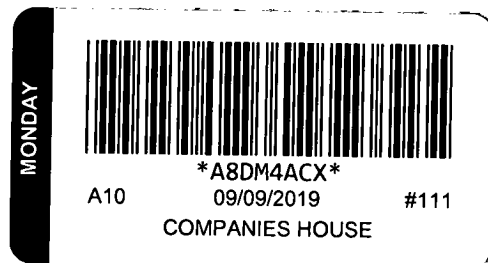


Registered Number: 06298923

CALASTONE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



CALASTONE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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CALASTONE LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2018

REGISTERED NUMBER	06298923
DIRECTORS	S De Rycker J Hammerson J Oliver (appointed 15 January 2019) K Tregidgo C Wade
SECRETARY	J Griffiths
REGISTERED OFFICE	Birchin Court 20 Birchin Lane London EC3V 9DU
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
SOLICITOR	Mishcon de Reya
BANKERS	Coutts & Co

CALASTONE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report for the year ended 31 December 2018.

REVIEW OF THE BUSINESS

Calastone ('the Group' or 'the Company') continued to grow in 2018 with turnover increasing to £31.7m, a 21% increase on 2017 (£26.1m).

EBITDA loss for the financial year was £0.4m compared with a £0.5m profit for 2017. Adjusted EBITDA* profit was £0.2m (2017: £0.3m).

The loss for the financial year of £0.6m (2017: profit of £1.2m), shown in the profit and loss account, will be taken to reserves.

The net assets of the group are £6.9m (2017: £6.9m).

The Group increased staff numbers by 20% (2017: 11%) across the business in order to drive growth.

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.

**Adjusted EBITDA is calculated as Earnings before Interest, Tax, Depreciation, Amortisation and Share Based Payments.*

REVIEW OF THE BUSINESS

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 Breach

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 ID's.

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 December 2018.

Financial Failure

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

CALASTONE LIMITED

STRATEGIC REPORT (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

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 directors are monitoring the negotiations between the UK government and the European Union. The various outcomes of the negotiations are being considered and contingencies are being put in place.

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: £31.7m (2017: £26.1m)
- o Adjusted EBITDA: £0.2m profit (2017: £0.3m profit)
- o Headcount: 161 (2017: 134)

The performance of these KPI's have been discussed in the review of the business section.

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



J Hammerson
Director

20 June 2019

CALASTONE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report on the audited consolidated financial statements for the year ended 31 December 2018.

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. (incorporated 01/06/18) and Calastone Technology Limited provide sales and support services to the parent company or are inactive/dormant.

FUTURE DEVELOPMENTS

Future developments have been disclosed in the strategic report.

DIVIDEND

No dividend was paid during the year (2017: £nil). The directors do not recommend the payment of a dividend for the financial year ending 31 December 2018.

BRANCHES

The Company has a branch office in Luxembourg.

RESULTS

The loss for the financial year amounted to £0.6m (2017 - profit of £1.2m).

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

S De Rycker
J Hammerson
A Macpherson (resigned 15 January 2019)
J Oliver (appointed 15 January 2019)
K Tregidgo
C Wade

CALASTONE LIMITED

DIRECTORS' REPORT (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

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 group and company 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 and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as that director is aware, there is no relevant audit information of which the Company and the group's auditors are unaware, and
- that 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.

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



J Hammerson
Director

20 June 2019

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 2018 and of the group's loss and 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 and Financial Statements (the "Annual Report"), which comprise: the Consolidated Balance Sheet and the Company Balance Sheet as at 31 December 2018; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the Company Statement of Changes in Equity 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

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CALASTONE LIMITED

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 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 Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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.

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.

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.

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.

CALASTONE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CALASTONE LIMITED

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 received 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.



Tina Ahuja (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 June 2019

CALASTONE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 £000's	Year ended 31 December 2017 £000's
TURNOVER	2	31,695	26,139
Administrative expenses		(32,486)	(26,063)
OPERATING (LOSS)/PROFIT	3	<u>(791)</u>	<u>76</u>
Interest receivable and similar income		-1	1
(LOSS)/PROFIT BEFORE TAXATION		<u>(790)</u>	<u>77</u>
Tax on (loss)/profit	9	183	1,077
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(607)</u>	<u>1,154</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Currency translation differences		32	(45)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		<u>(575)</u>	<u>1,109</u>

All amounts related to continuing operations.

<i>Operating (loss)/profit analysed as:</i>			
<i>Operating loss before share based payments</i>		(216)	(87)
Share based payments	20	(574)	163

The notes on pages 15 to 27 form part of these financial statements.

CALASTONE LIMITED

CONSOLIDATED BALANCE SHEET

Registered Number: 06298923

AS AT 31 DECEMBER 2018

	Note	2018		2017	
		£000's	£000's	£000's	£000's
FIXED ASSETS					
Intangible Assets	11		34		47
Tangible Assets	12		654		356
			688		403
CURRENT ASSETS					
Debtors	14	6,477		5,876	
Cash at bank and in hand		3,523		5,198	
		10,000		11,074	
Creditors: amounts falling due within one year	15	(3,762)		(4,623)	
NET CURRENT ASSETS			6,238		6,451
TOTAL ASSETS LESS CURRENT LIABILITIES			6,926		6,854
NET ASSETS			6,926		6,854
CAPITAL AND RESERVES					
Called up Share Capital	17		1		1
Share Premium Account	18		13,304		13,230
Translation Reserve	18		7		(25)
Profit and Loss Account	18		(6,386)		(6,352)
TOTAL SHAREHOLDERS' FUNDS			6,926		6,854

The financial statements on pages 9 to 27 were approved by the board of directors on 20 June 2019 and signed on its behalf by



J Hammerson
Director

20 June 2019

The notes on pages 15 to 27 form part of these financial statements.

CALASTONE LIMITED

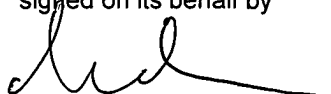
COMPANY BALANCE SHEET

Registered Number: 06298923

AS AT 31 DECEMBER 2018

	Note	2018		2017	
		£000's	£000's	£000's	£000's
FIXED ASSETS					
Intangible Assets	11		34		47
Tangible Assets	12		662		357
Investments	13		11		2
			707		406
CURRENT ASSETS					
Debtors	14	7,053		5,700	
Cash at bank and in hand		3,313		5,025	
		10,366		10,725	
Creditors: amounts falling due within one year	15	(4,991)		(4,901)	
NET CURRENT ASSETS			5,375		5,824
TOTAL ASSETS LESS CURRENT LIABILITIES			6,082		6,230
NET ASSETS			6,082		6,230
CAPITAL AND RESERVES					
Called up Share Capital	17		1		1
Share Premium Account	18		13,304		13,230
Profit and Loss Account	18				
At 1 January			(7,001)		(7,766)
(Loss)/Profit for the financial year			(796)		928
Credit/(Charge) relating to equity settled share based payments			574		(163)
			(7,223)		(7,001)
TOTAL SHAREHOLDERS' FUNDS			6,082		6,230

The financial statements on pages 9 to 27 were approved by the board of directors on 20 June 2019 and signed on its behalf by



J Hammerson
Director

20 June 2019

The notes on pages 15 to 27 form part of these financial statements.

CALASTONE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Registered Number: 06298923

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Called up Share Capital* £000's	Share Premium Account £000's	Translation Reserve £000's	Profit and Loss Account £000's	Total Shareholders' Funds £000's
Balance as at 1 January 2017		1	13,203	20	(7,343)	5,881
Profit for the financial year	18	-	-	-	1,154	1,154
Other comprehensive expense for the year	18	-	-	(45)	-	(45)
Total comprehensive income for the year		-	-	(45)	1,154	1,109
Charge relating to equity settled share based payments	19	-	-	-	(163)	(163)
Issue of shares		-	27	-	-	27
Balance as at 31 December 2017		1	13,230	(25)	(6,352)	6,854
Loss for the financial year	18	-	-	-	(607)	(607)
Other comprehensive income for the year	18	-	-	32	-	32
Total comprehensive expense for the year		-	-	32	(607)	(575)
Credit relating to equity settled share based payments	19	-	-	-	574	574
Issue of shares		-	73	-	-	73
Balance as at 31 December 2018		1	13,304	7	(6,386)	6,926

* Share capital comprised Ordinary, A Ordinary and B Preferred Shares.

The notes on pages 15 to 27 form part of these financial statements.

CALASTONE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

Registered Number: 06298923

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Called up Share Capital* £000's	Share Premium Account £000's	Profit and Loss Account £000's	Total Shareholders' Funds £000's
Balance as at 1 January 2017		1	13,203	(7,766)	5,438
Profit for the financial year	18	-	-	928	928
Total comprehensive income for the year		-	-	928	928
Charge relating to equity settled share based payments	19	-	-	(163)	(163)
Issue of shares		-	27	-	27
Balance as at 31 December 2017		1	13,230	(7,001)	6,230
Loss for the financial year	18	-	-	(796)	(796)
Total comprehensive expense for the year		-	-	(796)	(796)
Credit relating to equity settled share based payments	19	-	-	574	574
Issue of shares		-	73	-	73
Balance as at 31 December 2018		1	13,304	(7,223)	6,082

* Share capital comprised Ordinary, A Ordinary and B Preferred Shares.

The notes on pages 15 to 27 form part of these financial statements.

CALASTONE LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 £000's	Year ended 31 December 2017 £000's
Cash flow from operating activities	21	(1,316)	640
Taxation received/(paid)		214	(97)
Net cash flow (used in)/generated from operating activities		(1,102)	543
Cash flow from investing activities			
Payments to acquire fixed assets		(662)	(502)
Interest received		1	1
Net cash flow used in investing activities		(661)	(501)
Cash flow from financing activities			
Receipts from the issuance of shares		73	27
Net cash flow generated from financing activities		73	27
Net (decrease)/increase in cash and cash equivalents		(1,690)	69
Cash and cash equivalents as at 1 January		5,198	5,131
Net (decrease)/increase in cash and cash equivalents		(1,690)	69
Exchange losses on cash and cash equivalents		15	(2)
Cash and cash equivalents as at 31 December		3,523	5,198
Cash and cash equivalents consist of:			
Cash at bank and in hand		3,523	5,198

The notes on pages 15 to 27 form part of these financial statements.

CALASTONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES

1.1 General information and basis of preparation

Calastone Limited is a private company limited by shares incorporated in the United Kingdom. The address of the registered office is given in the Company information on page 1 of these financial statements. The nature of the Group's operations and principal activities is shown in the directors' report on page 4.

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 profit and loss account.

The Company has taken advantage of the exemption under FRS102 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.

1.2 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 2018.

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 with associates to the extent of the Group's interest in the entity.

1.3 Turnover

Revenue for provision of services is recognised when it is probable that an economic benefit will flow to the entity and the revenue can be reliably measured.

1.4 Intangible fixed assets and amortisation

Intangible fixed assets are shown at cost, net of amortisation. Amortisation is calculated so as to write off the cost of the assets over their expected useful economic lives on the following bases:

- Software licenses - 3 years straight line

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful economic lives on the following bases:

- Fixtures, fittings & equipment - 3 years straight line or the life of the lease

1.6 Investments

Investments in subsidiary undertakings are valued at cost less provision for impairment.

CALASTONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (continued)

1.7 Share based payments

The Group awards key employees 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, 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 20). The directors have used an approximation to an Option Pricing model to estimate the value of options granted in the current and prior periods.

1.8 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

1.9 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.

1.10 Foreign Currency

Foreign currency transactions are initially recognised by applying to the foreign currency amount the spot exchange rate between functional currency and the foreign currency at the date of transaction. Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated using the closing rate.

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income'.

1.11 Research and Development

Expenditure on research and development is charged to the profit and loss in the year in which it is incurred.

1.12 Provisions

Provisions are recognised when the Group has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic resource will be required in settlement and the amount can be reliably estimated.

1.13 Tax

Current tax represents the amount of tax payable or receivable in respect of the taxable profit (or loss) for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

CALASTONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (continued)

1.13 Tax (continued)

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.14 Judgements 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 statement of financial position 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:

Item	Critical accounting judgement estimate or assumption	Accounting policy
Deferred tax asset	Future profitability	1.13
Share based payments	Probability of future event and fair value of options at grant date	1.7

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.

1.15 Cash

Cash and cash equivalents includes cash in hand and deposits held at call with banks. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

1.16 Share capital

Ordinary shares are classified as equity.

1.17 Operating profit or loss before share based payments

In order to provide additional consideration of the underlying performance of the Group's ongoing business, the Group's results include an analysis of the operating profit or loss. The analysis shows the adjusting items which, in the opinion of the directors, should be excluded in order to provide a consistent and comparable view of the underlying performance of the group's ongoing business. This will include items that are largely one-off and material in nature and any fair value movements on options over equity interests held for non-speculative purposes. Adjusting items are identified and presented on a consistent basis each year.

1.18 Financial Instruments

The Group has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments.

CALASTONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. TURNOVER

All revenue recognised by the group relates to services performed in the United Kingdom.

3. OPERATING (LOSS)/PROFIT

	Year ended 31 December 2018 £000's	Year ended 31 December 2017 £000's
Operating (loss)/profit is stated after charging/(crediting):		
Amortisation of intangible fixed assets	29	31
Depreciation of tangible fixed assets	348	383
Operating lease charges	714	603
Foreign exchange charge/(credit)	32	(28)
Share based payments charge/(credit)	574	(163)

4. AUDITORS' REMUNERATION

	Year ended 31 December 2018 £000's	Year ended 31 December 2017 £000's
Fees payable to the Company's auditors for the audit of the Company's annual consolidated financial statements	33	32
No other fees were payable to the Company's auditors.		

5. STAFF COSTS

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
The average monthly number of employees including directors was:		
GROUP		
Sales and client relationship management	43	35
Operations, administration & management	47	43
Technical and product development	71	56
Total	<u>161</u>	<u>134</u>
COMPANY		
Sales and client relationship management	30	25
Operations, administration & management	46	42
Technical and product development	68	53
Total	<u>144</u>	<u>120</u>

Staff costs including directors' remuneration were as follows:

	Year ended 31 December 2018 £000's	Year ended 31 December 2017 £000's
GROUP		
Wages and salaries	13,042	11,517
Share based payments	574	(163)
Social security costs	1,434	1,264
Other pension costs	487	418
	<u>15,537</u>	<u>13,036</u>

CALASTONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. STAFF COSTS (continued)

Staff costs including Directors' remuneration were as follows:

COMPANY	Year ended 31 December 2018 £000's	Year ended 31 December 2017 £000's
Wages and salaries	11,490	10,115
Share based payments	574	(163)
Social security costs	1,344	1,197
Other pension costs	444	378
	<u>13,852</u>	<u>11,527</u>

6. DIRECTORS' REMUNERATION

	Year ended 31 December 2018 £000's	Year ended 31 December 2017 £000's
Remuneration	862	799

During the year no options were exercised by directors (2017: 1,500).

During the year no retirement benefits were accruing to directors in respect of defined contribution pension schemes.

	Year ended 31 December 2018 £000's	Year ended 31 December 2017 £000's
The emoluments of the highest paid director included above was:		
Remuneration	489	439

The highest paid director exercised no options in the year (2017: none). The highest paid director received no options in the year (2017: 91,146).

7. KEY MANAGEMENT PERSONNEL

	Year ended 31 December 2018 £000's	Year ended 31 December 2017 £000's
Salaries and other short-term benefits	1,505	1,436
Post-employment benefits	38	41
Total Remuneration	<u>1,543</u>	<u>1,477</u>

8. PENSION ARRANGEMENTS

The Group operates a defined contribution pension scheme available to all employees.

The pension cost charge represents contributions payable by the group, to the group scheme and to personal pension schemes. This amounted to £487k (2017: £418k).

CALASTONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

9. TAX ON (LOSS)/PROFIT

	Year ended 31 December 2018 £000's	Year ended 31 December 2017 £000's
(a) Analysis of tax credit in the year		
Current tax:		
UK corporation tax at 19.00% (2017: 19.25%)	(346)	(234)
Overseas corporate tax charge	54	54
Adjustment to prior period	8	(10)
Deferred tax		
Origination and reversal of timing differences	<u>101</u>	<u>(887)</u>
Tax on loss	(183)	(1,077)

(b) Reconciliation of tax charge

Tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19.00% (2017: 19.25%). The differences are explained below:

Profit/(Loss) before taxation	(790)	77
Tax on profit/(loss) at standard CT rate of 19.00% (2017:	(150)	15
Effects of:		
Expenses not deductible for tax purposes	69	115
Share based payments charge not deductible	110	(33)
Other permanent differences	1	1
Fixed asset timing differences	14	8
Additional deduction for R&D expenditure	(440)	(353)
Surrender of tax losses for R&D tax credit refund	107	74
Change in tax rates		(10)
Deferred tax recognised	93	(887)
Difference in overseas tax rates	5	3
Adjustment to prior period	8	(10)
Total tax (credit)/charge for the year	(183)	(1,077)

(c) Factors affecting future tax charge

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 £4.3m carried forward (2017: £4.3m).

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 Income Statement as at 31 December 2018 was: £7.6m (2017: £7.0m); at 31 December 2018 the contingent tax asset relating to this temporary timing difference is £1.2m (2017: £1.2m).

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

CALASTONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

9. TAX ON (LOSS)/PROFIT (continued)

(d) Deferred tax

	Gross amount £000's	Tax amount £000's	Deferred tax not recognised £000's	Accounts provision £000's
Closing provision at 17% - deferred tax liability/(asset)				
Fixed asset timing differences	(306)	(52)	-	(52)
Short-term timing differences (pension accrual)	(59)	(10)	-	(10)
Unused losses	(4,258)	(724)	-	(724)
Total provision	(4,623)	(786)	-	(786)
Opening provision at 19% - deferred tax liability/(asset)				
Fixed asset timing differences	(225)	(43)	-	(43)
Short-term timing differences (pension accrual)	(186)	(35)	-	(35)
Unused losses	(4,258)	(809)	-	(809)
Total provision	(4,669)	(887)	-	(887)

10. PROFIT AND LOSS ACCOUNT OF THE COMPANY

In accordance with the exemption allowed by Section 408 of the Companies Act 2006, the profit and loss account of the company is not presented. The loss for the financial year attributable to the Company dealt with in its own financial statements for the year ended 31 December 2018 is £0.8m (2017: profit of £0.9m).

11. INTANGIBLE ASSETS

GROUP & COMPANY	Software Licenses £000's
Cost	
As at 1 January 2018	102
Additions	15
Disposals and write offs	(15)
As at 31 December 2018	<u>102</u>
Accumulated Amortisation	
At 1 January 2018	55
Charge for the year	29
Eliminated on disposal and write offs	(15)
At 31 December 2018	<u>69</u>
Book value at 31 December 2018	34
Book value at 31 December 2017	47

The amortisation charge of the intangible assets are included in administrative expenses in the Consolidated Statement of Comprehensive Income.

CALASTONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. TANGIBLE ASSETS

	Fixtures Fittings & Equipment £000's
GROUP	
Cost	
As at 1 January 2018	1,493
Additions	646
Disposals and write offs	(111)
As at 31 December 2018	<u>2,028</u>
Accumulated Depreciation	
At 1 January 2018	1,137
Charge for the year	348
Eliminated on disposal and write offs	(111)
At 31 December 2018	<u>1,374</u>
Book value at 31 December 2018	654
Book value at 31 December 2017	356
COMPANY	
Cost	
As at 1 January 2018	1,380
Additions	646
Disposals and write offs	(107)
As at 31 December 2018	<u>1,919</u>
Accumulated Depreciation	
At 1 January 2018	1,023
Charge for the year	341
Eliminated on disposal and write offs	(107)
At 31 December 2018	<u>1,257</u>
Book value at 31 December 2018	662
Book value at 31 December 2017	357

CALASTONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

13. INVESTMENTS (COMPANY)	£000's
Cost and Book Value at 1 January 2018	2
Additions	9
Cost and Book Value at 31 December 2018	11

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of Incorporation	Class of shares	Holding
Calastone Pty Limited	Australia	Ordinary	100%
Calastone Hong Kong Limited	Hong Kong	Ordinary	100%
Calastone, Inc.	United States	Ordinary	100%
Calastone Technology Limited	United Kingdom	Ordinary	100%
Calastone Singapore Pte. Limited	Singapore	Ordinary	100%
Calastone Ireland Limited	Ireland	Ordinary	100%
Calastone Italia S.r.l.	Italy	Ordinary	100%

Registered address

Calastone Pty Limited	Level 22, MLC Centre, 19 Martin Place, Sydney NSW
Calastone Hong Kong Limited	Suite 1701-02, Floor 17, FWD Financial Centre, 308 Des Voeux Road, Central, Hong Kong
Calastone, Inc.	919 North Market Street, Suite 425, Wilmington, Delaware 19801
Calastone Technology Limited	20 Birchin Lane, London EC3V 9DU
Calastone Singapore Pte. Limited	30 Cecil Street 19-08 Prudential Tower, Singapore 049712
Calastone Ireland Limited	22 Northumberland Road, Ballsbridge, Dublin 4
Calastone Italia S.r.l.	Milano (MI) Via Serbelloni Gabrio 4 Cap 20122

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

The principle activity for all subsidiary undertakings is the provision of sales and sales support services to the parent company.

14. DEBTORS	Group		Company	
	2018	2017	2018	2017
	£000's	£000's	£000's	£000's
Trade debtors	3,251	2,886	3,252	2,886
Amounts owed by group undertakings	-	-	751	14
Other debtors	664	463	570	299
Tax recoverable	346	266	346	266
Deferred tax asset	786	887	786	887
Prepayments and accrued income	1,430	1,374	1,348	1,348
	6,477	5,876	7,053	5,700

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	Group		Company	
	2018	2017	2018	2017
	£000's	£000's	£000's	£000's
Trade creditors	628	1,103	544	1,002
Amounts owed to group undertakings	-	-	1,558	583
Other creditors	316	308	307	303
Other taxation and social security	1,600	1,782	1,484	1,706
Corporation tax	6	3	-	-
Accruals and deferred income	1,212	1,427	1,099	1,307
	3,762	4,623	4,992	4,901

Secured Creditors

There are no secured creditors as at 31 December 2018 (2017: none)

CALASTONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

16. FINANCIAL INSTRUMENTS

	2018 £000's	2017 £000's
GROUP		
The Group has the following financial instruments:		
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors	3,251	2,886
Other debtors	664	463
Cash at bank and in hand	3,523	5,198
	7,438	8,547

Financial liabilities measured at amortised cost:

Trade creditors	628	1,103
Accruals	911	1,225
Other creditors	316	308
	1,855	2,636

COMPANY

The Company has the following financial instruments:

	2018 £000's	2017 £000's
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors	3,252	2,886
Other debtors	570	299
Amounts owed by group undertakings	751	14
Cash at bank and in hand	3,313	5,025
	7,886	8,224

Financial liabilities measured at amortised cost:

Trade creditors	544	1,002
Accruals	799	1,118
Other creditors	307	303
Amounts owed to group undertakings	1,558	583
	3,208	3,006

**17. CALLED UP SHARE CAPITAL
GROUP & COMPANY**

	2018 £	2017 £
Allotted, called up fully paid:		
940,200 (2017: 856,730) Ordinary shares of £0.0001 each	94	87
767,722 (2017: 767,722) Ordinary A shares of £0.0001 each	77	77
868,688 (2017: 868,688) Preferred B shares of £0.0001 each	87	87
	258	251

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.

18. RESERVES

	Share Premium Account £000's	Translation Reserve £000's	Profit & Loss Account £000's
Group			
At 1 January 2018	13,230	(25)	(6,352)
Loss for the financial year	-	-	(607)
Share based payment credit	-	-	574
Issue of shares	73	-	-
Foreign exchange movement	-	32	-
At 31 December 2018	13,304	7	(6,386)

CALASTONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

18. RESERVES (continued)	Share Premium Account £000's	Profit & Loss Account £000's
Company		
At 1 January 2018	13,230	(7,001)
Loss for the financial year	-	(796)
Share based payment credit	-	574
Issue of shares	73	-
At 31 December 2018	<u>13,304</u>	<u>(7,223)</u>
19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
	2018 £000's	2017 £000's
Group		
Loss for the financial year	(607)	1,154
Share option charge	574	(163)
Foreign exchange movement	32	(45)
Issue of shares	73	27
Net movement in shareholders' funds	<u>72</u>	<u>973</u>
Opening shareholders' funds	6,854	5,881
Closing shareholders' funds	6,926	6,854
Company		
Loss for the financial year	(796)	928
Share option charge	574	(163)
Issue of shares	73	27
Net movement in shareholders' funds	<u>(149)</u>	<u>792</u>
Opening shareholders' funds	6,230	5,438
Closing shareholders' funds	6,082	6,230

20. 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 in the event of an event and subject to both continued employment and total transaction consideration thresholds.

	Year ended 31 December 2018		Year ended 31 December 2017	
	Number	Average Price (£)	Number	Average Price (£)
Outstanding at beginning of year	678,280	3.72	582,634	1.18
Granted	-	-	134,146	14.19
Allocated pending grant	-	-	-	18.50
Exercised	(73,437)	1.00	(1,500)	18.50
Forfeited	(111,209)	16.92	(37,000)	1.00
Outstanding at end of year	<u>493,634</u>	<u>1.16</u>	<u>678,280</u>	<u>3.72</u>

CALASTONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

20. SHARE BASED PAYMENTS (continued)

Year ended 31 December 2018			Year ended 31 December 2017		
Exercise price (£)	Number of shares	Weighted average remaining years	Exercise price (£)	Number of shares	Weighted average remaining years
1.00	489,134	5.65	1.00	572,634	6.70
18.50	4,500	7.92	18.50	105,646	2.47

During 2018 73,437 options were exercised (2017: 1,500).

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

The total charge to the P&L for the year relating to employee share based payments was £0.6m (2017: credit of £0.2m), all of which related to equity-settled share based payment transactions.

At 31 December 2018, there were 493,634 (2017: 678,280) share options outstanding. The range of exercise prices was between £1 and £18.50 per share. The weighted average contractual life remaining at 31 December 2018 was 5.67 years (2017: 7.15 years).

21. CASH FLOW FROM OPERATING ACTIVITIES

	Year ended 31 December 2018 £000's	Year ended 31 December 2017 £000's
Operating (loss)/profit	(791)	76
Depreciation and amortisation	377	414
Exchange rate variances	8	(28)
Share based payments charge/(credit)	574	(163)
Increase in debtors	(621)	(237)
(Decrease)/Increase in creditors	(863)	578
	<u>(1,316)</u>	<u>640</u>

22. OPERATING LEASE COMMITMENTS

At 31 December the group had total future minimum lease payments under non-cancellable leases as follows:

	2018 £000's	2017 £000's
Expiry date:		
Within 1 year	827	446
Between 2 and 5 years	2,148	240
	<u>2,975</u>	<u>686</u>

In 2018, a total of £0.8m was spent on operating lease commitments (2017: £0.6m).

CALASTONE LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2018

23. RELATED PARTY TRANSACTIONS

The Company was charged £20,000 (2017: £20,000) by Octopus Investments Limited during the year for monitoring fees. At 31 December 2018 £2,000 (2017: £2,000) was owed to Octopus Investments Limited.

All related party transactions were completed at arms length.

24. CONTROLLING PARTY

The directors do not consider there to be one ultimate controlling party or parent company.

25. DIVIDENDS

No dividends were paid or proposed between the year end and the date of the approval of the financial statements.