# 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 2017

## Contents

# The International Stock Exchange Group Limited
(formerly The Channel Islands Securities Exchange Limited)
**For the year ended 31 December 2017**

## Corporate Information

| | | |
|---|---|---|
| **Current Directors:** | J P Moulton | (Chairman) |
| | G E S Coltman | |
| | S R Turner | |
| | F L A Le Poidevin | (Chief Executive Officer) |
| | A A Whamond | (appointed 1 March 2017) |
| **Former Director:** | S P Lansdown | (resigned 6 June 2017) |
| **Current Secretary:** | E A C Humphry | (appointed 31 July 2017) |
| **Former Secretaries:** | F M Carvill | (appointed 1 March 2017 resigned 31 July 2017) |
| | P D Smith | (appointed 15 September 2016 resigned 1 March 2017) |
| **Registered Office:** | Helvetia Court<br>Block B, Third Floor<br>Les Echelons<br>St Peter Port<br>Guernsey<br>GY1 1AR | |
| **Registered Number:** | 57524 | |
| **Independent Auditor:** | PricewaterhouseCoopers CI LLP<br>1 Glategny Esplanade<br>St Peter Port<br>Guernsey<br>GY1 4ND | |
| **Listing Sponsor:** | Bedell Channel Islands Ltd<br>26 New Street<br>St Helier<br>Jersey<br>JE2 3RA | |
| **Registrar:** | Anson Registrars Ltd<br>Anson House<br>Havilland Street<br>St Peter Port<br>Guernsey<br>GY1 2QE | |

## Chairman's Statement

Last year proved to be extremely successful for the Group, with strong business flows leading to significantly increased profits and a number of milestones passed which are important developments for the future.

Chief among them was the rebranding of the business to The International Stock Exchange (TISE) and consequently changing the Company name to The International Stock Exchange Group Limited (TISEG). We are thankful for the shareholder support in making this move, which has been very well received and enhanced our profile in the market, with the timing coinciding with the opening of an office in the Isle of Man.

From 1 March last year, Isle of Man-based Anderson Whamond was appointed as a non-executive director of the Company and also that month, we held a very well attended launch party in Douglas, Isle of Man which created significant interest in our offering. From 1 May, Carolyn Gelling, as Head of the Isle of Man office, has been spearheading the efforts to capitalise on those opportunities.

A landmark was reached in June when the first Isle of Man-based company was approved as a member of the Exchange. It means that listings of all types now can be facilitated directly from the Isle of Man. During the year, there have been a number of other membership enquiries from firms based in the Isle of Man which are now progressing.

This mirrors the general interest we have seen from within the Isle of Man, which we also see as a natural location from which we can market our offering to UK Small and Medium sized Enterprises (SMEs) and especially those cities within the Midlands Engine, such as Birmingham and the Northern Powerhouse, including Manchester and Leeds.

Overall during 2017, there were 705 new listings, which was an increase of 40.4% on the previous year (2016: 502) and took the total number of listings on the Exchange to 2,511 at the end of December (2016: 2,272).

These have included several more HMRC approved UK Real Estate Investment Trusts (REITs). A series of factors have come together to drive up interest in UK real estate as an asset class and the REIT as a vehicle for that investment. Coupled with the shift towards REITs, which require a listing, we have also seen increased interest in TISE as the listing venue. This is because we not only fulfil the requirement of being listed on an HMRC 'recognised stock exchange' but we have a cost-effective and pragmatic admissions process compared to major exchanges. Today, around a quarter of all UK REITs are listed on TISE.

REITs are an area where we focused our marketing efforts in 2017, principally with the advisory community in London and we have seen positive results. The same positive results have been achieved in the high yield area where we undertook promotional work directly in New York and Washington given that much of this business originates in the United States.

High yield was an area of notable growth during last year, with 56 companies issuing 71 high yield bonds which listed on TISE during 2017. Historically, only a very small number of high yield issuances had come to our Exchange but this position has changed markedly since the introduction of the Market Abuse Regulation (MAR) across the European Union (EU) from July 2016.

Our position in Europe geographically but outside the EU has resulted in some high yield migrations from Ireland and Luxembourg but predominantly, we are attracting new issuances from companies accessing the European markets. Since July 2016, issuers comprising a mix of private and public and European and US companies - including a number of global brands - have listed more than 100 high yield bonds on TISE.

High yield business includes a number of listings from private equity backed companies and private equity groups are also behind a significant proportion of TISE's other debt listings. This is an area where we feel there is scope for further business, not least due to the number of private equity groups which already use the Channel Islands as a domicile for their funds and this is a focus for marketing efforts during 2018.

Last year also saw the listing of the equity of a Channel Islands-headquartered financial services business, which listed to widen the group's visibility internationally, provide access to the capital markets and to give shareholders a market for their holdings. It features on the Channel Islands segment of the Exchange. The market segments – one for trading companies from the Channel Islands and one for trading companies from the Isle of Man – were established concurrently with the rebrand to ensure that we cater for the needs of operating companies in those jurisdictions where we are based.

All of this activity means that we have seen profits continue to grow towards £2.5 million. Cash and certificates of deposits exceeded £8m at 31 December 2017.

The Company's position is underpinned by a strong balance sheet, including significant liquid funds which are 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.

The Company paid dividends of 9.5p per share in 2017, taking the total dividends paid to 17.5p per share since listing.

On 18 September 2017, the Board made an announcement on the Exchange that it had received a letter of intent from a third party confirming its interest in acquiring the business of the Company. The Board was clear that it would take all appropriate steps to consider the proposal but there could be no certainty that it would result in a transaction. On 20 November a further announcement was made to confirm that discussions with the potential third party acquirer failed to reach a conclusion and therefore had been terminated.

In total there were 10 trades of the Company's shares reported on the Exchange during 2017, rising from 300p on 5 January, peaking at 750p (twice) on 27 October and 2 November and the last reported trade of 2017 was 700p on 28 December. There have been a further two trades since period-end, with the latest at 675p on 10 January 2018.

The Company is in a strong position that is in no small part due to Stephen Lansdown who stepped down from the Board at the AGM in June to focus on his other interests. Stephen was instrumental in the successful restructure of the Exchange business in 2013 and I thank him for his significant assistance as Deputy Chairman in guiding the Company through its formative years.

Mark Nicol, who was appointed on 4 December, joins us as head of our Subsidiary which operates and regulates the Exchange having previously worked at the UK's Financial Conduct Authority (FCA) and the London Stock Exchange. Mark's significant experience of both the regulatory and exchange environments in the UK will be hugely important as the Exchange continues to evolve in what is a rapidly changing landscape for financial services and I welcome him on board.

I would like to thank the Group's executive team and staff for their efforts in making 2017 such a success and our shareholders, members and wider stakeholders for their continued support.

Jon Moulton
28 March 2018

## Directors' Report

The Directors submit their annual report and audited consolidated financial statements of The International Stock Exchange Group Limited (the **Company** or **TISEG**) and its wholly owned subsidiary The International Stock Exchange Authority Limited (the **Subsidiary** or **TISEA**) (together the **Group**) for the year ended 31 December 2017.

### 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. In advance of the launch of its Isle of Man presence in March 2017, the Company registered as a foreign company under the Foreign Companies Act 2014 (Registered No. 006074F).

The Subsidiary 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 on 6 March 2017.

The Subsidiary changed its name from The Channel Islands Securities Exchange Authority Limited to The International Stock Exchange Authority Limited on 26 April 2017.

### Principal Activity

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

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

### Results and Dividends

The results of the Group for the year are set out on page 26.

Dividends totalling £243,295, were paid during the year (2016: £196,880). A dividend of 4.5p per share was declared on 23 March 2017 and paid on 21 April 2017. A further dividend of 5.0p per ordinary share was declared on 12 September 2017 and paid on 9 October 2017.

### Business Review

A significant development for the Company during last year was its renaming from The Channel Islands Securities Exchange Limited to The International Stock Exchange Group Limited.

The name change was part of a wider rebrand of the business to The International Stock Exchange, with the Company's wholly owned subsidiary, which operates and regulates the Exchange, becoming The International Stock Exchange Authority Limited.

The rebrand included registering a stylised form of TISE as a trademark. It was first registered with the UK Intellectual Property Office and coverage now extends to the wider European Union, as well as Guernsey, Jersey and the Isle of Man. The Company continues to follow its programme of trademark registrations, with applications currently pending in the US, China and South Africa.

The nature of these trademark registrations, in tandem with the change of company name, demonstrates the global outlook of the Company. The rebrand reflects the existing business base as well as the future aspirations of the Company, while the timing of it also coincided with the immediate next phase of that internationalisation strategy, which was opening an office in the Isle of Man.

This was also supported by recognition from the German regulator, BaFin. This provided an endorsement of TISEA’s regulatory standards and in doing so, enhanced the credibility of the Exchange. In addition, it means that TISE-listed products are automatically eligible assets as part of the ‘listed’ investment allocation of German UCITS funds and German insurance companies.

Overall during 2017, the total number of listed entities on the Exchange grew by 239 (10.5%), from 2,272 to 2,511. There were 466 delistings during the year, which was a 15.6% increase from the previous year (2016: 403). There were 705 new listings, which was a 40.4% increase on the previous year (2016: 502) and which itself had been an 18.7% increase on the prior year (2015: 401). These new listings included 1 equity security, 10 closed ended investment securities and 12 open ended investment securities, with the remainder being mainly various forms of debt.

The closed ended investment securities have included both several more HMRC approved UK Real Estate Investment Trusts (REITs) as well as more UK Investment Trusts which are dual listed on TISE and the London Stock Exchange (LSE) Specialist Fund Segment (SFS) to satisfy the Non-Mainstream Pooled Investment (NMPI) rules.

The debt listings have included more convertibles of issuers with equity listed on the LSE’s Main Market or quoted on AIM. High yield was an area of notable growth last year, with 56 companies issuing 71 high yield bonds which listed on TISE during 2017. These have comprised some migrations from Ireland and Luxembourg but predominantly, we are attracting new issuances from companies – comprising a mix of private and public, European and US institutions – accessing the European markets.

The equity listing came in the form of a Channel Islands headquartered financial services business. It listed to widen the group’s visibility internationally, provide access to the capital markets and to give shareholders a market for their holdings. Upon listing it also entered TISE’s Channel Islands segment which, along with an Isle of Man segment, was established at the time of the rebrand.

This generated a number of enquiries from other Channel Islands companies who wanted to learn more about listing on TISE. The Isle of Man office was established to not only attract local companies to list on TISE but also as a base from which the offering can be marketed to UK Small and Medium sized Enterprises (SMEs) and especially within the Midlands Engine and Northern Powerhouse.

Due to this significant and sustained growth, the Company and its subsidiary have invested in extra resources, which has included several new staff positions across our Guernsey, Jersey and Isle of Man offices. At the same time, there has been continued investment in the development of IT solutions which will enhance the efficiency of the business and also improve the experience of TISE Members.

As at 31 December 2017, there were 41 Members of the Exchange of which 37 were Listing (only) Members, 2 were combined Listing and Trading Members and 2 were Trading (only) Members. During 2017, 1 new Listing (only) Member was admitted and in doing so, it became the first Member from the Isle of Man and the first Listing Member from outside the Channel Islands.

During the year, there have been a number of membership enquiries from firms based in the Isle of Man as well as others from the Channel Islands, the UK and Ireland which are at different stages of consideration.

Towards the end of 2017, the Company's subsidiary also launched a new administration service to help financial services businesses obtain a Legal Entity Identifier (LEI) from the London Stock Exchange. This is not only a service which will be of value to existing or new issuers but also to other financial services firms and therefore provides diversification with the potential to provide a gateway to other streams of revenue in the future.

**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 an independent non-executive Director of the Company with effect from 1 March 2017 and re-elected as a Director of the Company at the Annual General Meeting held on 6 June 2017.

S P Lansdown resigned as a Director of the Company, with his resignation taking effect at the Annual General Meeting held on 6 June 2017.

**Directors and their Interests**

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

| | 31 December 2017 | | | 31 December 2016 | | |
|---|---|---|---|---|---|---|
| | **No. of shares** | **Percentage** | **Interest** | **No. of shares** | **Percentage** | **Interest** |
| J P Moulton | 200,000 | 7.81% | Indirect | 200,000 | 7.81% | Indirect |
| G E S Coltman | 246,100 | 9.61% | See below | 246,100 | 9.61% | See below |

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

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

| | **31 December 2017** | **31 December 2016** | | | |
|---|---|---|---|---|---|
| | **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 current 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:

| | 28 March 2018 | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|
| | No. of shares | Percentage | Interest | No. of shares | Percentage | Interest |
| Bailiwick Investments Limited | 383,964 | 14.99% | Indirect | 383,964 | 14.99% | Indirect |
| Mr M Thistlethwayte | 250,000 | 9.76% | Direct | 250,000 | 9.76% | Direct |
| Mr S P Lansdown and Mrs M A Lansdown | 250,000 | 9.76% | Indirect | 250,000 | 9.76% | Indirect |
| Mr D J Ozanne and Mrs L K Ozanne | 125,000 | 4.88% | Indirect | 125,000 | 4.88% | Indirect |
| Winterflood Securities Limited | 81,500 | 3.18% | Direct | 81,500 | 3.18% | Direct |

**Directors' Responsibilities**

The Directors are responsible for preparing the Directors' Report and the consolidated 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 consolidated 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.

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

The maintenance and integrity of the Company's 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.

**Independent Auditor**

The Auditor, PricewaterhouseCoopers CI LLP, have expressed their willingness to continue in office as auditor. A resolution to reappoint PricewaterhouseCoopers CI LLP as auditor to the Company will be proposed at the next Annual General Meeting.

**Annual General Meeting**

The Annual General Meeting of the Company will be held at the Company's registered office on 16 May 2018.

Approved by the Board of Directors on 28 March 2018 and signed on its behalf by:

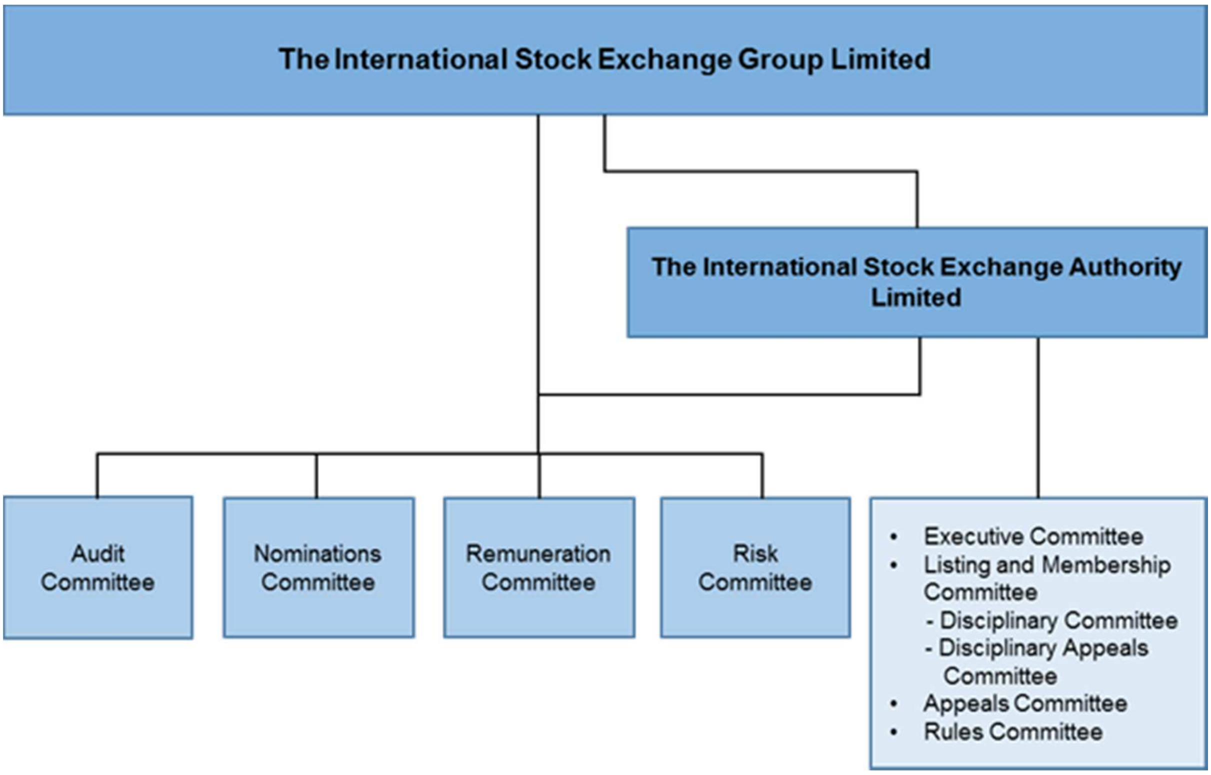
| | |
|---|---|
| **J P Moulton**<br>**Director** | **F L A Le Poidevin**<br>**Director** |

## Corporate Governance Report

The Board of Directors of the Company (the **Board**) recognises the importance of corporate governance and its contribution to promoting the long term success of the Company. Although the Company is not currently required to comply with a corporate governance code, the Board is committed to aligning itself with the twelve principles of good corporate governance set out in the Quoted Companies Alliance: Corporate Governance Code for Small and Mid-Size Quoted Companies.

### Governance Framework

The Group has developed a robust and effective governance framework both in terms of the corporate structure (splitting the regulatory and commercial functions) and the expertise of the senior management team. The Group is committed to high standards of corporate governance and business integrity in all of its activities. The boards of the Group companies each have highly committed, competent board members with a wide range of experience amongst them. They are supported by an established senior management team with significant expertise in their respective fields.




### The Board

Responsibilities
The Board is responsible for the governance of the Company and for establishing a sound system of risk management and internal control. The strategic objectives for the Company and Group are detailed in the strategy and business plan, which are reviewed by the executive on an annual basis and recommended to the Board for approval. All Directors support the Company's strategy and values, effectively setting the 'tone at the top'.

The roles of the Chairman and Chief Executive Officer are distinct and separate with a clear division of responsibilities. The Chairman is primarily responsible for the management and leadership of the Board. The Chief Executive Officer has overall responsibility for leading the Company's operations and implementing Board decisions and strategy. The Chief Executive Officer fosters ethical behaviours and business conduct throughout the organisation which are consistent with the Company's strategy and values.

The Board has established a number of Board committees to oversee specific areas and functions. Whilst these committees may provide advice and make recommendations to the Board in respect of any areas within their remit, it remains the responsibility of the Board to agree and approve any action required.

In line with the recommendation made by the Audit Committee, the Board has determined that, given the modest size of the Group and high degree of Director review, an internal audit function is not currently justified. This decision will be kept under review as the Group develops.

Composition

As at 31 December 2017, the Board comprised four independent non-executive Directors (including the Chairman) and the Chief Executive Officer. The Board has considered whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement and determined that all non-executive Directors are considered to be independent in character and judgement. All Directors are aware of and fulfil their duties and by doing so exercise, both individually and collectively, objective and independent judgement. In arriving at this conclusion, the Board also considered other relevant qualities, such as the Directors' experience, knowledge, professional background, integrity and ethics.

The Board is considered to be a suitable size and includes an appropriate combination of skills, experience, independence and other characteristics which promote a diversity of perspectives and ensure that it operates effectively. The Directors have extensive combined experience with specific expertise in IT and change management, financial markets, corporate finance, accountancy, law and marketing. Details of the professional background, skills and experience of each director are provided on pages 19 and 20.

Appointment and Tenure

The appointment and re-election of Directors is considered by the Nominations Committee and recommended to the Board.

Whist there is no standing requirement for the Directors to offer themselves for re-election at given intervals, the Board has considered the matter and determined that all Directors should be subject to election by shareholders at the first Annual General Meeting after their appointment and to re-election thereafter at intervals of no more than three years. Separate resolutions for the re-election of each Director will be proposed at the forthcoming Annual General Meeting.

The Board benefits from having Directors with a variety of lengths of service. No immediate succession issues have been identified.

Directors are provided with a comprehensive induction upon appointment. Training is provided at appointment and as necessary during their tenure as further development needs are identified. All Directors have access to the services of the Company Secretary and may seek external advice, at the Company's expense, should they require it.

Meetings

The Board meets at least four times per year and holds further meetings and conference calls as necessary. The Board receives regular, timely and comprehensive reporting to enable the Directors to assess the financial and operational performance of the Company and its key risks throughout the year.

All Directors actively participate in Board and committee meetings and contribute to the discussions. The attendance record of each of the Directors at Board and committee meetings held during the year is detailed below.

| | Meetings Attended / Held | | | | |
|---|---|---|---|---|---|
| **Director** | **Board** | **Audit Committee** | **Nominations Committee** | **Remuneration Committee** | **Risk Committee** |
| J P Moulton | 8 / 10 | 4 / 4 | 3 / 3 | 3 / 3 | n/a |
| G E S Coltman | 5 / 10 | 1 / 1* | 1 / 3 | 1 / 3 | 1 / 3 |
| F L A Le Poidevin | 10 / 10 | n/a | n/a | n/a | n/a |
| S R Turner | 7 / 10 | n/a | 2 / 3 | 2 / 3 | 3 / 3 |
| A A Whamond | 7 / 8* | 3 / 3* | 2 / 3 | 2 / 3 | n/a |
| S P Lansdown | 4 / 4* | 1 / 1* | n/a | n/a | n/a |

* These individuals served on the Board or committee for part of the year and therefore the number of meetings held reflects only those which they were eligible to attend.

**Board Committees**

The Board, together with the board of the Subsidiary, has established the following four committees in order to provide additional oversight of specific areas and functions. Each of the committees has terms of reference detailing their roles and responsibilities; these are reviewed by the Board annually. The Board is represented on each of these committees by at least two non-executive Directors. The Subsidiary is represented on each of these committees by Mark Tubby, who is the independent non-executive Chairman of the Subsidiary's board of directors. The committees provide reporting on their activities to the Board at its quarterly meetings.

Audit Committee

On 31 December 2017, the members of the Audit Committee were: J P Moulton (Chairman), M D Tubby and A A Whamond. The committee meets on average three times per year, with additional ad hoc meetings when circumstances require, and the Chief Executive Officer and Chief Financial Officer are usually invited to attend meetings. The committee has at least one meeting with the Auditor without management present.

The Chairman of the Board, J P Moulton, is also chairman of the Audit Committee. Whilst recognising that these roles are commonly segregated, the Board considers that this arrangement utilises J P Moulton's extensive financial expertise and accountancy qualification in the most appropriate and effective manner.

The Audit Committee reviews the Annual Reports and consolidated financial statements and Interim Financial Reports, together with any other formal statements relating to the Company's financial performance and recommends them to the Board for approval. The committee considers the integrity of the Reports and whether they present a fair, balanced and understandable account to assess the

Company's financial performance, business model and strategy. The committee reports to the Board on any significant financial reporting issues or judgements which the Reports contain.

The committee oversees the relationship with the external auditor and assesses their performance, resources and independence together with the effectiveness of the audit process. The committee reviews the nature and extent of non-audit services provided and receives confirmation from the Auditor of their independence on an at least annual basis. The committee recommends the appointment of the Auditor, including the terms of engagement and fee, to the Board.

The committee reviews the adequacy and effectiveness of the internal controls and risk management practices implemented by management to effectively identify, assess and monitor key business and financial risks.

It remains the responsibility of the relevant board to consider any recommendations made by the committee and agree any action required. The committee provides periodic reporting to the boards on its activities.

Nominations Committee

On 31 December 2017, the members of the Nominations Committee were: A A Whamond (Chairman), G E S Coltman, J P Moulton, M D Tubby and S R Turner. The committee meets on average twice per year, with additional ad hoc meetings when circumstances require, and the Chief Executive Officer is usually invited to attend meetings.

The committee reviews the structure, size, balance and composition (including the skills, knowledge, experience and diversity) of the Group boards and makes recommendations to the boards with regard to any changes. The committee also makes recommendations to the boards in respect of candidates for appointment as Director and, where relevant, the re-election of Directors, having due regard to their performance and ability to continue to contribute to the boards. The committee considers succession planning, for both executive and non-executive Directors, and recommends any enhancements to the boards.

During the year, and in addition to utilising open advertising, the Group engaged an external consultancy to assist with the identification and selection of potential candidates for the position of Managing Director of the Subsidiary.

The Group is committed to valuing diversity throughout the organisation and upholds the belief that people from different backgrounds can bring fresh ideas, thinking and approaches which make the way work is undertaken more effective and efficient.

It remains the responsibility of the relevant board to consider any recommendations made by the committee and agree any action required. The committee provides periodic reporting to the boards on its activities.

Remuneration Committee

On 31 December 2017, the members of the Remuneration Committee were: G E S Coltman (Chairman), J P Moulton, M D Tubby, S R Turner and A A Whamond. The committee meets on average twice per year, with additional ad hoc meetings when circumstances require, and the Chief Executive Officer is usually invited to attend meetings.

The committee reviews the remuneration strategy of the Group, including the balance between fixed and performance related, immediate and deferred remuneration, within the context of the Group's approved strategic objectives and risk appetite. The committee reviews and makes recommendations to the boards on the total compensation package of each Director and senior executive of the Group. The committee also makes recommendations to the boards in respect of share awards and, where relevant, associated performance conditions.

A resolution to authorise the Board to determine the remuneration of the Directors for 2019 will be proposed at the forthcoming Annual General Meeting.
No remuneration consultants were appointed during the year.

It remains the responsibility of the relevant board to consider any recommendations made by the committee and agree any action required. The committee provides periodic reporting to the boards on its activities.

Risk Committee
Whilst previously falling within the remit of the Audit Committee, it was recognised during the year that a separate Risk Committee would enhance the oversight of risk management practices and, in particular, those concerning non-financial risks. As a result, a standalone Risk Committee was established in mid-2017.

On 31 December 2017, the members of the Risk Committee were: S R Turner (Chairman), G E S Coltman and M D Tubby. The Committee meets on average four times per year, with additional ad hoc meetings when circumstances require, and the Head of Risk, Regulation and Compliance is usually invited to attend meetings.

The Risk Committee reviews the overall risk appetite of the Group within the context of the approved strategic objectives, and taking into account the current and prospective macroeconomic environment, and recommends it to the Group boards. The committee oversees the processes implemented by management to effectively identify, assess, monitor, and respond to the organisation's significant risks and receives regular reporting on key risk metrics and material breaches.

The committee considers the remit, independence and resourcing of the Risk, Regulation and Compliance functions to ensure that they are able to perform their functions effectively.

It remains the responsibility of the relevant board to consider any recommendations made by the committee and agree any action required. The committee provides periodic reporting to the boards on its activities.

**Principal Risks and Uncertainties**

The Group's business activities are subject to risk factors, both specific to its business activities and of a general nature, which may individually or cumulatively, materially and adversely affect its business, operations and financial performance.

The success of the Group's business depends in part on its ability to identify and respond to evolving macro-economic and sector trends and issuer preferences. Failure to identify or effectively respond to such changing requirements and preferences could adversely affect the Group's business.

The Group's reputation and regulatory experience are extremely valuable components of the business and are key to its future success. The Group operates a stock exchange within a complex regulatory and fiscal environment. A wide range of legislative or regulatory changes, including those in other jurisdictions, could adversely impact the Group's business either directly or indirectly. Changes in taxation rules in other jurisdictions can significantly affect the attractiveness of the Group's offering.

The Board recognises the Group's dependency on information technology and systems to deliver its services and products. It will be necessary for the Group to make further investment into its technology and systems capability to enable it to successfully exploit new opportunities and diversify its business. The Board is mindful of the importance of cyber and data security and is reviewing further security controls to safeguard the Group's assets.

The Board has approved the strategic objectives and risk appetite of the Group, within which its operations are managed. The Group continues to develop and enhance its risk management framework, metrics and indicators to improve its response to identified and emerging risks. The Group continues to diversify its services and products and is well positioned to exploit new opportunities.

**Shareholder Relations**

The Board is committed to ensuring that it communicates with shareholders in a transparent and timely manner through the provision of accessible and high quality information. The Company complies with its obligations as a TISE listed entity and releases announcements to the market in accordance with the Listing Rules. The Company uses the annual and interim financial statements, website and media releases to provide further information to current and prospective shareholders.

Shareholders are encouraged to attend the Annual General Meeting, which is the Company's primary forum for communication with shareholders. The Chief Executive Officer provides an update on financial and business performance during the year. The Chairman summarises the Company's strategic direction and invites shareholders to ask questions of the Board and chairmen of the committees. All resolutions are voted on separately. A TISE market announcement is issued as soon as practicable after the meeting to confirm whether the resolutions proposed have been passed.

Outside of formal engagements, contact details are included on the Company's website, together with all TISE market announcements, to enable shareholders to communicate with the Board should they wish to share their views or concerns. The Chairman of the Company makes himself available to shareholders at all times.

## Directors' Biographies

### Jon Moulton

Jon Moulton is independent non-executive Chairman of the Company's Board of Directors, a position he has held since 14 November 2013. He is also Chairman of the Group's Audit Committee and a member of both the Nominations Committee and Remuneration Committee.

Jon is a Chartered Accountant (FCA), Corporate Financier (CF) and a Fellow of the Institute for Turnaround Professionals.

Former Managing Partner of Alchemy, Jon previously worked with Citicorp Venture Capital in New York and London, Permira and Apax. He is Chairman of the Better Capital fund entities, non-executive Chairman of finnCap, the stockbroker, non-executive Chairman of the Antimicrobial Resistance Centre and a Trustee of the UK Stem Cell Foundation. He is a director of a number of private companies and a very active angel investor.

### Guy Coltman

Guy Coltman joined the Board of Directors on 17 February 2014 as an independent non-executive Director. He is also Chairman of the Group's Remuneration Committee and a member of both the Risk Committee and Nominations Committee.

Guy is an Advocate of the Royal Court of Jersey and qualified as a solicitor in England and Wales.

Guy is a corporate partner of Carey Olsen's Jersey practice. Prior to joining Carey Olsen in September 2006, he 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.

### Fiona Le Poidevin

Fiona Le Poidevin is Chief Executive Officer and a Director of the Company, positions which she has held since January 2015. Her role includes strategy formulation, overseeing the day to day operation of the Company, providing leadership and strategic direction to the team and focusing on opportunities to grow the business, both from existing streams and through the introduction of new products and service offerings.

Fiona is a Chartered Accountant (FCA) and holds the Institute of Directors (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.

Prior to joining the Company, Fiona was Chief Executive of Guernsey Finance. Previously a senior tax manager with a Big 4 accountancy firm, she has more than 19 years' experience working in financial services in both London and the Channel Islands.

**Stuart Turner**

Stuart Turner joined the Board of Directors on 28 April 2014 as an independent non-executive Director. He is also Chairman of the Group's Risk Committee and a member of both the Nominations Committee and Remuneration Committee.

Stuart has extensive IT and change management experience and has spent the last 30 years in the financial markets industry.

Stuart's 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. He is a director of Avenir Limited, which has developed a new and innovative range of post-trade software for securities depositories and share registrars.

**Alexander Anderson Whamond**

Alexander (Anderson) Whamond is an independent non-executive Director and was appointed to the Board of the Directors on 1 March 2017. He was appointed as Chairman of the Group's Nominations Committee on 23 March 2017 and also serves as a member of both the Audit Committee and Remuneration Committee.

Anderson has over 30 years' experience in the banking and financial sector. He is an executive director of Fiera Capital (IOM) Limited (formerly Charlemagne Capital (IOM) Limited) and also a director of a number of listed and non-listed investment companies.

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. In 1998, Anderson joined the Regent Pacific Group as head of corporate investments and relocated to the Isle of Man. He joined the Charlemagne Group in 2002 and was a director of AIM quoted Charlemagne Capital Limited until March 2009.

## 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 2017, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") 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 2017;
- 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 £93,375 (2016: £73,000) which represents 5% of the consolidated profit before tax.

*Audit scope*

- We performed an audit of the complete financial information of the entities within the Group.
- The components where we performed full scope audit procedures accounted for 100% of the net assets and profit for the financial year.
- We have audited the financial statements of the wholly owned subsidiary and the parent company including the operations within the branches in Jersey and the Isle of Man

*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 branches in Jersey and Isle of Man and a wholly owned underlying Guernsey incorporated subsidiary, The International Stock Exchange Authority Limited. 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* | £93,375 (2016: £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 Group is a profit oriented trading company with the intention of either reinvesting or distributing profits to investors by way of dividends. The financial performance of the Group is assessed on profit levels and this can have an impact on the share price performance. 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 shareholders. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £6,225 (2016: £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 year. 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**<br>We focus on the risk of material misstatement in the recognition of revenue, as a result of both fraud and error, because revenue is material and is an important determinant of the Group's profitability which has a consequent impact on its share price performance.<br><br>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.<br><br>We have assessed all revenue streams in the Group and determined that there is a risk in each of the material revenue streams. The risk is dependent upon the opportunity for errors to occur or for management to commit fraud.<br><br>Revenue is derived from multiple sources being initial and annual membership and listing fees, other listing fees and other income as disclosed in note 3(f) and note 5 to the consolidated financial statements.<br><br>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.<br><br>Based on these factors, there is a heightened risk due to fraud or error that revenue is not 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 separate revenue spreadsheets.<br>• We obtained the revenue spreadsheets detailing all listings and members' fees and reconciled this to the general ledger and the consolidated financial statements.<br>• 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 spreadsheets by agreeing them to the Group's approved fee schedule.<br>• On a sample basis, we verified that the standing data in the revenue spreadsheets were correctly recorded and agreed to supporting documentation such as the Group's approved fee schedule or application forms.<br>• For all of the issuers and members from which initial and annual fees were earned during the year, we agreed that all were registered as an issuer or member on the Group's website via a two way check between the revenue spreadsheets and the Group's website, other than those with applications on hold.<br>• 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.<br>• We recalculated the deferred income using the revenue spreadsheets and reconciled this to the general ledger and the consolidated financial statements.<br>• 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.<br>• We also assessed the revenue recognition policies adopted by the Group for compliance with the relevant accounting standards.<br><br>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, Corporate Governance report, 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, comprising FRS 102 only, 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 2017 for The International Stock Exchange Authority Limited, trading as The International Stock Exchange Authority. In our opinion, the financial resources requirement agreed with the Guernsey Financial Services Commission for The International Stock Exchange Authority Limited (formerly known as The Channel Islands Securities Exchange Authority Limited), 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.

Tony Corbin

**Tony Corbin**
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
28 March 2018

## Consolidated Statement of Comprehensive Income

| | *Notes* | Year ended 31 December 2017 £ | Year ended 31 December 2016 £ |
|---|---|---|---|
| Turnover | *5* | 6,008,226 | 4,695,760 |
| Administrative expenses | *6, 7* | (3,538,809) | (3,229,986) |
| **Operating profit** | | **2,469,417** | **1,465,774** |
| Interest receivable | | 20,632 | 1,122 |
| **Profit on ordinary activities before taxation** | | **2,490,049** | **1,466,896** |
| Taxation | *8* | - | - |
| **Profit for the financial year** | | **2,490,049** | **1,466,896** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the financial year** | | **2,490,049** | **1,466,896** |
| Earnings per share: | | | |
| Basic | *9* | 97.2p | 59.6p |
| Diluted | *9* | 90.0p | 55.6p |

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 29 to 46 form an integral part of these consolidated financial statements.

## Consolidated Statement of Financial Position

| | Notes | 31 December 2017 £ | 31 December 2016 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 11 | 38,954 | 77,898 |
| Tangible fixed assets | 12 | 63,731 | 76,144 |
| | | **102,685** | **154,042** |
| **Current assets** | | | |
| Debtors | 13 | 901,730 | 457,669 |
| Investments | 14 | 4,900,553 | - |
| Cash and cash equivalents | 18(b) | 3,111,215 | 5,764,504 |
| | | **8,913,498** | **6,222,173** |
| **Current liabilities** | | | |
| Creditors: Amounts falling due within one year | 15 | (2,149,704) | (1,758,693) |
| **Net current assets** | | **6,763,794** | **4,463,480** |
| **Total assets less current liabilities** | | **6,866,479** | **4,617,522** |
| Provisions for other liabilities | 16 | (5,232) | (3,029) |
| **Net assets** | | **6,861,247** | **4,614,493** |
| **Capital and reserves** | | | |
| Called-up share capital | 17 | 2,481,001 | 2,481,001 |
| Share-based payments reserve | 19 | 87,500 | 87,500 |
| Retained earnings | | 4,292,746 | 2,045,992 |
| **Shareholders' equity** | | **6,861,247** | **4,614,493** |

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2018.

Signed on behalf of the Board of Directors:

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

**F L A Le Poidevin**
**Director**

The notes on pages 29 to 46 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 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** |
| **At 1 January 2017** | | **2,481,001** | **87,500** | **2,045,992** | **4,614,493** |
| Total comprehensive income for the year ended 31 December 2017 | | - | - | 2,490,049 | 2,490,049 |
| Dividends declared and paid | | - | - | (243,295) | (243,295) |
| **At 31 December 2017** | | **2,481,001** | **87,500** | **4,292,746** | **6,861,247** |

The notes on pages 29 to 46 form an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

| | *Notes* | Year ended 31 December 2017 £ | Year ended 31 December 2016 £ |
|---|---|---|---|
| Net cash inflow from operating activities | *18(a)* | 2,486,015 | 1,832,925 |
| **Investing activities** | | | |
| Payments to purchase tangible fixed assets | *12* | (16,088) | (5,257) |
| Purchases of certificates of deposit | | (11,952,186) | - |
| Proceeds from disposal of certificates of deposit | | 7,051,633 | - |
| Interest received | | 20,632 | 1,122 |
| **Net cash outflow from investing activities** | | **(4,896,009)** | **(4,135)** |
| **Financing activities** | | | |
| Issue of ordinary shares | *19* | - | 100,000 |
| Dividends paid | | (243,295) | (196,880) |
| **Net cash outflow from financing activities** | | **(243,295)** | **(96,880)** |
| **(Decrease)/Increase in cash and cash equivalents** | | **(2,653,289)** | **1,731,910** |
| Cash and cash equivalents at start of the financial year | | 5,764,504 | 4,032,594 |
| Cash and cash equivalents at end of the financial year | *18(b)* | 3,111,215 | 5,764,504 |

The notes on pages 29 to 46 form an integral part of these consolidated financial statements.

## Notes to the Consolidated Financial Statements

### 1. General Information

The International Stock Exchange Group Limited (the **Company** or **TISEG**) 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 International Stock Exchange (the **Exchange**), which is operated by the Company's wholly owned subsidiary The International Stock Exchange Authority Limited (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 (Guernsey) Law, 2008 (the **Companies Law**).

### 3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all accounting periods unless stated otherwise.

(a) <u>Basis of preparation</u>

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) <u>Basis of consolidation</u>

The consolidated financial statements include the financial statements of the Company and its sole subsidiary, drawn up to 31 December 2017. 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. In preparing the consolidated financial statements the Company has elected to produce Group primary statements only as permitted under section 244 of the Companies Law.

**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 areas where assumptions and estimates are significant to the consolidated financial statements are outlined later in these notes.

In addition it is noted that 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.

For the current reporting period the Directors are not aware of any claims or potential claims made against the Group that would require disclosure in the consolidated financial statements.

(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.

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

(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 in the normal course of business are written off over three years.
- Computer equipment and software acquired in the normal course of business is written off over three years.

(f) Revenue recognition

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

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, delegate fees for Exchange organised workshops and Legal Entity Identifier (**LEI)** fees. Other Exchange fees and delegate fees income is recognised on a receivables basis when the services have been provided. LEI fees are recognised on a receivables basis subject to the completion of the application process. Where a LEI application is abandoned and the fees have been received, the fees are refundable in full. Where a LEI application has been processed the fees are non-refundable.

Provisions are raised against fees invoiced where a reasonable level of doubt exists in relation to recovery. Trade debtors are subject to periodic impairment assessment. Any impairment loss recognised in respect of fees recognised in the current financial year offsets against revenue.

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

(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.

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 measured 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.

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

(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 and other short-term investments (certificates of deposit) with maturity of three months or less at date of acquisition.

(l) Investments

Investments include certificates of deposit with maturity of more than three months at date of acquisition. Short term investments include certificates of deposit with maturity of less than 12 months at the balance sheet date.

(m) Financial instruments

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

*i. Financial assets*

Basic financial assets including trade debtors, other debtors and short term investments are initially recognised at transaction price, and subsequently measured at cost less impairment.

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.

Short term investments are subsequently measured at the undiscounted principal amount of cash expected to be received, with any interest due to be received from the investment at the end of the reporting period recognised separately as accrued income. Short term investments are derecognised when the contractual rights to the cash flows from the asset expire or are settled as a result of the maturity date being reached or through the sale of the asset.

*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 cost.

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

(m) Financial instruments (continued)
*ii. Financial liabilities (continued)*

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

(n) 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. Significant events and transactions**

(a) Change of Name

At an Extraordinary General Meeting of the Company held on 23 February 2017 the change of name of the Company to The International Stock Exchange Group Limited was approved. The change of name came into effect from 6 March 2017.

By way of Special Resolution approved on 24 April 2017 the change of name of the Subsidiary to The International Stock Exchange Authority Limited was approved. The change of name came into effect from 26 April 2017.

On 26 April 2017 the States of Deliberation approved the Protection of Investors (Limitation of Liability) (Bailiwick of Guernsey) (Amendment) Ordinance, 2017 (the Ordinance). The Ordinance amends the Protection of Investors (Limitation of Liability) (Bailiwick of Guernsey) Ordinance, 2014 to reflect the change of name of the Subsidiary.

(b) Isle of Man Branch
The Company was registered as a 'Foreign Company' under the Isle of Man Foreign Companies Act 2014 on 24 February 2017 thereby formally establishing a branch of the Company in the Isle of Man.

The Isle of Man branch currently has no income.

(c) Channel Islands and Isle of Man segments

The Exchange launched market segments on 2 May 2017 with the aim of boosting the profile of TISE listed trading companies operating from the Channel Islands and the Isle of Man.

## 5. 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.

| **Revenue from external customers** | **Year ended 31 December 2017** | | **Year ended 31 December 2016** | |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| Membership fees | | | | |
| • *Initial fees* | 30,000 | | 40,000 | |
| • *Annual fees* | 257,276 | | 252,869 | |
| | | 287,276 | | 292,869 |
| Listing fees | | | | |
| • *Initial fees* | *2,238,525* | | *1,707,675* | |
| • *Annual fees* | *2,883,497* | | *2,426,069* | |
| | | 5,122,022 | | 4,133,744 |
| Other Listing related fees | | 577,063 | | 243,662 |
| Other income | | 21,865 | | 25,485 |
| | | **6,008,226** | | **4,695,760** |

| | **Year ended 31 December 2017** | **Year ended 31 December 2016** |
|---|---|---|
| | **£** | **£** |
| **Membership Fees – Initial and Annual - Geographical analysis** | | |
| **Revenue from Members by domicile** | | |
| Guernsey | 161,742 | 180,869 |
| Jersey | 106,000 | 96,000 |
| Isle of Man | 13,534 | 10,000 |
| UK | 6,000 | 6,000 |
| | **287,276** | **292,869** |

**Listing Fees – Initial and Annual - Geographical analysis**
**Revenue from Issuers by domicile**

| | | |
|---|---|---|
| Guernsey | 382,644 | 324,346 |
| Jersey | 470,224 | 464,845 |
| UK | 3,109,504 | 2,510,048 |
| Other | 1,159,650 | 834,505 |
| | **5,122,022** | **4,133,744** |

## 5. Operating Segment information (continued)

**Total Turnover – Geographical analysis**

| | Year ended 31 December 2017 £ | Year ended 31 December 2016 £ |
|---|---|---|
| Guernsey | 601,069 | 540,072 |
| Jersey | 630,725 | 596,599 |
| UK | 3,449,503 | 2,664,524 |
| Other | 1,326,929 | 894,565 |
| | **6,008,226** | **4,695,760** |

| | 31 December 2017 £ | 31 December 2016 £ |
|---|---|---|
| **Non-Current Assets – Geographical analysis** | | |
| **Tangible Assets by location** | | |
| Guernsey | 61,715 | 73,081 |
| Jersey | - | 3,063 |
| Isle of Man | 2,016 | - |
| | **63,731** | **76,144** |

## 6. Staff Costs

| Administrative expenses includes staff costs as follows: | Year ended 31 December 2017 £ | Year ended 31 December 2016 £ |
|---|---|---|
| Salaries, including bonus payments | 1,881,219 | 1,721,451 |
| Social security costs | 111,008 | 98,369 |
| Payments to employee's personal pension arrangements | 71,742 | 60,313 |
| Health insurance | 46,385 | 48,988 |
| Other employee benefits | 24,798 | 28,680 |
| | **2,135,152** | **1,957,801** |

The average monthly number of persons (including executive Directors) employed by the Group was 27.4 full time equivalents (FTEs) during the year and 25.7 FTEs during the prior year.

## 7. Auditor's Remuneration

| | Year ended 31 December 2017 £ | Year ended 31 December 2016 £ |
|---|---|---|
| Fees payable to the Company's auditor for: | | |
| Audit services | 34,835 | 31,385 |
| Non-audit services | - | 1,250 |
| | **34,835** | **32,635** |

## 8. Taxation

The Company and the 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%. The Isle of Man office operates as an Isle of Man branch of the Company and its results are subject to taxation in the Isle of Man at the standard rate for all resident and non-resident companies of 0%

## 9. 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 December 2017 | Year ended 31 December 2016 |
|---|---|---|
| **Basic:** | | |
| Basic weighted average of shares outstanding | 2,561,000 | 2,462,366 |
| Net profit attributable to ordinary shareholders | £2,490,049 | £1,466,896 |
| | | |
| **Diluted:** | | |
| Dilutive potential ordinary shares outstanding during the year: | | |
| Share options issued during the year | - | - |
| Share options in issue through-out the year | 250,000 | 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 | £250,000 |
| Average market price for the period | 579p | 205p |
| Potential shares to be repurchased | 43,189 | 171,111 |
| Potential net incremental shares after repurchase | 206,811 | 178,889 |
| | | |
| Diluted weighted average shares outstanding | 2,767,811 | 2,640,557 |
| Net profit attributable to ordinary shareholders | £2,490,049 | £1,466,896 |

### 10. Subsidiary undertaking

The Company's sole subsidiary undertaking is TISEA, a company incorporated in Guernsey on 14 November 2013.

In 2013 the Company subscribed for 500,000 shares of £1 each in TISEA. TISEA has issued no further shares or other securities. TISEA is wholly owned by the Company.

In 2013 TISEA was licensed to operate an investment exchange by the GFSC under the POI Law. As at that time, further to the provisions of the Investment Exchange (Notification) Rules 1998 and the Licensees (Conduct of Business) Rules 2014, the GFSC specified, in respect of financial resources, that TISEA must maintain net assets of at least £500,000.

In 2016 ,the GFSC notified TISEA of the intention to revise the Regulated Investment Exchange Rules and given the fact the size and scope of TISEA's business had developed, the GFSC 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 TISEA gave an undertaking to ensure that any management (or other) fees paid or any dividend issued by TISEA shall only be to the extent that minimum net assets of £1.5m continue to be maintained by TISEA.

### 11. Intangible Assets

| **Goodwill on acquisition of business** | **£** |
|---|---|
| **Cost:** | |
| At 1 January 2016 | 194,732 |
| At 31 December 2016 | 194,732 |
| At 31 December 2017 | 194,732 |
| **Amortisation:** | |
| At 1 January 2016 | 77,890 |
| Charge for year ended 31 December 2016 | 38,944 |
| At 31 December 2016 | 116,834 |
| Charge for year ended 31 December 2017 | 38,944 |
| At 31 December 2017 | 155,778 |
| **Carrying amount** | |
| At 31 December 2016 | 77,898 |
| At 31 December 2017 | 38,954 |

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

## 12. Tangible Assets

| | Office premises improvements £ | Furniture, fixtures and fittings £ | Computer equipment and software £ | Total £ |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 1 January 2016 | 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 |
| Additions | 2,560 | 1,708 | 11,820 | 16,088 |
| Written down | - | (15,161) | (55,185) | (70,346) |
| At 31 December 2017 | 81,334 | 12,147 | 35,969 | 129,450 |
| **Depreciation:** | | | | |
| At 1 January 2016 | 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 |
| Charge for the year ended 31 December 2017 | 11,996 | 4,049 | 12,456 | 28,501 |
| Written down | - | (15,161) | (55,185) | (70,346) |
| At 31 December 2017 | 27,901 | 10,937 | 26,881 | 65,719 |
| **Carrying amount:** | | | | |
| At 31 December 2016 | 62,869 | 3,551 | 9,724 | 76,144 |
| At 31 December 2017 | 53,433 | 1,210 | 9,088 | 63,731 |

## 13. Debtors

| | 31 December 2017 £ | 31 December 2016 £ |
|---|---|---|
| Trade debtors | 709,844 | 417,615 |
| Other debtors | 20,170 | 1,501 |
| Prepayments | 160,088 | 38,553 |
| Accrued income | 11,628 | - |
| | **901,730** | **457,669** |

No amounts fall due after more than one year.

## 14. Investments

| | 31 December 2017 £ | 31 December 2016 £ |
|---|---|---|
| Certificates of deposit with maturity at date of acquisition of over 90 days and no more than 365 days | 4,700,553 | - |
| Certificates of deposit with maturity at date of acquisition of over 365 days* | 200,000 | - |
| | **4,900,553** | **-** |

*At the balance sheet date no investments had a maturity of over 365 days.

Investments in certificates of deposit have fixed coupon rates that depend upon their duration and market rates applicable to duration period at date of issue.

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

| | 31 December 2017 £ | 31 December 2016 £ |
|---|---|---|
| Deferred income | 1,744,316 | 1,514,947 |
| Payments on account from issuers | 84,233 | 52,420 |
| Trade creditors and accruals | 277,132 | 166,376 |
| Income tax and social security | - | 163 |
| Other creditors | 44,023 | 24,787 |
| | **2,149,704** | **1,758,693** |

## 16. Provision for Liabilities

| **Dilapidations provision** | **£** |
|---|---|
| **At 1 January 2016** | **821** |
| Addition to provision | 2,208 |
| **At 31 December 2016** | **3,029** |
| Addition to provision | 2,203 |
| **At 31 December 2017** | **5,232** |

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 and £5,232 as at 31 December 2017.

## 17. Share Capital

| | Non-Participating Share | | Ordinary Shares | |
|---|---|---|---|---|
| | £ | Number | £ | Number |
| **Authorised** | | | | |
| **As at 1 January 2016** | 1 | 1 | 5,000,000 | 5,000,000 |
| **As at 31 December 2016** | 1 | 1 | 5,000,000 | 5,000,000 |
| **As at 31 December 2017** | 1 | 1 | 5,000,000 | 5,000,000 |
| | | | | |
| **Allotted, called up and fully paid** | | | | |
| **As at 1 January 2016** | 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 |
| **As at 31 December 2017** | 1 | 1 | 2,481,000 | 2,561,000 |

The Non-Participating share has been issued to the States of Guernsey. The Articles of Incorporation 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 December 2017 | | Year ended 31 December 2016 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| Profit for the financial year | | | 2,490,049 | | 1,466,896 |
| Adjustments to reconcile profit for the period to net cash flow from operating activities: | | | | | |
| Amortisation of intangible assets | *11* | | 38,944 | | 38,944 |
| Depreciation of tangible assets | *12* | | 28,501 | | 46,579 |
| Share based payments charge | *19* | | - | | - |
| Provision for other liabilities | *16* | | 2,203 | | 2,208 |
| Interest payable | | | - | | - |
| Interest receivable | | | (20,632) | | (1,122) |
| Working capital movements: | | | | | |
| *As at 31 December 2015* | | - | | 476,636 | |
| *As at 31 December 2016* | | 457,669 | | 457,669 | |
| *As at 31 December 2017* | *13* | 901,730 | | - | |
| Decrease in debtors | | | (444,061) | | 18,967 |
| *As at 31 December 2015* | | - | | 1,498,240 | |
| *As at 31 December 2016* | | 1,758,693 | | 1,758,693 | |
| *As at 31 December 2017* | *15* | 2,149,704 | | - | |
| Increase / (decrease) in creditors | | | 391,011 | | 260,453 |
| **Net cash inflow from operating activities** | | | **2,486,015** | | **1,832,925** |

(b) Cash and cash equivalents

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Cash and cash equivalents comprise the following: | £ | £ |
| Cash at bank and in hand | 1,160,133 | 5,764,504 |
| Cash equivalents | 1,951,082 | - |
| | **3,111,215** | **5,764,504** |

## 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. In accordance with the rules of the ESOS, the Directors determine which employees are eligible to participate in the ESOS and no employee is, by right, eligible to participate.

In accordance with the rules of the ESOS, the lesser of 1 million shares or 20% of the issued share capital of the Company may be issued on the exercise of options 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 the date of grant. An option holder 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 |
|---|---|---|
| Outstanding as at 1 January 2016 | 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 |
| Outstanding as at 31 December 2017 | 250,000 | £1.00 |

No options were granted in 2017 (nor in 2016).

Further to an employment contract entered into on 4 December 2017, up to 100,000 share options may be allotted subject to award service conditions and performance conditions. Any grant of share options pursuant to this employment contract may be subject to additional service and performance conditions, and is only awarded at the Group's discretion.

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.

The fair value of share options granted in 2015 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.

## 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 2017 and at 31 December 2016, were as follows:

*i. Entities with significant influence over the Group*

| | Year ended 31 December 2017 | Year ended 31 December 2016 |
|---|---|---|
| Turnover | | |
| • Membership fees | £6,000 | £6,000 |
| • Other income – Workshop fees | Nil | £550 |
| Dividend payments | £23,380 | £19,688 |

Listing Member, Carey Olsen Corporate Finance Limited (COCFL), holds 9.61% (2016: 9.61%) of the issued share capital of the Company. In addition to the Membership fee, in 2016 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 (2016: £20,000) for the year.

*ii. Entities controlled by Key Management Personnel*

| | Year ended 31 December 2017 | Year ended 31 December 2016 |
|---|---|---|
| Turnover | | |
| • Listing fees | £4,027 | £12,444 |
| Dividend payments | £30,250 | £36,000 |
| Debtors | | |
| • Trade debtors – *Listing fees* | £375 | Nil |
| Creditors: Amounts falling due within one year | | |
| • Deferred income – *Listing fees* | £485 | £462 |

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

**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 30 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 £869,129 (2016: £743,388).

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 2017, Directors of the Subsidiary, together with connected persons, held a total of 500 ordinary shares of the Company and nil share options (2016: 103,000 ordinary shares and nil share options). See also note 20 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 £9,785 in 2017 (2016: £213).

(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 3 August 2017, 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. On 13 February 2017, the Company entered into a serviced office licence agreement in relation to an office at Merchants House, 24 North Quay, Douglas, Isle of Man, IM1 4LE. The office space became available for use on 1 March with a rent free period to 31 March 2017. The minimum term under the licence is 12 months.

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

| Payments due | 31 December 2017 £ | 31 December 2016 £ |
|---|---|---|
| Not later than 1 year | 210,554 | 198,041 |
| Later than 1 year and not later than 5 years | 660,275 | 746,354 |
| Later than 5 years | - | 80,165 |
| | 870,829 | 1,024,560 |

The Group recognised operating lease charges totalling £200,030 for the year (2016: £183,610).

## 23. Events after the Reporting Period

On 20 February 2018 the Directors granted 10,000 share options under the ESOS detailed in note 19. The options were granted with an exercise price of £6.75 and were subject to no exercise conditions and vested on the date of grant. A charge to profits of £16,928 was recognised on grant date.

# The International Stock Exchange Group Limited
(formerly The Channel Islands Securities Exchange Limited)
**For the year ended 31 December 2017**

## Summary Financial Information

### Consolidated Statement of Comprehensive Income

| | Year ended 31 December 2017 £ | Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|---|---|---|---|
| Turnover | 6,008,226 | 4,695,760 | 4,112,484 |
| Administrative expenses | (3,538,809) | (3,229,986) | (3,271,520) |
| **Operating profit** | **2,469,417** | **1,465,774** | **840,964** |
| Interest receivable/payable | 20,632 | 1,122 | 1,108 |
| **Profit on ordinary activities before taxation** | **2,490,049** | **1,466,896** | **842,072** |
| Taxation | - | - | - |
| **Profit for the financial year** | **2,490,049** | **1,466,896** | **842,072** |
| Other comprehensive income | - | - | - |
| **Total comprehensive income for the financial year** | **2,490,049** | **1,466,896** | **842,072** |

### Consolidated Statement of Financial Position

| | 31 December 2017 £ | 31 December 2016 £ | 31 December 2015 £ |
|---|---|---|---|
| **Fixed assets** | **102,685** | **154,042** | **234,308** |
| **Current assets** | **8,913,498** | **6,222,173** | **4,509,230** |
| **Current liabilities** | **(2,149,704)** | **(1,758,693)** | **(1,498,240)** |
| **Net current assets** | **6,763,794** | **4,463,480** | **3,010,990** |
| **Total assets less current liabilities** | **6,866,479** | **4,617,522** | **3,245,298** |
| **Provisions for other liabilities** | **(5,232)** | **(3,029)** | **(821)** |
| **Net assets** | **6,861,247** | **4,614,493** | **3,244,477** |
| **Shareholders' equity** | **6,861,247** | **4,614,493** | **3,244,477** |