TISE

The International
Stock Exchange
Group

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2020

TISE in 2020

In 2020 we continued our track record of delivering sustained growth despite COVID-19. At the same time, we built on our strong foundations to develop an ambitious new strategy for the future success of the business.

Turnover **£8.4 million**	Official List **3,162 securities**
Profit After Tax **£3.6 million**	Total Market Value* **More than £400 billion**
Net Profit Margin** **43%**	New Listings **831 securities**
Basic EPS **128.4 pence**	Issuers **1,821**

*The total value of all securities admitted to the Official List.
** Profit for the financial year / Turnover x 100

Business Overview

Built on a culture of responsiveness and innovation, The International Stock Exchange (TISE) is a regulated market specialising in listing bond issuances aimed at professional investors.

Headquartered in Guernsey and now with staff operating across Dublin, Guernsey, the Isle of Man, Jersey and London, TISE's regulated market is uniquely positioned within the European time zone but outside both the UK and the EU.

Despite the challenges of 2020, TISE had another successful year of growth. We are now embarking on an ambitious plan to become the leading European professional bond market.

Our products

We have issuers from across the world and a variety of industries who list a range of securities on TISE.

- TISE is a major European professional bond market: We specialise in listing debt which finances private equity-backed acquisitions; we are one of the leading markets in Europe for listing high yield bonds; and we are experiencing growth in structured finance and securitisation transactions.
- TISE has a small pool of 'domestic' and UK equities, as well as a larger group of investment vehicles, including open and closed ended funds and UK Real Estate Investment Trusts (REITs).

Our strengths

Issuers come to our market because the products are provided in the right environment.

Responsive approach
We are nimble and agile

Competitive pricing
We offer great value service

Global standards
We provide proportionate regulation adhering to international standards

International recognitions
Our endorsements demonstrate credibility

Premier locations
Our staff operate across five international finance centres

Our service

3+2

We have a service delivery framework which means that following submission of an initial listing application, we review and provide comments within 3 business days. For any subsequent submissions, we review and provide comments within 2 business days. This is a competitive standard which has been welcomed by Members, issuers and their advisers and is one which we have consistently maintained and often bettered throughout 2020 and into 2021.

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Corporate Information

Directors:

C S H Geffen	(Chair) (appointed 1 January 2021)
J P Moulton	(Chair) (resigned 31 December 2020)
G E S Coltman	
F L A Le Poidevin	(Chief Executive Officer) (resigned 27 July 2020)
G Y Morris	(appointed 1 January 2021)
S R Turner	
C Vermaas	(Chief Executive Officer) (appointed 2 November 2020)
A A Whamond	

Secretary:

E A C Humphry

Registered Office:

Helvetia Court
Block B, Third Floor
Les Echelons
St Peter Port
Guernsey
GY1 1AR

Registered Number:

57524

Independent Auditor:

PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey
GY1 4ND

Listing Sponsor:

Bedell Channel Islands Ltd
26 New Street
St Helier
Jersey
JE2 3RA

Registrar:

JTC Registrars Ltd
(formerly Anson Registrars Ltd)
Ground Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 2HT

Chair's Statement

Chair's Statement

2020 was undoubtedly an extremely challenging year for everyone and our highest priority was the health and safety of our staff. They all responded magnificently and our business continuity systems ensured the seamless operation of the market throughout the year. It is pleasing to be able to report that we have continued to make successful progress both organisationally and with increased profitability.

Group boards

We were delighted to appoint Cees Vermaas as our new CEO from the beginning of November 2020. He joined us having previously held executive positions at several international exchanges including as CEO of CME Europe, CEO of Euronext Amsterdam and Head of Cash Markets for NYSE Euronext. His considerable expertise from within some of the major international exchange groups is already proving invaluable in driving forward the new strategy.

On 1 January 2021 I succeeded Jon Moulton as Chair of the Company and we all thank him for his immense contribution. He was instrumental in creating TISE and he and Fiona Le Poidevin, who stepped down as our CEO in July 2020, have left a considerable legacy upon which we are determined to build. We are very grateful to them.

I have been succeeded as Chair of the Authority by Rob Trefny. Rob has 35 years' experience as a lawyer at Davis Polk & Wardell in New York and then Clifford Chance as a Capital Markets Partner in Hong Kong and London where he practised until leaving the firm in 2018. As an esteemed debt capital markets lawyer, Rob is ideally placed to help us develop a world-class environment for listing a wide range of international debt products.

That change has been complemented by the addition of Gill Morris to the Company Board also from 1 January 2021. A Chartered Accountant and Chartered Tax Adviser, Gill has more than 35 years' experience working in Australia, London and Guernsey, initially qualifying within the 'big four' and then, until the middle of 2020 holding several senior leadership positions at Specsavers. Gill is based in Guernsey and succeeds Jon as Chair of the Group's Audit Committee.

"It is pleasing to be able to report that we have continued to make successful progress both organisationally and with increased profitability."

Chair's Statement continued

2020 listings and profits

Business flows were strong at the start of 2020 and we were pleased that volumes of new listings continued to hold up despite the uncertainties of COVID-19 and the impending culmination of Brexit.

There were 831 newly listed securities on the Exchange during 2020, which is the second highest annual total of new listings since inception - eclipsed only by a bumper 2018. This took the total number of securities listed on TISE to 3,162 at the end of December 2020.

The initial fees from these new listings together with annual fees from across the market, contributed to an increase in profit before taxation of 4.6% year on year to £3.80 million [2019: £3.63 million]. This translates into an increase in earnings per share (basic and diluted) of 4.2% year on year to 128.4p [2019: 123.2p].

Financial position

The uncertainty created by COVID-19 meant that in March the Board deferred the declaration of a dividend. However, with increasing confidence about the limited impact of COVID-19 on the business, at the end of April the Board announced a dividend of 20p per share which was paid on 1 June 2020. Following the release of the Interim Financial Report on 26 August, a further dividend of 30p per share was declared in September and was paid on 19 October 2020.

In September 2020 the Board also announced a change from the previous "progressive" dividend policy. In response to requests from shareholders for greater clarity around the basis and calculation of the dividend the Board published a Dividend Policy Statement detailing its new approach based on an expected pay-out ratio. With effect from September 2020 the Company will endeavour to pay total annual dividends in the order of 50 per cent of the Group's profit after tax during the relevant financial year. This annual dividend is expected to continue to be paid in two instalments in April and October.

"Our strong position today gives us the ability and time to seek new opportunities and with the appointment of Cees Vermaas as our new CEO we are confident we can achieve our goals."

In determining the amount of dividend the Board will continue to take into account the Group's regulatory obligations, including capital requirements, investment and capital needs and overall profitability. The Group has enjoyed strong growth and excellent financial performance in recent years although shareholders will understand that profitability may fluctuate.

The Board may also from time to time, in its absolute discretion, pay a special dividend from available reserves.

The Board has also been focused on improving the liquidity of the Company's shares. On 15 October 2020 we announced that Ravenscroft (CI) Limited had been registered as a Market Maker for the Company's Ordinary Shares and the Board is intending to take further measures to stimulate liquidity, not least through the successful implementation of our new strategy.

Chair's Statement continued

Strategy

We announced at the 2020 AGM our revised strategy which is focused on five key pillars:

1. Enhancing the efficiency of our core offering;
2. Growing our share of the bond market;
3. Exploring private market opportunities;
4. Implementing a new trading system; and
5. Broadening the Exchange's tax and regulatory recognitions to increase geographical diversification.

We have built a solid position in our core market for European professional bond listings. We believe that there is the opportunity to gain market share from our competitors in Dublin and Luxembourg and the appointment of Anthony Byrne as our new Head of Bond Markets is an important step in that journey.

"I would also like to thank our shareholders and wider stakeholders for their ongoing loyalty and look forward to a successful future for the Group."

We are also looking at the private markets where we see opportunities to enhance our business streams and brand.

Our growth strategy is an important step in the diversification of our products, geographies and markets and mitigation of the risks we face. Our strong financial position gives us the ability and time to execute on our plans and the appointment of Cees Vermaas as our new CEO gives us the confidence that we will do so.

I am enjoying working with Cees and my fellow Board members and thank them, the Group's executives and all the staff for their unwavering support and effort. I would also like to thank our shareholders and wider stakeholders for their ongoing loyalty and look forward to a successful future for the Group.

C. J. H. Geffen.

Charlie Geffen
24 March 2021

CEO's Statement

CEO's Statement

I took up the position as CEO in November 2020. I was attracted both by the opportunity to relocate from London to Guernsey and the ambition of the Board to significantly grow the business. I have spent the last 20 years working in larger international exchange organisations and I am excited to use that experience and expertise to transform TISE into a truly international, diversified exchange with a place in the major league of European professional bond markets.

Listings

It is clear that TISE has solid foundations on which to build. As well as a Board with ambition, I have found a talented and well-motivated team which is delivering a good service to our clients from whom we have had a strong flow of business despite the challenges COVID-19 during 2020 and into 2021.

There were 831 securities listed on TISE during 2020 which is the second highest annual total of new listings since the inception of the Exchange in 1998 and represents a 27% increase on last year [2019: 656]. There were 664 de-listings during 2020, which means that overall, there was a total of 3,162 securities listed on TISE at the end of December 2020, which is a rise of 6% year on year [31 December 2019: 2,995].

Debt

2020 started well in terms of new listings but the onset of COVID-19 led to a great deal of uncertainty in the markets. We continued to see a flow of debt listings relating to previously completed private equity and real estate transactions, but we also saw a slowdown as new private equity and real estate deals struggled to complete. However, as the year progressed activity increased, and the original shortfall was more than compensated by new listings.

Within the high yield sector, we have continued to build on our position as a leading European listing venue. According to Bloomberg, high yield bond issuance in Europe increased from 2019 to 2020 and at the same time, TISE grew its market share to more than a third of all deals. There were 124 high yield securities listed on TISE in 2020, which represents a 125% increase year on year [2019: 55].

"I was attracted both by the opportunity to relocate from London to Guernsey and the ambition of the Board to significantly grow the business."

CEO's Statement continued

Examples of issuing companies were telecommunications firms Altice and eircom, luxury car manufacturer Aston Martin, LEGOLAND owners Merlin Entertainments, transport operator Stena and US digital content platform and producer Netflix. New listings also included three of the 10 largest transactions in the third quarter of the year: the largest being the Liberty Global and Telefónica financing vehicle for the merger of Virgin Media and O2; the UK's largest pub chain, Stonegate Pubs; and debut issuer First Quantum Minerals. Overall, the total number of high yield bonds listed on TISE reached 291 at the end of December 2020.

Listed debt securities on TISE have also included a growing number of securitisations, with prominent deals including major UK banks Barclays, HSBC, Lloyds and Natwest, as well as other global financial institutions.

Since period end, we have welcomed a new colleague, Anthony Byrne, as Head of Bond Markets. Based in Ireland and operating across primarily Dublin and London, Anthony joins us having previously held senior executive positions at both the Irish Stock Exchange and Euronext Dublin. His 15 years' experience working in a stock exchange business development and client relationship capacity will be valuable to us. He will enhance our offering and focus on the aim of TISE becoming the leading European professional bond market.

"As well as a Board with ambition, I have found a talented and well-motivated team which is delivering a good service to our clients..."

Equity

Across equity markets during 2020 there was a dearth of IPOs but instead further capital raisings from listed corporates and this was no different for TISE's small number of trading companies. The anticipated growth in UK Real Estate Investment Trusts (REITs) was somewhat held back by COVID-19 but we have seen signs of increasing activity in that space.

Ultimately eight UK REITs were newly admitted to the Exchange during 2020, with investors from various international jurisdictions comprising sovereign wealth funds, pension funds, major global financial institutions, and specialist property investment groups. This took the total number of UK REITs listed on the Exchange to 29 at the end of December 2020. Since period end, there have been a further four new UK REITs listed, taking the total to 33 currently on the Official List.

While all UK REITs must be UK tax-resident, a trend within the 12 UK REITs listed in 2020 and to date in 2021, has been a preference for Jersey incorporated companies (8), compared to those established in England & Wales (4). This has readdressed the balance so that of the total 33 listed, there is now an even split of companies registered in Jersey (16) and England & Wales (16), with one from Luxembourg.

Membership

As at 31 December 2020, we had 34 Members in total across Guernsey (16), the Isle of Man (3) and Jersey (15) of which 32 were Listing only Members, one was a combined Listing and Trading Member and one was a Trading only Member. This is a decrease from the 38 Members at the end of 2019, following the resignations of some inactive Listing only Members and/or consolidation of group memberships, a trend that we have witnessed for the last few years throughout the industry.

As we continue to build our proposition as a leading European professional bond market, we expect to see growth in Members from a range of other jurisdictions.

CEO's Statement continued

Client service

Speed of service is critical to our Members and issuers. TISE made a public commitment to a '3+2' service delivery framework for all listing types from the middle of 2019. This has been well received by the industry and despite the challenges created by remote working, we have constantly maintained our service delivery standards. Indeed, in many cases, applications have been reviewed in shorter timeframes and we achieved an average of 2.3 days in December 2020. The operational efficiencies we are seeking to implement should improve timeframes further without compromising the quality of our regulatory oversight.

"Anthony [Byrne] joins us having previously held senior executive positions at both the Irish Stock Exchange and Euronext Dublin... with the aim of becoming the leading European professional bond market."

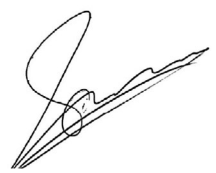
Operations

As an exchange, our operational infrastructure is essential in supporting the delivery of listing and trading services. Having worked in a range of international exchanges, I know that we need infrastructure which is robust and facilitates the growth of business on the market. Investment in the right technology will not only help service our existing clients but will help us open new streams of business, for example in private markets.

Future focus

TISE has solid foundations and I am determined that we continue to unlock our potential by following through on delivering our ambitious new strategy. We must continue to refine our operations and invest in enhancing our technology to ensure that we can offer the very highest standards of service to our clients within our specialist markets while also diversifying our product range. A post-Brexit world provides a new landscape in financial services and we must put ourselves in the best possible position both to shape and take the opportunities which emerge from the changing international environment.

I look forward to working with all our stakeholders, including Members, issuers, shareholders and colleagues in and beyond Dublin, Guernsey, the Isle of Man, Jersey and London as we seek to achieve our goals.



Cees Vermaas
24 March 2021

Directors' Biographies

Directors' Biographies

Charlie Geffen Non-Executive Chair

Charlie is independent Non-Executive Chair of the Board, a position he has held since January 2021. He is also a member of the Group's Audit Committee, Nominations Committee and Remuneration Committee and was previously Chair of the Authority.

Background, Experience and Skills

Charlie is an English qualified lawyer with more than 30 years' experience advising on a wide range of corporate matters.

After a law degree at Leicester, he joined Ashurst and spent 32 years there, including as Head of Private Equity and the last five as Senior Partner. This latter period included the merger with an Australian law firm and growth across continental Europe, Asia and the US. He then joined US law firm Gibson, Dunn & Crutcher and, as Chair of the Corporate Practice in London, led the growth of its Transactional Practice which secured several high-profile M&A mandates.

Charlie is a Senior Advisor at Flint Global, a European consulting business, and a Non-Executive Director at Kentech Corporate Holdings Limited. He is Deputy Chair of The Institute of Cancer Research and a member of Council at Surrey University.

Time Commitment: Approximately 5-6 days a month.

Cees Vermaas Chief Executive Officer

Cees is the Chief Executive Officer of the Company, a position he has held since November 2020. He is responsible for all aspects of leadership and management of the Company. With a strong focus on strategy, business development and infrastructure, he aims to work with, and create enhanced value for, the Group's stakeholders, including its staff, members, issuers and shareholders.

Background, Experience and Skills

Cees has more than 20 years' experience within international financial market infrastructure. He has held senior executive positions within several international exchanges, including CEO of CME Europe Ltd, CEO of Euronext Amsterdam and Head of European Cash Markets for NYSE Euronext. Prior to that, he spent a decade working in IT and programme management roles within leading Netherlands based companies Philips and Delta Lloyd Group.

Cees holds a degree in Business Administration and Industrial Engineering from The Hague University of Applied Sciences in the Netherlands.

Time Commitment: Full time.

Directors' Biographies continued

Guy Coltman Non-Executive Director

Guy joined the Board in February 2014 as an independent Non-Executive Director. He is also Chair of the Group's Remuneration Committee and a member of both the Risk Committee and Nominations Committee.

Background, Experience and Skills

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.

Time Commitment: Approximately 3-4 days a month.

Anderson Whamond Non-Executive Director

Anderson is an independent Non-Executive Director and was appointed to the Board in March 2017. He is also Chair of the Group's Nominations Committee and a member of both the Audit Committee and Remuneration Committee.

Background, Experience and Skills

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 at White Weld Securities (part of the CSFB group) before joining Salomon Brothers International in London and then Morgan Stanley International, where he was a principal in charge of convertible bond trading. He joined Peregrine Securities International (UK) Limited, relocating to Hong Kong 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.

Time Commitment: Approximately 3-4 days a month.

Directors' Biographies continued

Stuart Turner Non-Executive Director

Stuart joined the Board in April 2014 as an independent Non-Executive Director. He is also Chair of the Group's Risk Committee and a member of both the Nominations Committee and Remuneration Committee.

Background, Experience and Skills

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.

Time Commitment: Approximately 3-4 days a month.

Gill Morris Non-Executive Director

Gill is an independent Non-Executive Director and was appointed to the Board in January 2021. She is also Chair of the Group's Audit Committee.

Background, Experience and Skills

Gill is a Chartered Accountant and Chartered Tax Adviser. She also holds the Financial Planning Certificate and is an Affiliate Member of the Institute of Risk Management.

Gill has more than 35 years' experience working in Australia, London and Guernsey, initially qualifying within the 'big four' and then holding several senior leadership positions at Specsavers Optical Group. She is currently a Panel Member of the Guernsey Tax Tribunal.

Time Commitment: Approximately 3-4 days a month.

Directors' Report

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 Authority) (together the Group) for the year ended 31 December 2020.

Background

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

The Authority was also incorporated in Guernsey on 14 November 2013 (Registered No. 57527).

On 24 February 2017, the Company registered in the Isle of Man as a foreign company under the Foreign Companies Act 2014 (Registered No. 006074F).

Principal Activity

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

The Authority 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 Authority 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 43.

Dividends totalling £1,410,500, were paid during the year (2019: £6,558,825 inclusive of the 200.0p special dividend amounting to £5,642,000). A dividend of 20.0p per share was declared on 30 April 2020 and paid on 1 June 2020. A further dividend of 30.0p per share was declared on 16 September 2020 and paid on 19 October 2020.

Directors of the Company

The Directors of the Company who held office during the year and to the date of signing of this report are as follows:

C S H Geffen (appointed 1 January 2021)
J P Moulton (resigned 31 December 2020)
G E S Coltman
F L A Le Poidevin (resigned 27 July 2020)
G Y Morris (appointed 1 January 2021)
S R Turner
C Vermaas (appointed 2 November 2020)
A A Whamond

Directors' Report continued

Directors and their Interests

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

	31 December 2020			31 December 2019		
	No. of shares	%	Interest	No. of shares	%	Interest
G E S Coltman	246,100	8.72%	See below	246,100	8.72%	See below
A A Whamond	25,000	0.89%	Indirect	12,500	0.44%	Indirect
C S H Geffen	12,500	0.44%	Indirect	nil	nil	n/a

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

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

	31 December 2020			31 December 2019		
	No. of shares	%	Interest	No. of shares	%	Interest
J P Moulton	295,430	10.47%	Indirect	255,930	9.07%	Indirect
F L A Le Poidevin	230,000	8.15%	Direct	260,000	9.22%	Direct

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

	31 December 2020 No. of options	31 December 2019 No. of options	Minimum exercise price*	Grant date	First possible exercise date	Expiry date
C Vermaas	25,000	nil	£10.00	16/12/20	16/12/23	15/12/27
C Vermaas	100,000	nil	£12.00	16/12/20	16/12/25	15/12/27
C Vermaas	25,000	nil	£14.00	16/12/20	16/12/25	15/12/27

The options' exercise price stated is subject to adjustment upwards by reference to growth in the Group's net cash balance.

Directors' Report continued

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 UK and Republic of Ireland", of the state of affairs of the Group, and of the profit or loss of the Group 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 Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the consolidated financial position of the Group and to ensure that the consolidated financial statements comply with the Companies (Guernsey) Law, 2008 (the Companies Law). They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, errors and non-compliance with laws and regulations.

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 Group'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 Group'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 Group's website is the responsibility of the Directors; the work carried out by the Group'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 consolidated 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 UK 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.

Approved by the Board of Directors on 24 March 2021 and signed on its behalf by:

C.S.H.Geffen.

C S H Geffen
Director

C Vermaas
Director

Corporate Governance Report

Corporate Governance Report

Chair's Statement

The Board recognises the importance of corporate governance and its contribution to promoting the long-term success of the Company. The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code (Code) and our application of the Code's principles of good corporate governance is summarised below. Further details of our governance arrangements and application of the Code are included within the Statement of Compliance which is available on the investor relations page of our website (www.tisegroup.com/about/investor-relations).

The Chair is responsible for the leadership and governance of the Board, and for promoting high standards of integrity, probity and governance throughout the Group. The Group's values of being responsible, curious and connected foster a culture of accountability, efficiency and innovation which stimulates sustainable business growth over the longer term. Our culture supports the Group's mission to provide a pragmatic and sensible regulatory regime which appropriately balances the needs and interests of all of our stakeholders.

The Board determines the Group's strategy and overall commercial objectives, ensuring that our organisation is run effectively for the long-term benefit of our shareholders and other key stakeholders. The Group's growth strategy is based on expanding our existing core business and identifying new revenue opportunities through the diversification of our products, geographies and markets.

The Chair is responsible for setting the Board's agenda and for ensuring that all Directors have the necessary time, information, understanding and support, to effectively contribute their skills and experience to inform Board discussions and shape the Group's strategic direction. The Chair is responsible for ensuring that the views of our shareholders are communicated to the Board as a whole and I am pleased to make myself available to any shareholder wishing to discuss matters.

The Company's governance and reporting arrangements are kept under review and enhancements are made where opportunities to do so are identified. In recognition of the changing needs of our shareholders and stakeholders, we have recently published our Corporate Sustainability Statement providing further information on the Group's proactive approach to sustainability, integrity and good governance (www.tisegroup.com/about/investor-relations). The business is managed in a progressive and responsible manner which we believe will further advance its strong financial performance.

Lastly, I am pleased to report that the Board considers that it has complied with all principles of the Code during the year.

Charlie Geffen
24 March 2021

Corporate Governance Report continued

Governance Framework

The Group is committed to high standards of corporate governance and has implemented an effective governance framework which underpins delivery of its vision, mission and values. The Group's legal structure ensures that the supervisory and regulatory activities of the Authority are appropriately ringfenced within the broader commercial interests of the Group. The segregation of potentially conflicting interests is achieved on a day-to-day basis through the operation of ethical walls and information barriers.

The Group boards benefit from highly committed, competent board members with a broad range of experiences. They are supported by an established senior management team with significant expertise in their respective fields.

The Board

The Board is responsible for directing and supervising the management, business and affairs of the Company and for enhancing long-term shareholder value. The Board reviews and approves the Group's overall strategy, business plan and budget, and monitors the performance of the Company and management against the goals and objectives it has set. The Board has overall responsibility for establishing high standards of business conduct and behaviour, managing risks and ensuring that internal controls are implemented to meet ongoing compliance with applicable legislation, rules and codes.

The roles of the Chair and Chief Executive Officer are distinct and separate with a clear division of responsibilities, which are set out in writing. The Chair is responsible for the leadership of the Board and for creating the conditions for overall Board and individual Director effectiveness. The Chair ensures that all Directors actively participate in Board and committee meetings and effectively contribute their skills and experience to inform discussions and shape the Group's strategic direction.

The Chief Executive Officer has overall responsibility for leading the development and execution of the Group's strategy, for implementing the decisions of the Board and for managing the day-to-day operations of the Company within the risk appetite and strategy set by the Board. The Chief Executive Officer fosters ethical behaviours and conduct throughout the organisation which are consistent with the Group's strategy and values.

Following the retirement of Jon Moulton at the end of 2020, the roles of Chair of the Board and Chair of the Audit Committee will be held by separate individuals in future.

Appointment and Tenure

The Board has implemented a rigorous and transparent process to identify candidates for appointment as a Director. Upon the recommendation of the Nominations Committee, the Board makes decisions regarding the appointment and re-election of Directors as well as on their removal.

Although there is no standing requirement for the Directors to offer themselves for re-election at given intervals, the Board has determined that all Directors should be subject to election by shareholders at the first Annual General Meeting following their appointment and to re-election thereafter at intervals of no more than three years. Separate resolutions for the re-election of each of the Directors will be proposed at the 2021 Annual General Meeting.

The performance of the Board, its Chair and individual members is formally evaluated on an annual basis using a self-assessment questionnaire. The summarised and anonymised results of the evaluation are considered by the Board and, where areas for improvement are identified, remedial actions are agreed. The Board also reviews progress made against the actions agreed during the prior year's evaluation.

The Nominations Committee considers succession planning on a regular basis and makes recommendations to the Board. The Board benefits from having Directors with a variety of lengths of service and succession is managed as circumstances arise.

Corporate Governance Report continued

Composition, Skills and Training

As at 31 December 2020, the Board comprised four independent Non-Executive Directors (including the Chair) and the Chief Executive Officer. The Board has determined that all Non-Executive Directors (including Charlie Geffen and Gill Morris, who were appointed on 1 January 2021) are considered to be independent. 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 considers 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 Board takes decisions collaboratively and there is collective responsibility for achieving success.

The Board benefits from Directors with specific expertise in financial markets, corporate finance, accountancy, law, marketing, IT and change management. The Board comprises Directors with the collective experience, skills, capability and other characteristics which are required to develop and deliver the Group's strategy for the long-term benefit of our shareholders and other key stakeholders. Details of the background, experience, skills and time commitment of each of the Directors are provided on pages 17 to 19.

Directors are provided with a comprehensive induction upon appointment and undertake ongoing professional development to ensure that their knowledge remains current and they are up to date with industry trends. Where development needs are identified, either individually or collectively, the Group supports individuals seeking training or additional information to perform their role.

All Directors have access to the advice and support of the Company Secretary and may seek external advice, at the Company's expense, should they require it. The Nominations and Remuneration Committees are both authorised to engage external consultants to assist them with their work.

Meetings

The Board has eight scheduled meetings each year and supplements this with additional ad hoc calls and meetings as required. An agenda plan is produced prior to the start of each year which ensures that all matters of importance to the Company are considered by the Board and appropriate meeting time is allocated to enable proper debate. The Board held a total of thirteen meetings during 2020.

The Board receives timely and comprehensive reporting to enable the Directors to assess the financial and operational performance of the Group and its key risks throughout the year. The Board papers include detailed information on business activities and financial performance, including the activities and performance of the Authority. Outside of the meeting cycle, the Chair engages with the Directors both collectively and individually to discuss matters of business.

The Nominations Committee reviews the time required from the Non-Executive Directors and whether they are spending enough time to fulfil their duties. The attendance record of each of the Directors at Board and committee meetings held during the year is detailed below.

Corporate Governance Report continued

	Board	Audit Committee	Nominations Committee	Remuneration Committee	Risk Committee
Jon Moulton	12	2	11	5	n/a
Guy Coltman	11	n/a	10	5	3
Fiona Le Poidevin [1]	7 (7)	n/a	n/a	n/a	n/a
Stuart Turner	11	n/a	11	5	4
Cees Vermaas [2]	3 (3)	n/a	n/a	n/a	n/a
Anderson Whamond	12	3	10	4	n/a
No. of meetings held	**13**	**3**	**11**	**5**	**4**

[1] *Resigned from the Board 27 July 2020*
[2] *Appointed to the Board 2 November 2020*

Group Committees

The Board, together with the board of the Authority, has established four Group committees to oversee specific areas and activities: Audit Committee, Nominations Committee, Remuneration Committee and Risk Committee. Each of the committees has terms of reference detailing their roles and responsibilities and these are reviewed by the Board at least annually.

The Board is represented on each of these committees by at least two Non-Executive Directors and the committees provide regular reporting to the Board on their activities. 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.

Audit Committee

The committee is chaired by Gill Morris, with Charlie Geffen, Adrienne Muir (Non-Executive Director, Authority) and Anderson Whamond appointed as members. Jon Moulton stepped down as Chair of the committee on 31 December 2020 and Gill Morris and Charlie Geffen were appointed effective 1 January 2021. The Chief Executive Officer and Chief Financial Officer have standing invitations to attend committee meetings, and do so, but the committee holds at least one meeting with the auditor and without management present.

The committee meets at least three times per year and reviews the Company's financial reports, recommending them to the Board for approval. The committee considers the integrity of the financial reporting and whether it presents 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 reviews the adequacy and effectiveness of the Group's internal controls and risk management practices implemented by management to effectively identify, assess, manage and control financial risks.

Corporate Governance Report continued

The committee has reviewed the current position with regard to internal audit and, within the overall context of the Group's scale, risk management framework and the work of Compliance, Finance and the external auditor, determined that an internal audit function is not currently required. This will be kept under review as the Group develops.

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.

Nominations Committee

The committee is chaired by Anderson Whamond, with Guy Coltman, Charlie Geffen, Rob Trefny (Non-Executive Chair, Authority) and Stuart Turner appointed as members. Jon Moulton stepped down from the committee on 31 December 2020 and Rob Trefny was appointed effective 1 January 2021. Where appropriate, the Chief Executive Officer and Head of HR are invited to attend committee meetings and do so.

The committee meets at least twice per year and reviews the structure, size, balance and composition (including the skills, knowledge, experience and diversity) of the Group boards. The committee 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 board. The committee monitors the leadership needs of the Group and considers succession planning for the Group's Directors and other senior executives.

During 2020 the committee led the processes for the appointment of a successor Chief Executive Officer and Chair appointments for the Board and the board of the Authority. As part of the succession planning for Jon Moulton's retirement, the Nominations Committee reviewed the composition of the Board and recommended the appointment of an additional Non-Executive Director to ensure that the Board continued to benefit from a Director with a formal accountancy qualification and related experience. After a comprehensive recruitment process, Gill Morris joined the Board as Non-Executive Director and Chair of the Audit Committee on 1 January 2021.

The committee engaged two external consultancy firms (one based in London and one in Guernsey) to assist with the identification and selection of potential candidates for these roles.

Remuneration Committee

The committee is chaired by Guy Coltman, with Charlie Geffen, Rob Trefny, Stuart Turner and Anderson Whamond appointed as members. Jon Moulton stepped down from the committee on 31 December 2020 and Rob Trefny was appointed effective 1 January 2021. Where appropriate, the Chief Executive Officer and Head of HR are invited to attend committee meetings and do so.

The committee meets at least twice per year and 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 strategic objectives and risk appetite. The committee reviews and makes recommendations to the Board on the total compensation package of each of the Group's Directors and senior executives. The committee also makes recommendations to the Board in respect of share awards and, where relevant, associated performance conditions.

Corporate Governance Report continued

During 2020, the Committee established the remuneration package for the successor Chief Executive Officer and undertook a review of fees paid to the Company's Non-Executive Directors. Having received feedback on current market fee levels and assessed the activity levels and time commitment required from the Chair and Non-Executive Directors, the Board approved the following fees which took effect from 1 January 2021:

Chair	£60,000 per annum
Non-Executive Director	£30,000 per annum
Chair of Group Committee	£10,000 per annum
Member of Group Committee	n/a

No remuneration consultants were engaged during the year.

A resolution to authorise the Board to determine the remuneration of the Directors for 2022 will be proposed at the forthcoming Annual General Meeting.

Risk Committee

The committee is chaired by Stuart Turner, with Guy Coltman, Adrienne Muir and Rob Trefny appointed as members. Charlie Geffen stepped down from the committee on 31 December 2020 and Rob Trefny was appointed effective 1 January 2021. The Managing Director of the Authority and Head of Market Regulation have standing invitations to attend committee meetings and do so.

The committee meets on an at least quarterly basis and reviews the Group's significant risks within the context of the Group's approved strategic objectives and overall risk appetite. During 2020, the committee's activities focused in particular on the Group's operational response to COVID-19 and the ongoing programme of work to renew and enhance the Group's technology and system capabilities.

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

The committee reviews the Group's non-financial controls such as regulatory compliance, data protection, business continuity and cyber security.

The committee considers the remit, independence and resourcing of the risk and compliance functions to ensure that they are able to perform their activities effectively.

Risk Management

The Group has implemented an enterprise-wide risk management framework to identify, assess, manage and control its actual and potential risks. The effectiveness of the internal controls is regularly reviewed by management, the Audit Committee, the Risk Committee and the Board.

The Group's values of being responsible, curious and connected foster a culture of accountability, efficiency and innovation which support the Group's vision and mission and promote a corporate culture based on ethical behaviours and conduct. The Chief Executive Officer is a visible advocate of the Group's values and actively encourages all staff to demonstrate the values within their everyday working practices.

The Board has overall responsibility for establishing high standards of business conduct and behaviour, risk management and the internal control framework. However, such systems of internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Board considers that the Group's internal controls are appropriate to the size, complexity and risks posed by its activities.

Principal Risks and Uncertainties

The Group's business activities are subject to variety of risks, 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 Board has identified the following key risks:

Corporate Governance Report continued

Strategic Risks

Changes to the Legislative, Regulatory and Fiscal Environment – The Group operates within a complex and dynamic legislative, regulatory and fiscal environment. Changes to that environment, including in other jurisdictions, could significantly influence the type and volume of new business and could strengthen or erode the Exchange's competitive position. The current uncertainty surrounding the UK's future regulatory environment is both an opportunity and a threat in terms of the Group's strategy. The Group stays abreast of future trends to identify opportunities and is positioned to respond quickly to the changing environment.

Business Concentration Risk – A failure to diversify the business and overreliance on certain revenue streams could risk leaving the Group exposed. A material proportion of issuers continue to report "availing of the Quoted Eurobond Exemption" as their principal reason for listing on the Exchange. HM Treasury in the UK is carrying out a consultation on Asset Holding Companies which could reduce the need for such listings. If legislation were to be enacted that eliminated or substantially reduced the need for a significant number of issuers to avail themselves of the Quoted Eurobond Exemption this could have an adverse impact on the Group. There is currently no clarity on what legislative proposals will emerge or what form such proposals might take, and so no clarity on the impact of the consultation on the business. The Group has identified new revenue opportunities and diversification of its products, geographies and markets, which it is already pursuing as part of the growth strategy. This has included growing the number of high yield and securitisation issuers. By appointing a new Head of Bond Markets based in Dublin the Group has already taken steps to achieve significant potential growth in that area.

Business Model Disruption and Competition – The capital markets landscape continues to evolve, with mainstream exchanges diversifying beyond their traditional business models and smaller exchanges and new entrants looking for niche opportunities. The Exchange's competitors now take a variety of forms and include the private capital markets, alternative financing (such as crowdfunding) and more recent fintech innovations such as digital asset platforms. The Group stays abreast of such developments and actively seeks to identify opportunities for diversification and collaboration.

Business Risks

Reputational Risk – The Group's reputation and regulatory experience are extremely valuable to the business. The reputation of the Exchange may be impacted by poor conduct, decision making or any of the key risks. Events which impact the Exchange's reputation may also impact the reputation of Guernsey more broadly and the other jurisdictions in which the Group operates. Reputational risks are considered by the Board as part of the strategy formulation process. The Authority has in place rigorous processes to risk assess and review all applications for listing and membership at both take on and on an ongoing basis and remains committed to maintaining high standards.

Technology and Information Security Risk – A failure of the Group's technology and systems could impact the delivery or integrity of its services or the security of its data. The Group continues to invest in technology to safeguard its systems and data. The use of technology to enhance client service and improve operational efficiency is integral to the Group's growth strategy.

Coronavirus (COVID-19) – The current and predicted impact of the COVID-19 pandemic on the global economy and capital markets is likely to affect the type and volume of new business. The Group has evolved its working practices to protect the health of staff and enable them to remain focused on providing an uninterrupted, quality service to clients. Where it is appropriate and able to do so, the Group has provided flexibility in order to support current and prospective issuers.

Corporate Governance Report continued

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 Board releases announcements to the market in accordance with the Listing Rules and uses the annual and interim financial statements, website and media releases to provide further information to current and prospective shareholders.

The Chair is responsible for ensuring that the views and concerns of shareholders are communicated to the Board as a whole. The Board reviews proxy voting reports and, where there is any significant dissent, seeks to engage with the relevant shareholders to understand and resolve any issues. Outside of formal engagements, contact details for the Chair and Chief Executive Officer are included on the Group's website, to enable shareholders to communicate with the Board should they wish to share their views. The Chair of the Company makes himself available to shareholders at all times.

The Annual General Meeting is the Company's primary forum for communicating with shareholders. Notice of the Annual General Meeting is issued at least ten days prior to the meeting and shareholders are encouraged to attend. The Chair and Chief Executive Officer make themselves available for further discussion both prior to and following the meeting. The Chair and, where possible, the other Non-Executive Directors attend the Annual General Meeting and are available to answer questions raised by shareholders. All resolutions are voted on separately and a market announcement is published confirming whether the resolutions proposed have been passed.

Whilst restrictions imposed in response to the COVID-19 pandemic meant that practices for the Annual General Meeting had to be adapted during 2020, the Board was able to engage with shareholders through an online presentation and live Q&A session. In response to requests from shareholders for greater clarity around the basis and calculation of the dividend, the Board published a Dividend Policy Statement in September 2020 detailing its new approach based on an expected pay-out ratio.

Our Values

Be responsible.

For yourself, for your team, for the planet

Being responsible for yourself – taking responsibility for your work and actions and being accountable for them, being responsible for your personal development.

Being responsible for your team – this could be your direct team mates, your department, the Group – whatever 'your team' means to you. Being a strong team player, helping your colleagues and achieving individual, team and business objectives.

Being responsible for the planet – ensuring that we conduct business in an ethical and responsible way, mindful of all our stakeholders, whether that be members, issuers, investors, governments or the wider public.

Be curious.

Ask, learn and innovate for good

The power of 'Why?' – ensuring that we question everything.

Our mindset – an investigative and inquisitive mindset is crucial for strong and effective regulation of an orderly market – we need to want to know everything!

New information leads to innovation – be that finding new (and often better) ways of doing things, refining processes, creating efficiencies, new products, new services or new ways of communicating and promoting the business.

Innovate for good – Constantly evolving and adapting as a business in a dynamic industry. Innovating sustainably, reflecting upon our corporate social responsibility.

Be connected.

Together we are more

Be connected – methods of connection or the feeling of connection – whether this be with the work that you undertake, your team, the wider Group, our external stakeholders, the community or globally.

Connected internally – each team needs connection to function effectively, teams then need to work well and communicate with each other across all departments and functions of the business, work should be seamless.

Connected externally – need to be connected to all our stakeholders – from market participants (investors, issuers, members, brokers, introducers) to regulators, to governments, to society. We are a global business.

Connected locally – ensuring that we build and maintain connections with the local communities in which we operate, through our corporate social responsibility and additional initiatives that we undertake.

Independent Auditor's Report

Independent Auditor's Report to the Members of The International Stock Exchange Group 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 (the "company") and its subsidiaries (together "the group") as at 31 December 2020, 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 UK and Republic of Ireland" ("FRS 102") and have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

What we have audited

The group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent Auditor's Report to the Members of The International Stock Exchange Group Limited continued

Our audit approach

Overview

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 group net assets and profit for the financial year.
- We have audited the consolidated financial statements of the wholly owned subsidiary and the company including the operations within the branches in Jersey and the Isle of Man.

Key audit matters

- Revenue recognition.
- Management's consideration of the potential impact of COVID-19.

Materiality

- Overall group materiality was £190,026 (2019: £181,600) based on 5% of the consolidated profit before tax.
- Performance materiality: £142,520 (2019: £136,225)

The scope of our audit

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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters, and any comments we make on the results of our procedures thereon, were 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 these matters.

This is not a complete list of all risks identified by our audit.

Independent Auditor's Report to the Members of The International Stock Exchange Group Limited continued

Key audit matter - Revenue recognition

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 the share price performance of the company.

Certain directors and senior management have material shareholdings in the company and the company also operates a share option scheme for employees of the group 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 employees have 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.

Revenue is derived from multiple service offerings being initial and annual membership fees, initial and annual listing fees, other listing related fees and other income as disclosed in note 3(e) and note 5 to the consolidated financial statements.

The nature of these multiple service offerings can be complex due to the various fee arrangements and the high volume of transactions. The processes for recording revenue involve manual intervention with limited involvement of automation or IT systems. As a result, misstatement of revenue could arise from fraudulently manipulating manual calculations, unauthorised changes to approved fee schedules or errors in spreadsheets.

As part of our risk assessment we have considered each individual revenue stream in the group. We have determined that a significant risk of both fraud and error exists within all material revenue streams, being annual membership fees, initial and annual listing fees and other listing related fees.

How our audit addressed the Key audit matter - Revenue recognition

- We assessed the revenue recognition policies adopted by the group for compliance with the relevant accounting standards.
- We understood and evaluated the controls and processes over the recording of revenue, including the raising of invoices through to the collection of debtors and how the revenue is recorded in the general ledger.
- We obtained all revenue invoices issued during the year and analysed these using data extraction techniques to recalculate the total revenue billed.
- We reconciled the revenue billed to the general ledger and agreed any reconciling items to supporting documentation provided by management.
- We obtained the group's fee schedule which has been approved by the board of directors. We agreed that the correct listing and membership fees were used in the revenue billed by agreeing them to the group's approved fee schedule using data matching techniques, and any material exceptions noted were resolved by corroborating to further supporting information.
- For the issuers and members from which initial and annual listing fees were earned during the year, we agreed that all were registered as an issuer or member on the group's website via a two-way check between the invoices raised and the group's website. We also reviewed reconciling items for example those applications on hold or issuers that had delisted in the period.
- We recalculated the deferred income on a sample basis using billed revenue data and invoices raised and reconciled to the general ledger.

Independent Auditor's Report to the Members of The International Stock Exchange Group Limited continued

How our audit addressed the Key audit matter -Revenue recognition continued

- In addition, for those revenue streams where a significant risk of fraud exists (all material revenue streams, being annual membership fees, initial and annual listing fees and other listing related fees), 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.

There were no material matters which required reporting to those charged with governance.

Key Audit Matter - Management's consideration of the potential impact of COVID-19

Chair's Statement, Note 3(a) to the Consolidated Financial Statements - Basis of preparation, Note 3(b) to the Consolidated Financial Statements – Going concern and Note 4 to the Consolidated Financial Statements – Significant events.

Management and the Board have considered the potential impact of the events that have been caused by the pandemic, COVID-19, on the current and future operations of the Group. In doing so, management have made estimates and judgements that are critical to the outcomes of these considerations with particular focus on the Group's ability to continue as a going concern for a period of at least 12 months from the date of approval of the consolidated financial statements.

As a result of the impact of COVID-19 on the wider financial markets we have determined management's consideration of the potential impact of COVID-19 (including their associated estimates and judgements) to be a key audit matter.

How our audit addressed the Key audit matter - Management's consideration of the potential impact of COVID-19

- We obtained management's most recent financial results forecasts and liquidity analysis underlying their going concern assessment and tested the integrity of the forecasts, including mathematical accuracy.
- We inspected management's most recent forecasts and assessed the underlying calculations and assumed duration of the disruption having considered information from recent industry sources.
- We challenged management on the key assumptions included in the scenarios and we subjected management's most recent forecasts to additional stress testing to confirm that both management and the Board have considered a balanced range of outcomes in their assessment of the potential impact of COVID-19 on the group.
- We also considered the likelihood and effect of potential mitigating actions available to management which had not been reflected in their assessment.
- We discussed the most recent forecasts with the Chief Financial Officer of the group to understand management's and the Board's views on Going Concern and the potential impact of COVID-19 on the group.
- We considered the appropriateness of the disclosures made by management and the Board in respect to the potential impact of COVID-19 on the current and future operations of the group.

Based on our procedures, we have not identified any matters to report with respect to both management's and the Board's considerations of the potential impact of COVID-19 on the current and future operations of the group.

Independent Auditor's Report to the Members of The International Stock Exchange Group Limited continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give 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.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Based on our professional judgement, we determined materiality for the consolidated consolidated financial statements as a whole as follows:

Overall group materiality
£190,026 (2019: £181,600)

How we determined it
5% of the consolidated profit before tax

Rationale for the materiality benchmark
The group is a profit oriented operating group with the intention of either reinvesting or distributing profits to shareholders 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 consolidated profit before tax is the most appropriate measure for materiality due to this being a key metric for shareholders.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £142,520 for the consolidated financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £9,501, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report and the Consolidated Financial Statements (the "Annual Report") 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 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 based on these responsibilities.

Independent Auditor's Report to the Members of The International Stock Exchange Group Limited continued

Responsibilities for the consolidated financial statements and the audit

Responsibilities of the directors for the consolidated financial statements

As explained more fully in the Directors' Report, 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, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations.

We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

As part of an audit in accordance with ISAs, we exercise professional judgement 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 directors' 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 group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the consolidated financial statements. 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 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.

- 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, actions taken to eliminate threats or safeguards applied.

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.

Independent Auditor's Report to the Members of The International Stock Exchange Group Limited continued

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.

Use of this report

This independent auditor's report, including the opinions, 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 these opinions, 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.

Report on other legal and regulatory requirements

Company Law exception reporting

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.

Tony Corbin
For and on behalf of
PricewaterhouseCoopers CI LLP

Chartered Accountants
Guernsey, Channel Islands
24 March 2021

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Turnover	5	8,362,000	7,584,960
Administrative expenses	6, 7	(4,592,908)	(4,010,854)
Operating profit		**3,769,092**	**3,574,106**
Interest receivable and similar income			
Interest income from financial assets measured at amortised cost	8	22,819	52,770
Income and net gains/(losses) from financial assets measured at fair value through profit or loss	8	8,612	5,773
Profit on ordinary activities before taxation		**3,800,523**	**3,632,649**
Taxation	9	(178,506)	(156,573)
Profit for the financial year		**3,622,017**	**3,476,076**
Other comprehensive income		-	-
Total comprehensive income for the financial year		**3,622,017**	**3,476,076**
Earnings per share:			
Basic	10	128.4p	123.2p
Diluted	10	128.4p	123.2p

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

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

The notes on pages 47 to 67 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	31 December 2020 £	31 December 2019 £
Fixed assets			
Tangible fixed assets	11	67,324	58,920
		67,324	**58,920**
Current assets			
Debtors	12	973,780	1,187,981
Investments	13	7,039,173	5,273,406
Cash and cash equivalents	18(b)	3,709,081	3,101,520
		11,722,034	**9,562,907**
Current liabilities			
Creditors: Amounts falling due within one year	14	(2,880,285)	(2,926,486)
Net current assets		**8,841,749**	**6,636,421**
Total assets less current liabilities		**8,909,073**	**6,695,341**
Non-current liabilities			
Provisions for other liabilities	15	(11,844)	(9,636)
Net assets		**8,897,229**	**6,685,705**
Capital and reserves			
Share capital	16	1,331,581	1,331,581
Share-based payments reserve	19	139,553	139,546
Retained earnings		7,426,095	5,214,578
Shareholders' equity		**8,897,229**	**6,685,705**

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 March 2021.

Signed on behalf of the Board of Directors:

C S H Geffen
Director

C Vermaas
Director

The notes on pages 47 to 67 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Notes	Share capital £	Share-based payments reserve £	Retained earnings £	Shareholders' equity £
At 1 January 2019		**2,798,501**	**139,546**	**6,830,407**	**9,768,454**
Total comprehensive income for the year ended 31 December 2019		-	-	3,476,076	3,476,076
Dividends declared and paid		(1,466,920)	-	(5,091,905)	(6,558,825)
At 31 December 2019		**1,331,581**	**139,546**	**5,214,578**	**6,685,705**
At 1 January 2020		**1,331,581**	**139,546**	**5,214,578**	**6,685,705**
Total comprehensive income for the year ended 31 December 2020		-	-	3,622,017	3,622,017
Equity-settled share based payments	19	-	7	-	7
Dividends declared and paid		-	-	(1,410,500)	(1,410,500)
At 31 December 2020		**1,331,581**	**139,553**	**7,426,095**	**8,897,229**

The notes on pages 47 to 67 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Net cash inflow from operating activities	18(a)	3,967,080	3,740,739
Income taxes paid		(160,000)	(150,000)
Net cash from operating activities		**3,807,080**	**3,590,739**
Investing activities			
Payments to purchase tangible fixed assets	11	(56,194)	(38,061)
Purchases of certificates of deposit		-	(5,100,194)
Proceeds from disposal of certificates of deposit		-	13,850,366
Placement of short term deposits/notice accounts		(1,513,615)	(2,178,055)
Proceeds from maturity of short term deposits/ notice accounts		726,886	-
Purchases of liquidity funds		(2,008,391)	(3,099,000)
Proceeds from disposals of liquidity funds		1,030,329	-
Interest received		31,966	50,711
Net cash (outflow)/inflow from investing activities		**(1,789,019)**	**3,485,767**
Financing activities			
Dividends paid		(1,410,500)	(6,558,825)
Net cash outflow from financing activities		**(1,410,500)**	**(6,558,825)**
Increase in cash and cash equivalents		**607,561**	**517,681**
Cash and cash equivalents at start of the financial year		3,101,520	2,583,839
Cash and cash equivalents at end of the financial year	**18(b)**	**3,709,081**	**3,101,520**

Cash and cash equivalents together with investments (note 13) totalled £10,748,254 as at 31 December 2020 (£8,374,926 as at 31 December 2019).

The notes on pages 47 to 67 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. The registered address of the Company is Helvetia Court, Block B, 3rd Floor, Les Echelons, St Peter Port, Guernsey, GY1 1AR.

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

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 UK 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) Basis of preparation

The consolidated financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. The amounts stated in these consolidated financial statements reflect conditions existing as at the balance sheet date.

(b) Going concern

Based on current trading and the present financial resources of the Group, the Directors believe the Group has the ability to continue as a going concern and have therefore prepared the consolidated financial statements on this basis.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its sole subsidiary, drawn up to 31 December 2020. 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. The principal activity of the Subsidary is the operation of an investment exchange known as The International Stock Exchange.

(d) Judgements and key sources of estimation uncertainty

The preparation of the consolidated 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.

During the assessment of Going Concern, see Note 3 (b), the Directors needed to give particular consideration to the ongoing impact of COVID-19 as well as the impact of the United Kingdom's withdrawal from the EU following the ending of the transition period on 31 December 2020, on the performance and viability of the Group's business. In addition to closely monitoring new business and cash flow, management prepared financial projections to stress test the financial resilience of the Group's business. No remedial or mitigating action has thus far proved necessary.

Notes to the Consolidated Financial Statements continued

3. Summary of significant accounting policies (continued)

(e) Revenue recognition

Listing application fees are recognised upon receipt of listing applications. Such fees are due upon application and are non-refundable. 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.

Membership application 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 includes other Exchange fees and delegate fees for Exchange organised workshops. Other Exchange fees and delegate fees are recognised on an accruals basis when the services have been provided.

Interest receivable and similar income is recognised on an accruals basis.

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.

(f) 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 consolidated financial statements unless the probability of an outflow of resources is remote.

Notes to the Consolidated Financial Statements continued

(g) 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.

(h) Share-based payments

The Group provides share based payments to certain employees further to an equity settled share option scheme.

For share option awards that vest immediately, the fair value of the share options issued is assessed and expensed at date of grant. For share option awards that vest in the future, after a period of service from employees, the fair value of the share options is assessed at date of grant. The fair value of the options is then expensed on a straight line basis over the vesting period, based on the Directors' estimate of the share options that will eventually vest. At each Balance Sheet date, the Directors' review their estimate of the number of share options that will vest. 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.

(i) 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.

(j) 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.

(k) Investments

Investments include liquidity funds as well as notice accounts, fixed term deposits and certificates of deposit with maturity of more than three months at date of acquisition. Short-term investments include liquidity funds as well as notice accounts, fixed term deposits and certificates of deposit with maturity of less than 12 months at the balance sheet date.

Notes to the Consolidated Financial Statements continued

3. Summary of significant accounting policies (continued)

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term investments (notice accounts and certificates of deposit) with maturity of three months or less at date of acquisition.

(m) Financial instruments

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

i. Financial assets

Basic financial assets including trade debtors and other debtors are initially recognised at transaction price and are 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.

Investments in certificates of deposits, short term deposits and notice accounts are initially recognised at transaction price and 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. Such assets 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.

Investments in liquidity funds are initially measured at fair value, being the transaction price for acquiring the assets. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

ii. Financial liabilities

Basic financial liabilities, including payments on account from issuers, trade creditors and other creditors, are initially recognised at transaction price, and subsequently measured at amortised cost.

Financial liabilities are derecognised when the contractual obligation in respect of the liability is discharged, cancelled or expires.

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 invoiced 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. Distributions to shareholders paid out of capital are deducted from the carrying balance of share capital.

(o) Dividends

Provision is made for the amount of any dividend declared by the Board when paid. Dividends paid are recognised in the statement of changes in equity.

Notes to the Consolidated Financial Statements continued

3. Summary of significant accounting policies (continued)

(p) Taxation

The tax expense for the period comprises current tax. The income tax expense for the period is recognised in the consolidated statement of comprehensive income and is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction the Group operates and generates taxable income.

The Group does not recognise any deferred tax assets or liabilities on the basis that all fixed assets are held by the Company which is subject to taxation at the company standard rate of 0% and therefore no timing differences arise in respect of deferred tax.

4. Significant events

The World Health Organisation declared COVID-19 a global health emergency on 30 January 2020. The global pandemic has severely impacted the global economy, with certain business sectors and businesses more severely impacted than others. However, the results of the Group for the year ended 31 December 2020 evidence the resilience of the Group's business. Turnover and profit before tax are both ahead of the prior year. Cash and cash equivalents together with investments as at 31 December 2020 totalled £10,748,254 compared to £8,374,926 as at 31 December 2019. The net asset position has increased over the year by £2,211,524. Dividends declared and paid during the year amounted to £1,410,500.

Whilst the financial results evidence the resilience of the Group's business, the global pandemic initially impacted the business in financial terms through slower fee debtor collection. Despite the existence of distressed Issuers, the level of write off and provisioning of debtors necessary in 2020 was limited. Trade debtors as at 31 December 2020 were £722,448 after impairment provision of £29,200 compared to the position as at 31 December 2019 of £930,031 after impairment provision of £34,249. In line with UK GAAP the impairment provision is arrived at allowing for the ageing of outstanding invoices. Issuers with securities listed on the Exchange have been reviewed in terms of the business sectors they operate. Fees outstanding at year end due from Issuers identified as operating in COVID-19 significantly impacted sectors have been substantially collected or otherwise provided against.

No staff were furloughed and no Government financial assistance was sought during the financial year nor post year-end. Existing disaster recovery planning and remote working practices enabled a smooth transition to the general practice of working from home introduced as social distancing measures were introduced during the financial period and re-introduced since the year-end.

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.

Notes to the Consolidated Financial Statements continued

5. Operating segment information (continued)

Entity wide disclosure	Year ended 31 December 2020 £	£	Year ended 31 December 2019 £	£
Revenue from external customers				
Membership fees				
Initial fees	15,000		20,000	
Annual fees	233,100		286,900	
		248,100		**306,900**
Listing fees				
Initial fees	2,814,550			2,494,713
Annual fees	4,328,347			3,912,259
		7,142,897		**6,406,972**
Other Listing related fees		899,203		806,653
Other income		71,800		64,435
		8,362,000		**7,584,960**

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Membership Fees - Initial and Annual Geographical analysis Revenue from Members by domicile		
Guernsey	136,000	167,500
Jersey	93,200	107,100
Isle of Man	18,900	26,000
UK	-	6,300
	248,100	**306,900**

Notes to the Consolidated Financial Statements continued

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Listing Fees - Initial and Annual Geographical analysis Revenue from Issuers by domicile		
Guernsey	417,432	309,611
Jersey	615,495	504,335
Isle of Man	33,822	36,466
UK	4,112,354	3,993,028
Other	1,963,794	1,563,532
	7,142,897	**6,406,972**

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Total Turnover – Geographical analysis		
Guernsey	599,433	556,250
Jersey	753,920	694,593
Isle of Man	55,647	69,349
UK	4,629,979	4,472,576
Other	2,323,021	1,791,922
	8,362,000	**7,584,960**

	31 December 2020 £	31 December 2019 £
Non-Current Assets Geographical analysis Tangible Assets by location		
Guernsey	66,179	57,807
Jersey	711	1,068
Isle of Man	434	45
	67,324	**58,920**

Notes to the Consolidated Financial Statements continued

6. Staff costs

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Administrative expenses includes staff costs as follows:		
Salaries, including bonus payments	2,190,696	2,041,848
Social security costs	135,529	127,141
Payments to employees' personal pension arrangements	97,215	93,290
Health insurance	68,374	60,152
Life insurance	5,524	-
Equity-settled share based payments	7	-
Other employee benefits	28,024	23,079
	2,525,369	**2,345,510**

7. Auditor's remuneration

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Fees payable to the Company's auditor for the audit of:		
The Group's consolidated financial statements	23,500	20,400
The Subsidiary's stand-alone financial statements	32,500	31,600
	56,000	**52,000**

Notes to the Consolidated Financial Statements continued

8. Interest receivable and similar income

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Interest from financial assets measured at amortised cost:		
Cash and cash equivalents	389	7,404
Term deposits and notice accounts with term or notice of more than three months'	22,430	8,254
Certificates of deposit with maturity of three months or less at date of acquisition	-	37,112
Total interest from financial assets measured at amortised cost	**22,819**	**52,770**
Income and net gains/(losses) from financial assets measured at fair value through profit or loss:		
Dividends from liquidity funds	7,634	9,420
Realised loss on liquidity funds	(2,669)	-
Movement in unrealised gain/(loss) on liquidity funds	3,647	(3,647)
Total income and net gains/(losses) from financial assets measured at fair value through profit or loss	**8,612**	5,773
Total interest receivable and similar income	**31,431**	**58,543**

Notes to the Consolidated Financial Statements continued

9. Taxation

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

The Company and the Subsidiary are tax resident in Guernsey. Profits of the Subsidiary in respect of income from the regulated activity of operating an investment exchange under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 are taxable at the company intermediate rate of 10%. Other income is subject to taxation in Guernsey at the company standard rate of 0%.

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

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

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Profit on ordinary activities before taxation	3,800,523	3,632,649
Profit taxable at the standard rate of income tax of 0%	2,015,463	2,066,918
Profit taxable at the company intermediate rate of 10%	1,785,060	1,565,731
Profit on ordinary activities multiplied by the company standard rate of income tax in Guernsey of 0% (2019: 0%)	-	-
Effects of: Profits taxable at 10% in Guernsey	178,506	156,573
Total tax charge for the year	**178,506**	**156,573**

10. Earnings per share

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

Diluted earnings per share makes allowance for dilutive share options in issue during part or for all of the year.

Share options are dilutive where the exercise price is less than the average market price during the year.

There were no dilutive share options in issue during either 2020 or 2019.

Notes to the Consolidated Financial Statements continued

Details of the earnings per share calculations are as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Basic		
Basic weighted average of shares outstanding	2,821,000	2,821,000
Net profit attributable to Ordinary shareholders	£3,622,017	£3,476,076
Basic earnings per share	**128.4p**	**123.2p**
Diluted		
Potential ordinary shares outstanding during the year:		
Dilutive share options in issue throughout the year	-	-
Non-dilutive share options granted during the year	150,000	-
Non-dilutive share options in issue at end of year	200,000	50,000
Average market share price for the year	802p	777p
Diluted weighted average shares outstanding	2,821,000	2,821,000
Net profit attributable to ordinary shareholders	£3,622,017	£3,476,076
Diluted earnings per share	**128.4p**	**123.2p**

Notes to the Consolidated Financial Statements continued

11. Tangible fixed assets

	Office premises improvements £	Furniture, fixtures and fittings £	Computer equipment and software £	Total £
Cost:				
At 1 January 2019	81,334	6,107	25,926	113,367
Additions	-	1,650	36,411	38,061
Written down	-	(230)	(5,027)	(5,257)
At 31 December 2019	**81,334**	**7,527**	**57,310**	**146,171**
Additions	-	18,589	37,605	56,194
Written down	-	(1,708)	(11,820)	(13,528)
At 31 December 2020	**81,334**	**24,408**	**83,095**	**188,837**
Depreciation:				
At 1 January 2019	39,948	2,764	16,400	59,112
Charge for the year ended	12,047	2,509	18,840	33,396
31 December 2019				
Written down	-	(230)	(5,027)	(5,257)
At 31 December 2019	**51,995**	**5,043**	**30,213**	**87,251**
Charge for the year ended 31 December 2020	12,080	8,148	27,562	47,790
Written down	-	(1,708)	(11,820)	(13,528)
At 31 December 2020	**64,075**	**11,483**	**45,955**	**121,513**
Carrying amount:				
At 31 December 2019	29,339	2,484	27,097	58,920
At 31 December 2020	**17,259**	**12,925**	**37,140**	**67,324**

Notes to the Consolidated Financial Statements continued

12. Debtors

	31 December 2020 £	31 December 2019 £
Trade debtors	722,448	930,031
Other debtors	13,525	17,354
Prepayments	225,587	228,911
Accrued income	12,220	11,685
	973,780	**1,187,981**

Trade debtors includes no amounts falling due after more than one year. See also note 4.

13. Investments

	31 December 2020 £	31 December 2019 £
Investments at fair value through profit or loss:		
Liquidity funds	4,074,392	3,095,351
Investments at amortised cost:		
Short-term deposits/notice accounts with maturity at date of acquisition of over 90 days and no more than 365 days	2,964,781	2,178,055
	7,039,173	**5,273,406**

Notes to the Consolidated Financial Statements continued

14. Creditors: Amounts falling due within one year

	31 December 2020 £	31 December 2019 £
Deferred income	2,477,537	2,464,132
Payments on account from issuers	70,382	93,600
Trade creditors and accruals	246,638	316,448
Corporate taxation	25,079	6,573
Other creditors	60,649	45,733
	2,880,285	**2,926,486**

15. Provisions for other liabilities

Dilapidations provision	£
At 1 January 2019	**7,434**
Addition to provision	2,202
At 31 December 2019	**9,636**
Addition to provision	2,208
At 31 December 2020	**11,844**

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 this provision has been increased to £9,636 as at 31 December 2019 and £11,844 as at 31 December 2020.

Notes to the Consolidated Financial Statements continued

16. Share capital

	Non-Participating Share		Ordinary Shares	
	£	Number	£	Number
Authorised				
As at 1 January 2019	**1**	**1**	**5,000,000**	**5,000,000**
As at 31 December 2019	**1**	**1**	**5,000,000**	**5,000,000**
As at 31 December 2020	**1**	**1**	**5,000,000**	**5,000,000**
Allotted, called up and fully paid				
As at 1 January 2019	**1**	**1**	**2,798,500**	**2,821,000**
Special dividend paid from capital	-	-	(1,466,920)	-
As at 31 December 2019	**1**	**1**	**1,331,580**	**2,821,000**
As at 31 December 2020	**1**	**1**	**1,331,580**	**2,821,000**

The Non-Participating share of par value £1 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.

The Ordinary shares have a par value of £1 per share.

On 1 July 2019, a special dividend of 200.0p per share was paid, with 52.0p per share being paid out of the capital of the Company.

Notes to the Consolidated Financial Statements continued

17. Financial instruments

	Notes	31 December 2020 £	31 December 2019 £
Financial assets at fair value through profit or loss:			
Liquidity funds	13	**4,074,392**	**3,095,351**
Financial assets measured at amortised cost:			
Trade debtors	12	722,448	930,031
Other debtors	12	13,525	17,354
Term deposits and notice accounts with term or notice of more than three months	13	2,964,781	2,178,055
Term deposits and notice accounts with term or notice of three months or less	18(b)	2,227,231	1,225,198
		5,927,985	**4,350,638**
Financial liabilities measured at amortised cost:			
Deferred income	14	2,477,537	2,464,132
Payments on account from issuers	14	70,382	93,600
Trade creditors and accruals	14	246,638	316,448
Corporate taxation	14	25,079	6,473
Other creditors	14	60,649	45,733
Provisions for other liabilities	15	11,844	9,636
		2,892,129	**2,936,022**

Financial assets held at fair value through profit or loss are valued based on quoted market prices in an active market.

Investments in liquidity funds carried at fair value involve credit risk, liquidity risk and market risk. Credit risk is limited with exposure spread across a number of funds. A Group approved list of counterparties is maintained and individual counterparty limits set by the Board. The credit rating of each fund is investment grade and the portfolio is subject to oversight by the appointed investment manager. Liquidity risk exposure is in terms of the ability to realise the investments in a timely fashion. There is an active market in the approved funds as well as in the underlying investments of the funds which are of short term duration. Market risk exposure is in terms of price volatility of the liquidity funds themselves and of the underlying short duration financial instrument held by such funds.

The liquidity funds and underlying short duration financial instruments represent an asset class that does not ordinarily experience extreme price variation.

Notes to the Consolidated Financial Statements continued

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 2020 £	Year ended 31 December 2019 £
Profit on ordinary activities before taxation		3,800,523	3,632,649
Adjustments to reconcile profit for the period to net cash flow from operating activities:			
Equity settled share based payments	19	7	-
Depreciation of tangible assets	11	47,790	33,396
Provision for other liabilities	15	2,208	2,202
Unrealised loss on investments		-	3,647
Interest received		(32,942)	(50,711)
Working capital movements:			
Decrease/(increase) in debtors		214,201	(211,410)
(Decrease)/increase in creditors		(64,707)	330,966
Net cash inflow from operating activities		**3,967,080**	**3,740,739**

(b) Cash and cash equivalents

	31 December 2020 £	31 December 2019 £
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	1,481,850	1,876,322
Short-term deposits/notice accounts with maturity at date of acquisition of 90 days or less	2,227,231	1,225,198
	3,709,081	**3,101,520**

Notes to the Consolidated Financial Statements continued

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 and amended by resolution on 16 December 2020. In accordance with the rules of the ESOS, the Directors determine which employees of the Group 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 25% (amended from 20% on 16 December 2020) 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 may be exercised once vested any time up to 7 years after date of 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	£9.125	£10	£12	£14
Outstanding as at 1 January 2019	50,000	-	-	-
Outstanding as at 31 December 2019	50,000	-	-	-
Granted during the year ended 31 December 2020	-	25,000	100,000	25,000
Exercised during the year ended 31 December 2020	-	-	-	-
Outstanding as at 31 December 2020	50,000	25,000	100,000	25,000

The 50,000 share options outstanding as at 1 January 2019 were granted at an exercise price of £9.125 per share, vested on the date of grant and are subject to no exercise conditions.

On 16 December 2020 25,000 share options were granted at a minimum exercise price of £10 per share. The share options vest after 3 years (subject to the rules of the ESOS) and are subject to no exercise conditions.

On 16 December 2020 a further 100,000 share options were granted at a minimum exercise price of £12 per share. The share options vest after 5 years (subject to the rules of the ESOS) and are subject to no exercise conditions.

On 16 December 2020 a further 25,000 share options were granted at a minimum exercise price of £14 per share. The share options vest after 5 years (subject to the rules of the ESOS) and are subject to no exercise conditions.

The exercise prices of the options granted on 16 December 2020 are subject to adjustment upwards by reference to growth in the Group's total holdings of investments together with cash and cash equivalents.

The Directors arrived at the value for the share options granted with reference to the internationally recognised Black Scholes option pricing model. In respect of the share options granted, the Group has recognised in 2020 a total charge to the consolidated statement of comprehensive income of £7, with recognition of a corresponding increase in equity.

Further to an employment contract entered into on 4 December 2017, up to a further 50,000 share options may be granted in the future. Any further grant of share options would be subject to the ESOS Rules and may be subject to additional service and performance conditions, and is only awarded at the Company's Directors' absolute discretion.

Notes to the Consolidated Financial Statements continued

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 2020 and at 31 December 2019, were as follows:

i. Entities with significant influence over the Group

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Turnover		
Membership fees	£6,300	£6,300
Dividend payments	£123,050	£572,183

Listing Member, Carey Olsen Corporate Finance Limited (COCFL), holds 8.72% (2019: 8.72%) of the issued share capital of the Company. COCFL paid an annual membership fee in both 2020 and 2019.

Director G E S Coltman is a corporate partner of Carey Olsen's Jersey practice and received total remuneration of £25,000 (2019: £25,000) for the year.

Notes to the Consolidated Financial Statements continued

20. Related parties (continued)

ii. Entities controlled by Key Management Personnel

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Turnover		
Listing fees	£5,687	£13,586
Dividends declared and paid	£139,815	£565,975
Creditors: Amounts falling due within one year		
Deferred income – Listing fees	£1,888	£2,400

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

(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 £914,384 (2019: £924,229).

As at 31 December 2020, Directors of the Subsidiary held a total of 500 Ordinary shares of the Company and 50,000 share options (2019: 500 Ordinary shares and 50,000 share options). The interests of the Directors of the Company in the share capital of the Company is disclosed in the Directors' Report on page 22.

In addition to the dividends received by entities controlled by key management reported above, key management received dividends, during their period of appointment, totalling £66,000 in 2020 (2019: £582,413).

Notes to the Consolidated Financial Statements continued

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 30 July 2019, 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 24 months.

On 29 April 2019, the Company entered into a serviced office licence agreement in relation to an office at Merchants House, 24 North Quay, Douglas, Isle of Man, (the "Merchants House Agreement"). The minimum term under the licence was 12 months from the commencement date of 1 January 2019. On 22 October 2020, the Company entered into a Registered Branch Office Agreement providing the Branch with a registered office at St Mary's Court, 20 Hill Street, Douglas, Isle of Man, IM1 1EU. The Registered Branch Office Agreement can be terminated by either party giving one month's written notice. On 31 October 2020, by mutual agreement, the Merchants House Agreement was terminated.

Payments due	31 December 2020 £	31 December 2019 £
Not later than 1 year	199,695	226,505
Later than 1 year and not later than 5 years	80,599	298,501
	280,294	**525,006**

The Group recognised operating lease charges totalling £213,140 for the year (2019: £215,427).

23. Events after the reporting period

The COVID-19 pandemic continues to affect each of the jurisdictions that we operate in, with movements in and out of lockdown and the imposition of social restrictions to varying degrees. Throughout the period of COVID-19 related social restrictions all of the Group's employees have successfully transitioned to work from home and the business has continued to perform well.

Summary Financial Information (Unaudited)

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2020 £ '000	Year ended 31 December 2019 £ '000	Year ended 31 December 2018 £ '000
Turnover	8,362	7,585	7,323
Administrative expenses	(4,593)	(4,011)	(4,023)
Operating profit	**3,769**	**3,574**	**3,300**
Interest receivable/payable	31	59	21
Profit on ordinary activities before taxation	**3,800**	**3,633**	**3,358**
Taxation	(179)	(157)	-
Profit for the financial year	**3,621**	**3,476**	**3,358**
Other comprehensive income	-	-	-
Total comprehensive income for the financial year	**3,621**	**3,476**	**3,358**

Consolidated Statement of Financial Position

	31 December 2020 £ '000	31 December 2019 £ '000	31 December 2018 £ '000
Fixed assets	**67**	**59**	**54**
Current assets	**11,722**	**9,563**	**12,311**
Current liabilities	**(2,880)**	**(2,926)**	**(2,589)**
Net current assets	**8,842**	**6,637**	**9,722**
Total assets less current liabilities	**8,909**	**6,696**	**9,776**
Provisions for other liabilities	**(12)**	**(10)**	**(7)**
Net assets	**8,897**	**6,686**	**9,769**
Shareholders' equity	**8,897**	**6,686**	**9,769**

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