



**The Channel Islands Securities Exchange Limited**

**Annual Report and Consolidated Financial Statements**

**For the Period 14 November 2013 to 31 December 2014**

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

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# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Corporate Information

<b>Directors:</b>	J P Moulton	<i>(appointed 14 November 2013)</i> (Chairman)
	S P Lansdown	<i>(appointed 14 November 2013)</i>
	M K Stone	<i>(appointed 14 November 2013)</i>
	G E S Coltman	<i>(appointed 17 February 2014)</i>
	S R Turner	<i>(appointed 28 April 2014)</i>
	F L A Le Poidevin	<i>(appointed 7 January 2015)</i> (Chief Executive Officer)
<b>Previous Directors:</b>	T J Herbert	<i>(appointed 14 November 2013,</i> <i>resigned 16 January 2014)</i>
	R A Christensen	<i>(appointed 14 November 2013,</i> <i>resigned 31 January 2014)</i>
	P E D Cutts	<i>(appointed 14 November 2013,</i> <i>resigned 3 March 2014)</i>
<b>Secretary:</b>	C H Purdue	<i>(appointed 1 April 2014)</i>
<b>Previous Secretary:</b>	D E Thompson	<i>(appointed 14 November 2013,</i> <i>resigned 1 April 2014)</i>
<b>Auditors:</b>	PricewaterhouseCoopers CI LLP PO Box 321 1 Gategny Esplanade St Peter Port Guernsey GY1 4ND	
<b>Registered Office:</b>	One Lefebvre Street St Peter Port Guernsey GY1 4PJ	
<b>Registered Number:</b>	57524	
<b>Bankers:</b>	HSBC Bank plc PO Box 31 St Peter Port Guernsey GY1 3AT	
<b>Legal Advisers:</b>	Mourant Ozannes PO Box 186 1 Le Marchant Street St Peter Port Guernsey GY1 4HP	

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Chairman's Statement

The period since the Company came into existence on 14 November 2013 has been a busy one.

We have pushed ahead with recruitment, overhauled processes and procedures and credit should be given to the whole team as they did a fantastic job through difficult circumstances and a period of change. We even managed to make a profit.

We have bolstered our team with a number of new recruits, including Fiona Le Poidevin who became CEO of the Company on 1 January 2015. Fiona joins us from Guernsey Finance where she was Chief Executive and prior to that a tax adviser at a Big 4 firm. Fiona's remit will be to drive the business forward, develop our strategy, oversee marketing and branding and to sell the Exchange in our key markets.

Diana Thompson, CEO of The Channel Islands Securities Exchange Authority Limited (**CISEA**), is responsible for all activities of the Authority and our new structure therefore draws a clear line between promotional and sales work of the Company and the regulatory role of CISEA as Market Authority, a dynamic that was lacking in the structure of the previous Exchange.

In total, there are 42 sponsors who brought 393 new listings to the Exchange during the period, culminating in a total of 2,274 listings on the Official List as at 31 December 2014, with a total market capitalisation of £293 billion.

Notable listings included government bonds for the governments of both Jersey (£250 million) and Guernsey (£330 million) to help raise funds for infrastructure and other investment. The end of 2014 and beginning of 2015 have seen an upturn in the number of collective investment scheme and investment company listings on the Exchange, in particular those involved in real estate, debt and other alternative asset classes, correlating with the increased activity seen in the local funds sectors of both Islands.

During the period, we also worked on the set up of our Jersey office which opened in early 2015, with a launch party being held at the Royal Yacht Hotel in Jersey and attended by over 150 people including the Bailiff of Jersey, Sir William Bailhache, the Chief Minister, Senator Ian Gorst and the Assistant Chief Minister, Senator Philip Ozouf (who spoke at the event) and demonstrated the significant support from both government and industry which we greatly appreciate.

We now have four members of staff based in the Jersey office, which is situated in the heart of Digital Jersey at the Forum on Grenville Street. This fits well with our objectives around improving our own technology and working with companies in the fintech space.

Our outlook for 2015 and beyond is one of optimism. We now have an Exchange which is fit for purpose, with a robust governance structure and diverse and experienced Boards of both executive and non-executive directors at both the Company and CISEA level.

We have worked hard on our strategy for the Exchange; our vision is to be a leading independent Exchange and our mission is to provide a pragmatic and sensible regulatory environment.

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Chairman's Statement (continued)**

The strategy will include diversification of business streams, looking at niche markets, including new geographical markets, upgrading our IT systems and bringing more market makers, sponsors and trading companies to the Exchange in a bid to create a more liquid market, not simply a listing venue. We continuously work to improve customer service, with good progress in the last year.

Our watchwords are integrity, entrepreneurship and innovation; we are looking forward to developing our markets, we are open to new ideas and we look forward to working with our sponsors in 2015 and beyond.

We could not have achieved any of this without the efforts of our staff and Directors and the support of our sponsors and shareholders, so thank you all.



Jon Moulton  
27 March 2015

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Directors' Report

The Directors submit their report and the audited consolidated financial statements of The Channel Islands Securities Exchange Limited (the **Company**) and its subsidiary (together **the Group**) for the period ended 31 December 2014.

### Incorporation

The Company was incorporated in Guernsey on 14 November 2013 (Registered No. 57524).

The Company's wholly owned subsidiary, The Channel Islands Securities Exchange Authority Limited (**CISEA** or **Subsidiary**), was also incorporated in Guernsey on 14 November 2013 (Registered No. 57527).

### Acquisition of Business and Principal Activities

By way of a Scheme of Arrangement under Part VIII of The Companies (Guernsey) Law, 2008 (the **Companies Law**) sanctioned by order of The Royal Court of Guernsey (the **Royal Court**) on 20 December 2013 (the **Scheme of Arrangement**), the Company and its wholly owned subsidiary acquired the business of operating an investment exchange in the Channel Islands from The Channel Islands Stock Exchange, LBG (**CISX**).

The principal activity of the Group is the operation of an investment exchange.

The principal activities of the Company are the marketing and commercial activities in respect of the investment exchange operated by the Subsidiary.

CISEA is licensed to operate as an investment exchange (the **Exchange**) by the Guernsey Financial Services Commission (the **GFSC**) under The Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) (the **POI Law**). At a meeting of the States of Deliberation on 26 March 2014, CISEA was granted a statutory limitation of liability in respect of certain specified regulatory functions conferred on it by conditions to the licence issued by the GFSC.

### Results and Dividends

The results of the Group for the period are set out on page 20.

The Directors do not recommend the payment of a dividend in respect of the period.

### Business Review

The first financial period since incorporation proved to be an extremely busy one for the Company and for the Group. The business of operating an exchange in the Channel Islands transferred across from CISX to the Group on 20 December 2013 the day the Royal Court approved the terms of the Scheme of Arrangement. On the same day, HMRC designated CISEA as a recognised Stock Exchange. Further international recognitions and memberships quickly followed from the International Organisation of Securities Commissions, the Australian Securities Exchange and most recently the World Federation of Exchanges (Affiliate status). An application for recognition by the US Securities Exchange Commission has been submitted.

# **The Channel Islands Securities Exchange Limited**

**For the period 14 November 2013 to 31 December 2014**

## **Directors' Report (continued)**

On 20 December 2013 the GFSC licensed CISEA to carry on controlled investment business and to operate as an investment exchange. In early 2014, the States of Guernsey granted statutory immunity to CISEA in relation to specified regulatory functions.

The transfer of the business of operating an exchange in the Channel Islands also introduced a change in structure. There is a clearer separation of the commercial interests of the Group from its regulatory functions. Under the new structure, the Company is the parent company of CISEA and is responsible for marketing and commercial matters. CISEA is responsible for all regulatory matters. The independent Board of Directors of CISEA comprises Advocate Diana Thompson (Chief Executive Officer), Mark Tubby (Chairman) and Georgina Sines.

To ensure demonstrable, credible and effective regulation of the Exchange's market and its participants, as well as to ensure compliance with all legislation, rules and codes of practice, CISEA has created the roles of Head of Regulation and of Compliance Officer.

The GFSC licensed CISEA subject to the fulfilment of a number of conditions during 2014, including a full review of the Listing and Membership rules. A Rules Committee, to oversee this review and to ensure the ongoing appropriateness of the Membership and Listing Rules, was set up comprising Mark Tubby and Georgina Sines, together with four representatives from the Listing Members of the Exchange.

As at 31 December 2014 there were 3 Trading Members and 43 Listing Members. During the financial period, 3 Listing Members resigned and 1 new Listing Member was admitted.

During the financial period there were 393 new listings of securities. De-listings and maturities of securities totalled 705, predominantly in the first few months after the acquisition of the business. As at 31 December 2014 there were 2,274 securities listed.

Listing fees were reviewed and amended on 2 April 2014 and on 1 August 2014 to ensure the continued commercial success of the business.

The business traded profitably and proved to be cash generative during the Group's first financial reporting period. The Group now reports a profit despite having to bear the costs in connection with the acquisition of the business.

Since the period-end the Group has opened an office in Jersey in recognition of the importance of the Listing Members in Jersey and to improve the support offered to those Members, which has been well received.

## **Shareholders**

As at 31 December 2014, 1,285,400 ordinary shares were registered in the name of Huntress (CI) Nominees Limited. These shares were held in a nominee capacity on behalf of a number of underlying shareholders.

## **Directors of the Company**

The Directors of the Company during the period are set out on page 3.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Directors' Report (continued)

### Directors and their Interests

The Directors' interests in the share capital of the Company, as at 31 December 2014, were as follows:

J P Moulton	Indirect holding of 200,000 ordinary shares
S P Lansdown	Indirect holding of 250,000 ordinary shares
M K Stone	Indirect holding of 7,500 ordinary shares Beneficial interest in Hatstone Listing Services Limited which holds 1,500 ordinary shares
T J Herbert	Direct holding of 10,000 ordinary shares
G E S Coltman	Beneficial interest in Carey Olsen Corporate Finance Ltd which holds 246,100 ordinary shares

Except for 50,000 ordinary shares acquired on the secondary market by S P Lansdown on 19 September 2014, the ordinary shares were acquired further to the offer of shares made in conjunction with the Scheme of Arrangement.

### Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements for each financial period which give a true and fair view, in accordance with applicable Guernsey Law and United Kingdom Accounting Standards, of the state of affairs of the Company, and of the profit or loss of the Company for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to ensure that the financial statements comply with the Companies Law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Directors' Report (continued)

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

## Financial Statements and Audit

The Company has prepared consolidated financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" and in compliance with section 244 of the Companies Law. As a result, there is no requirement to prepare individual financial statements for the Company on a stand-alone basis.

The consolidated financial statements are subject to audit and are required to be filed with the GFSC. The individual financial statements for the Subsidiary are not subject to audit.

The GFSC has exercised the discretion permitted by the Investment Exchange (Notification) Rules 1998 (the **IEN Rules**) and dis-applied the requirement upon CISEA to file audited financial statements for CISEA.

The GFSC has exercised the discretion permitted by The Licensees (Conduct of Business) Rules 2009 (the **Licensees Rules**) and modified the requirement to file audited financial statements for CISEA to instead require CISEA to file the consolidated financial statements of the Company which include the CISEA's results.

## Auditor

The Auditors, PricewaterhouseCoopers CI LLP, have expressed their willingness to continue in office as auditors and a resolution to reappoint PricewaterhouseCoopers CI LLP as auditors to the Company will be proposed at the next Annual General Meeting.

This confirmation is given and should be interpreted in accordance with the provisions of section 249 of the Companies Law.

Approved by the Board of Directors on 27 March 2015 and signed on its behalf by:

*Jon Moulton*

**J P Moulton**  
Director

*Marcus Stone*

**M K Stone**  
Director

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Approach to Corporate Governance

### Introduction

The Boards of the Company and its Subsidiary, CISEA (together, the **Group**) are committed to high standards of corporate governance and business integrity in all of its activities. The Group is managed in a manner that results in transparency, effective risk management and strong internal controls. The Boards of the Company and of CISEA monitor the Group's adherence to these corporate governance standards to ensure their ongoing effectiveness.

CISEA is licensed to operate as an investment exchange (the **Exchange**) by the GFSC and is guided by the GFSC's Finance Sector Code of Corporate Governance (the **Code**) to which it will adhere wherever appropriate. The Code comprises eight principles which are referred to below.

Whilst the Company is not licensed by the GFSC, the Company's Board considers it good practice to adhere to the Code.

### 1. The Board

The Boards of the Company and of CISEA are the principal decision-making forum for the Group and are responsible to shareholders for achieving the Group's strategic objectives and delivering sustainable growth in shareholder value. The Directors act in a way they consider will promote the long-term success of the Group for the benefit of shareholders as a whole, with regard to the interests of the Group's employees and the impact of the business on the community and environment.

The Boards of the Company and of CISEA have elected standing Chairmen which both provide effective leadership. The roles of Chairman and Chief Executive Officer are distinct and separate with a clear division of responsibilities. The Chairman is responsible for the running and leadership of the Board and ensuring its effectiveness. The Chief Executive Officer has delegated authority from, and is responsible to, the Board for managing the Group's business with the power for further delegation in respect of matters which are necessary for the effective running and management of the business.

The Group's structure allows each Board to change their composition without undue disruption to the operation of the other.

There is a strong non-executive element on the Group's Boards, and the non-executive Directors provide deep corporate experience and knowledge which they apply to their understanding of the Group and its strategy.

#### 1.1 The Company

The Company's Board is the principal decision making forum for the Company and is responsible for the strategic objectives and performance of the Company and the Group. It is also responsible for the approval of the Group's annual business plan and budget, major changes to the Group's corporate structure, approval of the Group's annual report and financial statements and the approval of major capital expenditure.

# The Channel Islands Securities Exchange Limited

## For the period 14 November 2013 to 31 December 2014

### Approach to Corporate Governance (continued)

In a number of areas these responsibilities, under specific Terms of Reference, have been delegated to committees as follows:

- Audit (incorporating Risk) Committee, chaired by Advocate Marcus Stone;
- Nominations Committee, chaired by Stephen Lansdown; and
- Remuneration Committee, chaired by Advocate Guy Coltman.

The Company's Board has a range of skills, professional qualifications and experience relevant to the operation of the Company. The Board currently comprises five non-executive directors, including the Chairman, as well as an executive director who is the Chief Executive Officer. The non-executive directors fulfil a vital role in corporate accountability and bring independent judgment to issues of strategy, performance, resources and standards of conduct.

The Company's Board meets no less than four times a year and is provided with timely reports and direct access to any information on request.

#### 1.2 CISEA

CISEA's Board is responsible for all regulatory and operational matters of the Exchange. In a number of areas these responsibilities, under specific Terms of Reference, have been delegated to committees as follows:

- Listing & Membership Committee, which meets weekly for the purpose of managing, operating and regulating the Exchange; and
- Rules Committee, which meets as required to consider, recommend and approve changes to the Membership and Listing Rules to ensure their ongoing appropriateness.

CISEA's Board currently comprises one non-executive director, who is the Chairman, and two executive directors, one of which is the Chief Executive Officer. The Chairman is Mark Tubby who has over 20 years' experience of UK and International Financial Services Regulation and is currently a Director and Head of Compliance of finnCap Limited.

CISEA's Board meets monthly and is provided with timely reports and direct access to any information on request.

## 2. **Directors**

The basic duty of the Directors is to exercise their business judgement to act in what they reasonably believe to be the best interests of the Company. The Directors of the Company and of CISEA have sufficient experience to understand their duties and these duties are adhered to without exception. They are fully conversant with all applicable legislation and regulations and are constantly alert to emerging strategic issues.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Approach to Corporate Governance (continued)

The Boards of the Company and of CISEA consider that the Directors possess a strong range of business experience and that the Boards have the right mix of skills and experience given the Group's increasing diversification, scale and reach. The Boards consider that the appropriate balance of skills and experience is best achieved by balancing continuity of experience and new joiners and also by drawing Directors from a wide range of backgrounds, including legal, financial and IT. The Boards believe that the Group benefits from having directors with a mixture of tenures and backgrounds.

The Boards of the Company and of CISEA have concluded that all non-executive Directors are independent in character and judgement. In assessing each Director, the Boards considered whether there were relationships or circumstances which were likely to affect, or could appear to affect, the Director's judgement.

The Nominations Committee considers the size and structure of the Company's Board, as well as nominations to the Board. It also gives full consideration to succession planning. The current composition of the Board does not give rise to any immediate succession issues.

Directors have the benefit of Directors' and Officers' liability insurance cover which is renewed annually. The insurance does not provide cover for a Director in the event that the Director is proved to have acted fraudulently or dishonestly.

### 3. Business Conduct and Ethics

The Directors of the Company and of CISEA maintain good standards of business conduct, integrity and ethical behaviour and operate with due care and diligence and at all times honestly and openly.

Directors have a duty to avoid, manage or minimise conflicts of interest and should, wherever possible, arrange their personal and business affairs so as to avoid direct and indirect conflicts of interest. All Directors of the Company and of CISEA must declare any relevant interests at the start of each Board Meeting and both the Company and CISEA have a conflict of interest register.

The Chairman of the Company considers that all Directors are well aware of their duties by virtue of their experience and qualifications.

### 4. Accountability

The Board of the Company is responsible for overseeing the Group's objectives and business plans. It is aware of its responsibilities for financial reporting and maintaining an appropriate relationship with the Company's Auditors, for maintaining a sound system of internal control to safeguard the Group's assets and for the management of risks. In this regard it is assisted by the Audit Committee. The Company's Board actively monitors the effectiveness, professional relationship and independence of the Auditors in conjunction with the Audit Committee.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Approach to Corporate Governance (continued)

The Company's Board retains responsibility and accountability for the only material outsourced function, namely IT support.

The Company's Board undertakes an annual review of the Group's business activities and future prospects when it produces its business plan for the year ahead.

The Remuneration Committee reviews and considers the performance of the Chief Executive Officer and Chairman of the Company.

### 5. Risk Management

The Company's Board determines the Group's risk appetite and tolerance and develops policies, procedures and controls for identifying, evaluating and managing all significant risks faced by the Group.

The Audit (incorporating Risk) Committee considers and makes recommendations in connection with operational risk and financial fraud.

The Company's Board has established appropriate disaster recovery procedures.

### 6. Disclosure and Reporting

The Boards of the Company and of CISEA ensure the timely and balanced disclosure to shareholders and/or regulators of all material matters concerning the Group. The First Annual General Meeting (the **AGM**) of the Company was held on 9 December 2014, with another scheduled for June 2015.

### 7. Remuneration

The Board of the Company ensures that remuneration arrangements are structured fairly and responsibly and that remuneration policies are consistent with effective risk management. The Company's Remuneration Committee is responsible for, inter alia, the Group's remuneration policy and for reviewing and recommending all Directors and Senior Executives' remuneration, bonuses and incentives.

### 8. Shareholder Relations

The Board of the Company believes that shareholders play an integral part in corporate governance and therefore ensures that satisfactory communication takes place with shareholders and is based on a mutual understanding of needs, objectives and concerns.

The Group is committed to maintaining clear and open communications with its shareholders ensuring access to high quality information in an accessible and timely manner. Company shareholders are encouraged to attend the AGM and to put questions to the Board of the Company and of CISEA, including the Chairmen of the Company's various committees.

The Chairman of the Company makes himself available to shareholders at all times.

# **The Channel Islands Securities Exchange Limited**

**For the period 14 November 2013 to 31 December 2014**

## **Approach to Corporate Governance (continued)**

### **Conclusion**

The Boards of the Company and of CISEA understand their obligations under the Code and consider them central to the success of the Group.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Directors' Biographies

### Jon Moulton



Jon Moulton is Chairman of the Better Capital fund entities. He is also a Chartered Accountant, a CF and a Fellow of the Institute for Turnaround Professionals. Former Managing Partner of Alchemy, Jon also previously worked with Citicorp Venture Capital in New York and London, Permira and Apax. Jon is a Trustee of the UK Stem Cell Foundation. He is a very active angel investor. He is Non-Executive Chairman of finnCap, the stockbroker and a Member of the Advisory Board for the £2.8bn UK Regional Growth Fund, as well as fulfilling other public, corporate and charitable roles.

### Stephen Lansdown



Stephen Lansdown is co-founder and former Chairman of Hargreaves Lansdown PLC, the UK's biggest independent private client brokerage and a member of the FTSE 100. He resigned as an executive director in August 2010 to pursue his many other business interests. A Fellow of the Institute of Chartered Accountants in England and Wales as well as being a Fellow of the Chartered Institute for Securities and Investment, he was presented with Honorary Degrees from Bristol University (Doctor of Laws) and the University of the West of England (Doctor of Business Administration) in 2012.

The majority shareholder of Bristol City Football Club and Bristol Rugby Club, his vision to put Bristol on the sporting map has started to become reality with the formation of Bristol

Sport, a vehicle which will promote sport in Bristol and its place in the community.

He moved to Guernsey in March 2010 and has become a firm supporter of local business, culture and sports. Other Directorships held include Sustainable Technology Investments (Guernsey) Limited, Earth Capital Partners (Guernsey) Limited and Pula Limited.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Directors' Biographies (continued)

### Marcus Stone



Marcus Stone has seventeen years' experience in Jersey. Having previously been employed at Ogier and Crill Advocates (now Walkers), Marcus established the Jersey legal practice of Ozannes in 2006 before its merger in 2010 with Mourant. Marcus retired from the partnership of Mourant Ozannes in November 2011 to establish Hatstone Lawyers, a boutique private wealth and corporate practice.

Marcus was educated at Blundell's School in Devon, University of Exeter and University of Angers, France. Marcus is an Advocate of the Royal Court of Jersey and a registered person under the Financial Services (Jersey) Law 1998, as amended.

### Guy Coltman



Guy Coltman is a corporate partner of Carey Olsen's Jersey practice. Prior to joining Carey Olsen in September 2006, Guy practised corporate law with an emphasis on private and public company mergers and acquisitions at the London office of the international law firm Skadden Arps, Slate, Meagher & Flom (UK) LLP, and latterly with another law firm in Jersey.

Guy qualified as a solicitor in England and Wales whilst at Ashurst and was educated at McGill University in Montreal and Cambridge. He became a partner of Carey Olsen in March 2009. Guy is an Advocate of the Royal Court of Jersey.

### Stuart Turner



Stuart Turner has spent the last 30 years in the financial market industry. His early career was spent in investment analysis, merchant banking and building a global market information business. He followed this with a series of roles at a variety of stock and derivatives exchanges, mostly in IT, clearing, risk management and senior management roles.

In the last decade, Stuart has been applying his wealth of experience as a consultant with Bourse Consult, a boutique consultancy that provides exchanges, other financial market infrastructures and regulators worldwide with both strategic and practical advice.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Directors' Biographies (continued)

Most recently, Stuart has turned his long industry experience to different use by actually creating his own start-up company, Avenir Limited, to develop an innovative new range of post-trade software for securities depositories and share registrars.

### Fiona Le Poidevin



Fiona Le Poidevin is Chief Executive Officer for the Company.

Prior to her appointment in January 2015, Fiona was Chief Executive of Guernsey Finance, the promotional agency for the financial services industry in Guernsey. Her role included business development and strategy for the promotion of Guernsey's finance industry in the Island's target markets including Europe, the US and the emerging markets, as well as liaison with industry associations and government.

Previously a senior tax manager with a Big 4 accountancy firm, she has more than 16 years' experience working in financial services in both London and the Channel Islands.

Fiona is a Chartered Accountant (FCA), a Member of the Institute of Directors and holds the IoD Diploma in Company Direction.

# **The Channel Islands Securities Exchange Limited**

**For the period 14 November 2013 to 31 December 2014**

## **Independent Auditors' Report to the Members of The Channel Islands Securities Exchange Limited**

### **Report on the financial statements**

We have audited the accompanying consolidated financial statements ("the financial statements") of The Channel Islands Securities Exchange Limited ("the Company") which comprise the consolidated statement of financial position as of 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' responsibility for the financial statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland", and with the requirements of Guernsey law. 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.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2014, and of the financial performance and the cash flows of the Group for the period then ended in accordance with United Kingdom Accounting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

### **Report on other legal and regulatory requirements**

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information is as detailed on the Contents page.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Independent Auditors' Report to the Members of The Channel Islands Securities Exchange Limited (continued)

In our opinion the information as detailed in the Directors' Report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, 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.



PricewaterhouseCoopers CI LLP  
Chartered Accountants  
Guernsey, Channel Islands

Date: 27/3/15

### Notes

(a) The maintenance and integrity of The Channel Islands Securities Exchange Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Consolidated Statement of Comprehensive Income

	<i>Notes</i>	<b>£</b>
Turnover	5	3,084,609
Administrative expenses	6	<u>(3,027,695)</u>
<b>Operating profit</b>		<b>56,914</b>
Bank interest receivable		844
Interest payable		<u>(804)</u>
<b>Profit on ordinary activities before taxation</b>		<b>56,954</b>
Taxation	8	<u>-</u>
<b>Profit for the financial period</b>	7	<b>56,954</b>
Other comprehensive income		-
<b>Total comprehensive income for the financial period</b>		<b><u>56,954</u></b>
Earnings per share:		
Basic and fully diluted	9	<u>2.3p</u>

Profit for the financial period is wholly attributable to the owners of the Company, there being no non-controlling interests.

Profit for the financial period is wholly attributable to continuing operations.

The notes on pages 24 to 37 form an integral part of these Consolidated Financial Statements.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Consolidated Statement of Financial Position

	<i>Notes</i>	<b>£</b>
<b>Fixed assets</b>		
Intangible assets	11	155,785
Tangible fixed assets	12	<u>48,692</u>
		<b>204,477</b>
<b>Current assets</b>		
Debtors	13	703,964
Cash at bank and in hand		<u>3,165,615</u>
		<b>3,869,579</b>
<b>Current liabilities</b>		
Creditors: Amounts falling due within one year	14	<u>( 1,546,101)</u>
<b>Net current assets</b>		<b>2,323,478</b>
<b>Total assets less current liabilities</b>		<b>2,527,955</b>
Provisions for other liabilities	15	(90,000)
<b>Net assets</b>		<u><b>2,437,955</b></u>
<b>Capital and reserves</b>		
Called-up share capital	16	2,381,001
Retained earnings		56,954
<b>Shareholders' equity</b>		<u><b>2,437,955</b></u>

The Consolidated Financial Statements were approved by the Board of Directors on 27 March 2015.

Signed on behalf of the Board of Directors:

*Jon Moulton*

**J P Moulton**  
**Director**

*Marcus Stone*

**M K Stone**  
**Director**

The notes on pages 24 to 37 form an integral part of these Consolidated Financial Statements.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Consolidated Statement of Changes in Equity

	Called-up share capital £	Retained earnings £	Shareholders' equity £
Total comprehensive income for the period	-	56,954	56,954
New shares issued	2,461,001	-	2,461,001
Share issue costs	(80,000)	-	(80,000)
<b>At 31 December 2014</b>	<b>2,381,001</b>	<b>56,954</b>	<b>2,437,955</b>

The notes on pages 24 to 37 form an integral part of these Consolidated Financial Statements.

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Consolidated Statement of Cash Flows**

	<i>Notes</i>	£	£
Net cash inflow from operating activities	17(a)		<u>615,920</u>
<b>Investing activities</b>			
Net cash and cash equivalent from purchase of business	17(b)	247,000	
Payments to purchase tangible fixed assets		(70,345)	
Interest received		844	
			<u>177,499</u>
<b>Financing activities</b>			
Interest paid		(804)	
Issue of ordinary shares		2,453,000	
Share issue costs paid		(80,000)	
			<u>2,372,196</u>
<b>Net cash inflow from financing activities</b>			<b>2,372,196</b>
<b>Increase in cash and cash equivalents</b>			<b><u>3,165,615</u></b>
Cash and cash equivalents at start of the financial period			-
Cash and cash equivalents at end of the financial period	17(c)		<u>3,165,615</u>

The notes on pages 24 to 37 form an integral part of these Consolidated Financial Statements.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Notes to the Consolidated Financial Statements

### 1. General Information

The Company is a Limited Liability Company incorporated in Guernsey. The Registered Office is One Lefebvre Street, St Peter Port, Guernsey GY1 4PJ.

### 2. Statement of Compliance

The consolidated financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (**FRS 102**) and with the Companies Law.

### 3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statement are set out below.

#### (a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value arising from the business acquisition.

#### (b) Basis of consolidation

The financial statements include the financial statements of the Company and its sole Subsidiary, CISEA, drawn up to 31 December 2014. CISEA was incorporated on the same date as the Company and its results since incorporation have been consolidated. All intra-Group transactions, balances, revenues and expenses are eliminated on consolidation.

#### (c) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements, estimates and assumptions made by the Directors in preparing these financial statements are outlined in Note 4.

#### (d) Business combinations and intangible assets

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given and of equity instruments issued plus the costs directly attributable to the business combination.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Notes to the Consolidated Financial Statements (continued)

### 3. Summary of Significant Accounting Policies (continued)

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding five years.

Goodwill is assessed for impairment where there are indicators of impairment and any impairment would be charged to the Consolidated Statement of Comprehensive Income.

#### (e) Tangible fixed assets and depreciation

Tangible fixed assets acquired upon acquisition of a business are stated at fair value less depreciation recognised since the business acquisition. Other tangible fixed assets acquired are stated at cost less depreciation recognised since acquisition.

- Office premises improvements are written off over the expected period of occupancy of office premises.
- Furniture, fixtures and fittings acquired as a part of acquisition are written off over one year. Post acquisition, other furniture, fixtures and fittings acquired in the normal course of business are written off over three years.
- Computer equipment and software acquired as a part of acquisition are written off over one year. Post acquisition, other computer equipment and software acquired in the normal course of business is written off over three years.

#### (f) Revenue recognition

Initial listing fees are recognised upon receipt of initial listing applications. Such fees are required to be settled prior to commencement of the application process and are not refundable under any circumstances. Annual listing fees are recognised on a straight line basis over the period to which the fee relates. Other listing fees include fees for listing additional securities of an existing class. Such fees are recognised upon receipt of the further issue application.

Initial membership fees are recognised upon receipt of membership applications. Annual membership fees are recognised on a straight line basis over the period to which the fee relates.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Notes to the Consolidated Financial Statements (continued)

### 3. Summary of Significant Accounting Policies (continued)

Annual listing fees and annual membership fees invoiced but not yet recognised as income are recorded as deferred income. Fee income recognised not yet invoiced is recorded as accrued income in debtors.

Other income comprises other Exchange fees and delegate fees for Exchange organised workshops. Such income is recognised on a receivables basis when the services have been provided.

#### (g) Provisions for liabilities and contingencies

##### *i. Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

##### *ii. Contingencies*

Contingent liabilities are not recognised as a liability, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date; or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

#### (h) Employee benefits

Employee benefits, other than termination benefits, include all benefits to which employees become entitled as a result of services rendered to the Group during the reporting period. Employee benefits include salary, paid holiday arrangements, bonus payments and payments to employee's personal pension arrangements. The cost of such benefits are recognised as an expense on an accruals basis.

The Group has no formal bonus plan for employees. Bonus payments are recognised in the profit and loss account only when the Group has a legal and constructive obligation to make payments.

Employee termination benefits payable include benefits provided in exchange for the termination of an employee's employment. The cost of such benefits are recognised upon conclusion of any compromise agreement.

The Group provides no post-employment benefits.

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Notes to the Consolidated Financial Statements (continued)**

**3. Summary of Significant Accounting Policies (continued)**

(i) Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity of three months or less together with bank overdrafts. Bank overdrafts are shown in creditors: amounts falling due within one year.

(k) Financial instruments

*i. Financial assets*

Short-term financial assets including trade debtors and other debtors are initially recognised at transaction price, and subsequently measured at amortised cost, using the effective interest method.

Trade debtors arise from the raising of listing and membership fees. Trade debtors and other debtors are classified as current assets as these fall due within one year.

Trade debtors are subject to periodic impairment assessment. Any losses arising from impairment are recognised in the income statement.

*ii. Financial liabilities*

Short-term financial liabilities, including payments on account from issuers, trade creditors and other creditors, are initially recognised at transaction price, and subsequently measured at amortised cost using the effective interest method.

Trade creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade creditors and other creditors are classified as current liabilities as they are due within one year.

Payments on account from issuers are amounts received in advance of listing fees being raised and are also classified as current liabilities.

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds received.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Notes to the Consolidated Financial Statements (continued)

### 4. Critical Accounting Judgements and Estimation Uncertainty

The following judgements have had the most significant effect on amounts recognised in the financial statements:

- Goodwill – fair values on acquisition (*note 9*)

The Group acquired the business of operating an investment exchange in the Channel Islands from CISX on 20 December 2013. The Group acquired certain assets and liabilities of CISX in return for the consideration paid. Fair values at the time of the acquisition of the business needed to be assigned to the assets and liabilities assumed from CISX. The extent to which the fair values of the assets and liabilities fell short of the value of the consideration paid needed to be established and recognised as Goodwill.

The Group was provided with book cost values of assets and liabilities as recorded by CISX. The Group needed to consider the value of the recorded assets and liabilities and any adjustment necessary to the book cost values provided by CISX, and to consider recognition of any assets and liabilities not recorded, together with recognition of any contingent liabilities.

- Goodwill – impairment review

The Directors consider whether goodwill recognised is impaired. This requires assessment of the value of the business acquired together with an assessment of the likelihood and level of future profitability.

- Provision for liabilities - leasehold dilapidations (*note 14*)

The Group has occupied premises following the acquisition of the business from CISX. No formal assignment of the sub-lease entered into by CISX has taken place and the Scheme of Arrangement did not explicitly address the transfer of liabilities associated with the sub-lease.

A provision has been made for the estimated costs of dilapidation repairs in respect of premises occupied by the Company and its Subsidiary, notwithstanding the absence of a formal legally binding lease. The provision has been recognised immediately upon the possible assumption of liability on acquisition of the business of the CISX.

The existence and quantum of this liability has yet to be established.

- Administrative expenses – office premises costs

The Group's occupation of office premises following the acquisition of the business from CISX, notwithstanding the absence of a formal legally binding lease agreement, has been accounted for as an operating lease with commercial terms imputed.

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Notes to the Consolidated Financial Statements (continued)**

**5. Turnover**

	<b>Period from 14.11.2013 to 31.12.2014</b>	
	£	£
Membership fees		
• <i>Initial fees</i>	10,000	
• <i>Annual fees</i>	238,642	
	<hr/>	248,642
Listing fees		
• <i>Initial fees</i>	1,296,444	
• <i>Annual fees</i>	1,325,956	
• <i>Other fees</i>	152,675	
	<hr/>	2,775,075
Other income		60,892
		<hr/> <b>3,084,609</b> <hr/>

**6. Staff Costs**

Administrative expenses includes staff costs as follows:

	<b>Period from 14.11.2013 to 31.12.2014</b>
	£
Salaries, including bonus payments	1,644,336
Social security costs	93,807
Other employee benefits	162,926
	<hr/> <b>1,901,069</b> <hr/>

**7. Auditors' Remuneration**

Profit for the period has been arrived at after charging auditors' remuneration as follows:

	£
Fees payable to the Company's auditors for audit services	20,000
Fees payable to the Company's auditors for non-audit services	1,500
<b>Total</b>	<hr/> <b>21,500</b> <hr/>

**8. Taxation**

The results of the Company and its Subsidiary are subject to taxation in Guernsey at the company standard rate of 0%.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Notes to the Consolidated Financial Statements (continued)

### 9. Earnings per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	Period from 14.11.2013 to 31.12.2014 £
<b>Earnings</b>	
Basic and diluted earnings per share	<u>56,954</u>
<b>Weighted average number of ordinary shares</b>	
Basic and diluted earnings per share	<u>2,461,000</u>

### 10. Business Combination

On 14 November 2013 the Company and its wholly owned Subsidiary, CISEA, were incorporated in Guernsey.

By way of Scheme of Arrangement under Part VIII of the Companies Law, sanctioned by order of the Royal Court on 20 December 2013, the Company and CISEA acquired the business of operating an investment exchange in the Channel Islands from CISX.

On 20 December 2013, CISEA was licensed to operate as an investment exchange by the GFSC under the POI Law.

Further to the provisions of the IEN Rules and the Licensees Rules, the GFSC specified, in respect of financial resources, that CISEA must maintain net assets of at least £500,000 and have in place professional indemnity insurance cover which in the opinion of CISEA directors is sufficient to meet the commitments and to withstand the risks to which its business is subject.

The Company subscribed for 500,000 shares of £1 each in CISEA to provide CISEA with the required financial resources.

The following detail summarises the consideration paid by the Group to acquire the CISX business and the fair value of assets acquired and liabilities assumed at the acquisition date.

Consideration at 20 December 2013:

	£
Ordinary shares issued	8,000
Cash consideration	<u>152,000</u>
<b>Total consideration paid</b>	<u><b>160,000</b></u>

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Notes to the Consolidated Financial Statements (continued)**

**10. Business Combination (continued)**

For cash flow disclosure purposes the amounts are disclosed as follows:  
(See note 17(b))

	£
Cash consideration paid	(152,000)
Cash and cash equivalents acquired	399,000
<b>Net cash inflow on acquisition</b>	<b><u>247,000</u></b>

Recognised amounts of identifiable assets acquired and liabilities assumed:

	<i>Note</i>	<b>Book values</b> £	<b>Adjustments</b> £	<b>Fair value</b> £
Tangible assets		33,601	-	33,601
Trade debtors	<i>(a)</i>	118,859	(11,416)	107,443
Payments on account	<i>(b)</i>	(149,285)	41,615	(107,670)
Prepayments	<i>(c)</i>	28,881	(19,034)	9,847
Deferred income		(368,468)	-	(368,468)
Accruals	<i>(d)</i>	-	(18,485)	(18,485)
Provision for liabilities	<i>(e)</i>	-	(90,000)	(90,000)
Cash at bank		399,000	-	399,000
<b>Total identifiable net assets</b>		<b><u>62,588</u></b>	<b><u>( 97,320)</u></b>	<b><u>( 34,732)</u></b>

The adjustments to the book cost values provided by CISX were as follows:

- (a) Provision against doubtful trade debtors
- (b) De-recognition of the liability in respect of unidentified receipts
- (c) Recognition of a prepayment of no value
- (d) Recognition of an accrual in respect of holiday pay
- (e) Recognition of provision for dilapidations following assessment by third party surveyor  
(see Note 15)

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Notes to the Consolidated Financial Statements (continued)**

**10. Business Combination (continued)**

	£
Cash consideration	152,000
Shares	8,000
	<u>160,000</u>
Fair value acquired	(34,732)
<b>Goodwill</b>	<u><b>194,732</b></u>

**11. Intangible Assets**

	£
<b>Goodwill on acquisition of business</b>	
<b>Cost:</b>	
Acquisition of business	194,732
At 31 December 2014	<u><b>194,732</b></u>
<b>Amortisation:</b>	
Amortisation recognised during the period	38,947
At 31 December 2014	<u><b>38,947</b></u>
<b>Carrying amount</b>	
At 31 December 2014	<u><b>155,785</b></u>

**12. Tangible Assets**

	Office premises improvements £	Furniture, fixtures and fittings £	Computer equipment and software £	Total £
<b>Cost:</b>				
Acquisition of business	8,986	21,188	3,427	33,601
Other additions	-	15,161	55,184	70,345
At 31 December 2014	<u>8,986</u>	<u>36,349</u>	<u>58,611</u>	<u>103,946</u>
<b>Depreciation:</b>				
Recognised during the period	7,188	26,243	21,823	55,254
At 31 December 2014	<u>7,188</u>	<u>26,243</u>	<u>21,823</u>	<u>55,254</u>
<b>Carrying amount:</b>				
At 31 December 2014	<u>1,798</u>	<u>10,106</u>	<u>36,788</u>	<u>48,692</u>

**The Channel Islands Securities Exchange Limited**  
For the period 14 November 2013 to 31 December 2014

**Notes to the Consolidated Financial Statements (continued)**

**13. Debtors**

	£
Trade debtors	630,155
Other debtors	6,226
Prepayments and accrued income	67,583
	<u>703,964</u>

No amounts fall due after more than one year.

**14. Creditors: Amounts falling due within one year**

	£
Deferred income	1,223,209
Payments on account from issuers	68,512
Trade creditors and accruals	115,372
Other creditors	139,008
	<u>1,546,101</u>

**15. Provision for Liabilities**

<b>Dilapidations provision</b>	£
Acquisition of business	90,000
<b>At 31 December 2014</b>	<u>90,000</u>

The provision recognised relates to the dilapidations liability in respect of the premises occupied by the Company, One Lefebvre Street, St Peter Port, Guernsey.

CISX is party to a sub-lease in respect of the 1<sup>st</sup> floor of One Lefebvre Street entered into on 27 November 2000. Under this sub-lease, CISX has an obligation to repair damages which occur during the life of the lease, including wear and tear. The Scheme of Arrangement approved by the Royal Court on 20 December 2013 did not explicitly address the transfer of obligations in respect of the sub-lease.

The Group has occupied the 1<sup>st</sup> floor of One Lefebvre Street since the transfer of business previously undertaken by CISX from these offices. The Company has met the rental and service charge obligations under the sub-lease since the transfer of the CISX business.

An initial assessment of the liability for dilapidations under the sub-lease was made by an independent surveyor in May 2014 with a guide of £90,000. A more formal assessment has been commissioned by the Landlord in advance of the termination of the Head Lease on 30 March 2015. The results of this assessment have yet to be made available to the Company.

Negotiations with the Liquidators of CISX, regarding who should bear any claim made by the Landlord in respect of the 1<sup>st</sup> floor, remain on-going. The final dilapidations' liability of the Company is contingent on the outcome of these negotiations.

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Notes to the Consolidated Financial Statements (continued)**

**16. Share Capital**

	£
<b>Authorised</b>	
1 Non-Participating share of £1	1
5,000,000 Ordinary shares of £1 each	5,000,000
	<u>5,000,001</u>
<b>Allotted, called up and fully paid</b>	
Issued to the States of Guernsey – 1 Non-Participating share of £1	1
Issued on placement of shares – 2,453,000 ordinary shares of £1 each	2,373,000
Issued on acquisition of business – 8,000 ordinary shares of £1 each	8,000
	<u>2,381,001</u>

The Articles of Association stipulate that the Non-Participating share only carries voting rights where specifically provided for in the Companies Law and carries no right to receive any dividend and, on winding up, only the par value shall be payable.

Further to an Offer document dated 27 November 2013, 2,453,000 ordinary shares of £1 each were placed and issued at par. The placement involved underwriting and legal costs of £80,000. The net proceeds of the issued shares was £2,373,000.

**17. Notes to the Statement of Cash Flows**

(a) Reconciliation of profit to net cash inflow/(outflow) from operating activities

	£	£
Profit for the financial period		56,954
Adjustments to reconcile profit for the period to net cash flow from operating activities:		
Amortisation of intangible assets		38,947
Depreciation of tangible assets		55,254
Interest payable		804
Bank interest receivable		(844)
Working capital movements:		
<i>Debtors on acquisition of business</i>	117,291	
<i>As at 31 December 2014</i>	<u>703,964</u>	
Increase in debtors		(586,673)
<i>Creditors on acquisition of business</i>	(494,623)	
<i>As at 31 December 2014</i>	<u>1,546,101</u>	
Increase in creditors		1,051,478
<b>Net cash inflow from operating activities</b>		<u><b>615,920</b></u>

(b) Acquisition of business

	£
<i>Receipt of cash on acquisition of business</i>	399,000
<i>Payment of cash on acquisition of business</i>	(152,000)
Net cash and cash equivalents acquired from purchase of business	<u><b>247,000</b></u>

**The Channel Islands Securities Exchange Limited**  
For the period 14 November 2013 to 31 December 2014

**Notes to the Consolidated Financial Statements (continued)**

**17. Notes to the Statement of Cash Flows (continued)**

(c) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	£
Cash at bank and in hand	3,165,615
<b>At 31 December 2014</b>	<b><u>3,165,615</u></b>

**18. Related Parties**

During the reporting period the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and any trading balances outstanding at 31 December 2014, were as follows:

*i. Entities with significant influence over the Group*

Turnover

- Membership fees £5,000
- Other income – Workshop fees £690

Listing Member, Carey Olsen Corporate Finance Limited (**COCFL**), holds 10% of the issued share capital of the Company. In addition to the Membership fee, COCFL paid to attend workshops organised by the Group.

Director G E S Coltman is a corporate partner of Carey Olsen's Jersey practice and received total remuneration of £16,845 for the reporting period.

*ii. Entities controlled by Key Management Personnel*

Turnover

- Listing fees £22,826
- Membership fees £5,000
- Other income – *Workshop fees* £345

Expense

- Legal fees £4,925

Debtors

- Trade debtors – *Listing fees* £7,000

Creditors: Amounts falling due within one year

- Deferred income – *Listing fees* £4,094

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Notes to the Consolidated Financial Statements (continued)

### 18. Related Parties (continued)

Certain issuers that have listed securities on the Exchange operated by the Group are subject to control by Director, J P Moulton.

Listing Member, Hatstone Listing Services Limited (**HLSL**) is an entity in which Director Advocate Marcus Stone, holds a beneficial interest. In addition to the Membership fee, HLSL paid to attend workshops organised by the Group.

Hatstone Lawyers is a Jersey law firm in which Director Advocate Marcus Stone is a Group Partner.

#### (a) Terms and conditions of transactions with related parties

Income and expense transactions between related parties are made at normal market prices. Outstanding balances are unsecured, interest free and cash settlement is expected in line with set terms. Membership fees are due within 60 days of invoice.

The Group has not made any provision for doubtful debts relating to any amounts owed by related parties.

#### (b) Key management personnel

All Directors of the Company, as well as, all the Directors of CISEA, are considered to be key management personnel. Total remuneration for the reporting period, in respect of these individuals, is £518,022.

The Directors' Report details the interests in the share capital of the Company acquired by the Directors of the Company during the reporting period.

As at 31 December 2014, two Directors of CISEA, together with connected persons, held a total of 5,000 ordinary shares of the Company.

### 19. Controlling Party

The Directors are of the opinion that there is no immediate or ultimate controlling party of the Company.

### 20. Contingent Liabilities

As part of the Scheme of Arrangement dated 20 December 2013, an indemnity of up to £500,000 for up to three years was issued by the Company to CISX in respect of certain indemnities given by that company to certain former directors and employees of that company.

A former employee of the Company brought an action claiming compensation for loss of office. The action for summary judgment was dismissed by the Royal Court.

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Notes to the Consolidated Financial Statements (continued)**

**21. Commitments**

The Group has no capital commitments.

The Group has assumed the rental and service charge obligations under the sub-lease entered into by CISX. This sub-lease expires on 30 March 2015.

**22. Events after the Reporting Period**

On 1 January 2015, Fiona Le Poidevin was employed by the Company to take up the position of Chief Executive Officer and was appointed as a Director on 7 January 2015.

On 5 January 2015, the Group formally opened a branch office in Jersey.