.

Julian Hammerson

J Hammerson
 Director

The notes on pages 18 to 37 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	12	22	9
Tangible assets	13	468	544
Investments	14	22	22
		<u>512</u>	<u>575</u>
Current assets			
Debtors: amounts falling due within one year	15	18,904	7,652
Cash at bank and in hand	16	21,331	4,927
		<u>40,235</u>	<u>12,579</u>
Creditors: amounts falling due within one year	17	(32,272)	(4,986)
Net current assets		<u>7,963</u>	<u>7,593</u>
Total assets less current liabilities		<u>8,475</u>	<u>8,168</u>
Net assets		<u><u>8,475</u></u>	<u><u>8,168</u></u>
Capital and reserves			
Called up share capital	19	1	1
Share premium account	20	15,298	13,304
Profit and loss account	20	(6,824)	(5,137)
		<u>8,475</u>	<u>8,168</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 August 2021.

Julien Hammerson

J Hammerson
Director

The notes on pages 18 to 37 form part of these financial statements.

CALASTONE LIMITED

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

	Called up share capital £000	Share premium account £000	Translation reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2019	1	13,304	7	(6,386)	6,926
Comprehensive income for the year					
Profit for the financial year	-	-	-	1,836	1,836
Foreign exchange losses	-	-	(34)	-	(34)
Other comprehensive expense for the year	-	-	(34)	-	(34)
Total comprehensive (expense)/income for the year	-	-	(34)	1,836	1,802
Credit relating to equity-settled share based payments	-	-	-	494	494
At 1 January 2020	1	13,304	(27)	(4,056)	9,222
Comprehensive expense for the year					
Loss for the financial year	-	-	-	(4,136)	(4,136)
Foreign exchange losses	-	-	(18)	-	(18)
Other comprehensive expense for the year	-	-	(18)	-	(18)
Total comprehensive expense for the year	-	-	(18)	(4,136)	(4,154)
Credit relating to equity-settled share based payments	-	-	-	2,752	2,752
Issue of preferred shares	-	106	-	-	106
Settlement of employee share schemes (Note 22)	-	1,888	-	-	1,888
At 31 December 2020	1	15,298	(45)	(5,440)	9,814

The notes on pages 18 to 37 form part of these financial statements.

CALASTONE LIMITED

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

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2019	1	13,304	(7,223)	6,082
Comprehensive income for the year				
Profit for the financial year	-	-	1,592	1,592
	<hr/>	<hr/>	<hr/>	<hr/>
Contributions by and distributions to owners				
Credit relating to equity-settled share based payments	-	-	494	494
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2020	1	13,304	(5,137)	8,168
Comprehensive expense for the year				
Loss for the financial year	-	-	(4,439)	(4,439)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	-	(4,439)	(4,439)
Contributions by and distributions to owners				
Credit relating to equity-settled share based payments	-	-	2,752	2,752
Issue of preferred shares	-	106	-	106
Settlement of employee share schemes (Note 22)	-	1,888	-	1,888
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	1	15,298	(6,824)	8,475

The notes on pages 18 to 37 form part of these financial statements.

CALASTONE LIMITED

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

	2020 £000	2019 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	(4,136)	1,836
Adjustments for:		
Amortisation of intangible assets	15	25
Depreciation of tangible assets	256	232
Interest paid	2	-
Taxation credit	(10,285)	(57)
(Increase) in debtors	(909)	(1,660)
Increase in creditors	16,234	488
Corporation tax (paid)/received	(65)	333
Exchange rate variances	(18)	(37)
Share based payments credit	2,752	494
Net cash generated from operating activities	3,846	1,654
Cash flows from investing activities		
Payments to acquire intangible fixed assets	(28)	-
Payments to acquire fixed assets	(180)	(122)
Net cash used in investing activities	(208)	(122)
Cash flows from financing activities		
Issue of ordinary shares	1,994	-
New loans from group companies	11,049	-
Interest paid	(2)	-
Net cash generated from financing activities	13,041	-
Net increase in cash and cash equivalents	16,679	1,532
Cash and cash equivalents at beginning of year	5,054	3,523
Cash and cash equivalents at the end of year	21,733	5,055
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	21,733	5,055
	21,733	5,055

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

1. General information

Calastone Limited is a private company limited by shares incorporated in England and Wales. The address of the registered office is given in the Company information of these financial statements. The nature of the Group's operations and principal activities is shown in the directors' report on page 5.

The financial statements have been prepared in accordance with the applicable accounting standards including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention. The financial statements are presented in sterling which is the functional currency of the Group.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented for the Group and Company unless otherwise stated.

The Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual Statement of Comprehensive Income. The Company has taken advantage of the exemption under FRS 102 from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together made up to 31 December 2020.

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions within the Group to the extent of the Group's interest in the entity.

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

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange adjustments arising from the retranslation of opening net investments and from the translation of profits or losses are recognised in other comprehensive income.

2.4 Revenue

Revenue relates to the provision of services to customers linked to their use of the Group's transaction network. It is recognised when the service is delivered based on transaction volumes and contractually agreed charging structures set out in contracts with customers, or through other contractual arrangements.

Revenue that is guaranteed under a service contract is recognised on a straight-line basis in reference to the stage of completion up to 31 December 2020.

2.5 Administrative expenses

Administrative expenses comprise costs relating to the general operating activities of the Group. These costs are charged to the statement of comprehensive income as they are incurred, or in relation to services as they are received, rather than when payments are made. This includes any costs paid to support the generation of revenue, which are also recognised as the services are provided. Expenditure on research and development is included as part of Administrative expenses and is charged to the profit and loss in the year in which it is incurred.

2.6 Pensions

The Group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Group to the fund in respect of the year.

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

2. Accounting policies (continued)

2.7 Share based payments

The Group awards key employees equity-settled share options from time to time on a discretionary basis.

FRS 102 Section 26 requires the Group to recognise an expense in respect of the granting of shares to employees and directors. This expense, which is calculated by reference to the fair value of the options granted and allocated for equity-settled arrangements, is recognised over the vesting period in accordance with the terms of each option based on the Group's estimate of options which will eventually vest (Note 22). The directors have used an approximation to an Option Pricing model to estimate the value of options granted in the current and prior periods.

Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the Statement of Comprehensive Income.

The terms and conditions of these schemes require the option holder to pay the exercise price in order to exercise their share options, resulting in an increase to the company's share premium when the schemes are settled.

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

2.9 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.10 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life.

The estimated useful lives range as follows:

Computer software	-	3	years
-------------------	---	---	-------

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	33% straight-line or the life of the lease
-----------------------	---	--

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.14 Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including trade and other receivables, cash and bank balances, prepayments and accrued income are initially recognised at transaction price. Prepayments include prepaid incentive fees where payments are made in advance to fund managers based on forecast volumes of transactions through the company's transaction network.

Such assets are subsequently carried at amortised cost using the effective interest method.

Basic financial liabilities, including trade and other payables, accruals and deferred income are initially recognised at transaction price.

Financial liabilities are subsequently carried at amortised cost, using the effective interest rate method.

2.15 Share capital

Ordinary shares and preference shares are classified as equity.

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

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the Group and Company's Financial statements requires the directors to select accounting policies and make estimates and assumptions that affect items reported in the Balance Sheet and Statement of Comprehensive Income, other primary statements and notes to the financial statements. These major areas of judgement on policy application are summarised below:

<u>Item</u>	<u>Critical accounting judgement estimate or assumption</u>	<u>Accounting policy</u>
Deferred tax asset	Future profitability	Note 2.8

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

4. Turnover

All turnover was derived from the Group's principal activity and arose within the United Kingdom.

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2020 £000	2019 £000
Foreign exchange (credit)/charge	(16)	34
Amortisation	15	25
Depreciation	256	233
Operating lease charges	1,004	961
Share based payment	2,752	494

6. Auditors' remuneration

	2020 £000	2019 £000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	70	60
Fees payable to the Group's auditor in respect of:		
Non-audit taxation advisory services	150	-

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

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Wages and salaries	27,918	14,027	25,665	12,234
Social security costs	1,431	1,617	1,280	1,435
Share based payments	2,752	494	2,752	494
Cost of defined contribution pension scheme	673	571	581	503
	<u>32,774</u>	<u>16,709</u>	<u>30,278</u>	<u>14,666</u>

Included in staff costs above are Directors Remuneration (see Note 8) and remuneration of Key Management Personnel. Staff costs in 2020 include amounts totaling £10,975,000 which are considered exceptional - see Note 9. Totals of Key Management Personnel remuneration which includes Directors Remuneration was £9,826,692 (2019: £1,512,000).

The average monthly number of employees, including the Directors, during the year was as follows:

	Group 2020 No.	Group 2019 No.	Company 2020 No.	Company 2019 No.
Technical and product development	65	78	60	74
Operations, administration & management	77	48	75	47
Sales and client relationship management	38	42	42	29
	<u>180</u>	<u>168</u>	<u>177</u>	<u>150</u>

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

8. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	9,164	1,181
Cost of defined contribution pension scheme	10	10
	<u>9,174</u>	<u>1,191</u>

During the year retirement benefits were accruing to 1 Director (2019 - 1) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £5,732,000 (2019 - £702,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £10,000 (2019 - £10,000).

9. Exceptional administrative items

Prior to the sale of the Group by the former shareholders, various bonuses to employees and other exceptional staff costs became due. The Group incurred various Legal & Professional and other expenses as part of the sale transaction. The contractual obligation to pay these amounts was with Calastone Limited and therefore these amounts have been recognised within the company's Statement of Comprehensive Income. Together these additional staff costs and sale transaction costs are classified as exceptional due to their nature.

	2020 £000	2019 £000
Exceptional staff costs	10,975	-
Legal & Professional	10,121	-
Other related costs	75	-
	<u>21,171</u>	<u>-</u>

CALASTONE LIMITED

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

10. Tax on (loss)/profit

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	(969)	(104)
	<u>(969)</u>	<u>(104)</u>
Foreign tax		
Foreign tax on income for the year	50	47
	<u>50</u>	<u>47</u>
Total current tax	<u>(919)</u>	<u>(57)</u>
Deferred tax		
Origination and reversal of timing differences	(9,262)	-
Changes to tax rates	(104)	-
	<u>(9,366)</u>	<u>-</u>
Total deferred tax	<u>(9,366)</u>	<u>-</u>
Tax on (loss)/profit	<u>(10,285)</u>	<u>(57)</u>

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

10. Tax on (loss)/profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
(Loss)/profit on ordinary activities before tax	(14,421)	1,779
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(2,749)	338
Effects of:		
Expenses not deductible for tax purposes	3,366	11
Fixed asset differences	9	10
Other permanent differences	(10,933)	(4)
Share based payments charge not deductible	531	94
Difference in overseas tax rates	5	7
Adjustments to tax charge in respect of prior periods	-	(10)
Non-taxable income	(25)	-
Additional deduction for R&D expenditure	(718)	(483)
Surrender of tax losses for R&D tax credit refund	301	-
Change in tax rates	(72)	(20)
Total tax charge for the year	(10,285)	(57)

Factors that may affect future tax charges

The Group has a significant amount of UK tax losses carried forward that may reduce any future tax charge. The Group has tax losses carried forward that are available for offset against future trading profits of the Group. A deferred tax asset has been recognised in respect of these amounts. Calastone Limited has trade losses of £53,650,000 carried forward (2019: £4,711,000).

The Group has not recognised any deferred tax asset in relation to the cumulative accounting charges for share-based payments due to uncertainties in the longer term over the timing of utilisation of the deferred tax asset. The cumulative accounting charges recognised in the Statement of Comprehensive Income for the year ended 31 December 2020 was: £10,532,000 (2019: £7,735,000); at 31 December 2020 the contingent tax asset relating to this temporary timing difference is £1.9m (2019: £1.4m).

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

11. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £4,439,000 (2019 - profit £1,592,000).

12. Intangible assets**Group and Company**

	Software Licenses £000
Cost	
At 1 January 2020	102
Additions	28
At 31 December 2020	<u>130</u>
Amortisation	
At 1 January 2020	93
Charge for the year on owned assets	15
At 31 December 2020	<u>108</u>
Net book value	
At 31 December 2020	<u><u>22</u></u>
At 31 December 2019	<u><u>9</u></u>

All of the Group's intangible fixed assets are held in the Parent company. The amortisation charge of the intangible assets is included in administrative expenses in the Consolidated Statement of Comprehensive income.

CALASTONE LIMITED

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

13. Tangible assets**Group**

	Fixtures, fittings & Equipment £000
Cost or valuation	
At 1 January 2020	2,142
Additions	180
At 31 December 2020	<u>2,322</u>
Depreciation	
At 1 January 2020	1,599
Charge for the year	256
At 31 December 2020	<u>1,855</u>
Net book value	
At 31 December 2020	<u>467</u>
At 31 December 2019	<u>543</u>

CALASTONE LIMITED

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

13. Tangible assets (continued)**Company**

	Fixtures, Fittings & Equipment £000
Cost or valuation	
At 1 January 2020	2,028
Additions	180
At 31 December 2020	<u>2,208</u>
Depreciation	
At 1 January 2020	1,484
Charge for the year	256
At 31 December 2020	<u>1,740</u>
Net book value	
At 31 December 2020	<u>468</u>
At 31 December 2019	<u>544</u>

CALASTONE LIMITED

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

14. Fixed asset investments**Company**

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2020	22
At 31 December 2020	<u>22</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company at 31 December 2020:

Name	Registered office	Class of shares	Holding
Calastone Pty Limited	Level 22, MLC Centre, 19 Martin Place, Sydney NSW 2000	Ordinary	100%
Calastone Hong Kong Limited	Suite 1701-02, Floor 17, FWD Financial Centre, 308 Des Voeux Road, Central, Hong Kong	Ordinary	100%
Calastone Inc	919 North Market Street, Suite 425, Wilmington, Delaware 19801, United States	Ordinary	100%
Calastone Technology Limited	20 Birchin Lane, London EC3V 9DU, United Kingdom	Ordinary	100%
Calastone Singapore Pte. Limited	30 Cecil Street 19-08 Prudential Tower, Singapore 049712	Ordinary	100%
Calastone Ireland Limited	22 Northumberland Road, Ballsbridge, Dublin 4, Ireland	Ordinary	100%
Calastone Italia S.r.l	Milano (MI) Via Serbelloni Gabrio 4 Cap 20122, Italy	Ordinary	100%
Calastone Luxembourg s.a.r.l	3A, Sentier de l'Esperance, L-1474 Luxembourg	Ordinary	100%

Where relevant, local filings are made for each of the subsidiary undertakings.

The principal activity for all subsidiary undertakings is the provision of sales and sales support services to the Company.

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

15. Debtors: amounts falling due within one year

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Trade debtors	5,671	5,151	5,672	5,151
Amounts owed by group undertakings	-	-	18	12
Other debtors	794	707	668	569
Deferred taxation	10,245	880	10,245	880
Tax recoverable	970	-	970	-
Prepayments and accrued income	1,448	1,146	1,331	1,040
	<u>19,128</u>	<u>7,884</u>	<u>18,904</u>	<u>7,652</u>

Amounts owed by Group undertakings are classified as current debts as they are interest free, unsecured and repayable on demand.

16. Cash at bank and in hand

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Cash at bank and in hand	21,733	5,055	21,331	4,927
	<u>21,733</u>	<u>5,055</u>	<u>21,331</u>	<u>4,927</u>

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

17. Creditors: Amounts falling due within one year

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Trade creditors	8,040	667	7,944	581
Amounts owed to group undertakings	11,049	-	12,472	1,114
Other creditors	681	535	651	517
Other taxation and social security	8,204	1,970	8,027	1,794
Corporation tax	8	23	-	-
Accruals and deferred income	3,554	1,074	3,178	980
	<u>31,536</u>	<u>4,269</u>	<u>32,272</u>	<u>4,986</u>

Trade creditors, Other taxation and social security, and Accruals have increased from 2019 due to the inclusion of pre sale costs and taxes due incurred prior to the acquisition of the group by the Carlyle Group.

Amounts owed to Group undertakings are classified as current debts as they are interest free, unsecured and repayable on demand.

There are no secured creditors at 31 December 2020 (2019: none).

18. Deferred taxation

Group and Company

	2020 £000
At beginning of year	880
Credited to profit or loss	9,366
At end of year	<u>10,246</u>

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Accelerated capital allowances	52	51	52	51
Tax losses carried forward	10,193	829	10,193	829
	<u>10,245</u>	<u>880</u>	<u>10,245</u>	<u>880</u>

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

18. Deferred taxation (continued)

The deferred tax assets include an amount of £10,193,000 which relates to carried-forward tax losses of Calastone Limited. The Company has incurred losses over a number of historical financial years as management have invested in both its core technology and R&D. The underlying business, excluding the impact of exceptional costs linked to the acquisition, is now profitable. The Company has concluded that the deferred asset will be recoverable using the estimated future taxable income, based on the approved business plans and future budgets. The Company is expected to generate taxable income in 2021 and subsequent periods. The losses can be carried forward indefinitely and have no expiry date.

19. Share capital

	2020	2019
	£	£
1,433,729 (2019 - 933,167) Ordinary shares of £0.0001 each	143	94
767,722 (2019 - 767,722) Ordinary A shares of £0.0001 each	77	77
875,615 (2019 - 868,688) Preferred B shares of £0.0001 each	<u>88</u>	<u>87</u>
	<u>308</u>	<u>258</u>

All shares hold equal rights to distribution of profits, redemption and voting. The order of distribution of surplus assets (after payment of the Company's liabilities) on a liquidation or other return of capital is to B preferred, then A Ordinary and then Ordinary shares.

During the year, 500,562 Ordinary shares were issued in relation to share options exercised. 421,257 Ordinary shares with a par value of £0.0001 each were issued for consideration of £1 per share. 79,305 Ordinary shares with a par value of £0.0001 each were issued for consideration of £18.5 per share. Proceeds of £1,888,400 were received from the option holders.

Also during the year, 6,927 Preferred B shares with a par value of £0.0001 each were issued for consideration of £15.22 per share.

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

20. Reserves**Share premium account**

The share premium reserve includes the total of all consideration received less issue costs incurred in excess of the nominal value of shares issued by the company.

Translation reserve

The foreign exchange reserves includes cumulative exchange gains and losses on the retranslation of the results of the group's overseas entities in to the group's presentation currency.

Profit and loss account

The profit and loss account includes the cumulative retained profits and losses of the group less dividends paid and other distributions.

21. Analysis of net debt

	At 1 January 2020 £000	Cash flows £000	At 31 December 2020 £000
Cash at bank and in hand	5,055	16,677	21,732
Debt due within 1 year	-	(11,049)	(11,049)
	<u>5,055</u>	<u>5,628</u>	<u>10,683</u>

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

22. Share based payments

The company has five share based compensation plans in place to help attract and retain personnel and to reward employees and directors. Share options have been granted to certain employees of the Company, under these compensation plans, with a fixed exercise price at the grant date. Options granted either vest according to a schedule determined by the board at the time of grant or are exercisable on an event and are subject to continued employment, or on an event and subject to both continued employment and total transaction consideration thresholds. A takeover of the company is a qualifying event for the options to vest within the Terms and Conditions of all scheme.

	Weighted average exercise price £ 2020	Number 2020	Weighted average exercise price £ 2019	Number 2019
Outstanding at the beginning of the year	3.45	586,777	1.16	493,634
Granted during the year	18.5	15,162	13.36	109,893
Forfeited during the year	1	(15,500)	1	(16,750)
Exercised during the year	3.90	(586,439)	-	-
Outstanding at the end of the year	-	-	3.45	586,777

During the year, 586,439 options were exercised (2019: none). 85,877 of the options exercised were over existing issued share capital and the other 500,562 resulted in new Ordinary shares being issued, as detailed in note 19.

On 30 December 2020, following the acquisition of the group, which was a qualifying event, all outstanding share options were exercised. Proceeds of £1,888,400 were received from the option holders. There are no exercisable share options at the year end (2019: 266,750).

The Company has used an approximation to an option pricing model to estimate the value of options granted in the current and prior years. The assumptions used, including the vesting period, are continually assessed and updated.

The total charge to the Statement of Comprehensive Income for the year relating to employee share based payments was £2,752,000 (2019: £494,000), all of which related to equity-settled share based payment transactions.

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

23. Commitments

Capital commitment: At the 31 December 2020 the Group and Company had committed to acquire £2,202,000 of IT equipment under a finance lease. The equipment was received and recognised as an asset in 2021.

Borrowings: The Company is a guarantor of the external borrowings in its parent entity Colossus BidCo Limited which are guaranteed with fixed and floating charges on the Company's assets.

Employee taxes: The Company has committed to its employees to settle any additional personal income tax obligations that have been crystallised as a result of the acquisition of the Company by The Carlyle Group. These costs have been accrued within the financial statements, have been settled with HMRC post year end and reflect the best estimate of the obligation due. The Company has no expectation of any additional amounts being required but disclose the existence of this commitment.

24. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £673,000 (2019 - £571,000). Contributions totaling £392,554 (2019 - £254,000) were payable to the fund at the balance sheet date and are included in creditors.

25. Commitments under operating leases

At 31 December 2020 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Not later than 1 year	869	962	573	573
Later than 1 year and not later than 5 years	1,002	1,847	1,002	1,575
	<u>1,871</u>	<u>2,809</u>	<u>1,575</u>	<u>2,148</u>

26. Related party transactions

Until 30 December 2020, Octopus Zenith LP and its entities were the majority shareholder. During the period the Company was charged £20,000 (2019: £20,000) by Octopus Investments Limited during the year for monitoring fees. At 31 December 2020 £nil (2019: £2,000) was owed to Octopus Investments Limited. All related party transactions were completed at arms length.

On 30 December 2020, Colossus Bidco Limited acquired the entire share capital of the company. At 31 December 2020, £11,049,000 was due to Colossus Bidco Limited and is shown in creditors. The balance is unsecured, interest free and repayable on demand.

CALASTONE LIMITED

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

27. Controlling party

The immediate parent company is Colossus Bidco Limited.

The ultimate parent undertaking is Carlyle Group Inc, a company incorporated in the United States.

Calastone Limited is the only company to consolidate the Group's results.