



**The Channel Islands Securities Exchange Limited**

**Unaudited Interim Financial Report**

**For the six month period ended 30 June 2016**

# The Channel Islands Securities Exchange Limited

## For the six month period ended 30 June 2016

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# The Channel Islands Securities Exchange Limited

For the six month period ended 30 June 2016

## Corporate Information

<b>Directors:</b>	J P Moulton	(Chairman)
	S P Lansdown	
	G E S Coltman	
	S R Turner	
	F L A Le Poidevin	(Chief Executive Officer)
	M K Stone resigned as a director on 24 May 2016	
<b>Secretary:</b>	P D Smith	(appointed 15 September 2016)
	C H Purdue resigned as Secretary on 30 June 2016	
<b>Registered Office:</b>	Helvetia Court Les Echelons St Peter Port Guernsey GY1 1AR	
<b>Registered Number:</b>	57524	
<b>Listing Sponsor:</b>	Bedell Channel Islands Limited 26 New Street St Helier Jersey JE2 3RA	
<b>Registrar:</b>	Anson Registrars Limited Anson House Havilland Street St Peter Port Guernsey GY1 2QE	

# The Channel Islands Securities Exchange Limited

For the six month period ended 30 June 2016

## Interim Chairman's Statement

The first half of this year has been another period of development for the Group and one which positions us very well for the future.

Central to this is that just prior to the period-end the Company was admitted to the Official List of the Exchange operated by our wholly owned subsidiary, The Channel Islands Securities Exchange Authority Limited (CISEA). The Company has not raised any additional capital but has been admitted by way of introduction of the existing 2,461,000 ordinary shares.

By listing its shares, the Company is demonstrating to shareholders and any future investor that it is willing to follow the Listing Rules of CISEA and adhere to its required standards of transparency and governance. At present there is a limited market for the shares but it is envisaged that the listing may also provide enhanced liquidity, enabling shareholders to join in our success and with the ability to crystallise the value of their investment at a point in the future.

During the period, the Company defended itself in the Royal Court of Guernsey against an action brought by a former employee who was seeking compensation in respect of a written Compromise Agreement dated 13 January 2014. The Company had withheld the funds because evidence came to light that demonstrated, in the opinion of the Board, gross misconduct in regulatory matters during his employment at the Channel Islands Stock Exchange LBG (CISX). On 27 July 2016 the Court handed down its judgment in favour of the former employee. It was published on 23 August 2016.

We expect very high standards of performance from our staff but the Court clearly did not concur with our interpretation of what constitutes gross misconduct in the context of the Group's activities. We acknowledge the judgment in relation to this case regarding historic CISX matters. However, we also believe that, as the Group operates and regulates an exchange, we should continue to aim to uphold the highest standards of governance and integrity for the best interests of the Exchange and its stakeholders.

The financial impact of this case has been to reduce operating profit for the period by £199k. Operating profit before the exceptional costs recognised in connection with the litigation was £624k as compared to £449k reported for the comparative period. This strong financial performance has been led by the fact that during the period there were 229 newly listed securities (up 12.8% compared to a year previously) and there was a reduction of 28.5% in delisted securities compared to the same period last year. Together, this contributed to the net number of listed securities growing by 49 (2.2%) from the end of December 2015 to reach 2,222 at the end of June 2016.

New listed securities during the period comprised two equities, six investment vehicles and a range of different debt vehicles. We have continued to list a stream of convertible bonds being issued by companies listed on the markets of the London Stock Exchange and there has also been growing interest from issuers and their advisers in listing high yield bonds, with the first for several years being admitted to the Exchange on 5 August 2016.

It is anticipated that this could be a good source of new business during the rest of the year and as such, there are specific marketing plans in place for this business stream as well as others. These initiatives are being built around the new website which went live during June and has received positive feedback from staff, sponsors and our wider stakeholders. It has been followed by the launch of a new quarterly email newsletter, Livewire, with the first issue distributed to all our contacts in July. This marketing activity complements our continued programme of meeting sponsors, advisers and issuers in Guernsey, Jersey and London as well as further afield.

## The Channel Islands Securities Exchange Limited

For the six month period ended 30 June 2016

I would like to congratulate Jon Richards and Robbie Andrade who were appointed to the Board of CISEA with effect from 1 July 2016. Their appointments not only add to the diversity of expertise on the Board of CISEA but also demonstrate the range of career opportunities which are available through working at the Exchange.

Marcus Stone resigned as a director of the Company on 24 May 2016. May I record our thanks to Marcus for his valuable contribution to the direction of the Company since incorporation.

The activity during the first half of the year has not only improved our position financially but also put us in a stronger position from which to capitalise on opportunities for developing the business during the remainder of 2016 and beyond.

There is considerable effort being applied to further grow the business, both geographically and in product areas, where our considerable financial resources provide opportunity.

I would like to thank all the staff for their hard work and the shareholders for their continued support.



Jon Moulton, Chairman  
15 September 2016

# The Channel Islands Securities Exchange Limited

For the six month period ended 30 June 2016

## Condensed Consolidated Statement of Comprehensive Income

	<i>Notes</i>	Unaudited Six month period ended 30 June 2016 £	Unaudited Six month period ended 30 June 2015
Turnover	6	2,097,861	1,950,343
Administrative expenses		(1,672,866)	(1,501,712)
<b>Operating profit</b>		<b>424,995</b>	<b>448,631</b>
Bank interest receivable		655	505
Interest payable		-	(8)
<b>Profit on ordinary activities before taxation</b>		<b>425,650</b>	<b>449,128</b>
Taxation	8	-	-
<b>Profit for the financial period</b>		<b>425,650</b>	<b>449,128</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the financial period</b>		<b>425,650</b>	<b>449,128</b>
Earnings per share:			
Basic	9	17.3p	18.2p
Diluted	9	16.4p	18.2p

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 10 to 14 form an integral part of these Consolidated Financial Statements.

# The Channel Islands Securities Exchange Limited

For the six month period ended 30 June 2016

## Condensed Consolidated Statement of Financial Position

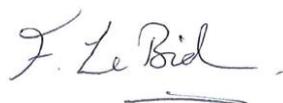
	<i>Notes</i>	<b>Unaudited 30 June 2016 £</b>	<b>Audited 31 December 2015 £</b>
<b>Fixed assets</b>			
Intangible assets		97,369	116,842
Tangible fixed assets		99,274	117,466
		<b>196,643</b>	<b>234,308</b>
<b>Current assets</b>			
Debtors	11	416,102	476,636
Cash and cash equivalents		4,867,346	4,032,594
		<b>5,283,448</b>	<b>4,509,230</b>
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	12	(1,863,400)	(1,498,240)
<b>Net current assets</b>		<b>3,420,048</b>	<b>3,010,990</b>
<b>Total assets less current liabilities</b>		<b>3,616,691</b>	<b>3,245,298</b>
Provision for other liabilities	13	(81,919)	(821)
<b>Net assets</b>		<b>3,534,772</b>	<b>3,244,477</b>
<b>Capital and reserves</b>			
Called-up share capital		2,381,001	2,381,001
Share-based payments reserve		87,500	87,500
Retained earnings		1,066,271	775,976
<b>Shareholders' equity</b>		<b>3,534,772</b>	<b>3,244,477</b>

The Condensed Consolidated Financial Statements were approved by the Board of Directors on 15 September 2016.

Signed on behalf of the Board of Directors:



Director



Director

The notes on pages 10 to 14 form an integral part of these Consolidated Financial Statements.

# The Channel Islands Securities Exchange Limited

## For the six month period ended 30 June 2016

### Condensed Consolidated Statement of Changes in Equity

	<i>Notes</i>	Called-up share capital £	Share-based payments reserve £	Retained earnings £	Shareholders' equity £
<b>At 31 December 2014 (Audited)</b>		<b>2,381,001</b>	-	<b>56,954</b>	<b>2,437,955</b>
Total comprehensive income for the period 1 January 2015 to 30 June 2015		-	-	449,128	449,128
<b>At 30 June 2015 (Unaudited)</b>		<b>2,381,001</b>	-	<b>506,082</b>	<b>2,887,083</b>
<b>At 31 December 2015 (Audited)</b>		<b>2,381,001</b>	<b>87,500</b>	<b>775,976</b>	<b>3,244,477</b>
Total comprehensive income for the period 1 January 2016 to 30 June 2016		-	-	425,650	425,650
Dividends declared and paid	10	-	-	(135,355)	(135,355)
<b>At 30 June 2016 (Unaudited)</b>		<b>2,381,001</b>	<b>87,500</b>	<b>1,066,271</b>	<b>3,534,772</b>

The notes on pages 10 to 14 form an integral part of these Consolidated Financial Statements.

# The Channel Islands Securities Exchange Limited

For the six month period ended 30 June 2016

## Condensed Consolidated Statement of Cash Flows

	Unaudited Six month period ended 30 June 2016 £	Unaudited Six month period ended 30 June 2015 £
<b>Operating activities</b>		
Operating profit	424,995	448,631
Adjustments for:		
Amortisation of intangible assets	19,473	19,472
Depreciation of tangible assets	23,219	15,536
Decrease in debtors	60,534	233,291
Increase/(decrease) in creditors	365,160	(41,052)
Provision for other liabilities	81,098	-
<b>Net cash inflow from operating activities</b>	<b>974,479</b>	<b>675,878</b>
<b>Investing activities</b>		
Payments to purchase tangible fixed assets	(5,027)	(12,085)
Interest received	655	505
<b>Net cash (outflow) from investing activities</b>	<b>(4,372)</b>	<b>(11,580)</b>
<b>Financing activities</b>		
Interest paid	-	(8)
Dividend paid	(135,355)	-
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(135,355)</b>	<b>(8)</b>
<b>Increase in cash and cash equivalents</b>	<b>834,752</b>	<b>664,290</b>
Cash and cash equivalents at start of the financial period	4,032,594	3,165,615
Cash and cash equivalents at end of the financial period	4,867,346	3,829,905

The notes on pages 10 to 14 form an integral part of these Consolidated Financial Statements.

# The Channel Islands Securities Exchange Limited

For the six month period ended 30 June 2016

## Notes to the Consolidated Financial Statements

### 1. General Information

The Company is a limited liability company incorporated in Guernsey.

On 23 June 2016 the ordinary shares of the Company were admitted to the Official List of the investment exchange (the Exchange) operated by the Company's wholly owned subsidiary, The Channel Islands Securities Exchange Authority Limited (CISEA), and admitted to trading on the Exchange's market for listed securities.

The listing was by way of introduction of existing shares and no additional capital was raised as part of the admission.

### 2. Statement of Compliance

These condensed consolidated financial statements have been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting" (FRS 104) and with the Listing Rules of the Exchange.

### 3. Basis of Preparation and Significant Accounting Policies

These condensed consolidated financial statements for the six month period ended 30 June 2016 should be read in conjunction with the annual report and consolidated financial statements for the year ended 31 December 2015, which were 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).

The condensed consolidated financial statements for the six month period ended 30 June 2016 are unaudited and incorporate unaudited comparative figures for the six month period ended 30 June 2015 and the audited comparative figures as at 31 December 2015.

The condensed 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.

The same accounting policies, presentation and methods of computation are followed in the condensed consolidated financial statements as were applied in the consolidated financial statements for the year ended 31 December 2015.

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts for assets and liabilities, income and expense. However, the nature of estimation means that actual outcomes could differ from those estimates.

# The Channel Islands Securities Exchange Limited

For the six month period ended 30 June 2016

## 4. Seasonality

The impact of seasonality or cyclicalities on operations is not regarded as significant to the condensed consolidated financial statements.

## 5. Segmental analysis

The Company plans to present such segmental information as is necessary to ensure compliance with IFRS 8 "Operating Segments" and with the Exchange Listing Rules for the first time in the consolidated financial statements for the year ended 31 December 2016.

## 6. Turnover

	Six month period ended 30.6.2016		Six month period ended 30.6.2015	
	£	£	£	£
Membership fees				
• <i>Initial fees</i>	-		10,000	
• <i>Annual fees</i>	126,000		118,790	
		126,000		128,790
Listing fees				
• <i>Initial fees</i>	675,575		589,050	
• <i>Annual fees</i>	1,164,126		1,139,793	
• <i>Other fees</i>	121,175		90,225	
		1,960,876		1,819,068
Other income		10,985		2,485
		<b>2,097,861</b>		<b>1,950,343</b>

## 7. Significant events and transactions

### (a) Litigation

A former employee of the Company brought an action in the Royal Court of Guernsey for compensation for loss of office. This stemmed from a written Compromise Agreement upon which he sought to rely, dated 13 January 2014. On 27 July 2016 the Royal Court issued judgment in favour of the former employee. The Company settled the plaintiff's claim for £30,000 after the balance sheet date and has made provision for reimbursement of the plaintiff's legal costs and claim for interest estimated at £80,000.

The total costs recognised in the six month period to 30 June 2016 in respect of this litigation amounted to £199k, including £89k of legal and professional fees borne by the Company in addition to the plaintiff's claim and costs. No costs were recognised in the comparative six month period to 30 June 2015 in respect of this litigation. However, £28k of costs were recognised in the second half of 2015 and £42k of costs were recognised in 2014. The overall total costs recognised were £269k.

# The Channel Islands Securities Exchange Limited

For the six month period ended 30 June 2016

## 7. Significant events and transactions (continued)

### (b) Listing

The listing of the ordinary shares of the Company on 23 June 2016 involved recognition of one-off external professional fees totalling £31,250. The Exchange initial listing fee and annual listing fee incurred by the Company has been eliminated upon consolidation.

## 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

Basic earnings per share is calculated by dividing profit for the financial period by the weighted average number of the Company's ordinary shares outstanding during the period.

Diluted earnings per share makes allowance for share options in issue. In calculating diluted earnings per share, the exercise of dilutive options is assumed to take place at the beginning of the period and the assumed proceeds from exercise are regarded as used to repurchase shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed repurchased are treated as in issue for no consideration.

Details of the earnings per share calculations are as follows:

	Six month period ended 30.6.2016	Six month period Ended 30.6.2015
<b>Basic:</b>		
Basic weighted average shares outstanding	2,461,000	2,461,000
Net profit attributable to ordinary shareholders	£425,650	£449,128
<b>Diluted:</b>		
Dilutive potential ordinary shares outstanding	350,000	-
Potential proceeds from dilutive potential ordinary shares	£350,000	-
Average market price for the period	162.5p	-
Potential shares to be repurchased	215,385	-
Potential net incremental of shares after repurchase	134,615	-
Diluted weighted average shares outstanding	2,595,615	2,461,000
Net profit attributable to ordinary shareholders	£425,650	£449,128

# The Channel Islands Securities Exchange Limited

For the six month period ended 30 June 2016

## 10. Dividends

On 14 June 2016 the Board declared a dividend of 5.5p per £1 ordinary share, paid 30 June 2016.

	Six month period ended 30.6.2016 £	Six month period ended 30.6.2015 £
Dividend declared and paid	135,355	nil

## 11. Debtors

	30.6.2016 £	31.12.2015 £
Trade debtors	311,331	363,018
Other debtors	2,544	4,043
Prepayments and accrued income	102,227	109,575
	<b>416,102</b>	<b>476,636</b>

No amounts fall due after more than one year.

## 12. Creditors: Amounts falling due within one year

	30.6.2016 £	31.12.2015 £
Deferred income	1,495,330	1,250,916
Payments on account from issuers	48,017	30,541
Trade creditors and accruals	288,975	194,313
Other creditors	31,078	22,470
	<b>1,863,400</b>	<b>1,498,240</b>

## 13. Provision for other liabilities

	Dilapidations £	Legal claim £	Total £
<b>At 31 December 2015</b>	<b>821</b>	-	<b>821</b>
New provision established	-	80,000	80,000
Adjustment to provision	1,098	-	1,098
<b>At 30 June 2016</b>	<b>1,919</b>	<b>80,000</b>	<b>81,919</b>

The dilapidations provision relates to making good the fitting out of the leased offices at Helvetia Court, South Esplanade, St. Peter Port, Guernsey.

The legal claim provision relates to legal costs and claim for interest as set out in note 7 (a) above.

## **The Channel Islands Securities Exchange Limited**

### **For the six month period ended 30 June 2016**

#### **14. Significant Related Party Transactions**

##### 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.

M K Stone resigned as a Director of the Company on 24 May 2016.

R Andrade and J Richards were appointed Directors of CISEA on 1 July 2016.

The compensation recognised for the six month period ended 30 June 2016 in respect of key management totalled £187,592 (six month period ended 30 June 2015: £238,373).

#### **15. Contingent Liabilities**

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

#### **16. Approval of Condensed Consolidated Financial Statements**

The condensed consolidated financial statements were approved by the Board and authorised to be published on 16 September 2016.