Channel Islands Securities Exchange

The Channel Islands Securities Exchange Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2015

Contents

Corporate Information

Directors:	J P Moulton	(Chairman)
	S P Lansdown	
	M K Stone	
	G E S Coltman	
	S R Turner	
	F L A Le Poidevin	(Chief Executive Officer) (*appointed 7 January 2015*)
Secretary:	C H Purdue	
Auditors:	PricewaterhouseCoopers CI LLP PO Box 321 1 Glategny Esplanade St Peter Port Guernsey GY1 4ND	
Registered Office:	Helvetia Court Les Echelons St Peter Port Guernsey GY1 1AR	
Registered Number:	57524	
Bankers:	HSBC Bank plc PO Box 31 St Peter Port Guernsey GY1 3AT	
Legal Advisers:	Mourant Ozannes PO Box 186 1 Le Marchant Street St Peter Port Guernsey GY1 4HP	

Chairman's Statement

The last year has been another period of change for the Group but one which puts us in a strong position for the future.

Fiona Le Poidevin joined as CEO at the start of 2015 and has been instrumental in driving forward these changes. This included the launch of the Jersey office in February 2015 and I am delighted to say that in the intervening 12 months we have received very positive feedback from the States of Jersey, Jersey-based Members and the island's wider financial services community.

2015 also saw a change of premises in Guernsey to our new home at Helvetia Court. The open-plan layout creates a much more productive working environment and it also has the benefit of some fantastic views over Castle Cornet, which I am sure has been verified by those of you who have visited us not least for our drinks reception and AGM in October.

At the AGM we unveiled our strategy for the future and launched our new brand, which we think better reflects the values of the Exchange today and the vision we have for its future. The strapline is 'Responsive. Innovative.'

Also in October we amended the rules for specialist debt as part of our wider programme of ensuring that all the rules are fit for purpose. Since then, we have also introduced rules for Special Purpose Acquisition Companies (SPACs) in response to their resurgent popularity in the marketplace.

These were introduced at the end of November just ahead of what proved to be a particularly busy final month of the year when there were 81 new listings, which was higher than even the bumper December 2014. Overall during 2015, there was an 8% rise in new listings year on year with 423 securities listed, comprising 20 funds (17 closed-ended; 3 open-ended) and the remainder debt. The growing size of these debt issues – with leading global companies issuing as much as £2 billion at a time – pushed the market capitalisation of the listings on the Exchange up by £61 billion (21%) in the year to reach £357 billion at the end of December.

However, we are also seeing increased diversity within the debt listings. For example, there has been growth in the number of convertible bonds and loan notes being issued as companies seek to raise fresh capital without immediately diluting their equity. During 2015 we saw a number being issued by London Main Market listed companies and we believe that during 2016 we will see a pipeline of convertibles from AIM traded companies listing on the Exchange.

2015 also saw the first listing on the Exchange from an issuer with its ultimate parent company based in China. The structure was raising finance for activity back in China while we have seen other subsequent listings involving Chinese parent companies where finance is being raised for acquisitions outside of China, including the UK.

These developments demonstrate the Exchange's willingness to take a risk-based approach to assessing listing applications and thereby be open to good business from around the globe. Indeed, we have received a number of enquiries as to whether the Exchange is willing to accept Islamic finance / Shariah compliant structures and while these are not specifically referenced in the rules there is nothing to preclude this business. In fact, we already have a number of Shariah compliant funds and debt structures, including several sukuk bonds, listed on the Exchange.

One of these is award-winning for being innovative in combining two series of sukuks with Insurance Linked Securities. This is another niche asset class where there are already some related listings on the Exchange but where we see potential for more in the future. Similarly, in 2015, we saw more Real Estate Investment Trusts (REITs) being listed on the Exchange and already there have been a number of new applications at the start of 2016 as institutions seek to avail of the UK REIT regime.

These business streams, combined with two sets of major changes to the fee regimes during 2014, have led to an increased profit for 2015. This must be viewed in light of the fact that some of our most capital-intensive projects have been pushed back and therefore expenditure delayed but nevertheless it shows that we are in a strong position to continue developing the business during 2016 and beyond.

I am happy to report that the efforts of the executive team have meant that trading has continued well so far in the current financial year. We are continuously looking for new ways to improve and grow the business and I hope to be able to report on such in the coming months.

Jon Moulton
29 March 2016

Directors' Report

The Directors submit their annual report and the audited consolidated financial statements of The Channel Islands Securities Exchange Limited (the **Company**) and its subsidiary (together **the Group**) for the year ended 31 December 2015.

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 year are set out on page 18.

Dividends of £123,050, at 5p per ordinary share, were paid during the year. No dividends were paid in the prior financial period.

Business Review

The business review for the previous financial period concluded by noting that since the period-end the Group had opened an office in Jersey. It shows the Group's commitment to serving Jersey-based Members and has been very well received to date.

This latest period has also seen a change of premises in Guernsey to Helvetia Court, St Peter Port during August 2015. The office opening was marked in October by a drinks reception for Members and other guests, as well as shareholders who were also invited to the preceding AGM.

At the AGM, the latest iteration of the Group's strategy was unveiled. This included the announcement of the intention to list the Company on the Exchange operated by its subsidiary, the CISEA, during 2016.

It also laid out plans to improve the use of technology within the business to automate procedures and create efficiencies while also investing in an enhanced trading platform to help generate a more liquid market and enable the diversification of business and therefore revenue streams.

It was the potential offered in this regard which was of significant interest in seeking to acquire the assets of GXG Markets in July 2015. The deal had reached offer stage but, following extensive due diligence procedures, the Group decided not to proceed.

The AGM also saw the launch of the Group's new brand identity and this has been rolled out across various marketing materials in the intervening period.

Also in October, the CISEA amended the Chapter 8 rules for specialist debt as part of its wider programme of working via the Rules Committee to ensure that all the rules are fit for purpose. Since period-end it has commenced a review of the Chapter 7 rules for investment funds, not least due to the growing use of non-fund investment vehicles. In similar regard, in November, CISEA introduced a Chapter 10 set of rules for Special Purpose Acquisition Companies (SPACs) as a new product offering.

As at 31 December 2015 there were 43 Members in total of which 39 were Listing Members, 2 were combined Listing and Trading Members and 2 were Trading Members. During 2015, 4 Listing Members resigned, 2 new Listing Members were admitted and 1 Listing Member was also appointed a Trading Member. 3 of the 39 Listing Members chose not to renew their membership for 2016.

During 2015, the total number of listed entities on the Exchange fell by 101 (-4.4%), from 2274 to 2173 at the end of December. However, while there were 524 securities which delisted during the year, this was 153 (-22.6%) less than the previous 12 months (calendar year 2014). At the same time, there were 423 new listings during 2015, which was an 8% increase compared to calendar year 2014.

The Group has recorded an increased profit during 2015 compared to the previous financial period, which had included the acquisition of the business from CISX and two sets of major changes to the fee regimes.

There were no major amendments to the Listing and Membership fees during this financial year, although changes have come into effect since the year-end (1 January 2016).

Shareholders

As at 31 December 2015, 1,290,400 ordinary shares (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 year are set out on page 3.

Directors and their Interests

The Directors' interests in the share capital of the Company, as at 31 December 2015, 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
G E S Coltman	Beneficial interest in Carey Olsen Corporate Finance Ltd which holds 246,100 ordinary shares
F L A Le Poidevin	Options to acquire 250,000 ordinary shares

Hatstone Listing Services Limited, a company that M K Stone had a beneficial interest in until late in 2015, held 1,500 ordinary shares.

Former Director T J Herbert holds directly 10,000 ordinary shares.

Except for 50,000 ordinary shares acquired on the secondary market by S P Lansdown on 19 September 2014, Directors' and former Directors' holdings of the ordinary shares were acquired in conjunction with the Scheme of Arrangement.

The options to acquire ordinary shares were granted to F L A Le Poidevin on 9 December 2015.

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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", 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.

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 CISEA 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, on a stand-alone basis.

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 29 March 2016 and signed on its behalf by:

J P Moulton **Director**	**F L A Le Poidevin** **Director**

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 <u>The Company</u>

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.

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 M K Stone;

- Nominations Committee, chaired by S P Lansdown; and
- Remuneration Committee, chaired by G E S 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 and recommend 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 up and until the end of 2015 two executive directors. On 31 December 2015 one of the two executive directors resigned, leaving Diana Thompson as the sole executive director. 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 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 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. In line with the Companies Law and with the Articles of Association, the First Annual General Meeting of the Company was held on 9 December 2014, and a further Annual General Meeting (AGM) was held on 19 October 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.

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.

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.

Marcus Stone

Marcus Stone has twenty 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. In December 2015, Marcus left Hatstone Lawyers to establish Lexstone Lawyers, a commercial and corporate practice, with his team.

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.

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.

Her role includes strategy formulation and business development, exploring opportunities to grow the business through the introduction of new products and service offerings.

Prior to her appointment in January 2015, Fiona was Chief Executive of Guernsey Finance. Previously a senior tax manager with a Big 4 accountancy firm, she has more than 17 years' experience working in financial services in both London and the Channel Islands.

Fiona is a Chartered Accountant (FCA) and holds the IoD Diploma in Company Direction. She is also a member of the AIC Channel Islands Committee, the IoD Guernsey Tax and Regulatory Committee and the Marketing Committee of the Guernsey Investment Fund Association.

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 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year 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 2015, and of the financial performance and the cash flows of the Group for the year then ended in accordance with United Kingdom Accounting Standards, including FRS 102 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.

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: 29/3/16

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.

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2015 £	Period 14 November 2013 to 31 December 2014 £
Turnover	*5*	4,112,484	3,084,609
Administrative expenses	*6, 7*	(3,271,520)	(3,027,695)
Operating profit		**840,964**	**56,914**
Bank interest receivable		1,116	844
Interest payable		(8)	(804)
Profit on ordinary activities before taxation		**842,072**	**56,954**
Taxation	*8*	-	-
Profit for the financial year / period		**842,072**	**56,954**
Other comprehensive income		-	-
Total comprehensive income for the financial year / period		**842,072**	**56,954**
Earnings per share:			
Basic	*9*	34.2p	2.3p
Diluted	*9*	30.0p	2.3p

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

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

The notes on pages 22 to 38 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

	Notes	31 December 2015 £	31 December 2014 £
Fixed assets			
Intangible assets	11	116,842	155,785
Tangible fixed assets	12	117,466	48,692
		234,308	**204,477**
Current assets			
Debtors	13	476,636	703,964
Cash and cash equivalents		4,032,594	3,165,615
		4,509,230	**3,869,579**
Current liabilities			
Creditors: Amounts falling due within one year	14	(1,498,240)	(1,546,101)
Net current assets		**3,010,990**	**2,323,478**
Total assets less current liabilities		**3,245,298**	**2,527,955**
Provisions for other liabilities	15	(821)	(90,000)
Net assets		**3,244,477**	**2,437,955**
Capital and reserves			
Called-up share capital	16	2,381,001	2,381,001
Share-based payments reserve	18	87,500	-
Retained earnings		775,976	56,954
Shareholders' equity		**3,244,477**	**2,437,955**

The Consolidated Financial Statements were approved by the Board of Directors on 29 March 2016.

Signed on behalf of the Board of Directors:

J P Moulton
Director

F L A Le Poidevin
Director

The notes on pages 22 to 38 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

	Notes	Called-up share capital £	Share-based payments reserve £	Retained earnings £	Shareholders' equity £
Total comprehensive income for the period 14 November 2013 to 31 December 2014		-	-	56,954	56,954
New shares issued		2,461,001	-	-	2,461,001
Share issue costs		(80,000)	-	-	(80,000)
At 31 December 2014		**2,381,001**	**-**	**56,954**	**2,437,955**
At 1 January 2015		**2,381,001**	**-**	**56,954**	**2,437,955**
Total comprehensive income for the year ended 31 December 2015		-	-	842,072	842,072
Equity-settled share based payments	*18*	-	87,500	-	87,500
Dividends declared and paid		-	-	(123,050)	(123,050)
At 31 December 2015		**2,381,001**	**87,500**	**775,976**	**3,244,477**

The notes on pages 22 to 38 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2015 £	Period 14 November 2013 to 31 December 2014 £
Net cash inflow from operating activities	*17(a)*	1,097,027	615,920
Investing activities			
Net cash and cash equivalent from purchase of business	*17(b)*	-	247,000
Payments to purchase tangible fixed assets		(108,106)	(70,345)
Interest received		1,116	844
Net cash (outflow)/inflow from investing activities		**(106,990)**	**177,499**
Financing activities			
Interest paid		(8)	**(804)**
Issue of ordinary shares		-	2,453,000
Share issue costs paid		-	(80,000)
Dividend paid		(123,050)	-
Net cash (outflow)/inflow from financing activities		**(123,058)**	**2,372,196**
Increase in cash and cash equivalents		**866,979**	**3,165,615**
Cash and cash equivalents at start of the financial period		3,165,615	-
Cash and cash equivalents at end of the financial period	*17(c)*	4,032,594	3,165,615

The notes on pages 22 to 38 form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. General Information

The Company is a Limited Liability Company incorporated in Guernsey. The Registered Office is Helvetia Court, Les Echelons, St Peter Port, Guernsey GY1 14AR.

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

The consolidated 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 in the prior financial period.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its sole Subsidiary, CISEA, drawn up to 31 December 2015. The results of CISEA for the year have been consolidated. CISEA was incorporated on the same date as the Company and its results from incorporation up to 31 December 2014 have been consolidated and reported as part of the comparative amounts. 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.

3. Summary of Significant Accounting Policies (continued)

(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.

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 non cancellable 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.

3. Summary of Significant Accounting Policies (continued)

(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.

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, payments to employee's personal pension arrangements and share based payments. 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.

3. Summary of Significant Accounting Policies (continued)

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.

(i) Share-based payments

The Group provides share based payment arrangements to certain employees. Equity-settled arrangements are measure at fair value at the date of grant. For benefits that vest immediately, the fair value of the share options issued is expensed at date of grant. In the absence of observable market prices, the Directors estimate fair value with reference to the Black Scholes internationally recognised pricing model.

The Group has no cash-settled arrangements.

(j) 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.

(k) 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.

(l) 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.

Summary of Significant Accounting Policies (continued)

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.

(m) 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.

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 (*notes 10 and 11*)

  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 15*)

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

4. Critical Accounting Judgements and Estimation Uncertainty (continued)

A provision was made in the prior period 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 was recognised as a contingent liability as part of the acquisition of the business of the CISX.

Subsequent negotiations were undertaken with the liquidators of CISX leading to agreement for the Company to bear 1/15th of the costs once settlement was reached with the landlord of the premises. Post year-end negotiations between the liquidators of CISX and the landlord were concluded. Thus the uncertainty as to possible liability that existed in the prior period has now been resolved.

- Share based payments (*note 18)*

The fair value of share options issued under the Group Employee Share Option Scheme (ESOS) could not be established from observable market data. Instead, it has been necessary to estimate the fair value with reference to the internationally recognised Black Scholes option pricing model. The selection of this model, the selection of the inputs into this model, as well as, the review and the making allowance for the model's assumptions demanded judgement. In particular, best estimates were arrived at for the Company's share price, share price volatility and future dividend rates.

5. Turnover

	Year ended 31.12.2015		**Period from 14.11.2013 to 31.12.2014**	
	£	**£**	**£**	**£**
Membership fees				
• *Initial fees*	25,000		10,000	
• *Annual fees*	231,809		238,642	
		256,809		248,642
Listing fees				
• *Initial fees*	*1,303,100*		*1,296,444*	
• *Annual fees*	*2,326,405*		*1,325,956*	
• *Other fees*	*195,900*		*152,675*	
		3,825,405		2,775,075
Other income		30,270		60,892
		4,112,484		**3,084,609**

6. Staff Costs

Administrative expenses includes staff costs as follows:	Year ended 31.12.2015 £	Period from 14.11.2013 to 31.12.2014 £
Salaries, including bonus payments	1,818,454	1,644,336
Social security costs	105,838	93,807
Share based payments	87,500	-
Payments to employee's personal pension arrangements	63,414	89,458
Health insurance	43,723	42,462
Other employee benefits	25,087	31,006
	2,144,016	**1,901,069**

The average monthly number of persons (including executive directors) employed by the Group was 28.0 full time equivalents (FTEs) during the year and 26.3 FTEs during the period from 20 December 2013 to 31 December 2014.

7. Auditors' Remuneration

Fees payable to the Company's auditors for:	Year ended 31.12.2015 £	Period from 14.11.2013 to 31.12.2014 £
Audit services	32,000	20,000
Non-audit services	-	1,500
	32,000	**21,500**

8. Taxation

The Company and its Subsidiary are subject to taxation in Guernsey at the company standard rate of 0%. The Jersey office operates as a Jersey Branch of the Company and its results are subject to taxation in Jersey at the standard corporate tax rate of 0%.

9. Earnings per Share

	Year ended 31.12.2015 £	Period from 14.11.2013 to 31.12.2014 £
Weighted average number of ordinary shares		
Basic number of shares	2,461,000	2,461,000
Diluted number of shares	2,811,000	2,461,000

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	152,000
Total consideration paid	**160,000**

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
Net cash inflow on acquisition	**247,000**

10. Business Combination (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed:

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

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 (*see Note 15*)

	£
Cash consideration	152,000
Shares	8,000
	160,000
Fair value acquired	(34,732)
Goodwill	194,732

11. Intangible Assets

Goodwill on acquisition of business	£
Cost:	
Acquisition of business	194,732
At 31 December 2014	194,732
Additions	-
At 31 December 2015	194,732
Amortisation:	
Charge for the period ended 31 December 2014	38,947
At 31 December 2014	38,947
Charge for year ended 31 December 2015	38,943
At 31 December 2015	77,890
Carrying amount	
At 31 December 2014	155,785
At 31 December 2015	116,842

12. Tangible Assets

	Office premises improvements £	Furniture, fixtures and fittings £	Computer equipment and software £	Total £
Cost:				
Acquisition of business	8,986	21,188	3,427	33,601
Other additions	-	15,161	55,184	70,345
At 31 December 2014	8,986	36,349	58,611	103,946
Additions	78,774	10,209	19,123	108,106
Written down	(8,986)	(21,188)	(3,427)	(33,601)
At 31 December 2015	78,774	25,370	74,307	178,451
Depreciation:				
Charge for the period ended 31 December 2014	7,188	26,243	21,823	55,254
At 31 December 2014	7,188	26,243	21,823	55,254
Charge for the year ended 31 December 2015	6,106	8,458	24,768	39,332
Written down	(8,986)	(21,188)	(3,427)	(33,601)
At 31 December 2015	4,308	13,513	43,164	60,985
Carrying amount:				
At 31 December 2014	1,798	10,106	36,788	48,692
At 31 December 2015	74,466	11,857	31,143	117,466

13. Debtors

	31.12.2015	31.12.2014
	£	£
Trade debtors	363,018	630,155
Other debtors	4,043	6,226
Prepayments and accrued income	109,575	67,583
	476,636	**703,964**

No amounts fall due after more than one year.

14. Creditors: Amounts falling due within one year

	31.12.2015	31.12.2014
	£	£
Deferred income	1,250,916	1,223,209
Payments on account from issuers	30,541	68,512
Trade creditors and accruals	194,313	115,372
Income tax and social security	-	128,585
Other creditors	22,470	10,423
	1,498,240	**1,546,101**

15. Provision for Liabilities

Dilapidations provision	**£**
Acquisition of business	90,000
At 31 December 2014	**90,000**
Adjustment to provision acquired	(84,715)
Reclassification as Creditor: Amount falling due within one year	(5,285)
New provision established	821
At 31 December 2015	**821**

The provision as at 31 December 2014 related to the dilapidations liability in respect of premises previously occupied by the Group.

A sub-lease in respect of the 1st floor of One Lefebvre Street, St. Peter Port, Guernsey was entered into by CISX on 27 November 2000. Under this sub-lease, CISX had an obligation to repair damages which occurred 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 occupied the 1st floor of One Lefebvre Street following the Scheme of Arrangement up and until the end of the sub-lease on 30 March 2015. The Company met the rental and service charge obligations under the sub-lease post the Scheme of Arrangement.

15. Provision for Liabilities (continued)

Further to the Scheme of Arrangement, the Company established a provision of £90,000 in respect of the potential dilapidations liability. With negotiations between the Company, the liquidators of CISX and the Landlord of the premises yet to commence, the provision established was left unchanged as at 31 December 2014.

A formal assessment of dilapidations was commissioned by the Landlord upon the termination of the Head Lease on 31 March 2015. Negotiations between the Landlord and CISX duly followed. Separately, negotiations began between the Company and the liquidators of CISX.

Negotiations between the Company and the liquidators of CISX concluded with the Company agreeing to bear 1/15th of the costs once settlement was reached with the landlord. Post year-end the liquidators of CISX and the landlord reached agreement as to the costs. The Company then paid £5,285 settling its agreed share of the claim.

On 8 June 2015, the Company entered into a lease in respect of office premises at Helvetia Court, South Esplanade, St. Peter Port, Guernsey. The Company subsequently fitted out these offices. Following such fitting out, the Company identified a liability estimated at £15,000 to make good the alterations, removing new fixtures and fittings come the end of the lease. The lease allows early termination after 7 years. Recognition of a provision of £821 has been made based on days since the completion of the fitting out to 31 December 2015.

16. Share Capital

	31.12.2015 £	31.12.2014 £
Authorised		
1 Non-Participating share of £1	1	1
5,000,000 Ordinary shares of £1 each	5,000,000	5,000,000
	5,000,001	5,000,001
Allotted, called up and fully paid		
Issued to the States of Guernsey – 1 Non-Participating share	1	1
Issued on placement of shares – 2,453,000 Ordinary shares	2,453,000	2,453,000
Placement costs	(80,000)	(80,000)
Issued on acquisition of business – 8,000 Ordinary shares	8,000	8,000
	2,381,001	**2,381,001**

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

	Year ended 31.12.2015		Period from 14.11.2013 to 31.12.2014	
	£	£	£	£
Profit for the financial period		842,072		56,954
Adjustments to reconcile profit for the period to net cash flow from operating activities:				
Amortisation of intangible assets		38,943		38,947
Depreciation of tangible assets		39,332		55,254
Share based payments charge		87,500		-
Provision for other liabilities		(89,179)		-
Interest payable		8		804
Bank interest receivable		(1,116)		(844)
Working capital movements:				
Debtors on acquisition of business			*117,291*	
As at 31 December 2014	703,964		*703,964*	
As at 31 December 2015	476,636			
Increase in debtors		227,328		(586,673)
Creditors on acquisition of business			(494,623)	
As at 31 December 2014	1,546,101		1,546,101	
As at 31 December 2015	1,498,240			
Increase in creditors		(47,861)		1,051,478
Net cash inflow from operating activities		**1,097,027**		**615,920**

(b) Acquisition of business

	Period from 14.11.2013 to 31.12.2014
	£
Receipt of cash on acquisition of business	*399,000*
Payment of cash on acquisition of business	*(152,000)*
Net cash and cash equivalents acquired from purchase of business	**247,000**

(c) Cash and cash equivalents

	31.12.2015	31.12.2014
Cash and cash equivalents comprise the following:	£	£
Cash at bank and in hand	4,032,594	3,165,615

18. Share based payments

Equity-settled share option scheme

The Group operates an Employee Share Option Scheme (ESOS) as approved by the shareholders of the Company by way of written resolution on 9 December, 2015. Under the ESOS, the Directors determine which employees are eligible to participate in the ESOS and no employee is, by right, eligible to participate.

Under the ESOS, the lesser of 1 million shares or 20% of the issued share capital of the Company may be issued over a 7 year period. The Directors may apply exercise conditions to the issue of any options. Any options issued may be exercised any time between date of grant and 7 years after grant. The option exercise price is set by the Directors and must not be less than the market value of CISE shares at date of grant. An employee may not sell or otherwise transfer options granted and the options either lapse within 1 month of cessation of employment or are automatically cancelled.

Details of the share options granted during the year are as follows:-

	Number of options	Exercise price
Granted during the year	350,000	£1.00
Outstanding at the end of the year	350,000	£1.00

The options granted were subject to no exercise conditions and vested on the date of grant. Accordingly, the increase in equity associated with the grant of the options has been recognised in full on the date of grant. All options granted in the year are still outstanding at year end as no options were exercised or expired between their grant date and year end.

The Group was unable to directly measure the fair value of employee services received. Instead the fair value of the share options at the date of grant has been utilised. With no observable market price, the Directors have needed to utilise an alternative valuation methodology. The Directors arrived at a value for the options with reference to the internationally recognised Black Scholes option pricing model.

In respect of the equity-settled share-based payment transactions, the Group recognised a charge to the consolidated statement of comprehensive income within staff costs, detailed in note 6, for the year of £87,500.

19. Related Parties

During the year and the prior reporting period the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and all trading balances outstanding at 31 December 2015 and at 31 December 2014, were as follows:

i. Entities with significant influence over the Group

	2015	2014
Turnover		
• Membership fees	£5,000	£5,000
• Other income – Workshop fees	£975	£690
Dividend payments	£12,305	Nil

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 £20,000 (2014: £16,845) for the year.

ii. Entities controlled by Key Management Personnel

	2015	2014
Turnover		
• Listing fees	£14,436	£22,826
• Membership fees	£5,000	£5,000
• Other income – *Workshop fees*	Nil	£345
Expenses		
• Legal fees	£525	£4,925
Dividend payments	£22,575	Nil
Debtors		
• Trade debtors – *Listing fees*	Nil	£7,000
Creditors: Amounts falling due within one year		
• Deferred income – *Listing fees*	£2,631	£4,094

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, previously held a beneficial interest. In addition to the Membership fee, in 2014, HLSL paid to attend workshops organised by the Group.

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

19. Related Parties (continued)

(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 during their term of appointment. The compensation recognised for the year in respect of key management totalled £864,694 (2014: £458,022).

The Directors' Report details the interests in the share capital of the Company at the year end and of the share transactions during the year and prior reporting period.

As at 31 December 2015, Directors of CISEA, together with connected persons, held a total of 5,000 ordinary shares of the Company and 100,000 share options (2014: 5,000 ordinary shares and nil share options). See also note 18 above.

In addition to the dividends received by entities controlled by key management reported above, key management and their close family received dividends totalling £625 in 2015 (2014: Nil)

20. Controlling Party

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

21. 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 in the Royal Court for compensation for loss of office. This stems from a written Compromise Agreement upon which he seeks to rely, dated 13 January 2014. This is between himself, CISX and the Company. He claims £30,000 under that Compromise Agreement. The action is contested and is due to be heard before the Royal Court on 30/31 March 2016 with judgment expected no later than the following month.

22. Operating Leases

On 8 June 2015, the Company entered into a 15 year lease in respect of office premises at Helvetia Court, South Esplanade, St. Peter Port, Guernsey. The lease allows for early termination after 7 years. On 20 July 2015, the Company entered into a serviced offices licence in relation to an office at Forum 3, Grenville Street, St. Helier, Jersey. The minimum term under the licence is 30 months.

The Group had the following future minimum lease payments under non-cancellable operating leases:

Payments due	31.12.2015	31.12.2014
	£	£
Not later than 1 year	191,616	-
Later than 1 year and not later than 5 years	758,200	-
Later than 5 years	266,360	-
	1,216,176	-

The Group recognised operating lease charges totalling £177,355 for the year (2014: £97,048).

23. Events after the Reporting Period

At the AGM held on 19 October 2015 it was announced that it was intended to list the ordinary shares of the Company on the Exchange during 2016. This plan remains the intention of the company and is being actively progressed.