

TISE

**The International
Stock Exchange
Group**

The International Stock Exchange Group Limited

Unaudited Interim Financial Report

For the six month period ended 30 June 2019

The International Stock Exchange Group Limited

For the six month period ended 30 June 2019

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The International Stock Exchange Group Limited

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Corporate Information

Directors:	J P Moulton	(Chairman)
	G E S Coltman	
	F L A Le Poidevin	(Chief Executive Officer)
	S R Turner	
	A A Whamond	
Secretary:	E A C Humphry	
Registered Office:	Helvetia Court Block B, Third Floor Les Echelons St Peter Port Guernsey GY1 1AR	
Registered Number:	57524	
Listing Sponsor:	Bedell Channel Islands Limited 26 New Street St Helier Jersey JE2 3RA	
Registrar:	Anson Registrars Limited Anson House Havilland Street St Peter Port Guernsey GY1 2QE	

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Chairman's Statement – Interim Financial Report

As the Board indicated in its unaudited trading statement for the first four months of 2019, there were fewer new listings compared to the same period in 2018 but since that point there has been an uptick in listing applications over the past couple of months.

Overall, there were 242 new listings on the Exchange during the first half of 2019, which represents a 28% decrease year on year (H1 2018: 338). However, this still took the total number of listed securities on the Exchange up to 2,909 at the end of June and that is a 10.1% increase over the last 12 months (30 June 2018: 2,642) and a 1.8% increase over the last six months (31 December 2018: 2,857).

Profits before taxation are £1,521,101 for the period, which represents a decrease of 8.4% year on year (30 June 2018: £1,660,721). We are now also subject to a 10% tax rate on the income from the regulated activity of operating an investment exchange, which became applicable to our subsidiary from 1 January 2019.

This slightly slower start to the year compared with 2018 reflects several factors, including issuers choosing to delay their decision to list as a result of Brexit.

From our own figures and what we can see in the wider industry, we are either maintaining or growing our share of the market across key product areas such as intra-group debt, private equity debt, high yield bonds and HMRC approved UK Real Estate Investment Trusts. In addition, despite the equity markets being very quiet generally, two trading companies have listed equity on TISE during the first half of the year.

At the end of May, Channel Islands headquartered retail business SandpiperCI Group Limited, which is well known for helping to bring blue chip brands to the islands, was admitted to the Official List of the Exchange and also entered the Channel Islands segment. The listing demonstrates the scope for Channel Islands companies to raise further capital to finance future expansion and provide an ongoing market for their shares. At the same time, it illustrates the demand for local residents to own part of a company with which they have regular interaction.

The other trading company represents the first listing on TISE by a UK SME. Likewise Group plc is a floorcoverings distributor which is headquartered in Birmingham and listed on TISE to raise working capital and finance future acquisitions. It has since made three acquisitions, including a reverse takeover, raised further capital and there is an active secondary market in the shares. This provides a case study as to how TISE's lower costs and more proportionate regulation than other traditional markets enables growing UK companies to go public at an earlier stage.

This is also an endorsement of the amendments which were made to the Listing Rules in September 2018 to enhance TISE's attractiveness for listing the equity of SMEs. These were incorporated into the wider changes to the Listing and Membership Rules of the Exchange which became effective from 1 January 2019. The more logical and streamlined approach has been very well received in the marketplace and especially by those who are less familiar with listing on TISE, including regional advisers in the UK.

Targeting regional UK advisers, such as those based in the Northern Powerhouse cities of Manchester, Liverpool and Leeds, is now a focus of the Isle of Man Office where we have added to the team with the recruitment of experienced finance professional Mike Lightfoot. Mike has previously held senior positions across a range of international pensions and corporate service providers and his

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appointment is raising the visibility of TISE among potential new issuers, especially SMEs, in the north of the UK.

A significant appointment was also made to the board of our subsidiary in June, with Adrienne Muir joining as Non-Executive Director. Adrienne has over 20 years' experience working for exchanges and financial technology firms in both New Zealand and the UK. Her work has covered business operations and organisational development with an emphasis on markets infrastructure. I am pleased to welcome Adrienne to the Group. Her experience of exchanges and financial markets technology will be a significant asset as we seek to further develop and grow the business in 2019 and beyond.

It would be remiss of any review of the first half of 2019 to omit the fact that the Company and its subsidiary have been engaged with issuers which are investments of the now suspended LF Woodford Equity Income Fund in the UK. Our subsidiary has taken, and will continue to take, regulatory action in order to protect the integrity of the market. It has also liaised at the earliest opportunity with other relevant authorities, especially where matters of concern fall outside of its own remit. This is in the best interests of the market and its participants.

In March this year we declared a dividend payment of 12.5p per share and on 13 May 2019 the Board declared a special dividend of 200p per share, which was paid (after the reporting period) on 1 July 2019. The latter payment reflects the fact that, as we had indicated at the 2018 AGM, the cash reserves were being kept available to pursue inorganic or scale-up growth opportunities but once none suitable had been identified then a distribution was made to shareholders, representing a return of £5.642 million. I would like to thank shareholders for their continued support and I hope that the total dividends paid of 260p per share since listing demonstrate that the faith put in the Company by those who have supported us during the last few years has been justified.

While we remain open to opportunities which may present themselves, the focus is now on organic growth through consolidation of our core markets and expansion into new products and geographies. We see pipelines in UK SMEs, green and sustainable investments, Insurance Linked Securities and Islamic Finance and we are also open to new and innovative ideas, including the listing of digital assets. We also have a strengthening pipeline of business from the Far East and in particular, through key introducers in Hong Kong who, despite the distance and often with no other European connection, are recommending that their clients use TISE due to our cost-effectiveness and service standards.

Service standards have been enhanced in the first half of the year with our public commitment to turn around initial comments within 3 business days and all subsequent reviews – including final listing applications – to be processed within 2 business days. This makes us fully competitive and we are making further efficiencies, such as the continued roll out of the online portal for the submission of listing applications, which will enable us to maintain our regulatory standards while processing the applications well within the timescales which are set out within the service delivery framework.

We will need a busy last quarter of listing activity to reach last year's exceptional performance however the Company's financial and liquidity position remains strong and the prospects remain good.



Jon Moulton, Chairman

21 August 2019

The International Stock Exchange Group Limited

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Condensed Consolidated Statement of Comprehensive Income

	<i>Notes</i>	Unaudited Six month period ended 30 June 2019 £	Unaudited Six month period ended 30 June 2018 £
Turnover	5	3,352,532	3,453,769
Administrative expenses		<u>(1,871,915)</u>	<u>(1,815,379)</u>
Operating profit		1,480,617	1,638,390
Interest receivable		<u>40,484</u>	<u>22,331</u>
Profit on ordinary activities before taxation		1,521,101	1,660,721
Taxation	6	<u>(64,618)</u>	<u>-</u>
Profit for the financial period		1,456,483	1,660,721
Other comprehensive income		-	-
Total comprehensive income for the financial period		1,456,483	1,660,721
Earnings per share:			
Basic	7	<u>51.6p</u>	<u>64.8p</u>
Diluted	7	<u>51.6p</u>	<u>59.8p</u>

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

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

The notes on pages 10 to 16 form an integral part of these Condensed Consolidated Financial Statements.

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For the six month period ended 30 June 2019

Condensed Consolidated Statement of Financial Position

		Unaudited 30 June 2019 £	Audited 31 December 2018 £
Fixed assets			
Tangible fixed assets		57,371	54,255
		57,371	54,255
Current assets			
Debtors	9	710,093	976,571
Investments	10	-	8,750,170
Cash and cash equivalents		12,649,773	2,583,839
		13,359,866	12,310,580
Current liabilities			
Creditors: Amounts falling due within one year	11	(2,536,399)	(2,588,947)
Net current assets		10,823,467	9,721,633
Total assets less current liabilities		10,880,838	9,775,888
Provision for other liabilities	12	(8,526)	(7,434)
Net assets		10,872,312	9,768,454
Capital and reserves			
Called-up share capital		2,798,501	2,798,501
Share-based payments reserve		139,546	139,546
Retained earnings		7,934,265	6,830,407
Shareholders' equity		10,872,312	9,768,454

The Condensed Consolidated Financial Statements were approved by the Board of Directors on 21 August 2019.

Signed on behalf of the Board of Directors:



Jon Moulton
Director



Fiona Le Poidevin
Director

The notes on pages 10 to 16 form an integral part of these Condensed Consolidated Financial Statements.

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Condensed Consolidated Statement of Changes in Equity

	<i>Notes</i>	Called-up share capital £	Share-based payments reserve £	Retained earnings £	Shareholders' equity £
At 31 December 2017 (Audited)		2,481,001	87,500	4,292,746	6,861,247
Total comprehensive income for the period 1 January 2018 to 30 June 2018		-	-	1,660,721	1,660,721
Equity-settled share based payments		-	16,928	-	16,928
Dividends declared and paid	8	-	-	(256,100)	(256,100)
At 30 June 2018 (Unaudited)		2,481,001	104,428	5,697,367	8,282,796
At 31 December 2018 (Audited)		2,798,501	139,546	6,830,407	9,768,454
Total comprehensive income for the period 1 January 2019 to 30 June 2019		-	-	1,456,483	1,456,483
Dividends declared and paid	8	-	-	(352,625)	(352,625)
At 30 June 2019 (Unaudited)		2,798,501	139,546	7,934,265	10,872,312

The notes on pages 10 to 16 form an integral part of these Condensed Consolidated Financial Statements.

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Condensed Consolidated Statement of Cash Flows

	<i>Notes</i>	Unaudited Six month period ended 30 June 2019 £	Unaudited Six month period ended 30 June 2018 £
Operating activities			
Operating profit		1,480,617	1,638,390
Adjustments for:			
Amortisation of intangible assets		-	19,313
Depreciation of tangible assets		13,076	11,045
Share based payment charge		-	16,928
Decrease in debtors		257,343	119,550
(Decrease)/increase in creditors		(52,548)	455,012
Provision for other liabilities		1,092	1,091
Cash generated		1,699,580	2,261,329
Income taxes paid	6	(75,000)	-
Net cash inflow from operating activities		1,624,580	2,261,329
Investing activities			
Payments to purchase tangible fixed assets		(16,192)	(11,892)
Purchases of certificates of deposit		(5,100,196)	(10,250,715)
Proceeds from disposal of certificates of deposit		13,850,366	6,951,268
Interest received		60,001	22,331
Net cash inflow/(outflow) from investing activities		8,793,979	(3,289,008)
Financing activities			
Dividend paid	8	(352,625)	(256,100)
Net cash outflow from financing activities		(352,625)	(256,100)
Increase/(decrease) in cash and cash equivalents		10,065,934	(1,283,779)
Cash and cash equivalents at start of the financial period		2,583,839	3,111,215
Cash and cash equivalents at end of the financial period	13	12,649,773	1,827,436

The notes on pages 10 to 16 form an integral part of these Condensed Consolidated Financial Statements.

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Notes to the Condensed Consolidated Financial Statements

1. General Information

The International Stock Exchange Group Limited (the **Company**) is a company with limited liability incorporated in Guernsey.

The Ordinary shares of the Company are listed on The International Stock Exchange (the **Exchange**), which is operated by the Company's wholly owned subsidiary, The International Stock Exchange Authority Limited (the **Subsidiary**).

2. Statement of Compliance

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

3. Basis of Preparation and Significant Accounting Policies

These condensed consolidated financial statements for the six month period ended 30 June 2019 should be read in conjunction with the annual report and consolidated financial statements for the year ended 31 December 2018, which were prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (**FRS 102**).

The condensed consolidated financial statements for the six month period ended 30 June 2019 are unaudited and incorporate unaudited comparative figures for the six month period ended 30 June 2018 and the audited comparative figures as at 31 December 2018.

The condensed consolidated financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The accounting policies, presentation and methods of computation used in the condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2018.

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

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4. Seasonality

The impact of seasonality or cyclicity on operations is not regarded as significant to the condensed consolidated financial statements. However, historically the second half of the financial year has seen a higher level of applications than the first half of the financial year.

5. Operating Segment information

The business of the Group continues to consist of a single reportable operating segment. The sole business of the Group is the operation of an investment exchange.

	Six month period ended 30 June 2019		Six month period ended 30 June 2018	
	£	£	£	£
Revenue from external customers				
Membership fees				
• <i>Initial fees</i>	10,000		20,000	
• <i>Annual fees</i>	149,954		133,642	
		159,954		153,642
Listing fees				
• <i>Initial fees</i>	932,888		1,315,175	
• <i>Annual fees</i>	1,869,665		1,634,677	
		2,802,553		2,949,852
Other Listing fees		359,190		328,075
Other income		30,835		22,200
		3,352,532		3,453,769

	Six month period ended 30 June 2019		Six month period ended 30 June 2018	
	£	£	£	£
Membership Fees – Initial and Annual - Geographical analysis				
Revenue from Members by domicile				
Guernsey	81,069		77,885	
Jersey	56,146		67,645	
Isle of Man	16,439		4,997	
UK	6,300		3,115	
		159,954		153,642

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5. Operating Segment information (continued)

	Six month period ended 30 June 2019 £	Six month period ended 30 June 2018 £
Listing Fees – Initial and Annual - Geographical analysis		
Revenue from Issuers by domicile		
Guernsey	145,352	188,760
Jersey	234,864	288,502
UK	1,715,660	1,650,026
Isle of Man	2,049	5,583
Other	704,628	816,981
	<u>2,802,553</u>	<u>2,949,852</u>

Total Turnover - Geographical analysis

Guernsey	262,955	285,574
Jersey	327,981	393,527
UK	1,920,652	1,740,936
Isle of Man	21,722	11,529
Other	819,222	1,022,203
	<u>3,352,532</u>	<u>3,453,769</u>

	30 June 2019 £	31 December 2018 £
Non-Current Assets – Geographical analysis		
Tangible Assets by location		
Guernsey	55,519	51,287
Jersey	1,607	2,136
Isle of Man	245	832
	<u>57,371</u>	<u>54,255</u>

6. Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The Company and the Subsidiary are tax resident in Guernsey.

The Company is subject to taxation in Guernsey at the company standard rate of 0%.

With effect from 1 January 2019, profits of the Subsidiary in respect of income from the regulated activity of operating an investment exchange under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 are taxable at the company intermediate rate of 10%. Other income is subject to taxation in Guernsey at the company standard rate of 0%.

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6. Taxation (continued)

The Jersey branch of the Company is subject to taxation in Jersey at the standard corporate rate of 0%. The Isle of Man branch of the Company is subject to the Manx standard rate of 0%.

The tax charge for the six month period to 30 June 2019 is £64,618.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate to the profit before tax is as follows:

	Six month period ended 30 June 2019 £	Six month period ended 30 June 2018 £
Profit on ordinary activities before taxation	1,521,101	1,660,721
Profit on ordinary activities multiplied by the company standard rate of income tax in Guernsey of 0% (2018: 0%)	-	-
Effects of:		
Amounts taxable at 10% in Guernsey	64,618	-
Total tax charge for the period	64,618	-

7. Earnings per Share

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

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

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7. Earnings per Share (continued)

Details of the earnings per share calculations are as follows:

	Six month period ended 30 June 2019	Six month period Ended 30 June 2018
Basic:		
Basic weighted average shares outstanding	2,821,000	2,561,000
Net profit attributable to ordinary shareholders	£1,456,483	£1,660,721
Basic earnings per share	51.6p	64.8p
Diluted:		
Dilutive share options outstanding throughout the period	50,000	250,000
Potential proceeds from dilutive share options	£456,250	£250,000
Average market share price for the period	933p	754p
Shares deemed repurchased	48,901	33,156
Shares deemed issued for no consideration	1,099	216,844
Weighted number of shares deemed issued for no consideration	1,099	216,844
Diluted weighted average shares outstanding	2,822,099	2,777,844
Net profit attributable to ordinary shareholders	£1,456,483	£1,660,721
Diluted earnings per share	51.6p	59.8p

8. Dividends

	Six month period ended 30 June 2019	Six month period ended 30 June 2018
	£	£
Dividend paid	352,625	256,100

Dividends declared by the Board are recognised upon payment. See also note 15.

On 26 March 2019 the Board declared a dividend of 12.5p per £1 ordinary share (£352,625) paid 29 April 2019.

On 20 September 2018 the Board declared a dividend of 20.0p per £1 ordinary share (£564,200), paid 22 October 2018.

On 28 March 2018 the Board declared a dividend of 10.0p per £1 ordinary share (£256,100), paid 30 April 2018.

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9. Debtors

	30 June 2019	31 December 2018
	£	£
Trade debtors	534,815	763,010
Corporate taxation	10,382	-
Other debtors	5,501	13,013
Prepayments	159,395	181,031
Accrued income	-	19,517
	<u>710,093</u>	<u>976,571</u>

Trade debtors include no amounts that fall due after more than one year.

10. Investments

	30 June 2019	31 December 2018
	£	£
Certificates of deposit with maturity at date of acquisition of over 90 days and no more than 365 days	-	8,750,170
	<u>-</u>	<u>8,750,170</u>

11. Creditors: Amounts falling due within one year

	30 June 2019	31 December 2018
	£	£
Deferred income	2,208,446	2,124,612
Payments on account from issuers	83,038	94,266
Trade creditors and accruals	215,831	345,348
Other creditors	29,084	24,721
	<u>2,536,399</u>	<u>2,588,947</u>

12. Provision for liabilities

Dilapidations provision	£
At 31 December 2017	5,232
Addition to provision	1,091
At 30 June 2018	<u>6,323</u>
At 31 December 2018	7,434
Addition to provision	1,092
At 30 June 2019	<u>8,526</u>

The dilapidations provision relates to the obligation to make good at the end of the lease the fitting out (undertaken in 2015) of the leased offices at Helvetia Court, South Esplanade, St. Peter Port, Guernsey.

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13. Notes to the Statement of Cash Flows

Cash and cash equivalents	30 June 2019	30 June 2018
	£	£
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	12,649,773	1,577,280
Cash equivalents	-	250,156
	12,649,773	1,827,436

14. Significant Related Party Transactions

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.

There were no changes to the Directors of the Company during the reporting period. Adrienne Muir was appointed as a Director of the Subsidiary on 26 June 2019. There were no changes to the Directors of the Company or of the Subsidiary during the comparative period.

The compensation recognised for the six month period ended 30 June 2019 in respect of all key management personnel during their term of appointment totalled £415,371 (six month period ended 30 June 2018: £411,971).

15. Events After the Interim Reporting Period

On 13 May 2019 the Board declared a special dividend of 200.0p per £1 ordinary share (£5,642,000) paid after the reporting period on 1 July 2019.

16. Approval of Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved by the Board on 21 August 2019 and authorised to be published on 21 August 2019.