The International Stock Exchange Group Limited
(formerly The Channel Islands Securities Exchange Limited)

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2016

Contents

The International Stock Exchange Group Limited
(formerly The Channel Islands Securities Exchange Limited)
For the year ended 31 December 2016

Corporate Information

Current Directors:	J P Moulton	(Chairman)
	S P Lansdown	
	G E S Coltman	
	S R Turner	
	F L A Le Poidevin	(Chief Executive Officer)
	A A Whamond	(appointed 1 March 2017)
Former Director:	M K Stone	(resigned 24 May 2016)
Current Secretary:	F Carvill	(appointed 1 March 2017)
Former Secretaries:	C H Purdue	(resigned 30 June 2016)
	P D Smith	(appointed 15 September 2016 resigned 1 March 2017)
Registered Office:	Helvetia Court Les Echelons St Peter Port Guernsey GY1 1AR	
Registered Number:	57524	
Auditor:	PricewaterhouseCoopers CI LLP 1 Glategny Esplanade St Peter Port Guernsey GY1 4ND	
Listing Sponsor:	Bedell Channel Islands Ltd 26 New Street St Helier Jersey JE4 8PP	
Registrar:	Anson Registrars Ltd Anson House Havilland Street St Peter Port Guernsey GY1 3WX	

Chairman's Statement

Last year was an extremely busy period for the Company and we not only increased profits but we have made significant progress in building a stronger and more efficient business.

On 1 March this year it was announced that Stephen Lansdown would be stepping down from the Board at the AGM in June 2017 to focus on his other interests. Stephen was instrumental in the successful restructure of the Exchange business and I would like to pay tribute to his significant assistance as Deputy Chairman in guiding the Company through its formative years. I know that, as a shareholder, he will continue to take a keen interest in our work. He retires with our sincere thanks.

This announcement included the appointment from 1 March this year of Anderson Whamond as a non-executive director. Anderson has worked for several different international institutions within the capital markets sector and is currently a non-executive director on a number of listed and non-listed vehicles. He brings with him invaluable experience and I am delighted to welcome him to the Board.

Anderson is based in the Isle of Man where the Company has established a branch. Prior to doing so, we made several productive trips to the island and it is clear that there is significant interest from local businesses to have easy access to an international exchange. There are a number of Manx trading companies in a diverse range of industries, including in the technology sector and our office will also provide us with a platform to target Small and Medium Sized Enterprises (SMEs) in the North of England who may be unable to secure bank lending or alternative financing and therefore seek to raise growth capital through a listing on the Exchange. We have appointed Carolyn Gelling as the Head of the Isle of Man Office to spearhead our activities from the island.

This was a significant development because it represents the next stage in the internationalisation and growth of the business. We already have business coming to us from all over the world. Also, last year we made changes so that listing sponsors no longer have to be based in the Channel Islands and we recently signed a Memorandum of Understanding with the Bermuda Stock Exchange (BSX) to explore opportunities for working together. We were delighted in getting strong shareholder support in changing the Company name to The International Stock Exchange Group Limited (TISEG).

This followed the successful listing of the Company on the Exchange operated by its subsidiary (TISEA) in June 2016. Since then, there have been a number of trades with the share price rising from 175p in the first trade on 20 July 2016 to 350p in the last trade on 2 March 2017. During that period we published the interim results to the end of June and a trading update was also provided to the market in November to communicate the improved financial position of the Company, based on growing business flows. The Company's position is underpinned by a strong balance sheet, including a significant cash balance which is available for use on projects, such as a new trading system, which are planned for the future or new opportunities which seem likely to emerge.

We paid dividends of 8p per share since listing.

Overall during 2016, there were 502 new listings, which was an 18.7% increase on the previous year and took the total number of listings on the Exchange to 2,272 at the end of December. During the same period, the market capitalisation of all listed securities on the Exchange increased by £36 billion (10%) to reach £393 billion at the end of 2016.

In terms of new business, in December, we became the first exchange globally to list a regulated bitcoin fund and generally there was a marked increase in new listings during the second half of the year, led by a number of Real Estate Investment Trusts (REITs) and high yield bond vehicles.

There has been a steady stream of high yield bond listings following the introduction on 3 July 2016 of the EU's Market Abuse Regulation (MAR), which applies to all securities listed on EU trading facilities and is disproportionately onerous for some product areas such as high yield bonds. This has created significant interest in our Exchange as a listing venue for high yield bonds and, since the first for several years was admitted to the Official List in August last year, a number of either new issues or 'migrations' from Luxembourg and Ireland listed with us during the second half of the year. We have continued to see new high yield applications since year-end.

There has also been a resurgence in the number of REITs listing on our Exchange. This reflects the growing interest seen in real estate in the months since the Brexit vote as international investors, including sovereign wealth funds, seek to take advantage of the 'cheaper' UK property market resulting from currency fluctuations. Our regime has proved particularly attractive for REITs where there are a small number of significant institutional investors, although there has been a more recent trend towards us attracting more widely held REITs wishing to trade on the Exchange and today more than a quarter of all UK REITs are listed with us.

This success has been assisted by our revision of the listing rules for investment vehicles to reflect the growing use of non-fund vehicles, such as REITs, in the investment sector. We are working to revise the listing rules for trading companies to ensure that they are as good as can be. This is part of our desire to attract more of these types of listings and to that end, we have now created market segments on the Exchange – initially one for trading companies from the Channel Islands and one for trading companies from the Isle of Man – to raise the visibility for particular issuer types.

I would like to thank the executive team for their efforts in making last year such a success and shareholders and our wider stakeholders for their continued support.

The Company is already successful but we have a clear ambition to build on that success by making our Exchange as attractive as possible for issuers and investors.

We will be working hard to achieve that ambition.

Jon Moulton

Jon Moulton
23 March 2017

Directors' Report

The Directors submit their annual report and audited consolidated financial statements of The International Stock Exchange Group Limited (the **Company**) and its subsidiary (together the **Group**) for the year ended 31 December 2016.

Background

The Company was incorporated in Guernsey on 14 November 2013 (Registered No. 57524) and listed on The International Stock Exchange (the **Exchange** or **TISE**) on 23 June 2016.

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

Change of Name

The Company changed its name from The Channel Islands Securities Exchange Limited to The International Stock Exchange Group Limited (**TISEG**) on 6 March 2017.

The Subsidiary adopted the trading name The International Stock Exchange Authority (**TISEA**) as from 6 March 2017.

Principal Activity

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

The Subsidiary is licensed to operate as an investment exchange (the **Exchange** or **TISE**) 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, the Subsidiary 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 23.

Dividends totalling £196,880, were paid during the year. A dividend of 5.5p per share was declared on 14 June 2016 and paid on 30 June 2016. A further dividend of 2.5p per ordinary share was declared on 22 September 2016 and paid on 10 October 2016.

Business Review

A significant development for the Company during last year was its successful listing on the Exchange operated by its subsidiary in June 2016. This was celebrated by a drinks reception at Castle Cornet in Guernsey which was attended by staff, shareholders, Members, other close contacts in the financial services community as well as senior politicians, including Guernsey's Chief Minister, Gavin St Pier.

Since listing, there has been the release of interim results to the end of June and a trading update to the end of September (both unaudited) which showed an improving financial position following from growing business flows. The audited financial statements here show that the Company has recorded considerably increased profit during 2016 compared to the previous financial period.

Overall during 2016, the total number of listed entities on the Exchange grew by 99 (4.5%), from 2,173 to 2,272. There were 403 delistings during the year, which was a 23.1% reduction from the previous year (2015) total of 524. There were 502 new listings, which was an 18.7% increase on the previous year (2015) and which itself had been an 8% increase on the prior year (2014). These included 5 equity securities, 12 closed ended investment securities and 7 open ended investment securities, with the remainder being mainly various forms of debt, including convertibles and high yield bond vehicles.

The number of new listings increased markedly during the second half of the year, led by a number of Real Estate Investment Trusts (REITs), with interest in UK property reviving after the initial shock of the Brexit vote, and a steady stream of high yield bonds following the introduction of the European Union's Market Abuse Regulation (MAR). Listings have also included convertible bonds being issued by companies with equity listed on the Main Market of the London Stock Exchange or AIM quoted companies. In December, the Exchange became the first exchange venue globally to admit a regulated bitcoin fund.

There has also been continued diversification in terms of the geographical origins of new listings business, with the first South African incorporated issuer being admitted to the Exchange during last year. There has also been a continued steady stream of new business from Asia which followed the Exchange's first listing from an issuer with an ultimate Chinese parent in 2015 and a significant proportion of the high yield business has been from the US where we have been actively marketing.

In September, there was an overhaul of the Chapter 7 listing rules to ensure that the Exchange could specifically cater for the widest range of investment vehicles, including REITs, and seminars were held in both Guernsey and Jersey to update Members.

The team in the Authority also continues to carry out a number of workshops with Members on listing and continuing obligations procedures and there has also been the introduction of more automated processes in a bid to improve efficiencies for both the Exchange and its Members.

In October, the Membership Rules were revised so that firms from a wider range of jurisdictions can act as sponsors to listings on the Exchange and shortly prior to the period end the first application to become a Listing Member from outside of the Channel Islands was received.

As at 31 December 2016, there were 40 Members in total of which 36 were Listing Members, 2 were combined Listing and Trading Members and 2 were Trading Members. During 2016, 2 Listing Members resigned and 2 new Listing Members were admitted. 1 of the 40 Listing Members chose not to renew their membership in 2017 but has established a new Member company in replacement.

Since period-end the Company has established a branch in the Isle of Man on the basis that there has been significant interest from local businesses, including trading companies, to have easy access to an international exchange and it also provides a platform to target Small and Medium Sized Enterprises (SMEs) in the UK.

Secondly, as the Isle of Man office represents the next stage of the internationalisation of the business, an EGM was held at which it was agreed to change the name of the Company as part of the wider rebrand to The International Stock Exchange (TISE). TISE has been registered as a trademark with the UK Intellectual Property Office.

In addition, during the start of this year new listings have increased markedly, with 93 listings in January and February (2016: 56) including a number of high yield bonds and we anticipate there to be further significant interest in the Exchange following the rebrand to TISE.

Directors of the Company

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

A A Whamond was appointed by the Board as a Director with effect from 1 March 2017 and holds office until the next Annual General Meeting and will be proposed for re-election.

On 1 March 2017 it was announced that S P Lansdown had notified the Company of his intention to resign as a director of the Company at the next annual general meeting to be held 6 June 2017.

Directors and their Interests

The current Directors' interests in the share capital of the Company were as follows:

	31 December 2016			31 December 2015		
	No. of shares	Percentage	Interest	No. of shares	Percentage	Interest
J P Moulton	200,000	7.81%	Indirect	200,000	8.13%	Indirect
S P Lansdown	250,000	9.76%	Indirect	250,000	10.16%	Indirect
G E S Coltman	246,100	9.61%	See below	246,100	10.00%	See below

G E S Coltman holds a beneficial interest in Carey Olsen Corporate Finance Ltd which holds 246,100 ordinary shares.

The current Directors' interests in options over ordinary shares of the Company were as follows:

	31 December 2016	31 December 2015			
	No. of options	No. of options	Exercise price	Grant date	Expiry date
F L A Le Poidevin	250,000	250,000	£1.00	9/12/15	9/12/22

Shareholders

Shareholders, other than Directors, known, directly or indirectly, to have an interest in 3% or more of the nominal value of the ordinary shares of the Company were as follows:

	23 March 2017			31 December 2016		
	No. of shares	**Percentage**	**Interest**	**No. of shares**	**Percentage**	**Interest**
Bailiwick Investments Limited	375,000	14.64%	Indirect	375,000	14.64%	Indirect
Mr M Thistlethwayte	250,000	9.76%	Indirect	250,000	9.76%	Indirect
Mr D J Ozanne and Mrs L K Ozanne	125,000	4.88%	Direct	125,000	4.88%	Direct
Mrs D E Thompson	100,000	3.90%	Direct	100,000	3.90%	Direct
Winterflood Securities Limited	81,500	3.18%	Direct	81,500	3.18%	Direct

As at 31 December 2016, 1,351,400 ordinary shares (31 December 2015: 1,290,400 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' 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", 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 consolidated 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 (Guernsey) Law, 2008 (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 Auditor is 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 Auditor is aware of that information.

The maintenance and integrity of The International Stock Exchange Group Limited website is the responsibility of the Directors; the work carried out by the Company's Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

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 and with the Exchange. 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 the Subsidiary to file audited financial statements for the Subsidiary, 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 the Subsidiary to instead require the Subsidiary to file the consolidated financial statements of the Company which include the Subsidiary's results.

Auditor

The Auditor, PricewaterhouseCoopers CI LLP, have expressed their willingness to continue in office as auditor and a resolution to reappoint PricewaterhouseCoopers CI LLP as auditor 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.

Annual General Meeting

The Annual General Meeting of the Company will be held at the Company's registered office on 6 June 2017.

Approved by the Board of Directors on 23 March 2017 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 (together, the **Group**) are committed to high standards of corporate governance and business integrity in all of their 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 the Subsidiary monitor the Group's adherence to these corporate governance standards to ensure their ongoing effectiveness.

The Subsidiary 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 the Subsidiary are the principal decision-making bodies 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 continue to 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 the Subsidiary 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 companies' businesses 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. One director of the Company resigned during 2016. A further director of the Company was appointed with effect from 1 March 2017 and at that date the intended resignation of another director was announced. Two new directors of the Subsidiary were appointed during 2016.

There is a strong non-executive element on the Company's Board, 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 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 J P Moulton;
- 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. The Directors are in frequent contact with management.

1.2 The Subsidiary

The Subsidiary'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.

The Subsidiary's Board currently comprises one non-executive director, who is the Chairman, and three executive directors one of whom is the Chief Executive Officer. The Chairman is Mark Tubby who has 25 years' experience of UK and International Financial Services Regulation and is currently a Director and Head of Compliance of finnCap Limited.

The Subsidiary'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 the Subsidiary 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 the Subsidiary 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 the Subsidiary 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 the Subsidiary 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 the Subsidiary must declare any relevant interests at the start of each Board Meeting and both the Company and the Subsidiary 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 Auditor, 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 Auditor 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 business continuity procedures.

6. Disclosure and Reporting

The Boards of the Company and of the Subsidiary ensure the timely and balanced disclosure to shareholders and/or regulators of all material matters concerning the Group.

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, 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 the Subsidiary 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 (FCA), 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 was 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, 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 Ravenscroft Limited, Sustainable Technology Investments (Guernsey) Limited, Earth Capital Partners (Guernsey) Limited and Pula Limited.

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 18 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 IoD Guernsey Committee, the IoD Guernsey Tax and Regulatory Committee and the AIC Channel Islands Committee.

Anderson Whamond

Anderson Whamond has over 30 years' experience in the banking and financial sector.

Anderson began his career in 1983 at White Weld Securities (part of the CSFB group) before joining Salomon Brothers International in London in 1986 and then Morgan Stanley International in 1989 where he was a principal in charge of convertible bond trading. He joined Peregrine Securities International (UK) Limited in 1993, relocating to Hong Kong in 1996 to run the equity trading businesses of Peregrine Investment Holdings Limited and became a director of the executive committee of the Peregrine group in 1997. In 1998, Anderson joined the Regent Pacific

Group, a Hong Kong listed international emerging markets investment group as head of corporate investments and relocated to the Isle of Man. He subsequently left that company in August 2000 to pursue his own interests.

Anderson joined the Charlemagne Group in 2002 and was a director of AIM quoted Charlemagne Capital Limited until March 2009. He remains a non-executive director of Charlemagne Capital (IOM) Limited and is also a director of a number of listed and non-listed investment companies.

Independent Auditor's Report to the Members of The International Stock Exchange Group Limited (formerly The Channel Islands Securities Exchange Limited)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of The International Stock Exchange Group Limited (formerly The Channel Islands Securities Exchange Limited) ("the Company") and its subsidiary (together "the Group") as at 31 December 2016, and of their consolidated financial performance and their consolidated cash flows 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.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Materiality

- The overall materiality was £73,000 which represents 5% of the consolidated profit before tax.

Audit scope

- We performed an audit of the complete financial information of the Guernsey components of the Group.
- The components where we performed full scope audit procedures accounted for 100% of the net assets and profit for the financial year.

Key audit matters

- Revenue recognition

Independent Auditor's Report to the Members of The International Stock Exchange Group Limited (formerly The Channel Islands Securities Exchange Limited) (continued)

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Company is incorporated in Guernsey, operating with a branch in Jersey and a wholly owned underlying Guernsey incorporated subsidiary, The Channel Islands Securities Exchange Authority Limited, trading as The International Stock Exchange Authority. The consolidated financial statements are a consolidation of the Company and its wholly owned underlying subsidiary.

We conducted our audit of the consolidated financial statements in Guernsey and we tailored the scope of our audit taking into account the various components of turnover, the material financial statement line items and the controls and business processes in operation within the Group.

Scoping was performed at the Group level, irrespective of whether the underlying transactions took place within the Company or within the wholly owned subsidiary. Our testing was therefore performed on a consolidated basis using thresholds which are determined with reference to the overall Group performance materiality and the risks of material misstatement identified.

As noted in the overview, the components of the Group where we performed full scope audit procedures accounted for 100% of the Group's net assets and profit for the financial year.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	£73,000
How we determined it	5% of the consolidated profit before tax was used as a benchmark for calculating materiality.
Rationale for the materiality benchmark	The Company is a profit oriented trading company with the intention of either reinvesting or distributing profits to investors by way of dividends. Based on this understanding, we believe that profit before tax is the most appropriate measure for materiality due to this being a key metric for investors.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £3,600 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent Auditor's Report to the Members of The International Stock Exchange Group Limited (formerly The Channel Islands Securities Exchange Limited) (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition We focus on revenue recognition because revenue is material and is an important determinant of the Group's profitability which has a consequent impact on its share price performance. Certain of the directors and senior management have material shareholdings in the Company and the Company also operates a share option scheme for Directors where the attractiveness of this scheme will also be driven by the Company's share price performance. As in any organisation where the directors and senior management have material shareholdings and there are incentives based on performance, there is an inherent risk of fraud in revenue recognition as there is an incentive to overstate revenue. Revenue may also be misstated due to errors in system calculations or manual processes. We have assessed all revenue streams in the Group and determined that there is a risk in each of the revenue streams. The risk is dependent upon the opportunity for errors to occur or for management to commit fraud. Revenue is derived from multiple sources being membership fees, initial and annual listing fees and other income as disclosed in note 3(f) and note 6 to the consolidated financial statements. The nature of these multiple service offerings can be complex due to the various fee arrangements and the high volume of transactions. The process for recording revenue involves manual intervention with limited automation of IT systems. As a result, misstatement of revenue could arise from fraudulently manipulating manual calculations, spreadsheet errors or unauthorised changes to approved fee schedules. Based on these factors, there is a heightened risk of error that revenue is not completely or accurately recorded or that revenue is not recognised in the correct accounting period in accordance with FRS 102.	• We understood and evaluated the controls and processes over the recording of revenue, including the raising of invoices through to the collection of debtors. Revenue is recorded in both the general ledger and on a separate revenue spreadsheet. • We obtained the revenue spreadsheet detailing all listings and members' fees and reconciled this to the general ledger and the consolidated financial statements. • We obtained the Group's fee schedule which has been approved by the board of directors. On a sample basis we agreed that the correct listing and membership fees were used in the revenue spreadsheet by agreeing them to the Group's approved fee schedule. • On a sample basis, we verified that the standing data in the revenue spreadsheet was correctly recorded and agreed to supporting documentation such as the Group's approved fee schedule or application forms. • For all of the issuers and members from which initial and annual listing fees were earned during the year, we agreed that all were registered as an issuer or member on the Group's website, and vice versa. • For a sample of fees, we obtained the invoices and traced to the general ledger. We also recalculated the fees based on the Group's approved fee schedule. • To ensure revenue was recognised in the correct period, we recalculated the deferred income using the revenue spreadsheet and reconciled this to the general ledger and the consolidated financial statements. • In addition, we performed risk based target testing of revenue journals posted into the general ledger. This included identification of those journals posted to revenue which did not follow the expected posting pattern. • We also assessed the revenue recognition policies adopted by the Group for compliance with the relevant accounting standards. Arising from the procedures and testing performed above, at times we noted differences that, in our view, were trivial and not indicative of a wider issue and thus required no further investigation. Overall there were no matters nor misstatements identified which required reporting to those charged with governance.

Independent Auditor's Report to the Members of The International Stock Exchange Group Limited (formerly The Channel Islands Securities Exchange Limited) (continued)

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Chairman's Statement, Directors' Report, Approach to Corporate Governance, the Directors' Biographies and the Summary Financial Information (but does not include the consolidated financial statements and our auditor's report thereon).
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), the requirements of Guernsey law, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report to the Members of The International Stock Exchange Group Limited (formerly The Channel Islands Securities Exchange Limited) (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Furthermore, we have examined the Statement of Financial Resources as at 31 December 2016 for The Channel Islands Securities Exchange Authority Limited, trading as The International Stock Exchange Authority. In our opinion, the financial resources requirement specified by the Guernsey Financial Services Commission for The Channel Islands Securities Exchange Authority Limited, trading as The International Stock Exchange Authority has been satisfied.

This report, including the opinion, has been prepared for and only for the 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.

John Roche.

John Roche
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
23 March 2017

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Turnover	6	4,695,760	4,112,484
Administrative expenses	7, 8	(3,229,986)	(3,271,520)
Operating profit		**1,465,774**	**840,964**
Bank interest receivable		1,122	1,116
Interest payable		-	(8)
Profit on ordinary activities before taxation		**1,466,896**	**842,072**
Taxation	9	-	-
Profit for the financial year		**1,466,896**	**842,072**
Other comprehensive income		-	-
Total comprehensive income for the financial year		**1,466,896**	**842,072**
Earnings per share:			
Basic	10	59.6p	34.2p
Diluted	10	55.6p	34.2p

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

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

The notes on pages 27 to 44 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

	Notes	31 December 2016 £	31 December 2015 £
Fixed assets			
Intangible assets	*12*	77,898	116,842
Tangible fixed assets	*13*	76,144	117,466
		154,042	**234,308**
Current assets			
Debtors	*14*	457,669	476,636
Cash and cash equivalents		5,764,504	4,032,594
		6,222,173	**4,509,230**
Current liabilities			
Creditors: Amounts falling due within one year	*15*	(1,758,693)	(1,498,240)
Net current assets		**4,463,480**	**3,010,990**
Total assets less current liabilities		**4,617,522**	**3,245,298**
Provisions for other liabilities	*16*	(3,029)	(821)
Net assets		**4,614,493**	**3,244,477**
Capital and reserves			
Called-up share capital	*17*	2,481,001	2,381,001
Share-based payments reserve	*19*	87,500	87,500
Retained earnings		2,045,992	775,976
Shareholders' equity		**4,614,493**	**3,244,477**

The Consolidated Financial Statements were approved by the Board of Directors on 23 March 2017.

Signed on behalf of the Board of Directors:

J P Moulton
Director

F L A Le Poidevin
Director

The notes on pages 27 to 44 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 £
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	*19*	-	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**
At 1 January 2016		**2,381,001**	**87,500**	**775,976**	**3,244,477**
Total comprehensive income for the year ended 31 December 2016		-	-	1,466,896	1,466,896
New shares issued upon exercise of options	*19*	100,000	-	-	100,000
Dividends declared and paid		-	-	(196,880)	(196,880)
At 31 December 2016		**2,481,001**	**87,500**	**2,045,992**	**4,614,493**

The notes on pages 27 to 44 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Net cash inflow from operating activities	*18(a)*	1,832,925	1,097,027
Investing activities			
Payments to purchase tangible fixed assets	*13*	(5,257)	(108,106)
Interest received		1,122	1,116
Net cash (outflow)/inflow from investing activities		**(4,135)**	**(106,990)**
Financing activities			
Interest paid		-	(8)
Issue of ordinary shares	*19*	100,000	-
Dividends paid		(196,880)	(123,050)
Net cash (outflow)/inflow from financing activities		**(96,880)**	**(123,058)**
Increase in cash and cash equivalents		**1,731,910**	**866,979**
Cash and cash equivalents at start of the financial year		4,032,594	3,165,615
Cash and cash equivalents at end of the financial year	*18(b)*	5,764,504	4,032,594

The notes on pages 27 to 44 form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. General Information

The Company is a company with limited liability 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 trading as The International Stock Exchange Authority, (the Subsidiary or TISEA), and admitted to trading on the Exchange's market for listed securities.

The listing was by way of introduction of existing shares.

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 December 2013.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its sole subsidiary, drawn up to 31 December 2016. The results of the Subsidiary for the year, and for the prior year, have been consolidated. All intra-Group transactions, balances, revenues and expenses are eliminated on consolidation.

3. Summary of Significant Accounting Policies (continued)

(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 year. 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.
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. FRS 102 requires an assessment to be made at each reporting date, as to whether there is any indication of impairment.

(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 were 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 were 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.

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.

3. Summary of Significant Accounting Policies (continued)

Bonus payments are discretionary and are recognised in the profit and loss account only when the Group has a legal or 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.

(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.

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 consolidated statement of comprehensive income.

Summary of Significant Accounting Policies (continued)

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.

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:

- Contingent liabilities

  The Directors need to make an assessment of the likely outcome of any litigation, claim or potential claim against the Group. There is a need to determine the probability of any obligation arising from any litigation, claim or potential claim and, if an obligation is judged probable, there is a requirement to seek to reliably estimate the amount of the obligation.

  During the year the litigation claim involving a former employee disclosed as a contingent liability last year was settled after the Royal Court issued judgment in favour of the former employee (see note 5 (a)). No provision for the claim had been made in the prior year.

  The indemnity of up to £500,000 issued by the Company to the Channel Islands Stock Exchange, LBG that came into effect at the time the Scheme of Arrangement dated 20 December 2013 was also disclosed as a contingent liability last year. On the third anniversary of the Scheme the indemnity expired without a claim arising.

- 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.

4. Critical Accounting Judgements and Estimation Uncertainty (continued)

- Share based payments (*note 19)*

  The fair value of share options issued in 2015 under the Group Employee Share Option Scheme (ESOS) could not be established from observable market data. Instead, it was 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. 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 together with the plaintiff's legal costs and interest claim totalling £87,520. The claim having been settled there was no amount outstanding as at the balance sheet date.

The total costs recognised in the year in respect of this litigation amounted to £218,443 including £100,673 of legal and professional fees borne by the Company in addition to the plaintiff's claim and costs. Total costs recognised in the prior year amounted to £27,669. In addition £42,097 of costs were recognised in 2014. The overall total costs recognised were £288,209.

(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 listing fees incurred by the Company have been eliminated upon consolidation.

6. Operating Segment information

In accordance with FRS 102 it is necessary to assess the existence of operating segments and apply criteria to identify reportable segments. The business of the Group consists of a single reportable operating segment. The sole business of the Group is the operation of an investment exchange.

The business of the Group, namely the operation of an investment exchange, is carried on from Guernsey. Revenue from external customers is attributable to individual countries based on the domicile of Members in relation to fees raised against Members, and based on the domicile of Issuers in relation to fees raised against Issuers.

6. Operating Segment information (continued)

Revenue from external customers

	Year ended 31.12.2016 £	Year ended 31.12.2016 £	Year ended 31.12.2015 £	Year ended 31.12.2015 £
Membership fees				
• *Initial fees*	40,000		25,000	
• *Annual fees*	252,869		231,809	
		292,869		256,809
Listing fees				
• *Initial fees*	*1,707,675*		*1,303,100*	
• *Annual fees*	*2,426,069*		*2,326,405*	
		4,133,744		3,629,505
Other Listing fees		243,662		195,900
Other income		25,485		30,270
		4,695,760		**4,112,484**

	Year ended 31.12.2016 £	Year ended 31.12.2015 £
Membership Fees – Initial and Annual - Geographical analysis		
Revenue from Members by domicile		
Guernsey	180,869	146,809
Jersey	96,000	105,000
Isle of Man	10,000	-
UK	6,000	5,000
	292,869	**256,809**
Listing Fees – Initial and Annual - Geographical analysis		
Revenue from Issuers by domicile		
Guernsey	324,346	385,725
Jersey	464,845	426,018
UK	2,510,048	2,235,038
Other	834,505	582,724
	4,133,744	**3,629,505**
Total Turnover - Geographical analysis		
Guernsey	540,072	570,658
Jersey	596,599	566,388
UK	2,664,524	2,361,262
Other	894,565	614,176
	4,695,760	**4,112,484**

6. Operating Segment information (continued)

	31.12.2016 £	31.12.2015 £
Non-Current Assets – Geographical analysis		
Tangible Assets by location		
Guernsey	73,081	111,340
Jersey	3,063	6,126
	76,144	**117,466**

7. Staff Costs

Administrative expenses includes staff costs as follows:	Year ended 31.12.2016 £	Year ended 31.12.2015 £
Salaries, including bonus payments	1,721,451	1,818,454
Social security costs	98,369	105,838
Share based payments	-	87,500
Payments to employee's personal pension arrangements	60,313	63,414
Health insurance	48,988	43,723
Other employee benefits	28,680	25,087
	1,957,801	**2,144,016**

The average monthly number of persons (including executive directors) employed by the Group was 25.7 full time equivalents (FTEs) during the year and 28.0 FTEs during the prior year.

8. Auditor's Remuneration

Fees payable to the Company's auditor for:	Year ended 31.12.2016 £	Year ended 31.12.2015 £
Audit services	31,385	32,000
Non-audit services	1,250	-
	32,635	**32,000**

9. 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%.

10. Earnings per Share

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

Diluted earnings per share makes allowance for dilutive share options in issue during part or for all of the year. In calculating diluted earnings per share, the exercise of dilutive options is assumed to take place at the beginning of the year, or the later date of issue, and the assumed proceeds from exercise are regarded as used to repurchase shares at the average market price during the year. The difference between the number of shares assumed issued and the number of shares assumed repurchased are treated as in issue for no consideration. Such shares deemed in issue for no consideration are weighted for the period they are outstanding. These weighted shares are then added to the weighted average number of shares arrived at for the Basic earnings per share calculation.

Details of the earnings per share calculations are as follows:

	Year ended 31.12.2016	Year ended 31.12.2015
Basic:		
Basic weighted average of shares outstanding	2,462,366	2,461,000
Net profit attributable to ordinary shareholders	£1,466,896	£842,072
Diluted:		
Dilutive potential ordinary shares outstanding during the year:		
Share options issued during the year	-	350,000
Share options in issue through-out the year	250,000	-
Share options converted during the year	100,000	-
Proceeds from share options exercised	£100,000	-
Potential proceeds from dilutive potential ordinary shares	£250,000	£350,000
Average market price for the period	205p	125p
Potential shares to be repurchased	171,111	280,000
Potential net incremental shares after repurchase	178,889	70,000
Diluted weighted average shares outstanding	2,640,557	2,465,411
Net profit attributable to ordinary shareholders	£1,466,896	£842,072

11. Subsidiary undertaking

The Company's sole subsidiary undertaking is the Subsidiary trading as TISEA.

The Subsidiary was incorporated in Guernsey on 14 November 2013 at the same time as the Company.

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 the Subsidiary acquired the business of operating an investment exchange in the Channel Islands from the Channel Islands Stock Exchange, LBG.

On 20 December 2013, the Subsidiary was licensed to operate as an investment exchange by the GFSC under the POI Law. As at that time, further to the provisions of the IEN Rules and the Licensees Rules, the GFSC specified, in respect of financial resources, that the Subsidiary must maintain net assets of at least £500,000.

In 2013 the Company subscribed for 500,000 shares of £1 each in the Subsidiary to provide the Subsidiary with the required financial resources. The Subsidiary has issued no further shares or other securities. The Subsidiary is wholly owned by the Company.

The GFSC has notified the Subsidiary of the intention to revise the Regulated Investment Exchange Rules and given the fact the size and scope of the Subsidiary's business has developed, the GFSC has sought to formalise a higher minimum resource requirement until such time as the revised Regulated Investment Exchange Rules become operative. On 29 November 2016 the Board of the Subsidiary gave an undertaking to ensure that any management (or other) fees paid or any dividend issued by the Subsidiary shall only be to the extent that minimum net assets of £1.5m continue to be maintained by the Subsidiary.

12. Intangible Assets

Goodwill on acquisition of business	**£**
Cost:	
At 1 January 2015	194,732
At 31 December 2015	194,732
At 31 December 2016	194,732
Amortisation:	
At 1 January 2015	38,947
Charge for year ended 31 December 2015	38,943
At 31 December 2015	77,890
Charge for year ended 31 December 2016	38,944
At 31 December 2016	116,834
Carrying amount	
At 31 December 2015	116,842
At 31 December 2016	77,898

13. Tangible Assets

	Office premises improvements £	Furniture, fixtures and fittings £	Computer equipment and software £	Total £
Cost:				
At 1 January 2015	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
Additions	-	230	5,027	5,257
At 31 December 2016	78,774	25,600	79,334	183,708
Depreciation:				
At 1 January 2015	7,188	26,243	21,823	55,254
Charge for the period 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
Charge for the year ended 31 December 2016	11,597	8,536	26,446	46,579
At 31 December 2016	15,905	22,049	69,610	107,564
Carrying amount:				
At 31 December 2015	74,466	11,857	31,143	117,466
At 31 December 2016	62,869	3,551	9,724	76,144

14. Debtors

	31.12.2016 £	31.12.2015 £
Trade debtors	417,615	363,018
Other debtors	1,501	4,043
Prepayments	38,553	109,575
	457,669	**476,636**

No amounts fall due after more than one year.

15. Creditors: Amounts falling due within one year

	31.12.2016	31.12.2015
	£	£
Deferred income	1,514,947	1,250,916
Payments on account from issuers	52,420	30,541
Trade creditors and accruals	166,376	194,313
Income tax and social security	163	-
Other creditors	24,787	22,470
	1,758,693	**1,498,240**

16. Provision for Liabilities

Dilapidations provision	**£**
At 1 January 2015	**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**
Addition to provision	2,208
At 31 December 2016	**3,029**

The provision as at 1 January 2015 related to the dilapidations liability in respect of premises previously occupied by the Group. Following negotiations with the landlord of those premises, the claim was agreed and then settled in March 2016.

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. Based on days since the completion of the fitting out, recognition of a provision of £821 was made as at 31 December 2015 and this provision has been increased to £3,029 as at 31 December 2016.

17. Share Capital

	Non-Participating Share		Ordinary Shares	
	£	Number	£	Number
Authorised				
As at 1 January 2015	1	1	5,000,000	5,000,000
As at 31 December 2015	1	1	5,000,000	5,000,000
As at 31 December 2016	1	1	5,000,000	5,000,000
Allotted, called up and fully paid				
As at 1 January 2015	1	1	2,381,000	2,461,000
As at 31 December 2015	1	1	2,381,000	2,461,000
Issued on exercise of options	-	-	100,000	100,000
As at 31 December 2016	1	1	2,481,000	2,561,000

The Non-Participating share has been issued to the States of Guernsey. 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.

On 28 December 2016 100,000 ordinary shares were issued for a consideration of £1 per share further to the exercise of 100,000 share options in accordance with the Rules of the Group Employee Share Option Scheme.

18. Notes to the Statement of Cash Flows

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

	Notes	Year ended 31.12.2016		Year ended 31.12.2015	
		£	£	£	£
Profit for the financial year			1,466,896		842,072
Adjustments to reconcile profit for the period to net cash flow from operating activities:					
Amortisation of intangible assets	*12*		38,944		38,943
Depreciation of tangible assets	*13*		46,579		39,332
Share based payments charge	*19*		-		87,500
Provision for other liabilities	*16*		2,208		(89,179)
Interest payable			-		8
Bank interest receivable			(1,122)		(1,116)
Working capital movements:					
As at 31 December 2014		-		703,964	
As at 31 December 2015		476,636		476,636	
As at 31 December 2016	*14*	457,669		-	
Decrease in debtors			18,967		227,328
As at 31 December 2014		-		1,546,101	
As at 31 December 2015		1,498,240		1,498,240	
As at 31 December 2016	*15*	1,758,693		-	
Increase / (decrease) in creditors			260,453		(47,861)
Net cash inflow from operating activities			**1,832,925**		**1,097,027**

(b) Cash and cash equivalents

	31.12.2016	31.12.2015
Cash and cash equivalents comprise the following:	£	£
Cash at bank and in hand	5,764,504	4,032,594

19. 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 the Company's 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.

	Number of options	Exercise price
Granted during the year ended 31 December 2015	350,000	£1.00
Outstanding as at 31 December 2015	350,000	£1.00
Exercised during the year ended 31 December 2016	100,000	£1.00
Outstanding as at 31 December 2016	250,000	£1.00

No options were granted in 2016.

The options granted in 2015 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 was recognised in full on the date of grant. The increase in equity was measured utilising the fair value of the options at the date of grant. The Directors arrived at a value for the options with reference to the internationally recognised Black Scholes option pricing model. The Group recognised a charge in 2015 of £87,500 (see note 7 above).

20. Related Parties

During the year and the prior year 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 2016 and at 31 December 2015, were as follows:

i. Entities with significant influence over the Group

	2016	2015
Turnover		
• Membership fees	£6,000	£5,000
• Other income – Workshop fees	£550	£975
Dividend payments	£19,688	£12,305

Listing Member, Carey Olsen Corporate Finance Limited (**COCFL**), holds 9.61% 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 (2015: £20,000) for the year.

ii. Entities controlled by Key Management Personnel

	2016	2015
Turnover		
• Listing fees	£12,444	£14,436
• Membership fee	Nil	£5,000
• Other income – *Workshop fees*	Nil	Nil
Expenses		
• Legal fees	Nil	£525
Dividend payments	£36,000	£22,575
Debtors		
• Trade debtors – *Listing fees*	Nil	Nil
Creditors: Amounts falling due within one year		
• Deferred income – *Listing fees*	£462	£2,631

Certain issuers that have, or previously had, listed securities on the Exchange operated by the Group whilst being subject to control by Director, J P Moulton.

Listing Member, Hatstone Listing Services Limited (**HLSL**) is an entity in which former Director Advocate Marcus Stone, previously held a beneficial interest. HLSL paid the 2015 Membership fee whilst Marcus Stone held a beneficial interest.

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

20. 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 the Subsidiary, are considered to be key management personnel during their term of appointment. The compensation recognised for the year in respect of key management totalled £743,388 (2015: £904,380).

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 year.

As at 31 December 2016, Directors of the Subsidiary, together with connected persons, held a total of 103,000 ordinary shares of the Company and nil share options (2015: 5,000 ordinary shares and 100,000 share options). See also note 19 above.

In addition to the dividends received by entities controlled by key management reported above, key management and their close family received dividends, during their period of appointment, totalling £213 in 2016 (2015: £625).

(c) Directors

There were no contracts of significance as defined by Listing Rule 6.6.2.5 subsisting during the year, to which the Company, or the Subsidiary, was a party and in which a Director of the Company was materially interested, either directly or indirectly.

21. Controlling Party

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

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	31.12.2016	31.12.2015
	£	£
Not later than 1 year	198,041	191,616
Later than 1 year and not later than 5 years	746,354	758,200
Later than 5 years	80,165	266,360
	1,024,560	1,216,176

The Group recognised operating lease charges totalling £183,610 for the year (2015: £177,355).

23. Events after the Reporting Period

At an EGM held on 23 February 2017, shareholders approved the change of name of the Company to The International Stock Exchange Group Limited with effect from 6 March 2017.

The Subsidiary adopted the trading name The International Stock Exchange Authority (**TISEA**) as from 6 March 2017.

On 13 February 2017, the Company entered into a serviced offices licence in relation to an office at Merchants House, Douglas, Isle of Man. The minimum term under the licence is for a period up to 31 March 2018.

A branch of the Company was formally established in the Isle of Man with the registration of the Company under the Isle of Man Foreign Companies Act 2014 as a ‘Foreign Company’ on 24 February 2017.

The International Stock Exchange Group Limited

(formerly The Channel Islands Securities Exchange Limited)

For the year ended 31 December 2016

Summary Financial Information

Consolidated Statement of Comprehensive Income

	Year ended 31.12.16 £	Year ended 31.12.15 £	Period 14.11.13 to 31.12.14 £
Turnover	4,695,760	4,112,484	3,084,609
Administrative expenses	(3,229,986)	(3,271,520)	(3,027,695)
Operating profit	**1,465,774**	**840,964**	**56,914**
Bank interest receivable/payable	1,122	1,108	40
Profit on ordinary activities before taxation	**1,466,896**	**842,072**	**56,954**
Taxation	-	-	-
Profit for the financial year / period	**1,466,896**	**842,072**	**56,954**
Other comprehensive income	-	-	-
Total comprehensive income for the financial year / period	**1,466,896**	**842,072**	**56,954**

Consolidated Statement of Financial Position

	31.12.16 £	31.12.15 £	31.12.14 £
Fixed assets	**154,042**	**234,308**	**204,477**
Current assets	**6,222,173**	**4,509,230**	**3,869,579**
Current liabilities	**(1,758,693)**	**(1,498,240)**	**(1,546,101)**
Net current assets	**4,463,480**	**3,010,990**	**2,323,478**
Total assets less current liabilities	**4,617,522**	**3,245,298**	**2,527,955**
Provisions for other liabilities	**(3,029)**	**(821)**	**(90,000)**
Net assets	**4,614,493**	**3,244,477**	**2,437,955**
Shareholders' equity	**4,614,493**	**3,244,477**	**2,437,955**