

22 June 2016

# THE CHANNEL ISLANDS SECURITIES EXCHANGE LIMITED

A company incorporated in Guernsey with registered number 57524  
(the "Company")

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## LISTING DOCUMENT

Admission by way of introduction of 2,461,000 ordinary shares of £1.00 each in the Company to the Official List of The Channel Islands Securities Exchange Authority Limited

ISIN: GG00BYLRY96

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**IMPORTANT NOTICE: THIS DOCUMENT IS NOT FOR DISTRIBUTION TO ANY US PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES.**

**THIS DOCUMENT CONTAINS IMPORTANT INFORMATION ON THE COMPANY AND ITS BUSINESS. If you are in any doubt as to what action you should take, you should immediately consult an appropriately authorised person in your jurisdiction for the giving of investment advice.**

An application has been made to The Channel Islands Securities Exchange Authority Limited for the Shares to be admitted to the Official List and for such Shares to be admitted to trading on its market for listed securities ("**Admission**"). Admission to trading on the investment exchange operated by The Channel Islands Securities Exchange Authority Limited constitutes admission to trading on a regulated market. It is expected that Admission will become effective and unconditional dealings will commence in the Shares on the Exchange at 8 a.m. on 23 June 2016. No application has been made, or is currently intended to be made, for the Shares to be admitted to listing or traded on any other stock exchange.

This document includes particulars given in compliance with the Listing Rules of The Channel Islands Securities Exchange Authority Limited for the purpose of giving information with regard to the Company. The Directors, whose names appear on page 5 of this document, accept full responsibility for the information contained in this document and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

This document does not constitute, or form part of, any offer or invitation by the Company, the Listing Sponsor or any other party to sell or issue Shares, or any solicitation of any offer to purchase or subscribe for the Shares. This document has been prepared only in connection with the introduction of the Shares in existence immediately prior to Admission to the Official List. Accordingly, this document does not constitute a prospectus relating to the Company as a matter of Guernsey law or Jersey law and no regulatory consents or authorisations are required in either Guernsey or Jersey in relation to the circulation of this document and the Admission. In particular,

- (i) a copy of this document has not been filed with the Guernsey Financial Services Commission pursuant to the Prospectus Rules 2008; and
- (ii) a copy of this document has not been delivered to the Jersey Financial Services Commission ("**JFSC**") and no consent for the circulation of this document in Jersey has been applied for pursuant to Article 8(2) of the Control of Borrowing (Jersey) Order 1958.

Where this document is being reviewed in the context of a purchase of Shares in the secondary market prospective investors are advised to examine all the risks that might be relevant in connection with an investment in Shares. Prospective investors should read the entirety of this document and, in particular, the section entitled Part II: Risk Factors of this document for a discussion of certain risks and other factors that should be considered in connection with any investment in the Shares.

Unless required to do so by law or regulation or by the Exchange, the Company will not publish any supplementary prospectus or any other update to this document. Whilst the contents of this document are accurate at the date of this document stated above they may no longer be accurate at any subsequent date and there may be changes in the business affairs of the Company or the Group subsequent to the date of this document.

Recipients of this document may not reproduce or distribute the document in whole or in part. Prior to making any decision as to whether to invest in the Shares as part of a secondary market transaction, prospective investors may consider whether they should take their own appropriate professional advice. In making any investment decision, each investor must rely on their own examination and analysis of the Company and the Shares, including the merits and risks involved. Your attention is drawn to the section of this document entitled Part II: Risk Factors of this document.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised.

Neither the Company nor any of its representatives are making any representation to any prospective investor in the Shares regarding the legality of an investment in the Shares by such prospective investor under the laws applicable to such prospective investor. The contents of this document should not be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, financial or tax adviser for legal, financial or tax advice.

The circulation of this document and the offering, sale and delivery of the Shares in the secondary market in certain jurisdictions may be restricted by law or regulation. Persons who come into possession of this document are required by the Company to inform themselves about, and to observe, any such restrictions. In particular, this document must not be distributed in Australia, Canada, Japan, the Republic of South Africa, New Zealand or the United States.

Neither the admission of the Shares to the Official List, nor the approval of the Listing Document pursuant to the listing requirements of the Exchange shall constitute a warranty or representation by the Exchange as to the competence of any service providers to or any other party connected with the Company, the adequacy and accuracy of the information contained in the Listing Document or the suitability of the Company for investment or for any other purpose.

The Shares have not been and will not be, registered under the US Securities Act 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or jurisdiction of the United States or under applicable securities law in Australia, Canada, Japan, the Republic of South Africa or New Zealand. The Shares may not be offered or sold, directly or indirectly, in or into the United States or to, or for the account or benefit of, any persons within the United States except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Bedell Channel Islands Limited is acting as listing sponsor for the Company and for no one else in connection with the Listing and will not be responsible to anyone other than the Company.

## NOTICE TO INVESTORS

The distribution of this document in certain jurisdictions is restricted by law. No action has been taken by the Company to permit the possession or distribution of this document or any other materials in any such jurisdictions.

In particular, no actions have been taken to allow for circulation of this document under the applicable securities laws of Australia, Canada, Japan, the Republic of South Africa, New Zealand or the United States. Neither this document nor any other material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with those restrictions may constitute a violation of the securities laws of any such jurisdiction.

Within the United Kingdom, this document is directed only at persons who have professional experience in matters relating to investments and who qualify either as investment professionals in accordance with Article 19(5) or as high net worth companies, unincorporated associations, partnerships or trustees in accordance with Article 49(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (together, "**Exempt Persons**"). It may not be passed on except to exempt persons or other persons in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply (all such persons together being referred to as "**Relevant Persons**"). This document must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Any persons other than Relevant Persons should not act or rely on this document.

## FORWARD LOOKING STATEMENTS

Some of the statements in this document include forward looking statements which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group's products and services) of the Group.

There are or will be important factors that could cause the Group's actual results to differ materially from those indicated in forward looking statements. These factors include but are not limited to those described in the part of this document entitled Part II: Risk Factors of this document, which should be read in conjunction with the rest of this document. Any forward looking statements are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy. Past performance of the Group is no indication of the Group's future performance.

These forward looking statements speak only as at the date of this document. Subject to any obligations under the Listing Rules, the Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise.

## INTERPRETATION

Certain terms used in this document are defined on pages 7 to 9 (Definitions).

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## Parties Directory

**Company:**

The Channel Islands Securities Exchange Limited  
(Registered number 57524)

*Registered office:*

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

Website: [www.thecise.com](http://www.thecise.com)

**Listing Sponsor:**

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

**Legal Advisers to the Introduction:**

Bedell Cristin Guernsey Partnership  
La Plaiderie House  
La Plaiderie  
St Peter Port  
Guernsey GY1 1WG

**Bankers:**

HSBC Bank Plc  
PO Box 31  
St Peter Port  
Guernsey GY1 3AT

**Directors:**

Jon Moulton, FCA  
Fiona Le Poidevin, FCA, Dip IoD  
Stephen Lansdown, FCA  
Guy Coltman  
Stuart Turner

Further information on the Directors is contained in Part IV: The Directors and the Secretary of this document

**Registrar:**

Anson Registrars Limited  
Anson House  
Havilland Street  
St Peter Port  
Guernsey GY1 2QE

**Auditors:**

PricewaterhouseCoopers CI LLP  
PO Box 321  
Royal Bank Place  
1 Gategny Esplanade  
St Peter Port  
Guernsey GY1 4ND

### **Timetable of Events**

Publication of document:	22 June 2016
Admission date:	23 June 2016
First dealing date following Admission of the Shares:	23 June 2016
Shares enabled for electronic settlement in CREST:	23 June 2016

### **Share Statistics**

Number of Shares in issue immediately following Admission:	2,461,000
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## Definitions

Capitalised terms and expressions defined in the Articles shall have the same meaning when used in this document (unless otherwise defined herein) except that the following terms shall have the following meaning:

<b>Admission</b>	has the meaning set out on the cover page.
<b>Annual Reports</b>	the annual report and consolidated financial statements of the Company for the period 14 November 2013 to 31 December 2014 and the annual report and consolidated financial statements of the Company for the year ended 31 December 2015, included in the Appendix to this document.
<b>Articles</b>	the articles of incorporation of the Company, as amended, supplemented and replaced from time to time.
<b>Board or Directors</b>	the directors of the Company from time to time, appointed on the Company's board of directors in accordance with the Articles and the Companies Law.
<b>CISEA</b>	The Channel Islands Securities Exchange Authority Limited, registered number 57527.
<b>CISX</b>	The Channel Islands Stock Exchange, LBG, registered number 33770, whose registered office is at Lefebvre House, Lefebvre Street, St Peter Port, Guernsey GY1 3TF.
<b>CISX Business</b>	the business formerly operated by CISX which was transferred to CISEA on 20 December 2013 by way of a court sanctioned scheme of arrangement under Part VIII of the Companies Law.
<b>City Code</b>	The UK City Code on Takeovers and Mergers, as amended, supplemented or replaced from time to time.
<b>Commission</b>	the Guernsey Financial Services Commission.
<b>Companies Law</b>	the Companies (Guernsey) Law, 2008, as amended from time to time.
<b>Company</b>	The Channel Islands Securities Exchange Limited, registered number 57524.
<b>CREST</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations), which facilitates the transfer of title to shares without a written instrument.
<b>CREST Regulations</b>	the Uncertificated Securities (Guernsey) Regulations, 2009.
<b>this document</b>	this listing document including the Incorporated Documents.
<b>Exchange</b>	the investment exchange operated by CISEA.
<b>Existing Indemnities</b>	the indemnities provided by CISX to present and former employees and directors of CISX.
<b>Group</b>	the Company and its wholly owned subsidiary, CISEA.
<b>Incorporated Documents</b>	means the documents identified in Part I: Summary of Admission, Incorporated Documents, of this document.

<b>Indemnity</b>	means the indemnity provided by the Company to CISX forming part of the consideration for the purchase of the CISX Business by CISEA and the Company.
<b>Issuer</b>	a company or other legal person or undertaking (including a public sector issuer or an investment fund), any of whose securities are or are proposed to be the subject of an application for listing to CISEA or some of whose securities are already listed.
<b>Listing</b>	admission of the Shares to the Official List.
<b>Listing Member</b>	a member entitled to act as a listing sponsor for the purposes of obtaining and maintaining a listing of securities on the Exchange.
<b>Listing and Membership Committee</b>	a committee established by the board of CISEA for the purposes of managing, operating and regulating the Exchange.
<b>Listing Rules</b>	the listing rules made or published by the Exchange from time to time and available on CISEA's website, <a href="http://www.thecise.com">www.thecise.com</a> .
<b>Membership Rules</b>	the membership rules made or published by CISEA from time to time and available on CISEA's website <a href="http://www.thecise.com">www.thecise.com</a> .
<b>Non-Participating Member</b>	the Policy Council of the States of Guernsey.
<b>Non-Participating Share</b>	a share of £1.00 in the capital of the Company held by the Non-Participating Member, the rights of which are set out in the Articles and summarised in Part VIII: General Information.
<b>Offer</b>	the placing and offer for subscription of 2,453,000 Shares made in November 2013.
<b>Official List</b>	the Official List of the Exchange.
<b>POI Law</b>	the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended from time to time.
<b>Rules Committee</b>	a committee established by CISEA for the purposes of advising the board of CISEA with regard to suggested updates and amendments to the Listing Rules and Membership Rules.
<b>Shareholders or Members</b>	the registered holders of the Shares from time to time excluding, unless stated, the Non-Participating Member, and " <b>Shareholder</b> " or " <b>Member</b> " means any one of them.
<b>Shares</b>	ordinary shares of £1.00 each in the share capital of the Company the rights of which are set out in the Articles and summarised in Part VIII: General Information of this document.
<b>tax or taxation</b>	any form of tax and any duty, levy, impost, charge, supplement, hypothecation or contribution in the nature of a tax and whether of Guernsey, or elsewhere and includes all future taxes, duties, levies, imposts, charges, hypothecations or contributions in the nature of a tax and all interest, charges, surcharges, fines and penalties relating to or to any obligation in connection with any of the foregoing.
<b>Trading Member</b>	a member of CISEA whose business is dealing in securities listed on the Exchange.



**US Person**

any person who is a citizen, national or resident of the United States of America or a corporation, partnership or other entity created or organised under the laws of the United States of America or any political sub-division thereof or an estate or trust, the income of which is subject to United States federal income taxation.

## **PART I: SUMMARY OF ADMISSION**

### **Introduction**

The Company has decided to list its Shares on the Official List to raise and broaden the Group's profile globally. By listing its Shares it is demonstrating to the Shareholders and to any future investors that the Company is willing to follow the Listing Rules of CISEA and adhere to its own required standards of transparency and governance. In addition, the Board believes, this will assist CISEA in attracting more business and generating new listings and assist the Group in attracting and retaining high quality staff. It is the intention of the Company to seek to extend its product base and the Listing should also provide a platform to achieve this.

The Listing is by way of introduction of existing Shares and no additional capital is being raised as part of the Admission. The business of the Group is currently cash generative and adequately financed with no borrowing and therefore does not currently require additional funds to be raised. Future raisings may be sought.

Historically, there has been no formal market for the Shares and it is envisaged that the Listing will also provide enhanced liquidity enabling Shareholders to crystallise the value of their investment at a point in the future. No valuation per share is being ascribed by the Company prior to or on Admission. Following Admission, the Shares may be traded through the Trading Members of the Exchange. Whilst Shareholders should be able to trade their shares more easily, the market for the Shares is unlikely to be very liquid in the short to medium term.

### **Admission to CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles will permit the holding of Shares under the CREST system. The Shares will be enabled for electronic settlement in CREST on the date of Admission.

Accordingly, settlement of transactions in the Shares following Admission may take place within CREST if any Shareholder so wishes. However, CREST is a voluntary system and Shareholders who may wish to hold Shares outside the CREST system will be able to do so. Following Admission, any existing Shareholders may hold Shares in CREST, if that investor is a system member (as defined in the CREST Regulations) with regard to CREST.

### **Incorporated Documents**

The Annual Reports which are included in the Appendix are deemed to be incorporated in and form part of this document.

### **Supplementary Listing Document**

The Listing Rules require that if, at any time after this document has been formally approved by CISEA and before dealings in the relevant securities commence, the Company becomes aware that there has been a significant change affecting any matter contained in this document or a significant new matter arises, the inclusion of information in respect of which would have been required to be mentioned in this document if it had arisen at the time of its preparation then the Company must produce a supplementary listing document. Other than as required by the Listing Rules, the Company will not update this document in any respect.

## **PART II: RISK FACTORS**

### **General**

Any investment in the Shares is subject to risk. Prior to investing in the Shares, prospective investors should consider carefully, on a non-exhaustive basis, the factors and risks associated with an investment in the Shares, the Group's business and the industry in which it operates, together with all other information contained in this document including, in particular, the risk factors described below.

The Group's business activities are subject to risk factors, both specific to its business activities and of a general nature. The risks and uncertainties described below represent those the Directors consider to be material at the date of this document. However, these risks and uncertainties are not the only ones facing the Group. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider to be immaterial, may individually or cumulatively, materially and adversely affect the business, results of operations, financial condition and/or prospects of the Group. In such a case, the market price of the Shares could decline and investors may lose all or part of their investment. Where this document is being reviewed in the context of a purchase of shares in the secondary market, investors should consider carefully whether an investment in the Shares is suitable for them and their personal circumstances and any prospective investor should not construe the contents of this document as legal, financial or tax advice.

The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising.

### **General risk factors**

#### *Regulatory risk*

The Group operates a stock exchange in a regulated financial jurisdiction and many of the users of the Group's services are themselves regulated, as are the Listing Members and Trading Members. Securities which are issued by regulated groups are listed on the Exchange. Although there are substantial benefits to this, including business reputation and acceptability for institutional clients, there are also risks to the business associated with regulatory breach and the impact of regulatory change. Any change in the laws and regulations governing the Group's business or in the interpretation of these by the relevant regulatory bodies could negatively impact the services which the Group is able to offer or could impact the demand for such listing services from the potential users of the Group's services. Regulatory change, including the conditions in any regulatory licences granted to the Group, could increase the Group's regulatory compliance costs which may reduce the Group's margins. A wide range of regulatory changes could have an adverse effect on the Group.

#### *Risk of changes in tax legislation and regulation*

The Exchange operates in a complex fiscal and regulatory environment where any material changes to the legislation and regulations of other jurisdictions, including the quoted eurobond exemption of the UK, could have a significant and adverse effect on the business.

#### *Reputation risk*

By listing securities, the reputation of the Exchange can be affected by the independent actions of the relevant Issuer. This potential exposure has increased with the global flow of information via the internet and social media through which adverse comment, whether substantiated or not, can reach a wide audience very quickly and without appropriate balance or context.

Any negative publicity, particularly that caused by fraudulent behaviour or misconduct, surrounding the Group's listed Issuer base could in turn damage the Group's own reputation, its ability to meet growth targets and its business and financial condition.

It is possible that further information about issues affecting the CISX Business at the time before this was transferred to CISEA may come to light. Any negative publicity surrounding such information could also damage the Group's reputation, operations and financial condition.

#### *Macro-economic factors*

The Group's financial performance is impacted by macro-economic factors. A deterioration in the economic conditions in the markets in which the Group operates, both directly and indirectly, may adversely affect the demand for listing securities on the Exchange and as such, the Group's financial condition, operations and business prospects.

The diversity of the Group's products and its openness to ideas for new product lines together with the responsive approach of the Listing and Membership Committee provides a degree of insulation from such macro-economic factors. Nevertheless the Group's business, results of operations or financial condition are linked to wider macro economic factors and renewed global recession could have an adverse impact on the Group.

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

#### *Anti-money laundering / bribery and corruption*

CISEA is subject to anti-money laundering and bribery and corruption laws ("**ABC laws**") which govern the business and the operations of the Exchange itself. In accordance with CISEA's regulated status, there is a requirement to operate and test robust procedures to assure compliance with applicable ABC laws in Guernsey. Notwithstanding the continued operation of such procedures by CISEA, there remains the risk that through the failure of CISEA's control framework, the illegal actions of an Issuer or other party, or employee fraud or negligence, an Issuer listed on the Official List by CISEA might handle the proceeds of crime or otherwise be involved with the proceeds of crime. In addition, certain ABC laws of other jurisdictions, including particularly the UK and the US, have extra-jurisdictional effect and these may apply to the Exchange.

### **Group specific risks**

#### *Reputation*

The Group's reputation and regulatory experience are extremely valuable components of the business and underpin users' trust in its business and website. Reputation is key to its future success. Failure to meet the expectations of its Listing Members, Issuers, employees, regulators, intermediaries and Shareholders may have a material adverse effect on the Group's reputation. Adverse events including a failure to effectively address Issuer disputes, regulatory investigations, issues with fraudulent or other illegal activity on or in connection with listings on the Official List, sustained or repeated site outage or a loss of customer data could damage the Group's reputation. Any damage to the Group's reputation from the above or from any negative publicity surrounding the Group, its prospects or its competitive position may have a harmful impact on the Group's ability to secure new listings on the Official List, maintain existing Issuer relationships and on the Group's attempts to retain key staff or attract new staff. Therefore any damage to the Group's reputation could have a material adverse effect on the Group's business, results of operations and financial performance.

### *Competition*

The Group competes with a number of stock exchanges worldwide. The Group could face increased competition from industry participants internationally. The Group operates in highly competitive markets and its current market position may decline affecting its financial performance. There are no assurances that the strength of the Group's competitors will not improve or that the Group will attract new listing business.

### *Information technology*

CISEA is dependent on the information technology systems, servers, networks, hardware and software that it has in place. Although it has implemented security measures, disaster recovery, and backup procedures, its systems may be vulnerable to unauthorised access, viruses, human error, natural disasters, flood, fire, power loss, communications failure, sabotage or terrorism. A significant disruption, repeated or ongoing failure, loss of data, security breach, or incidence of fraudulent transactions could dent confidence in its business and website, and could adversely affect the Group's financial performance. The implementation of advanced systems, which is being evaluated by the Company, carries with it the risk of ineffective systems or cost overruns.

### *The Group's compliance procedures might not be effective or rigorously adhered to*

The Group's ability to comply with applicable laws and regulations is largely dependent on the Group's compliance and reporting systems, the ongoing training of staff, and the Group's ability to attract and retain qualified compliance personnel. Whilst the Group does, and will, continue to take steps to establish, refine and maintain adequate systems and controls, should the Group fail to effectively maintain and adhere to these compliance procedures or fail to attract and retain qualified personnel, it will increase the likelihood that the Group becomes subject to litigation, investigations by regulatory agencies and suffer a loss of reputation. In addition, these compliance procedures may not be adequate to detect errors or defaults.

### *Litigation and indemnity to the CISX*

Whilst the Group has only had one claim made against it (further details can be found in Part VIII: General Information of this document) since inception, it has taken, and intends to continue to take, such precautions as it considers appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Group, and the Directors cannot preclude the possibility of litigation being brought against the Group. There can be no assurance that claimants in any litigation proceedings will not be able to devote substantially greater financial resources to any litigation proceedings or that the Group will prevail in any such litigation. Any litigation, whether or not determined in the Group's favour or settled by the Group, and notwithstanding the professional indemnity insurance cover maintained by the Group to meet claims, may be costly and may divert the efforts and attention of the Group's management and other personnel from normal business operations and may have a material and adverse effect on the Group.

As part of the consideration for the purchase of the CISX business, the Company provided an indemnity to CISX in respect of CISX's liabilities under the Existing Indemnities. Under the terms of the Indemnity, in the event that CISX has insufficient assets to enable it to meet its obligations in respect of any claim under the Existing Indemnities, the Company shall, to the fullest extent permitted by law, indemnify CISX against any amounts which would have been payable by CISX in respect of such claim but which, due to the insolvency of CISX, remain unpaid, provided that the Company's total liability under the Indemnity is limited to £500,000. The Indemnity is limited to a term of three years from 20 December 2013 and therefore will expire on 20 December 2016. Whilst no claim has been made against the Company in respect of the Indemnity, if the Company is required to make payments to CISX under the Indemnity it will adversely impact on the Group's financial position.

### *Strategy and objectives*

There can be no guarantee that the strategy and objectives of the Company will be achieved. The Company's business strategy may not be implemented successfully which could mean that results may be lower than expected.

### *Liquidity in the market for securities listed on the Exchange*

The market for securities listed on the Exchange is limited. Whilst it is an objective of the Company to improve the liquidity of securities listed on the Exchange, there is no guarantee that this will be achieved. A failure to increase liquidity may adversely affect the Exchange's ability to retain existing Issuers and/or attract new listings.

### *Quoted eurobond exemption*

This exemption has historically been used by a material proportion of the securities listed on the Official List. Any change to, or elimination of, this exemption could have a material effect on the results of operations and the financial position of the Group.

### *Group regulatory requirements*

The Company and CISEA are subject to the laws and regulations of the Bailiwick of Guernsey and to certain other laws and regulations, including the Companies Law and the POI Law. CISEA holds a licence from the Commission pursuant to the POI Law relating to the conduct of its business and is subject to the ongoing supervision and requirements of the Commission. Any breach of any applicable law or regulation, the licence or the requirements of the Commission by the Company or CISEA (as applicable) could result in the Group and its Directors being fined or being the subject of criminal or other disciplinary proceedings and have adverse consequences for the Group and its business. Although currently the presence of an office of the Company in Jersey has not resulted in CISEA needing to be regulated by the JFSC, a change in this position could have an adverse effect on the Group's financial performance and require management time to be allocated to obtaining and maintaining such regulatory status.

### *Dependency on key personnel and the ability to attract skilled and qualified employees*

The Group is dependent upon key senior management personnel who have extensive experience and knowledge of the Group, the Group's markets, product offering, Issuer base, Listing Members and Trading Members. The successful implementation of the Group's strategy depends on the continuing availability of a senior management team and their skill and judgement and the Group's ability to attract, motivate and retain other highly qualified employees.

If members of the Group's senior management depart, the Group may not be able to find effective replacements in a timely manner, or at all, and the Group's business may be disrupted or damaged. While the Group conducts an annual assessment of remuneration packages to ensure market position is maintained, there can be no guarantee that the Group's business model, strategy and remuneration packages will remain effective in securing applications (and subsequently acceptances of employment) from a high calibre of candidates and this could diminish the quality of the services that the Group is able to provide to its Issuers and Listing Members.

Furthermore there can be no assurance as to the continued service of existing key personnel beyond the terms of their existing service agreements and the departure of key personnel from the Group without adequate replacement may have a material and adverse effect on the Group's performance. There is no guarantee that senior management and key staff will remain with the Group. This could negatively impact the Group's ability to retain existing listed Issuers and attract new listing business.

### *The Group's margins and profitability could be damaged by salary inflation*

Approximately 66 per cent of the Group's costs for the year ended 31 December 2015, consisting of administrative expenses for the period, related to salary, employee benefits and related costs and therefore managing staff costs is a fundamental aspect of the Group's ability to maintain margins and levels of profitability. Salary inflation could be caused by a number of internal and external factors, such as macro-economic conditions and increases in the cost of living. As the Group's highest cost, an increase in labour costs could threaten the Group's margins and profitability. A failure to increase staff pay at an appropriate level could restrict the ability to attract new staff and retain existing staff, which could impact the quality of the services the Group provides to clients. The Group's development could be hampered by any staff shortage and the quality of its services could be adversely affected.

### *Borrowing*

The Group has no borrowing and there is no current intention to obtain borrowings. The Directors are permitted to source borrowing facilities in the future for the Company. Any amounts that are advanced under a bank or other debt facility will rank ahead of Shareholders' entitlements and, accordingly, Shareholders may not recover their initial investment in some circumstances.

### *Tax risk*

Any change in the Company's tax status or in taxation legislation in Guernsey, Jersey or any other jurisdiction affecting the Company or a Shareholder could affect the value of the Company.

## **Risk factors relating to the Shares**

### *Liquidity*

There has been no public trading market for the Shares, and an active trading market may not develop or be sustained.

Prior to Admission, there has been no public trading market for the Shares and the Admission should not be taken as implying that there will be a liquid market for the Shares. An active trading market for the Shares might not develop or, if developed, might not be sustained. If an active and liquid trading market is not developed or sustained, the trading price of the Shares could be materially adversely affected and investors may have difficulty selling their Shares. Even if an active trading market develops, the market price for the Shares may fall below the relevant acquisition price paid by the Shareholder (the "**Acquisition Price**"), perhaps substantially and for a substantial period. As a result of fluctuations in the market price of the Shares, investors may not be able to sell their Shares at or above their Acquisition Price.

### *Share price fluctuation*

The price of the Shares may fluctuate significantly in response to a number of factors, many of which are outside of the Company's control, and investors could lose all or part of their investment.

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the company that issued them. The market price of the Shares may prove to be highly volatile, which may prevent Shareholders from being able to sell their Shares at or above the price they paid for them. The market price for the Shares could fluctuate significantly for various reasons, many of which are outside the Group's control. These factors could include: variations in operating results in the Group; cyclical fluctuations in the performance of the Group's business; changes in market valuations of similar companies; speculation, whether or not well-founded, regarding possible changes in the Group's management team; adverse publicity; additions or departures of key employees; and future issues or sales of Shares. Any or all of these events could result in a material decline in the price of the Shares. Investors may not be able to sell their Shares at or above the Acquisition Price, or at all.

## *Dilution*

The issue of additional shares in the Company in connection with future acquisitions, any share incentive or share option plan or otherwise will generally dilute all other shareholdings.

The Group may seek to raise financing to fund future acquisitions and other growth opportunities. The Group may, for these and other purposes, such as in connection with share incentive and share option plans, issue additional equity or convertible equity securities. To the extent that such issues take place on a non-pre-emptive or partially non-pre-emptive basis, the Company's Shareholders will suffer dilution in their percentage ownership and/or the price of the Shares may be adversely affected.

The authorised share capital of the Company is £5,000,001 divided into 5,000,000 Shares of £1.00 each and 1 Non-Participating Share of £1.00. The Board may, in any 12 month period, issue a number up to 20 per cent of the number of Shares already in issue, in which case the pre-emptive rights in the Articles will not apply to the issue of such Shares. The proportion or value of an existing Shareholder's holding of Shares in the Company may be diluted in the event further Shares are issued on a non pre-emptive basis.

## *Restrictions on use of pre-emption rights affecting overseas Shareholders*

Holders of Shares in jurisdictions outside Guernsey may not be able to exercise their pre-emption rights unless the Company decides to take additional steps to comply with applicable local laws and regulations of such jurisdictions

In the case of certain increases in the Company's issued share capital, the Company's existing Shareholders are generally entitled to pre-emption rights pursuant to the Articles unless such rights are waived by a special resolution of the Shareholders. Holders of Shares outside Guernsey may not be able to exercise their pre-emption rights over Shares unless the Company decides to comply with applicable local laws and regulations. The Company does not assure any Shareholders outside Guernsey that steps will be taken to enable them to exercise their pre-emption rights, or to permit them to receive any proceeds or other amounts relating to their pre-emption rights.

## *Regulatory approval for acquisition of interests in the Company*

Applicable law and regulation in Guernsey may discourage potential investors from acquiring interests in the Company of 15 per cent or more and/or potential acquisition proposals and delay, deter or prevent a change of control of the Company, which may in turn reduce the value of the Shares.

In Guernsey, the prior approval of the Commission under section 28A of the POI Law is required of any person becoming a controller of a company licenced and regulated by the Commission.

A "**controller**", in relation to a company, means a managing director or chief executive of that company or of any other company of which that company is a subsidiary, or a shareholder controller or an indirect controller.

An "**indirect controller**", in relation to a company, means a person in accordance with whose directions or instructions any director of that company or of any other company of which that company is a subsidiary, or any controller of that company, is accustomed to act.

A "**shareholder controller**", in relation to a company, means a person who, alone or with associates (which is widely defined), is entitled to exercise, or control the exercise of, 15 per cent or more of the voting power in general meeting of that company or of any other company of which that company is a subsidiary.

It is a requirement of the POI Law that no person shall become a controller of a licensee which is a company unless he has notified the Commission in writing of his intention to become such a controller and the Commission has notified him in writing that there is no objection to his



becoming such a controller. The Commission's written notification that there is no objection to a person becoming such a controller shall be deemed to have been given on the expiration of a period of 60 days beginning on the date of compliance by that person with the requirements of the POI Law unless, before the expiration of that period, the Commission serves notice of objection on that person. Where a person is to become a controller by way of an on-market acquisition of shares, the notification should be submitted, and the consent of the Commission obtained, before the trade is made.

*Ability to pay dividends*

The Company's ability to pay dividends in the future depends, among other things, on the Group's financial performance and is therefore not guaranteed.

The ability of the Company to pay a dividend on the Shares will also depend on the solvency of the Company. Before any dividend or distribution can be paid by the Company, the Companies Law requires the Directors authorising a distribution or dividend to certify that, in their opinion, the Company is able to pay its debts as they become due, the value of the Company's assets is greater than the value of its liabilities and the Group satisfies any other requirement as to solvency imposed in relation to it by or under the POI Law and any other enactment prescribed by the Commission for the purposes of the relevant sections of the Companies Law.

## **PART III: THE COMPANY AND THE GROUP**

### **Introduction**

The Company was incorporated in Guernsey on 14 November 2013 (Registered No. 57524). The Company's wholly owned subsidiary, CISEA, was also incorporated in Guernsey on 14 November 2013 (Registered No. 57527).

The Company is the parent company of the Group with responsibility for commercial and head office functions such as strategy, operations, finance, IT, marketing and business development.

CISEA is licensed to operate an investment exchange by the Commission under the POI Law and publishes the Official List.

### **History of the Group**

Before inception of the Company and its subsidiary, CISEA, the business of the Group was originally part of CISX, a company limited by guarantee which had been set up in 1998 to operate an investment exchange.

By way of a scheme of arrangement under Part VIII of the Companies Law sanctioned by order of The Royal Court of Guernsey on 20 December 2013, the Company and its wholly owned subsidiary, CISEA, acquired the business of operating an investment exchange in the Channel Islands from CISX.

### *Background*

On 14 October 2013, the board of CISX announced that an ongoing investigation by the Commission into certain historical activities of CISX had, amongst other things, highlighted certain weaknesses in CISX's structure and its regulatory and statutory position. That announcement also stated that the board of CISX would seek to effect a restructure of the corporate vehicle and the way it was regulated.

The ongoing nature of the investigations led to a number of difficulties in the continued effective operation of CISX, including hindering efforts to recruit staff. In addition, the existing structure contained a number of restrictions which the board of the CISX did not regard as relevant or necessary in order to operate CISX in a modern environment.

One of the concerns expressed in relation to the existing structure related to the conflict of interest in the same entity undertaking both marketing and regulatory activities, as was the case with CISX. Whilst this conflict was managed in the past, the board of CISX at the time was strongly of the view that a clearer delineation of those duties would be in the interests of all stakeholders.

The regulatory investigation and matters related thereto had the potential to expose CISX to future liabilities. The large majority of the Issuers listed on CISX were unaffected by the regulatory investigation.

The board of CISX was aware of certain contingent liabilities. It is still a possibility that future claims could be brought against CISX notwithstanding the fact that CISX is currently in liquidation. Outside of a potential liability under the Indemnity previously defined, the Company is not directly exposed to these liabilities.

### *Restructure*

Due to these issues, the board of CISX proposed that there be a reorganisation of the business. A new corporate structure was established which now houses the business that was transferred across from CISX and its ongoing operations. It is the view of the Board that the new structure, of the Company and CISEA, together the Group, adequately facilitates the effective and unhindered

operation of the business, the appropriate split of commercial and regulatory activities and will allow further capital raising for investment into the long term future of the Group's business.

On incorporation, the Company was formed with the issue of 1 share of £1.00 which was issued to an employee of CISX. A special resolution redesignating this share as the Non-Participating Share to be held by the Non-Participating Member was passed, conditional on the scheme of arrangement becoming effective. The Articles contain more information as to the rights pertaining to the Non-Participating Share and the actions that shall only be undertaken by the Company if approved in writing by the Non-Participating Member. Please refer to the summary of the Articles contained in Part VIII: General Information of this document for further details.

The restructure also led to some significant personnel changes, both at board and senior management level, producing a far more robust regulatory environment, diverse and experienced boards and a more responsive environment for clients of the Exchange. The people and business of the Group are covered in more detail below and in Part IV: the Directors and the Secretary of this document.

### **Principal activities of the Group**

The principal activity of the Group is the operation of an investment exchange. No change in the nature of the Group's business is contemplated by the Directors.

The principal activities of the Company are the marketing and commercial activities in respect of the Exchange.

CISEA is licensed to operate an investment exchange by the Commission under the POI Law and publishes the Official List.

The Group provides a listing facility for companies to raise capital from investors based around the globe, offering a regulated marketplace, with globally recognised clients and a growing product range and operating from within the European time zone but outside the EU.

Headquartered in Guernsey and with an office in Jersey, the Group offers a convenient and cost-effective service for listing a wide range of products, including trading companies, specialist debt, investment vehicles, companies in the extractive industries and Special Purpose Acquisition Companies (SPACs).

CISEA now has more than 2,000 listed securities on its Official List with a combined face or issue value of more than £300 billion at the date of this document.

CISEA, as the market authority, seeks to ensure that Issuers meet the conditions for listing and trading and that they comply with their continuing obligations, as well as conducting surveillance to maintain market integrity.

### **The Group's regulatory obligations**

As a regulated business, CISEA is subject to a comprehensive set of regulatory conditions and codes of practice. Such regulation presents both a challenge and opportunity to the Group which must continue to evolve its regulatory governance and risk management frameworks to ensure that CISEA's licence conditions are being met.

#### *Regulatory status*

CISEA is licensed to operate as an investment exchange by the Commission under the POI Law and publish the Official List of the Exchange. It is subject to the provisions of the POI Law, the Licensees (Conduct of Business) Rules 2014, the Licensees (Capital Adequacy) Rules, 2010 and the Investment Exchange (Notification) Rules 1998, (as amended), subject to any written derogations granted by the Commission.

The Commission has the right to make any enquiry of CISEA to ensure it is discharging its obligations and responsibilities effectively, and as such, CISEA is subject to the ongoing supervision of the Commission.

Whilst CISEA is a licensed financial services business in Guernsey, and therefore obliged to adhere to the relevant laws, rules and regulations applicable to it in its own right, it also holds its own regulatory role in relation to the conduct of its Listing Members and Trading Members and the operation of the market place. As such, CISEA undertakes the following functions:

#### Regulatory Functions

1. The admission of Issuers to the Official List by reference to the Listing Rules and CISEA's policy on Issuer suitability;
2. The admission of Listing Members and Trading Members of CISEA by reference to the Membership Rules and CISEA's policy on Listing Member and Trading Member suitability;
3. The suspension or cancellation of an Issuer from the Official List in accordance with the Listing Rules;
4. The re-admission to the Official List in accordance with the Listing Rules following suspension, save where suspension was at the request of the Issuer and CISEA concludes that the criteria for re-admission are not met;
5. The suspension or cancellation of membership of a Listing Member or Trading Member of CISEA in accordance with the Membership Rules;
6. The re-admission to membership of CISEA of a Listing Member or Trading Member in accordance with the Membership Rules following suspension save where suspension was at the request of the Listing Member or Trading Member and CISEA concludes that the criteria for re-admission are not met;
7. The Enforcement against Listing Members or Trading Members of the Membership Rules and / or Listing Rules in accordance with the discipline chapter of those rules;
8. Liaising with the Commission and other regulatory authorities and organisations as applicable on all matters relating to the operation of the Official List and the membership of CISEA;
9. CISEA takes positive steps to undertake market surveillance which obligations include:
  - Weekly monitoring of trading activity;
  - Daily review of movements in prices and transactions;
  - News alert monitoring;
  - The reporting to the Commission within one trading day of:
    - a. Price movements in excess of 30 per cent of the starting price at opening;
    - and
    - b. Transactions where market abuse as defined in the POI Law is capable of being reasonably suspected
10. CISEA takes positive steps to monitor ongoing Issuer compliance with the Listing Rules and anti-money laundering and counter-terrorist financing legislation;

CISEA takes positive steps to monitor ongoing Listing Member compliance with the Listing Rules and Membership Rules and anti-money laundering and counter-terrorist financing legislation.

## Supervisory Functions

1. CISEA exercises discretion in good faith to allow derogations from the application of the Listing Rules in respect of new listings and ongoing obligations of Issuers;
2. CISEA exercises discretion in good faith to allow derogations from the application of the Membership Rules in respect of new applications for membership and ongoing obligations of Listing Members and Trading Members;
3. CISEA develops the Listing Rules and Membership Rules, and notifies the Commission;
4. CISEA develops operational procedure and policy to deal with the operation of the Official List and the membership of CISEA.

### *Statutory limitation of liability*

At a meeting of the States of Deliberation in Guernsey on 26 March 2014, CISEA was granted a statutory limitation of liability in respect of certain specified regulatory functions conferred on it by conditions to the licence issued by the Commission.

This limitation of liability is seen by the Company as a competitive advantage as it enables CISEA to operate without commercial conflict affecting its regulatory activity.

Under the Protection of Investors (Limitation of Liability) (Bailiwick of Guernsey) Ordinance, 2014, CISEA has been granted statutory immunity for the carrying out of its regulatory function which includes the admission of Issuers to the Official List, admission of Listing Members, admission of Trading Members, the suspension or cancellation of an Issuer, Listing Member or Trading Member and the enforcement against Listing Members or Trading Member of the Membership Rules and/or Listing Rules in accordance with the discipline chapters of the Membership Rules or Listing Rules.

It further grants immunity to CISEA in the liaison with the Commission and other regulatory authorities and organisations on all matters relating to the operation of the Official List and membership of CISEA and the taking of positive steps to carry out market surveillance.

It should be noted, however, that statutory immunity granted in Guernsey may not have full effect in relation to potential liabilities for CISEA under the laws and regulations of other jurisdictions.

The limitation of liability clearly lays out the extent of CISEA's regulatory powers which do not extend to anti-money laundering and counter-terrorist financing legislation matters.

### *Jersey operation*

The Company established a branch in Jersey in January 2015. CISEA does not have a presence in Jersey and the Group is not regulated in Jersey.

It is the Guernsey office of CISEA which is responsible for the receipt of both membership and listing applications and it is the Guernsey office that employs those staff that can approve a membership or listing application.

This means that CISEA is not required by the JFSC to be regulated in Jersey at the current time but, should circumstances change, this additional requirement may need to be considered in the future.

### *Financial, human and technical resources*

As set down by the Commission, CISEA must have financial, human and technical resources sufficient for the proper performance of its functions. In respect of its financial resources, this is subject to CISEA maintaining net assets of at least £500,000 at all times and minimum

professional indemnity insurance cover which, in the opinion of its directors, is sufficient to meet the commitments and to withstand the risks to which its business is subject.

### *Financial statements*

The Commission has exercised the discretion permitted by the Investment Exchange (Notification) Rules 1998, (as amended) and dis-applied the requirement upon CISEA to file audited financial statements for CISEA.

The Commission has exercised the discretion permitted by The Licensees (Conduct of Business) Rules 2014 and modified the requirement to file audited financial statements for CISEA to instead require the Group to file the consolidated financial statements of the Company which include CISEA's results.

### **Competitive landscape and market overview**

The Group has traditionally specialised in the listing of complex investment products such as specialist debt vehicles and investment funds. Being based in the Channel Islands, this was a natural fit for the Exchange at the inception of the CISX Business given the nature of the financial services businesses in both Guernsey and Jersey. In addition, the Exchange has often serviced markets which have centred round the geographical location of London from which historically much of the Islands' business was introduced.

However, with increasing globalisation over recent years, there has been a geographical diversification in terms of the origin of new work and now the Exchange hosts Issuers from all over the world. Similarly, there has been a drive to diversify the product base in order to not be reliant on any one revenue source.

Obtaining useful comparative data regarding markets is difficult due to the diverse nature of each exchange's Issuer base and so it is not a simple task to quantify the Group's closest competitors. Indeed, there is also a need to consider those exchanges who are the Group's current competitors alongside those which may become competitors of the future, as the Exchange grows and diversifies its range of products and services.

The Exchange competes with a number of international exchanges and across a number of products or niches. For example, international exchanges such as those in the Cayman Islands, Dublin and Luxembourg compete in the debt securities or investment funds sectors, whereas larger exchanges such as London's Alternative Investment Market competes from the perspective of listing small or medium-sized trading companies.

However, the Exchange is larger and in a better financial position than many of its closest competitors. In addition, the limitation of liability conferred upon CISEA and the Exchange's proportionate regulation ensure the Group demonstrates it is mindful of the needs of Issuers and their investors at all times which, the Directors believe, gives the Group its competitive edge.

Smaller exchanges, typically those in smaller economies, tend to find it difficult to compete with many larger exchanges, particularly in trying to attract equity listings, predominantly due to the comparative lack of liquidity offered by their markets and the natural limitations dictated by their small domestic markets.

However, barriers to new entrants are high due to the significant amount of international scrutiny, cross border regulatory considerations and the associated costs of setting up and operating such a facility.

Exchanges have attempted to adopt a number of different approaches to mitigate their limitations, such as introducing pre-IPO markets, investing in electronic trading platforms or establishing 'niche' indices in respect of certain types of product or a segment of the market. The success of those individual strategies can be debated but it is clear that smaller exchanges have reinvented themselves over recent years and, it appears, will continue to do so.

It is therefore anticipated that more collaboration between exchanges will be seen in the future, for example in the sharing of resources, systems and services. This has been seen most prominently recently where smaller exchanges have entered joint ventures with larger exchanges, for example to licence a larger exchange's software or trading system. Collaboration like this gives exchanges access to economies of scale and the possibility of a high-performance trading infrastructure which can then facilitate market transparency that would likely not otherwise have been possible.

## **Key strengths**

### *Profitable and cash generative business*

The Group is profitable, cash generative, well financed and currently has significant cash reserves.

### *Established customer base*

Issuers are brought to the market by a Listing Member. Currently, such Listing Members are all based in either Guernsey or Jersey and many have been Listing Members of CISEA, and previously CISX, for a number of years.

### *Robust governance framework*

The Group has developed a robust governance framework in terms of both the corporate structure (splitting the regulatory and commercial functions) and the ability of the management teams. The Company and CISEA each have highly committed, competent board members with a wide range of experience amongst them. They are supported by an established senior management team with significant experience in their respective fields.

### *Responsive approach*

The Exchange's listings team has a strong rapport with Listing Members and Trading Members and CISEA's Listing and Membership Committee meets daily, meaning that listing applications can be turned around in a timely manner – typically 4 to 6 weeks from start to finish – and more unusual transactions can also be considered. As a smaller exchange, the Group is also able to move quickly to introduce new products and services.

### *Competitive pricing*

Initial and annual fees vary according to product type (rather than market capitalisation) and are competitive compared to other similar exchanges and more reasonable than larger exchanges, considerably so in some cases. Latest fee schedules are available from the Group's website.

### *Global standards of issuer regulation*

CISEA's market authority applies global standards of regulation in a manner which is proportionate to the business being carried out so that there is investor protection but Issuers are not unduly burdened. The Exchange is an Affiliate Member of the International Organisation of Securities Commissions (IOSCO) and an Affiliate Member of the World Federation of Exchanges (WFE).

### *Wide international recognitions*

The Exchange's international recognitions not only provide it with credibility around the world but they can also provide other benefits, such as widening the potential investor base for CISEA's products. A list of the Exchange's existing recognitions can be found on the website and it is intended that further recognitions will be sought in due course.

### *Premier location*

Headquartered in Guernsey and with an office in Jersey, the business is located in close proximity and with good links to the UK and Europe and within well established and reputable international finance centres. This also gives the advantage of being in the European time zone but outside of the EU, thereby offering a convenient and pragmatic environment for listing and trading.

### **Strategy**

The Group's vision is to be a leading, independent exchange and the mission is to provide a pragmatic, sensible regulatory environment for companies wishing to use a responsive and innovative listing and trading venue. The Group focuses on the following core strategies in order to deliver on this mission.

#### *Diversification*

The strategy is primarily one of diversification, to enable the business to be less reliant on the listing of debt securities and investment funds by listing a wide variety of security types originating from a broad range of geographical locations, for example by attracting Small and Medium sized Enterprises (SMEs) to list, including those from fast developing sectors such as Fintech.

#### *Develop niches*

In order to achieve diversification, CISEA needs to identify a number of niche products and services. Effective marketing of these niches is then required in order to demonstrate CISEA capability. CISEA's Rules Committee meets regularly to review the Listing Rules in order to maintain standards that comply with all regulatory requirements whilst at the same time meeting the commercial needs of Issuers.

#### *Scale*

Scale is also important if CISEA is to create more liquidity and a more efficient business model. International expansion of the business to other geographies is being actively considered. Acquisitions that have been contemplated to date were considered not to be appropriate, however, the Board remains open to suitable opportunities.

#### *Efficiencies*

As well as growing revenues, it is important to actively manage costs and a number of projects are underway which will enable the Exchange to automate many of the listing and related processes. This in turn will create time and cost savings, allowing resource to be redeployed to other areas of the business as required and staff to be able to take on a greater number of listings per person.

### **The business**

#### *Products*

CISEA has a wide and growing range of products. CISEA is open to ideas for new product lines and also monitors trends and developments globally to ensure it has an offering which is reflective of the marketplace.



There are specific Listing Rules for the following securities:

#### Trading companies

Primary and secondary listings of equities and debt issued by Guernsey, Jersey and overseas trading companies.

#### Specialist debt

The Exchange can cater for a number of different types of specialist debt listings including (convertible) bonds and loan notes, structured products, warrants and the use of special purpose vehicles for intra-group financing and private equity acquisition structures.

#### Investment vehicles

There are a significant number of open and closed ended funds listed on the Exchange which are being increasingly complemented by a growing number of Real Estate Investment Trusts (REITs) and other investment vehicles, many of which are dual listed with other global exchanges.

#### Special Purpose Acquisition Companies (SPACs)

Introduced in November 2015, the Listing Rules dedicated to SPACs have been designed to be both commercially attractive for management teams and yet offer robust integrity for investors.

#### Extractive industries

The Listing Rules have a specific chapter of rules dedicated to the listing of equities by trading companies from the extractive industries, such as mining, oil and gas.

#### *The listing process*

The process for listing on the Exchange is straightforward, timely and cost-effective.

#### Appointing a Listing Member

An Issuer must have a Listing Member appointed as sponsor at all times while it is an applicant for listing or is listed. The sponsor acts as an intermediary between the Issuer and CISEA and responsibilities include preparing and lodging the formal listing application.

A sponsor must be a Listing Member of the Exchange which has met the eligibility criteria to act in respect of a particular product. A full list of current Listing Members and their categories of eligibility are available from the Group's website.

#### Rules and documents

CISEA has Listing Rules with product-specific chapters, each setting out conditions for listing, the application process and document requirements. Each of these is accompanied by an aide-memoire which provides a useful tool for assisting an applicant through the process, including disclosures.

#### *Continuing Obligations*

CISEA carries out a risk assessment of all Issuers and conducts surveillance to maintain market integrity. This combines with a continuing obligations regime where there is an easy and speedy notification process and requirements which are sensible and ensure investor protection.

Breaches of the Listing Rules can lead to enforcement action and frequent breaches may lead to financial sanctions, suspension or delisting.

### *Trading and settlement*

The Group website provides an excellent resource for all market news, including individual security announcements such as Net Asset Values (NAVs), as well as price data and recent trades conducted through our bespoke trading system.

Trading is conducted every weekday excluding public holidays and takes place on a continuous basis during normal trading hours of 09.00 to 16.30. Trading Members of CISEA may also trade outside of these hours.

Orders and quotations can only be entered into the trading system by a Trading Member and may be added, deleted or amended on the trading system by them between 08.00 and 09.00 (i.e. prior to normal trading hours).

While there are no restrictions on viewing the information contained in the trading system, investors and Issuers who wish to trade at a price displayed must do so through a Trading Member. Trading Members process client orders as promptly as possible at the best price available at the time and in accordance with The Trading Rules under Chapter 5 of the Membership Rules.

A Trading Member may register as a market maker in any number of listed securities and if so, must enter and maintain two-sided quotations on the trading system. Trading in shares may be settled via Euroclear (incorporating CREST and CREST Residual), Clearstream or an alternative settlement system approved by the Exchange before listing.

### *Listing Members, Trading Members and listed Issuers*

During 2015, 4 Listing Members resigned, 2 new Listing Members were admitted and 1 Listing Member was also appointed a Trading Member. Therefore as at 31 December 2015 there were 43 Listing Members in total of which 39 were Listing Members, 2 were combined Listing and Trading Members and 2 were Trading Members. In January 2016, 3 of the 39 Listing Members chose not to renew their membership for 2016. In February 2016, 1 further Listing Member gave notice of their intention to resign.

During 2015, the total number of listed securities on the Exchange fell by 101 (-4.4 per cent), from 2,274 to 2,173 at the end of December. However, while there were 524 securities which delisted during the year, this was 153 (-22.6 per cent) less than the previous 12 months (calendar year 2014). At the same time, there were 423 new listings during 2015, which was an 8 per cent increase compared to calendar year 2014.

The table below shows the total number of listings by security type as at 31 December 2015:

<b>Security type</b>	<b>Number</b>	<b>Percentage of total</b>
Specialist debt	1640	75.48
Investment vehicle	532	24.48
Equity (of trading company)	1	00.04
<b>Total</b>	<b>2,173</b>	<b>100</b>

To 31 May 2016 there have been 180 new listings, which is 11 more than the same time last year (169) representing an increase of 6.5 per cent, bringing the total number of live listings on the Exchange to 2,206 as at 31 May 2016, which is 33 more than at the end of last year (2,173) and represents an increase of 1.5 per cent. The table below shows the total number of listings by security type for the period 1 January 2016 to 31 May 2016:

<b>Security type</b>	<b>Number</b>	<b>Percentage of total</b>
Specialist debt	172	95.55
Investment vehicle	5	2.78
Equity (of trading company)	3	1.67
<b>Total</b>	<b>180</b>	<b>100</b>

## Employees

As at the date of this document the Group employs 27 people, 3 of which are based in Jersey. The remainder are based in Guernsey.

The Group believes it has good relations with its employees. They are the Company's most significant cost but also its most valuable asset. However, as the listing process becomes increasingly automated, the focus is on creating efficiencies. This also requires a new management structure, adequate training and regular communication channels to ensure that staff are competent, take responsibility for their individual roles and can work as a team, with a variety of skill sets so that there are no 'key man' issues. This additional capacity should enable growth in terms of number of listings processed without substantially increasing headcount.

The following table details the number of executive directors and other employees as at the date of this document:

		COMPANY			CISEA			GROUP		
		Full Time	Part time	Total	Full Time	Part time	Total	Full Time	Part time	Total
<b>Executives</b>	Guernsey	1	0	1	1	0	1	2	0	2
	Jersey	0	0	0	0	0	0	0	0	0
<b>Other</b>	Guernsey	7	1	8	12	2	14	19	3	22
	Jersey	2	1	3	0	0	0	2	1	3
<b>Total</b>		10	2	12	13	2	15	23	4	27

Further details about the Directors are set out in Part IV: The Directors and the Secretary of this document.

Details of the employee share option scheme that has been implemented by the Company for its executives are provided in note 18 of the annual report and consolidated financial statements for the year ended 31 December 2015 (see Appendix). It is envisaged that the share option scheme will be made more widely available to certain other staff members in time, in accordance with the Board's strategy for its people, their performance and the culture of the organisation.

## Information Technology

The IT strategy is crucial as it underpins much of what the Group is trying to achieve. Improving the IT services increases the quality of the output from the Group's business and decreases the overall cost of the Group's activities.

By creating new systems and introducing a new electronic trading platform, it is possible to both create significant efficiencies in the listing process (as well as other areas) and to aid the Company's marketing efforts by promoting the use of state of the art, modern technology.

The first step in 2015 was to virtualise servers, opt for a hosted solution to eradicate 'key man' issues and to make all systems more secure and function on up-to-date platforms. The next phase will be to markedly improve the listing and continuing obligations processes via further automation and to introduce a document management system. Thereafter, other business functions will be streamlined via system changes. A business process management style system is being explored.

A new website is being developed and is due to launch by the end of June 2016.

## FINANCIAL PERFORMANCE AND BUSINESS REVIEW

### Historic financial information

#### (A) Audited consolidated financial statements

The Annual Reports are included in the Appendix to this document.

The Annual Reports of the Company have been prepared in accordance with United Kingdom Accounting Standards, including FRS102 “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland”, and the requirements of Guernsey law.

A summary of the significant accounting policies of the Group are set out in the notes to the Annual Reports.

The Annual Reports have been audited in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board.

ISAs require the auditor to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance. It is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor’s opinion being persuasive rather than conclusive.

The following summary financial information has been extracted without material adjustment from the Annual Reports. Investors should read the whole financial information contained in the Annual Reports and should not rely solely on this summary.

	Year ended 31.12.2015		Period from 14.11.2013 to 31.12.2014	
	£'000	£'000	£'000	£'000
Listing fees				
• Initial fees	1,303		1,296	
• Annual fees	2,326		1,326	
• Other fees	196		153	
		3,825		2,775
Membership fees		257		249
Other income		30		61
<b>Turnover</b>		<b>4,112</b>		<b>3,085</b>
<b>Profit for the financial year / period</b>		<b>842</b>		<b>57</b>
<b>Net cash inflow from operating activities</b>		<b>1,097</b>		<b>616</b>

#### (B) Unaudited consolidated management accounts

Further to the regulatory obligations of CISEA, the consolidated management accounts of the Group for the quarter ended 31 March 2016 have been filed with the Commission. Such consolidated management accounts were prepared adopting the accounting policies and presentation utilised in the preparation of the consolidated financial statements.

The following summary financial information has been extracted without material adjustment from the consolidated management accounts and is presented for comparative purposes only. The consolidated management accounts and the summary information have not been subject to audit and were prepared for internal management purposes only. As such, they should not be relied upon for investment decisions as they have not been prepared for that purpose.

	<b>Quarter ended 31.3.2016 £'000</b>
Listing fees	961
Membership fees	63
Other income	3
<b>Turnover</b>	<b><u>1,027</u></b>
<b>Profit for the financial period</b>	<b><u>201</u></b>
<b>Net cash inflow from operating activities</b>	<b><u>519</u></b>

The total of £961,000 in respect of listing fees for the quarter ended 31 March 2016 included initial fees of £326,000.

### **(C) Unaudited consolidated management information**

For internal purposes only, consolidated management information is prepared each month.

The consolidated management information prepared for the year to date as at the end of May includes listing initial fees of £538,000. The consolidated management information has not been subject to audit and was prepared for internal management purposes only. As such, it should not be relied upon for investment decisions as it was not prepared for that purpose.

#### **Business review**

The Annual Reports include a business review within the Directors' Report.

#### **Comparability of historic financial information**

The financial information for the period 14 November 2013 to 31 December 2015 and for the year ended 31 December 2015 are not directly comparable. The Company was incorporated on 14 November 2013 and the Company and CISEA acquired the CISX Business on 20 December 2013.

The Group has consisted of the Company and of CISEA since incorporation on 14 November 2013. The only transaction involving the acquisition or disposal of a business was the acquisition of the CISX Business on 20 December 2013. The information in subsections (i) Turnover, (ii) Profit for the financial period, and (iii) Net cash inflow from operating activities, below has been drawn from the audited accounts for the year ended 31 December 2015.

#### **(i) Turnover**

As noted in the Business Reviews, listing fees were reviewed and amended on 2 April 2014 and on 1 August 2014. Further changes came into effect on 1 January 2016. The amendment made on 1 August 2014 included the introduction for the first time of an annual fee for individual corporate debt and special purpose vehicles.

In addition to the published schedule of listing fees, listing fee income reported as part of turnover is dependent, in particular, on the overall level of listings of securities, on the level of new listings of securities together with the level of de-listings and maturities of securities. Other

factors include the classification of Issuers and of securities listed, listing and delisting, as well as the level of further issues of existing security classes.

The level of new listings, de-listings and maturities varies, month on month, quarter on quarter.

**(ii) Profit for the financial period**

The level of profit reported for each financial period is dependent on the level of turnover and the level of administrative expenses.

Staff costs accounted for 63 per cent of administrative expenses in the financial period ended 31 December 2014 and 66 per cent of administrative expenses in the financial year ended 31 December 2015.

As at 31 December 2014 there were 25 staff, 5 of which were part time. As at 31 December 2015 there were 28 staff (3 located in Jersey), 4 of which were part time (1 located in Jersey).

As at 31 March 2016 there were 27 staff (3 located in Jersey), 4 of which were part time (1 located in Jersey).

Staff costs for the year ended 31 December 2015 included share based payments of £87,500. Share based payments relate to the charge recorded in connection with the Group's employee share option scheme, further detail of which can be found in note 18 to the annual report and consolidated financial statements for the year ended 31 December 2015 (see Appendix).

**(iii) Net cash inflow from operating activities**

Further to the Offer, the Company issued at par 2,453,000 Shares. The placement involved underwriting and legal costs of £80,000. The net proceeds of the issued shares were £2,373,000.

The acquisition of the CISX Business on 20 December 2013 resulted in a net cash inflow of £247,000.

The cash and cash equivalents as at 31 December 2014 totalled £3,165,615. The total as at 31 December 2015 was £4,032,594. As at 31 May 2016 it was £4,845,122.

The change in the level of cash and cash equivalents since the acquisition of the CISX Business primarily reflects the net cash inflow from operating activities, the dividend paid in 2015 and the purchase of fixed assets.

The level of cash and cash equivalents will be impacted by the level of future dividends declared and the level of investment in the business and by the results of operations.

Short term debtors includes outstanding listing and membership fees and expense prepayments.

The level of outstanding fees is dependent on the timing of billing and the payment terms applicable.

The level of prepayments reflects a number of annual payments in advance including staff medical cover, insurance and the annual licence fee levied by the Commission.

Short term creditors are predominantly deferred annual listing and membership fees but also include outstanding amounts due to suppliers and expense accruals, together with employment related income tax and social security payments.

The level of deferred income reflects the timing of annual fee billing. Annual membership fees for Listing Members and Trading Members are ordinarily raised each January. Annual listing fees are ordinarily raised on the anniversary date of the listing of securities.

## **Financial and trading prospects of the Group**

There has been no material adverse change in the financial or trading position of the Group since 31 December 2015.

As regards the future financial and trading prospects of the Group, reference is made to the risk factors in Part II: Risk Factors of this document, as well as to the disclosures made elsewhere in this document.

The Board continues to implement the Group's strategy, as set out in this Part III: The Company and the Group of this document and remains confident about the future prospects of the Group.

The historic financial information disclosed in this document, and any trends identified therefrom should not be seen as a guide to the future. Past results are not necessarily a guide to future performance.

## **Dividends and dividend policy**

The Board intends to adopt a dividend policy for the Company which will seek to maximise long term shareholder value and reflect its strong earnings potential and cash flow characteristics, while allowing it to retain sufficient capital to fund ongoing operating requirements and to invest in the Group's long term growth.

Dividends of £123,050, at 5p per Share were paid during the year ended 31 December 2015. No dividends were paid in the prior financial period. The Directors authorised the payment of a dividend of 5.5p per Share on 14 June 2016.

When paying a dividend, the Board of the Company needs to take into account the regulatory requirement that CISEA is required to maintain net assets of at least £500,000 at all times.

The ability of the Company to pay dividends is dependent on a number of factors and there is no assurance that the Company will pay dividends at any time or, if a dividend is paid, what the amount of such dividend will be. In this regard, please see the Part II: Risk Factors of this document.

## **Property**

The Group occupies office space in two locations. The main office is located in Guernsey at Helvetia Court, Les Echelons, St Peter Port. The smaller Jersey office is located at No. 3, The Forum, Grenville Street, St. Helier.

The Helvetia Court office is occupied under a lease agreement signed on 8 June 2015. The lease is for a term of 15 years with a break clause allowing termination after 7 years or after 13 years at the option of either party. Rent commenced from 1 January 2016 at £148,000 per annum rising to £158,000 per annum from 1 January 2018. The rent is subject to upward only market rent review every 3 years starting from 1 July 2018.

No. 3 The Forum is occupied further to a serviced offices licence agreement dated 20 July 2015. The licence is for a period of 5 years. There is a fixed period of 2 years after which either party may terminate the agreement subject to 6 months' notice. The licence provides for a fee of £18,000 per annum and is subject to annual upward only review in line with the Jersey Retail Prices Index.

## **Insurance**

Notwithstanding the fact CISEA has been granted statutory limitation of liability in respect of certain specified regulatory functions conferred on CISEA by the Commission under the POI

Law, there remains a requirement by the Commission for CISEA to have minimum professional indemnity insurance cover which in the opinion of CISEA's directors is sufficient to meet the commitments and to withstand the risks to which its business is subject.

The Group has arranged insurance cover in the form of a policy comprising directors and officers/civil liability/fidelity cover with a corporate liability extension.

The policy includes professional indemnity cover (the civil liability of the Group insofar as it arises from the provision of professional services) as well as market standard directors' and officers' cover.

The Group has also arranged insurance cover in the form of an office policy providing cover for office contents, including computer equipment, and leasehold improvements. This policy also includes employers' liability cover and public and products liability cover.

## **Taxation**

The attention of Shareholders is drawn to the information regarding taxation set out in Part VII: Taxation, of this document. The information is intended only as a general guide to the current tax position under Guernsey taxation law for certain types of investor and does not constitute advice of any kind. **Shareholders who are in any doubt as to their tax position are strongly advised to consult their professional advisers.**



## **PART IV: THE DIRECTORS AND THE SECRETARY**

The business address of each of the Directors is the Company's registered office, Helvetia Court Block B, Third Floor, Les Echelons, St Peter Port, Guernsey GY1 1AR.

Brief biographies of the Directors are set out below:

### **Jon Moulton (Chairman)**

Jon is the founder of the Better Capital fund entities. He is also a Chartered Accountant (FCA), a CF and a Fellow of the Institute for Turnaround Professionals. Former Managing Partner of Alchemy, Jon also previously worked with Citicorp Venture Capital in New York and London, Permira and Apax.

Jon is a Trustee of the UK Stem Cell Foundation. He is a very active angel investor and has considerable experience with companies listed on various stock exchanges around the world. He is Non-Executive Chairman of the stockbroker finnCap and was a Member of the Advisory Board for the £2.8bn UK Regional Growth Fund, as well as fulfilling other public, corporate and charitable roles.

### **Fiona Le Poidevin (Chief Executive Officer)**

Fiona is Chief Executive Officer of the Company. Her role includes strategy formulation and business development, exploring opportunities to grow the £300 billion+ of securities already listed on the Official List through the introduction of new products and service offerings.

Prior to her appointment in January 2015, Fiona was Chief Executive of Guernsey Finance, the promotional body for Guernsey's finance industry. Previously a senior tax manager with a Big Four accountancy firm, she has more than 17 years' experience working in financial services in both London and the Channel Islands.

Fiona is a Chartered Accountant (FCA) and holds the IoD Diploma in Company Direction. She is also a member of the IoD Guernsey Committee, the IoD Guernsey Tax and Regulatory Sub-Committee, the AIC Channel Islands Committee and the Marketing Committee of the Guernsey Investment Fund Association.

### **Stephen Lansdown (Deputy Chairman)**

Stephen is co-founder and former Chairman of Hargreaves Lansdown PLC, one of the UK's biggest private client brokerages and a member of the FTSE 100. He resigned as an executive director in August 2010 to pursue his many other business interests.

A Chartered Accountant (FCA), he was presented with Honorary Degrees from Bristol University (Doctor of Laws) and the University of the West of England (Doctor of Business Administration) in 2012.

### **Guy Coltman**

Guy is a corporate partner of Carey Olsen's Jersey practice. Prior to joining Carey Olsen, Guy practised corporate law with an emphasis on private and public company mergers and acquisitions at the London office of the international law firm Skadden, Arps, Slate, Meagher & Flom (UK) LLP, and latterly with another law firm in Jersey.

Guy has a particular focus at Carey Olsen on corporate finance (particularly AIM and main market listings of Jersey companies), mergers and acquisitions, private equity, corporate restructuring, structured investments, joint venture vehicles and general corporate advice. IPO work has included the first listing of PRC (People's Republic of China) assets held by a Jersey company on the Hong Kong Stock Exchange and the first London Stock Exchange main market listing of a Jersey based global fiduciary services business.

Guy qualified as a solicitor in England and Wales whilst at what is now Ashurst LLP. He became a partner of Carey Olsen in March 2009. Guy is also an Advocate of the Royal Court of Jersey.

### **Stuart Turner**

Stuart is a founder and director of Avenir Technology Limited, a company providing post-trade software to developing markets. He is also director of Avenir Registrars Limited, a UK based share registry business. Previous to this Stuart was a partner of Bourse Consult LLP, a boutique consultancy that provides exchanges, other financial market infrastructures and regulators worldwide with both strategic and practical advice.

Before consulting, Stuart's held a series of roles at a several stock and derivatives exchanges, in IT, clearing, risk management and senior management roles.

Marcus Stone resigned as a director of the Company on 24 May 2016.

### **Remuneration of the Directors of the Company and CISEA**

The aggregate of remuneration paid and benefits in kind granted to the Directors of the Company and of CISEA, past and present, in respect of the financial year ending 31 December 2015 was £817,083. The estimated aggregate remuneration payable to, and benefits in kind receivable by, past, present and future Directors of the Company and of CISEA in respect of the current financial year ending 31 December 2016 is £700,000.

### **Directors' Interests**

There are no contracts or other arrangements subsisting at the date of this document in which any of the Directors is materially interested and which is significant to the business of the Group.

The Directors' interests in the share capital of the Company, as at 31 December 2015, were as follows:

<b>Jon Moulton</b>	Indirect holding of 200,000 Shares
<b>Stephen Lansdown</b>	Indirect holding of 250,000 Shares
<b>Guy Coltman</b>	Beneficial interest in Carey Olsen Corporate Finance Ltd which holds 246,100 Shares
<b>Fiona Le Poidevin</b>	Options to acquire 250,000 Shares

Former Director T J Herbert holds directly 10,000 Shares.

Except for 50,000 Shares acquired on the secondary market by Stephen Lansdown on 19 September 2014, Directors' and former Directors' holdings of the Shares were acquired in conjunction with the Scheme of Arrangement.

The options to acquire Shares were granted to Fiona Le Poidevin on 9 December 2015 further to the employee share option scheme implemented by the Company. Further detail on the scheme and on the options granted is provided in note 18 of the annual report and consolidated financial statements for the year ended 31 December 2015 (see Appendix).

### **Directors' Loans**

There are no loans outstanding to, or guarantees provided for the benefit of, the Directors from either the Company or CISEA.

**Secretary**

Claire Purdue was appointed as the Company's secretary on 1 April 2014. Claire is qualified as a solicitor in England and Wales. Claire will be leaving the Company on 30 June 2016 and the role will be undertaken by a suitably qualified person thereafter.

## PART V: LISTING SUMMARY

The following is a summary of the Listing and the Shares, and should be read in conjunction with and the remainder of this document.

### The Listing

- Company:** The Channel Islands Securities Exchange Limited.
- Listing Sponsor:** Bedell Channel Islands Limited, a Category 1, 2 and 3 Listing Member of the Exchange.
- Registrar:** Anson Registrars Limited.
- Auditors:** PricewaterhouseCoopers CI LLP were appointed as the Company's independent auditors for the financial period ended 31 December 2014 and the financial year ended 31 December 2015 and have also been appointed for the next financial year ending 31 December 2016. PricewaterhouseCoopers CI LLP is a firm of Chartered Accountants who are duly qualified to act as auditors in Guernsey.
- Other listings:** It is not currently intended that the Shares be admitted to listing, trading and/or quoted by any other listing authority, stock exchange or quotation system.
- Costs of listing:** The one-off cost of listing the Shares on the Exchange is approximately £36,000, of which £5,000 relates to the listing application and other fees payable to the Exchange and approximately £31,000 is in relation to legal, Listing Sponsor and other professional fees.
- The additional annual cost estimated to be involved with the listing of the Shares on the Official List, in terms of the Listing Sponsor, and other professional fees is approximately £10,000, in addition to the annual listing fee of £5,000 payable to the Exchange.

### The Shares

- Shares:** 2,461,000 Shares were issued at their nominal value and are fully paid-up. There is no current intention to offer any shares or other securities in the Company to any additional investors.
- Form:** The Shares are issued in registered uncertificated form.
- The Articles permit the Shares to be held in uncertificated form and the Shares have been admitted to CREST.
- Security:** The Shares are not secured on the assets of the Company and represent an equity participation in the Company subject to the terms of the Articles.
- Dividend policy:** The Directors intention is to adopt a dividend policy for the Company from Admission which will seek to maximise shareholder value and reflect its strong earning potential and cash flow characteristics, while allowing it to retain sufficient capital to fund ongoing operational and regulatory requirements and invest in the Group's long term growth.

The Company's basic earnings per share for the financial periods ending 31 December 2014 and 31 December 2015 were 2.3p and 34.0p respectively.

The Company's diluted earnings per share for the financial periods ending 31 December 2014 and 31 December 2015 were 2.3p and 29.8p respectively.

- Voting rights:** Each Share entitles one vote at a general meeting of the Company.
- Dividends:** Each Share carries a *pro rata* entitlement to any dividend declared and paid by the Company.
- Capital distributions:** Each Share carries a *pro rata* entitlement to any capital distribution made by the Company, whether in winding up or otherwise.
- Redemption:** The Shares are not redeemable.
- Special rights:** There are no special rights attached to the Shares.
- Change of class rights:** On the basis that the Company issues only one class of ordinary shares, class rights are dealt with by way of voting rights attaching to the Shares in a general meeting as set out in the Articles.
- Power to repurchase Shares:** The Shares may, at the discretion of the Board, be repurchased in accordance with the Companies Law. Repurchased Shares may be held as treasury shares.
- Transferability:** The Articles provide the Board with discretion to refuse to register a transfer. However, taking into account the Listing, the Board has undertaken to CISEA not to object to any transfers other than in order to ensure that the Directors and the Company are in compliance with all applicable laws and regulations.
- Transfer procedure:** Pursuant to the Articles and the Companies Law, a transfer of Shares may be effected by written instrument or document signed by or on behalf of the transferor in any form as the Board may accept. Shares held in CREST may be transferred in accordance with the CREST Rules and the CREST Regulations.

## PART VI: CONFLICTS OF INTEREST

It is recognised that any conflicts of interest, in terms of an interest in a transaction or proposed transaction with the Company, must be reported by the Directors to the Company in accordance with s.162 of the Companies Law. This requirement is also set out in the Articles as detailed in Part VIII: General Information, Summary of the Articles of this document.

Further to this, the Company maintains a 'Conflict of Interests Register' listing all reported interests.

It is recognised that s.162 of the Companies Law states that a general disclosure to the Board to the effect that a Director has an interest (as director, officer, employee, member or otherwise) in a party and is to be regarded as interested in any transaction which may after the date of the disclosure be entered into with that party is sufficient disclosure of interest in relation to that transaction. This statement is also set out in the Articles. In this respect it is noted that s.167 of the Companies Law defines 'interest' to include acting as a director of another company that is party to a transaction.

Further to this, the Company maintains a 'Register of Outside Directorships' recording other directorships held by the Directors as reported to it.

In addition, CISEA also maintains a 'Conflict of Interests Register' and a 'Register of Outside Directorships'.

Furthermore, the Company prepares consolidated financial statements in accordance with applicable United Kingdom accounting standards and material related party transactions are reported for each reporting period in accordance with FRS102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

The Directors are aware of their legal duties in respect of any conflict of interests and believe that the procedures in place to record and manage such conflicts of interest are appropriate. Set out below are the interests and directorships reported to the Company:

### **Ravenscroft Limited**

Ravenscroft Limited ("**Ravenscroft**") is both a Listing Member and a Trading Member of the Exchange, and is also a listed Issuer on the Exchange.

A total of 1,297,400 of the Company's shares (52.7 per cent) are registered in the name of Huntress (CI) Nominees Limited, a wholly owned subsidiary of Ravenscroft.

Huntress (CI) Nominees Limited holds legal title to shares for and on behalf of a number of beneficial owners, further to Ravenscroft's terms of business. "Ravenscroft" is a trading name of Ravenscroft, Ravenscroft Investment Management Limited and Ravenscroft Jersey Limited. Corporate Actions and the exercise of voting rights are ordinarily dependent on the mandate between Ravenscroft and the ultimate beneficial owner/ indirect shareholder.

However, it is to be noted that Ravenscroft has advised that, as a matter of best practice, they will not exercise their right to vote in any discretionary manner for any 'connected stock' which definition includes the Shares.

Ravenscroft indirectly holds 18,000 of the Company's shares via Huntress (CI) Nominees Limited which represents 0.73 per cent of the issued share capital of the Company.

Stephen Lansdown is a director of Ravenscroft.

Huntress (CI) Nominees Limited does not qualify as a controller under Section 28A of the POI Law.

Stephen Lansdown and Jon Moulton directly or indirectly have interests in the shares of Ravenscroft. Mr Lansdown's indirect holding in Ravenscroft is 27.864 per cent.

#### **Carey Olsen Corporate Finance Limited (COCFL)**

COCFL holds 10 per cent of the issued share capital of the Company and is a Member of the Exchange and a Listing Member to Issuers on the Exchange.

Guy Coltman is partner of Carey Olsen, Jersey, which wholly owns COCFL.

#### **Channel Islands Property Fund Limited (CIPFL)**

CIPFL is an Issuer on the Exchange.

Jon Moulton and Stephen Lansdown have interests in the shares of CIPFL.

#### **Other Issuers listed on the Exchange**

Certain Issuers that have listed securities on the Exchange are controlled by Jon Moulton. Mr Moulton also has direct or indirect links to other Issuers in other capacities, including acting as a director (or other officer) of an investment adviser appointed to such Issuers or acting in an advisory capacity to such Issuers. Further detail is provided in note 19 to the consolidated financial statements for the year ended 31 December 2015 (see Appendix).

#### **Listing Sponsor**

The Listing Sponsor holds 1,500 Shares in the Company. The Listing Sponsor is a Category 1, 2 and 3 Listing Member of the Exchange.

#### **Employees**

There are a number of current employees of the Company and CISEA who have minority shareholdings in the Company and/or options granting them rights to acquire Shares which would constitute a minority shareholding.

#### **Contractors**

Fiona Le Poidevin's spouse, David Jones, provides IT services as a contractor to the Group.

#### **Professional relationships**

The Chairman of CISEA, Mark Tubby, is also a director and Head of Compliance of finnCap Limited, a company of which Jon Moulton is the Non-executive Chairman.

## **PART VII: TAXATION**

### **Introduction**

The following information is general in nature and relates only to Guernsey and Jersey taxation applicable to the Company and the anticipated tax treatment in Guernsey that applies to persons holding Shares in the Company. The summary does not constitute legal or tax advice and is based on taxation law and practice at the date of this document. Shareholders and prospective Shareholders should be aware that the level and bases of taxation may change from those described and should consult their own professional advisors on the implications of acquiring, holding, disposing of, or transferring Shares in the Company under the laws of the countries in which they are liable to taxation.

### **The Company**

The Company is subject to Guernsey income tax at the standard rate of zero per cent. The Jersey Office of the Company operates as a Jersey branch of the Company and its results are subject to Jersey income tax at the standard rate of zero per cent.

The Guernsey company intermediate income tax rate of 10 per cent applies to income from banking business, domestic insurance, fiduciary business, insurance manager business and fund administration business and, with effect from 1 January 2016, extended to the provision of custody services by banks.

The Guernsey company higher tax rate of 20 per cent applies to regulated Utilities, income from the ownership of Guernsey land and property and, with effect from 1 January 2016, extended to certain oil and gas business and large retail businesses.

The Jersey 10 per cent corporate rate applies to “financial services companies” regulated by the JFSC. This definition does not extend to the Jersey Branch of the Company.

The Jersey 20 per cent corporate rate applies to certain utility companies such as telephone, gas and electricity companies operating in the Island. Certain other income sources are taxable at 20 per cent such as Jersey real estate income (which includes rental income and property development profits), quarrying activities and importing and supplying hydrocarbon fuels.

Accordingly, the standard rate of zero per cent remains that applicable to the Company and its Jersey Branch.

At present Guernsey does not levy taxes upon capital gains, capital transfer, wealth, inheritance, gifts, sales or turnover (unless the varying of investments and the turning of such investments to account is a business or part of a business), nor are there any duties save for an ad valorem fee for the grant of probate or letters of administration.

No stamp duty is chargeable in Guernsey on the issue, transfer, disposal, switching or redemption of Shares in the Company.

### **Anti-avoidance**

Shareholders should be aware that Guernsey has wide-ranging anti-avoidance provisions and this may affect them or the Group. This provision targets transactions where the effect of the transaction or series of transactions is the avoidance, reduction or deferral of a tax liability. At his discretion, the Director of Income Tax will make such adjustments to the tax liability to counteract the effect of the avoidance, reduction or deferral of the tax liability.



## **Shareholders**

Non-Guernsey resident Shareholders are not subject to any income tax in Guernsey in respect of or in connection with the acquisition, holding or disposal of any shares owned by them. Such Shareholders currently receive dividends without deduction of Guernsey income tax.

As the Company is subject to the zero rate of tax for companies, it is treated as resident for Guernsey income tax purposes and any Shareholders who are resident for tax purposes on the Island of Guernsey, Alderney or Herm are subject to Guernsey income tax on any dividends paid to such persons which will be deducted by the Company and remitted to the Director of Income Tax in Guernsey.

The Company is required to provide the Director of Income Tax with such particulars relating to any distribution paid to Guernsey resident Shareholders as the Director may require, including the names and addresses of the Guernsey resident Shareholders, the gross amount of any distribution paid and the date of payment. Shareholders resident in Guernsey should note that where income is not distributed but is accumulated, then a tax charge will not arise until the holding is disposed of. On disposal the element of the proceeds relating to the accumulated income will have to be determined.

**Any person who is resident outside of Guernsey and/or who is in any doubt as to his/her tax position or requires more detailed information than the general outline above should consult his/her professional legal and financial advisers.**

## **PART VIII: GENERAL INFORMATION**

### **Share capital**

On incorporation, the Company was formed with the issue of 1 share of £1.00 which was held by an employee. On 20 December 2013 the share issued on incorporation was re-designated as a Non-Participating Share in the capital of the Company and was transferred to the Non-Participating Member.

Under the Offer 2,453,000 Shares were placed and issued at par. A further 8,000 Shares were issued as part of the consideration paid on the acquisition of the CISX Business.

The share capital of the Company at the date of this document is:

#### **Authorised**

1 non-participating share of £1

5,000,000 ordinary shares of £1 each

#### **Issued**

1 non-participating share of £1

2,461,000 ordinary shares of £1 each

All issued shares are fully paid. The Non-Participating Share is held by the Non-Participating Member.

### **Shares and Non-Participating Share**

The Shares carry the right to vote at general meetings and all Shares have the same voting rights. The Shares, other than the Non-Participating Share, carry the right to dividends as declared by the Board. On a winding-up, the Company's assets shall be realised and applied in satisfaction of the Company's debts and liabilities *pari passu* and thereafter distributed to the Shareholders in accordance with the Companies Law. All Shareholders are entitled to the benefit of and are bound by the provisions of the Memorandum and Articles of the Company.

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms (whether conditional or unconditional) have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company or its profits or assets.

Save as disclosed in this document, the Company has not granted any other rights to share or loan capital of the Company or its assets and no share or loan capital of the Company or its assets is currently under option or has been agreed conditionally or unconditionally to be put under option provided that the Directors may grant options in relation to any shares or loan capital of the Company in accordance with the Articles.

As at the date of this document, save for the persons set out below, the Directors are not aware of any beneficial holding of Shares representing 3 per cent or more of the Company's issued Shares:

<b>Shareholder</b>	<b>Direct/Indirect</b>	<b>Number of Shares</b>	<b>Percentage</b>
Bailiwick Investments Limited	Indirect	325,000	13.21
Pula Investments Limited	Indirect	250,000	10.16
Mr Mark Thistlethwayte	Direct	250,000	10.16
Carey Olsen Corporate Finance Limited	Direct	246,100	10.00
Moulton Goodies Limited	Direct	200,000	8.13
Mr David James Ozanne and Mrs Lynn Kathryn Ozanne	Indirect	125,000	5.08
Winterflood Securities Limited	Direct	81,500	3.31

A total of 1,297,400 shares (52.7 per cent) are registered in the name of Huntress (CI) Nominees Limited, a wholly owned subsidiary of Ravenscroft. The Bailiwick Investments Limited holding of 325,000 shares, the Pula Investments Limited holding of 250,000 shares and the Mr David James Ozanne & Mrs Lynn Kathryn Ozanne holding of 125,000 shares are included in the total number of shares registered in the name of Huntress (CI) Nominees Limited.

Huntress (CI) Nominees Limited holds legal title to shares for and on behalf of a number of beneficial owners further to Ravenscroft terms of business. Ravenscroft is a trading name of Ravenscroft, Ravenscroft Investment Management Limited and Ravenscroft Jersey Limited. Corporate actions and the exercise of voting rights are ordinarily dependent on the mandate between Ravenscroft and the ultimate beneficial owner/ indirect shareholder.

However, it is to be noted that Ravenscroft have advised that, as a matter of best practice, they will not exercise their right to vote in any discretionary manner for any 'connected stock', which definition includes the Shares.

### **Share option scheme**

The Company has in place a share option scheme for employees of the Group. Options over a total of 350,000 Shares have been granted under this scheme. Should the options be exercised the Shareholders will suffer dilution in their percentage ownership and/or the price of the Shares may be adversely affected.

Further detail on the scheme and on the options granted is provided in note 18 of the annual report and consolidated financial statements for the year ended 31 December 2015 (see Appendix).

## **CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles will permit the holding of Shares under the CREST system. The Shares will be enabled for electronic settlement in CREST on the date of Admission.

Accordingly, settlement of transactions in the Shares following Admission may take place within CREST if any Shareholder so wishes. However, CREST is a voluntary system and Shareholders who may wish to hold Shares outside the CREST system will be able to do so. Following Admission, any existing Shareholders may hold Shares in CREST, if that investor is a system member (as defined in the CREST Regulations) with regard to CREST.

## **Takeovers - the City Code**

The City Code applies to all takeover and merger transactions in relation to the Company, and operates principally to ensure that Shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that Shareholders of the same class are afforded equivalent treatment.

Under Rule 9, when a person or group acquires interests in shares carrying 30 per cent or more of the voting rights of a company, they must make a cash offer to all other Shareholders at the highest price paid in the 12 months before the offer was announced (30 per cent of the voting rights of a company is treated by the Code as the level at which effective control is obtained). A general offer will also be required where a person or group, holding not less than 30 per cent but not more than 50 per cent of the voting rights, acquires additional shares which increase his percentage of the voting rights.

There are not in existence any current mandatory takeover bids in relation to the Company. Ravenscroft has confirmed that it is not aware of any current existing persons acting in concert.

## **Guernsey shareholder regulatory obligations**

Shareholders should be aware that in light of the regulatory licence issued to CISEA as set out in this document, it will need to comply with all relevant legislation and codes of practice in Guernsey. Set out below is a summary of certain important regulatory information in relation to the holding and disposal of shares in the Company and thus indirectly holding and disposing of shares in the regulated Group company.

This summary is not exhaustive and relevant legislation and codes of practice may change. It is the responsibility of all Shareholders to comply with all legislation and codes of practice applicable to them and as such all Shareholders should (i) obtain their own legal advice; and (ii) make all necessary notifications and requests for approval, before acquiring or disposing of shares in the Company.

No person may become a controller (defined below) of the Guernsey regulated company in the Group holding a licence under the POI Law, unless advance written notification has been given to the Commission of the proposed change of controller. Where a person is to become a controller pursuant to an on-market acquisition of shares, the notification should be submitted, and the consent of the Commission obtained, before the trade is effected.

For these purposes:

**"controller"**, in relation to a company, means, among other things, a shareholder controller (as defined below) or an indirect controller (defined below);

**"indirect controller"**, in relation to a company, means a person in accordance with whose directions or instructions any director of that company or of any other company of which that company is a subsidiary, or any controller of that company, is accustomed to act; and

**"shareholder controller"**, in relation to a company means a person who, alone or with associates, is entitled to exercise, or control the exercise of, 15 per cent or more of the voting power in general meeting of that company or of any other company of which that company is a subsidiary.

A notification must also be made to the Commission if a person ceases to be a controller and if a shareholder indirectly acquires 5 per cent or more of the shares in any Guernsey regulated company in the Group.

### **Summary of the Memorandum of Incorporation and Articles**

The Articles will be made available to prospective investors on request at the registered office of the Company and on the Company's website.

1. The Memorandum of Incorporation provides that the Company's objects are unrestricted and it shall therefore have the full power and authority to carry out any object not prohibited by the companies Law or any other applicable laws.
2. The Articles contain provisions, among others, to the following effect:

#### Share Capital

- (a) The authorised share capital of the Company is:
  - (i) £5,000,000 divided into 5,000,000 ordinary shares of £1.00 each; and
  - (ii) £1.00 divided into 1 Non-participating share of £1.00.
- (b) The Non-Participating Share shall only be issued at par value and only to the Non-Participating Member or a nominee of the Non-Participating Member.
- (c) The following actions shall only be undertaken by the Company if approved in writing by the Non-Participating Member:
  - (i) amendment, addition, change, modification or deletion of the rights described in this paragraph;
  - (ii) removal of the Company or any subsidiary of the Company from the register of companies in Guernsey for the purpose of becoming incorporated under the law of another district, territory or place;
  - (iii) a change of location of the principal place of business of the Company or any subsidiary of the Company to a place other than within the Bailiwick of Guernsey;
  - (iv) a sale or transfer of shares in any subsidiary of the Company;
  - (v) the passing of any resolution by the Members which would have the effect of allowing any subsidiary of the Company to pass into new ownership, including, for the avoidance of doubt, any reconstruction, conversion to a different corporate structure, amalgamation or any resolution to wind up the Company; or
  - (vi) a change of name.
- (d) Without prejudice to any special rights previously conferred on the holders of any existing shares and subject to paragraph (f) below, any share (or option, warrant or other right in respect of a share) in the Company may be issued with such preferred, deferred or other special rights or restrictions, whether as to dividend,

voting, return of capital or otherwise, as the Board may determine. To the extent required by Sections 292 and 293 of the Companies Law, the Board is authorised to issue shares (or options, warrants or other rights in respect of shares) (subject only to any limitation in paragraph 2(a) above) which authority shall expire 5 years after the date of incorporation or the date of adoption of the Articles; in the event that the restrictions in Section 292(3)(a) and/or (b)(i) are amended or removed, such authority shall be to the extent and for as long as is legally permissible. This authority may be further extended in accordance with the provisions of the Companies Law.

- (e) The Board may, in any 12 month period, issue up to 20 per cent of the number of Shares already in issue in the Company and in respect of which, the pre-emption rights in paragraph 2(f) below will not apply.
- (f) Issue of shares
  - (i) Subject to the authority conferred by paragraph 2(a) above and (ii) below, or any extension thereof, the unissued shares shall be at the disposal of the Board which may allot, grant options, warrants or other rights over or otherwise dispose of them to such persons on such terms and conditions and at such times as the Board determines but so that no share shall be issued at a discount except in accordance with the Companies Law and so that the amount payable on application on each share shall be fixed by the Board.
  - (ii) Subject to the authority conferred by paragraph 2(e) and unless otherwise determined by special resolution of the Company in general meeting or by a written resolution of all the Members and subject as provided in paragraph (iv) and (v) below, any shares available for issue from time to time shall, before they are issued, be offered to all the holders of shares in the Company in proportion to the number of the shares held by them respectively (and such offer shall be at the same price and on the same terms to each such holder). Such offer shall be made by notice specifying the number of shares offered, the proportionate entitlement of the relevant Member, the price per share and limiting a period (not being less than 30 days) within which the offer, if not accepted, will be deemed to be declined and, after the expiration of such period, the Directors shall offer the shares so declined to the persons who have, within the said period, accepted all the shares offered to them in the same manner as the original offer and limited by a period of not less than 14 days. If any shares comprised in such further offer are declined or deemed to be declined such further offer shall be withdrawn in respect of such shares. At the expiration of the time limited by the notice(s) the Directors shall allot the shares so offered to or amongst the Members who have notified their willingness to take all or any of such shares in accordance with the terms of the offer. No Member shall be obliged to take more than the maximum number of shares he has indicated his willingness to take.
  - (iii) Any shares not accepted pursuant to paragraph (ii) above and any shares released from the provisions of this Article by special resolution or written resolution as therein specified shall be at the disposal of the Directors who may allot, grant options over or otherwise dispose of them to such persons at such times and generally on such terms and conditions as they think proper, provided that no shares shall be issued at a discount below par value and provided further that, in the case of shares not accepted as aforesaid, such shares shall not be disposed of on terms which are more favourable to the subscribers thereof than the terms on which they were offered to the Members.

- (iv) The discretion of the Directors contained in paragraph (ii) above as to the allotment and disposal of and the granting of any option over the Company's shares shall, in any event, be subject to the provisions of any agreement relating thereto binding on the Company from time to time and any directions contained in any resolution of the Company.
- (v) Save with the prior written consent of all the Members, no shares shall be allotted on terms that the right to take up the shares allotted may be renounced in favour of, or assigned to, another person and no person entitled to the allotment of a share may direct that such shares be allotted or issued to any other person.
- (vi) Subject to the provisions of the Law and these Articles:-
  - (A) any shares may with the sanction of the Board be issued on terms that they are, or at the option of the Company or the holder are, liable to be redeemed on such terms and in such manner as the Board may determine;
  - (B) the Company and any of its subsidiary companies may, at the discretion of the Board, give financial assistance directly or indirectly for the purpose of or in connection with the acquisition of shares in the Company or in connection with reducing or discharging any liability incurred in connection with the purchase of shares in the Company; and
  - (C) subject to paragraph (a) above, the Company may issue shares of no par value or shares with a par value or a combination of both.

(g) Winding up

The Company shall be wound up in any of the circumstances specified in the Companies Law and assets available for distribution to Members (excluding the Non-Participating Member) shall, subject to any special terms of issue, be distributed according to the number of shares held by each Member (excluding the Non-Participating Member).

If the Company shall be wound up, whether voluntarily or otherwise, the Liquidator may, with the sanction of a special resolution, divide among the Members (excluding the Non-Participating Member) in specie any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the Members (excluding the Non-Participating Member) as the Liquidator, with the like sanction, shall think fit.

If any of the securities or other assets to be divided as aforesaid involve a liability to calls or otherwise, any person entitled under such division to any of the said assets may, within 14 clear days after the passing of the special resolution, by notice in writing, direct the Liquidator to sell his proportion and pay him the net proceeds and the Liquidator shall, if practicable, act accordingly.

(h) Dividends

Subject to compliance with Section 304 of the Companies Law, the Board may at any time declare and pay such dividends as appear to be justified by the position of the Company. The Board may also declare and pay any fixed dividend which is payable on any shares of the Company half-yearly or otherwise on fixed dates whenever the position in the opinion of the Board so justifies.

The method of payment of dividends shall be at the discretion of the Board.

No dividend shall be paid in excess of the amounts permitted by the Companies Law or approved by the Board.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall be declared and paid pro rata according to the number of shares held by each Member (excluding the Non-Participating Member).

The Board may deduct from any dividend payable to any Member (excluding the Non-Participating Member) on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the liabilities or obligations in respect of which the lien exists.

The Board may retain dividends payable upon shares in respect of which any person is entitled to become a Member until such person has become a Member.

With the sanction of the Company (excluding the Non-Participating Member) in general meeting, any dividend may be paid wholly or in part by the distribution of specific assets and, in particular, of paid-up shares of the Company. Where any difficulty arises in regard to such distribution, the Board may settle the same as it thinks expedient and in particular may issue fractional shares and fix the value for distribution of such specific assets and may determine that cash payments shall be made to any Members (excluding the Non-Participating Member) upon the footing of the value so fixed in order to adjust the rights of Members (excluding the Non-Participating Member) and may vest any such specific assets in trustees for the Members entitled as may seem expedient to the Board.

Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post to the registered address of the holder or, in the case of joint holders, to the registered address of the joint holders who is first named on the Register. Any one of two or more joint holders may give effectual receipts for any dividends, interest or other moneys payable in respect of their joint holdings.

No dividend or other moneys payable on or in respect of a share shall bear interest against the Company.

All unclaimed dividends may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 6 years after having been declared shall be forfeited and shall revert to the Company.

(i) Transfer

All transfers of shares by Members (except for the Non-Participating Member) may be effected by transfer in writing in any form as the Board may accept. Any instrument of transfer shall be signed by or on behalf of the transferor who shall be deemed to remain the holder until the name of the transferee is entered in the Register. A transfer in respect of shares which are not fully paid shall also be signed by the transferee.



The Articles are subject to, and do not limit or restrict the Company's powers to transfer shares in accordance with the Uncertificated Securities (Guernsey) Regulations, 2009.

The Board may, in their discretion and without assigning any reasons, refuse to register a transfer of any share to any person of whom they shall not approve as transferee. If the Board refuse to register a transfer of any share, they shall send to the transferee notice of refusal within a reasonable period.

All instruments of transfer which shall be registered shall be retained by the Company, but any instrument of transfer which the Directors may decline to register shall (except in the case of fraud) be returned to the person depositing the same.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided that such registration of transfers shall not be suspended for more than 30 days in any year.

(j) Alteration

(1) The Company may by ordinary resolution:-

- (i) consolidate and divide all or any of its share capital into shares of larger or smaller amounts than its existing shares;
- (ii) subject to paragraph (2) below, subdivide all or any of its shares into shares of a smaller amount;
- (iii) cancel shares which, at the date of the passing of the resolution, have not been taken up or agreed to be taken up by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (iv) convert all or any of its shares the nominal amount of which is expressed in a particular currency or former currency into shares of a nominal amount of a different currency, the conversion being effected at the rate of exchange (calculated to not less than three significant figures) current on the date of the resolution or on such other day as may be specified therein;
- (v) where its share capital is expressed in a particular currency or former currency, denominate or redenominate it, whether by expressing its amount in units or subdivisions of that currency or former currency, or otherwise.

(2) In any subdivision under paragraph (1)(ii) above, the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as that proportion in the case of the share from which the reduced share was derived.

(3) The Company may reduce its share capital, any capital account or any share premium account in any manner and with and subject to any authorisation or consent required by the Companies Law.

(k) Notices

- (1) A notice or other communication may be given by the Company to any Member either personally or by sending it by prepaid post addressed to such Member at his registered address (or, subject to paragraph (7) below, in electronic form) or if he desires that notices shall be sent to some other address or person to the address or person nominated for such purpose.
- (2) Any notice or other document, if served by post (including registered post, recorded delivery service or ordinary letter post), shall be deemed to have been served on the third day after the day on which the same was posted from Guernsey to an address in the United Kingdom, the Channel Islands or the Isle of Man and, in any other case, on the seventh day following that on which the same was posted.
- (3) Service of a document sent by post shall be proved by showing the date of posting, the address thereon and the fact of pre-payment.
- (4) Any notice or other document, if transmitted by electronic communication, facsimile transmission or other similar means which produce or enable the production of a document containing the text of the communication, shall be regarded as served when it is received.
- (5) A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder first named in the Register in respect of the share.
- (6) Any notice or other communication sent to the address of any Member shall, notwithstanding the death, disability or insolvency of such Member and whether the Company has notice thereof, be deemed to have been duly served in respect of any share registered in the name of such Member as sole or joint holder and such service shall, for all purposes, be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in any such share.
- (7) All Members shall be deemed to have agreed to accept communication from the Company by electronic means in accordance with Sections 524 and 526 and Schedule 3 of the Companies Law unless a Member notifies the Company otherwise. Such notice must be in writing and signed by the Member and delivered to the Company's Office or such other place as the Board directs.

(l) Notice of General Meetings and Voting

- (1) A general meeting of the Company (other than an adjourned meeting) must be called by notice of at least 10 clear days.
- (2) A general meeting may be called by shorter notice than otherwise required if all the Members entitled to attend and vote so agree.
- (3) Notices and other documents may be sent in electronic form or published on a website in accordance with Section 208 of the Companies Law.
- (4) Notice of a general meeting of the Company must be sent to every Member entitled to attend and vote thereat and every Director.

- (5) In paragraph (4) above, the reference to Members includes only persons registered as a Member.
  - (6) Notice of a general meeting of the Company must state the time and date of the meeting, state the place of the meeting specify any special business to be put to the meeting (as defined in the Articles), contain the information required under Section 178(6)(a) of the Companies Law in respect of a resolution which is to be proposed as a special resolution at the meeting, contain the information required under Section 179(6)(a) of the Companies Law in respect of a resolution which is to be proposed as a waiver resolution at the meeting and contain the information required under Section 180(3)(a) of the Companies Law in respect of a resolution which is to be proposed as a unanimous resolution at the meeting.
  - (7) Notice of a general meeting must state the general nature of the business to be dealt with at the meeting.
  - (8) On a show of hands, every Member (excluding the Non-Participating Member) present in person or by proxy shall have one vote subject to any special voting powers or restrictions. On a poll, every Member (excluding the Non-Participating Member) present in person or by proxy shall have one vote for each share held by him subject to any special voting powers or restrictions.
- (m) Conflict of Interests
- (1) A Director must, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the Company, disclose to the Board in accordance with Section 162 of the Companies Law:-
    - (i) if the monetary value of the Director's interest is quantifiable, the nature and monetary value of that interest; or
    - (ii) if the monetary value of the Director's interest is not quantifiable, the nature and extent of that interest.
  - (2) Paragraph (1) above does not apply if:-
    - (i) the transaction or proposed transaction is between the Director and the Company; and
    - (ii) the transaction or proposed transaction is or is to be entered into in the ordinary course of the Company's business and on usual terms and conditions.
  - (3) A general disclosure to the Board to the effect that a Director has an interest (as director, officer, employee, member or otherwise) in a party and is to be regarded as interested in any transaction which may after the date of the disclosure be entered into with that party is sufficient disclosure of interest in relation to that transaction.
  - (4) Nothing in paragraphs (1), (2) and (3) above applies in relation to:-
    - (i) remuneration or other benefit given to a Director;
    - (ii) insurance purchased or maintained for a Director in accordance with Section 158 of the Companies Law; or

(iii) qualifying third party indemnity provision provided for a Director in accordance with Section 159 of the Companies Law.

(5) Subject to paragraph (6) below, a Director is interested in a transaction to which the Company is a party if the director:-

(i) is a party to, or may derive a material benefit from, the transaction;

(ii) has a material financial interest in another party to the transaction;

(iii) is a director, officer, employee or member of another party (other than a party which is an associated company) who may derive a material financial benefit from the transaction;

(iv) is the parent, child or spouse of another party who may derive a material financial benefit from the transaction; or

(v) is otherwise directly or indirectly materially interested in the transaction.

(6) A Director is not interested in a transaction to which the Company is a party if the transaction comprises only the giving by the Company of security to a third party which has no connection with the Director, at the request of the third party, in respect of a debt or obligation of the Company for which the Director or another person has personally assumed responsibility in whole or in part under a guarantee, indemnity or security.

(7) A Director who is interested in a transaction entered into, or to be entered into, by the Company, may:-

(i) vote on a matter relating to the transaction;

(ii) attend a meeting of Directors at which a matter relating to the transaction arises and be included among the Directors present at the meeting for the purpose of a quorum;

(iii) sign a document relating to the transaction on behalf of the Company; and

(iv) do any other thing in his capacity as a Director in relation to the transaction;

as if the Director was not interested in the transaction.

(n) Number, appointment and qualification of Directors

The Board shall have power at any time to appoint any person eligible in accordance with Section 137 of the Companies Law to be a Director either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the number, if any, fixed pursuant to these Articles. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

No person other than a Director retiring at a general meeting shall, unless recommended by the Directors, be eligible for election by the Company to the

office of Director unless, not less than 14 clear days before the date appointed for the meetings there shall have been left at the Office notice in writing signed by a Member duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election together with notice in writing signed by that person of his willingness to be elected.

Without prejudice to the powers of the Board, the Company in general meeting may appoint any person to be a Director either to fill a casual vacancy or as an additional Director.

A share qualification for a Director may be fixed by the Company in general meeting and unless and until so fixed no qualification shall be required.

(o) Remuneration and Disqualification of Directors

- (1) The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision in the Articles) shall not exceed in aggregate £200,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Such remuneration shall be deemed to accrue from day to day.
- (2) The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in or with a view to the performance of their duties or in attending meetings of the Board or of committees or general meetings.
- (3) If any Director, having been requested by the Board, shall render or perform extra or special services or shall travel or go to or reside in any country not his usual place of residence for any business or purpose of the Company, he shall be entitled to receive such sum as the Board may think fit for expenses and also such remuneration as the Board may think fit, either as a fixed sum or as a percentage of profits or otherwise, and such remuneration may, as the Board shall determine, be either in addition to or in substitution for any other remuneration which he may be entitled to receive.
- (4) A Director shall cease to hold office:-
  - (i) if he (not being a person holding for a fixed term an executive office subject to termination if he ceases for any reason to be a Director) resigns his office by written notice signed by him sent to or deposited at the Office;
  - (ii) if he shall have absented himself (such absence not being absence with leave or by arrangement with the Board on the affairs of the Company) from meetings of the Board for a consecutive period of 12 months and the Board resolves that his office shall be vacated;
  - (iii) if he dies or becomes of unsound mind or incapable;
  - (iv) if he becomes insolvent suspends payment or compounds with his creditors;
  - (v) if he is requested to resign by written notice signed by all his co-Directors;
  - (vi) if the Company in general meeting shall declare that he shall cease to be a Director; or

- (vii) if he becomes ineligible to be a Director in accordance with Section 137 of the Companies Law.

(p) Indemnity

The Directors, Secretary and officers for the time being of the Company and their respective heirs and executors shall, to the extent permitted by Section 157 of the Companies Law, be fully indemnified out of the assets and profits of the Company from and against all actions expenses and liabilities which they or their respective heirs or executors may incur by reason of any contract entered into or any act in or about the execution of their respective offices or trusts except such (if any) as they shall incur by or through their own negligence, default, breach of duty or breach of trust respectively and none of them shall be answerable for the acts receipts neglects or defaults of the others of them or for joining in any receipt for the sake of conformity or for any bankers or other person with whom any moneys or assets of the Company may be lodged or deposited for safe custody or for any bankers or other persons into whose hands any money or assets of the Company may come or for any defects of title of the Company to any property purchased or for insufficiency or deficiency of or defect in title of the Company to any security upon which any moneys of the Company shall be placed out or invested or for any loss misfortune or damage resulting from any such cause as aforesaid or which may happen in or about the execution of their respective offices or trusts except the same shall happen by or through their own negligence, default, breach of duty or breach of trust.

(q) Proceedings

- (1) The Board may meet for the dispatch of business adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the chairman at the meeting shall have a second or casting vote.
- (2) All meetings of the Board shall be held in Guernsey or Jersey and any meeting held outside Guernsey or Jersey shall be invalid and of no effect.
- (3) A Director in communication with one or more other Directors so that each Director participating in the communication can hear or read what is said or communicated by each of the others, is deemed to be present at a meeting with the other Directors so participating and, where a quorum is present, such meeting shall be treated as a validly held meeting of the Board and shall be deemed to have been held in the place where the chairman is present.
- (4) The Board may elect a chairman of their meetings and determine the period for which he is to hold office. If no such chairman be elected or if at any meeting the chairman be not present within 5 minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting.
- (5) The quorum necessary for the transaction of the business of the Board may be fixed by the Board and unless so fixed shall be 2 except that where the minimum number of Directors has been fixed at one a sole Director shall be deemed to form a quorum. For the purposes of this Article an alternate appointed by a Director shall be counted in a quorum at a meeting at which the Director appointing him is not present.
- (6) The Board may delegate any of their powers to committees consisting of such one or more Directors as they think fit. Any committee so formed

shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Board.

(r) Borrowing

The Board may exercise all the powers of the Company to borrow money and to mortgage, hypothecate, pledge or charge all or part of its undertaking property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any liability or obligation of the Company or of any third party.

(s) Audit

(1) Subject to Section 256 of the Companies Law, the Members may resolve to exempt the Company from the requirement to appoint Auditors. Whilst the Company continues as an unaudited company, the provisions of the Companies Law in so far as they relate to the appointment of Auditors, the duties of Auditors and the report of Auditors shall be suspended and cease to have effect.

(2) Subject to paragraph (1) above, Auditors shall be engaged in accordance with Part XVI of the Companies Law.

(t) Untraced Shareholders

(1) The Company shall be entitled to sell (at a price which the Company shall use its reasonable endeavours to ensure is the best obtainable) the shares of a Member or the shares to which a person is entitled by virtue of transmission on death or insolvency or otherwise by operation of law if and provided that:

(i) during the period of not less than 6 years prior to the date of the publication of the advertisements referred to below (or, if published on different dates, the first thereof) at least 3 dividends in respect of the shares in question have become payable and no dividend in respect of those shares has been claimed; and

(ii) the Company shall following the expiry of such period of 6 years have inserted advertisements in a national newspaper and/or in a newspaper circulating in the area in which the last known address of the Member or the address at which service of notices may be effected under these Articles is located giving notice of its intention to sell the said shares; and

(iii) during the period of 3 months following the publication of such advertisements (or, if published on different dates, the last thereof) the Company shall have received indication neither of the whereabouts nor of the existence of such Member or person; and

(iv) notice shall have been given to the stock exchanges on which the Company is listed, if any.

(2) The foregoing provisions of this Article are subject to any restrictions applicable under any regulations relating to the holding and/or transferring of securities in any paperless system as may be introduced from time to time in respect of the shares of the Company.

## **Litigation**

A former employee of the Company brought an action in the Royal Court of Guernsey against the Company for compensation for loss of office. This stems from a written compromise agreement upon which he seeks to rely, dated 13 January 2014. The agreement is between himself, CISX and the Company. He claims £30,000 under that compromise agreement. The action is contested by the Company as it is their belief that the former employee's conduct amounted to gross misconduct, thereby breaching the terms of the compromise agreement and therefore the Company is defending itself against this claim. The hearing took place before the Royal Court on 30 and 31 March 2016 and 15 April 2016. At the time of writing, the judgment has not yet been delivered. Whether or not the judgement finds in the Company's favour, the Company will bear costs in line with those normally expected for this type of litigation.

There are no other litigation or arbitration proceedings against or affecting the Company or any of its assets or revenues, nor is the Company aware of any pending or threatened proceedings of that kind which may have or have had in the previous 12 months, a significant effect on the Group's financial position.

As part of the consideration for the purchase of the CISX business, the Company provided an Indemnity to CISX in respect of CISX's liabilities under the Existing Indemnities. Under the terms of the Indemnity, in the event that CISX has insufficient assets to enable it to meet its obligations in respect of any claim under the Existing Indemnities, the Company shall, to the fullest extent permitted by law, indemnify CISX against any amounts which would have been payable by CISX in respect of such claim but which, due to the insolvency of CISX, remain unpaid, provided that the Company's total liability under the Indemnity is limited to £500,000. The Indemnity is limited to a term of 3 years from 20 December 2013 and therefore will expire on 20 December 2016. Whilst no claim has been made against the Company in respect of the Indemnity, if the Company is required to make payments to CISX under the Indemnity it will adversely impact on the Group's performance.

## **Financial statements**

The Annual Reports and consolidated financial statements for the Company are prepared under UK Generally Accepted Accounting Principles as at the end of its financial year, being 31 December. It is the Directors' intention for audited financial statements to be distributed to Shareholders within 6 months of each financial year end. Interim accounts are to be prepared for the 6 month period to 30 June in each year and distributed to Shareholders within 3 months of that date.

## **Financial resources**

The Directors have confirmed as of the date of this document that, in their opinion, the working capital available to the Group is sufficient.

## **Statutory records**

The Company's statutory records required to be kept under the Companies Law are maintained at the Company's registered office.

## **Documents available for inspection**

The Annual Reports are set out in the Appendix to this document. This document and the Memorandum of Incorporation and the Articles of the Company may be inspected during normal business hours at the registered office of the Company or are available from the Company's website.

**Issued on 22 June 2016**



**Appendix**  
**Annual Reports**



**The Channel Islands Securities Exchange Limited**

**Annual Report and Consolidated Financial Statements**

**For the Period 14 November 2013 to 31 December 2014**

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# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Corporate Information

<b>Directors:</b>	J P Moulton	<i>(appointed 14 November 2013)</i> (Chairman)
	S P Lansdown	<i>(appointed 14 November 2013)</i>
	M K Stone	<i>(appointed 14 November 2013)</i>
	G E S Coltman	<i>(appointed 17 February 2014)</i>
	S R Turner	<i>(appointed 28 April 2014)</i>
	F L A Le Poidevin	<i>(appointed 7 January 2015)</i> (Chief Executive Officer)
<b>Previous Directors:</b>	T J Herbert	<i>(appointed 14 November 2013,</i> <i>resigned 16 January 2014)</i>
	R A Christensen	<i>(appointed 14 November 2013,</i> <i>resigned 31 January 2014)</i>
	P E D Cutts	<i>(appointed 14 November 2013,</i> <i>resigned 3 March 2014)</i>
<b>Secretary:</b>	C H Purdue	<i>(appointed 1 April 2014)</i>
<b>Previous Secretary:</b>	D E Thompson	<i>(appointed 14 November 2013,</i> <i>resigned 1 April 2014)</i>
<b>Auditors:</b>	PricewaterhouseCoopers CI LLP PO Box 321 1 Gategny Esplanade St Peter Port Guernsey GY1 4ND	
<b>Registered Office:</b>	One Lefebvre Street St Peter Port Guernsey GY1 4PJ	
<b>Registered Number:</b>	57524	
<b>Bankers:</b>	HSBC Bank plc PO Box 31 St Peter Port Guernsey GY1 3AT	
<b>Legal Advisers:</b>	Mourant Ozannes PO Box 186 1 Le Marchant Street St Peter Port Guernsey GY1 4HP	

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Chairman's Statement

The period since the Company came into existence on 14 November 2013 has been a busy one.

We have pushed ahead with recruitment, overhauled processes and procedures and credit should be given to the whole team as they did a fantastic job through difficult circumstances and a period of change. We even managed to make a profit.

We have bolstered our team with a number of new recruits, including Fiona Le Poidevin who became CEO of the Company on 1 January 2015. Fiona joins us from Guernsey Finance where she was Chief Executive and prior to that a tax adviser at a Big 4 firm. Fiona's remit will be to drive the business forward, develop our strategy, oversee marketing and branding and to sell the Exchange in our key markets.

Diana Thompson, CEO of The Channel Islands Securities Exchange Authority Limited (**CISEA**), is responsible for all activities of the Authority and our new structure therefore draws a clear line between promotional and sales work of the Company and the regulatory role of CISEA as Market Authority, a dynamic that was lacking in the structure of the previous Exchange.

In total, there are 42 sponsors who brought 393 new listings to the Exchange during the period, culminating in a total of 2,274 listings on the Official List as at 31 December 2014, with a total market capitalisation of £293 billion.

Notable listings included government bonds for the governments of both Jersey (£250 million) and Guernsey (£330 million) to help raise funds for infrastructure and other investment. The end of 2014 and beginning of 2015 have seen an upturn in the number of collective investment scheme and investment company listings on the Exchange, in particular those involved in real estate, debt and other alternative asset classes, correlating with the increased activity seen in the local funds sectors of both Islands.

During the period, we also worked on the set up of our Jersey office which opened in early 2015, with a launch party being held at the Royal Yacht Hotel in Jersey and attended by over 150 people including the Bailiff of Jersey, Sir William Bailhache, the Chief Minister, Senator Ian Gorst and the Assistant Chief Minister, Senator Philip Ozouf (who spoke at the event) and demonstrated the significant support from both government and industry which we greatly appreciate.

We now have four members of staff based in the Jersey office, which is situated in the heart of Digital Jersey at the Forum on Grenville Street. This fits well with our objectives around improving our own technology and working with companies in the fintech space.

Our outlook for 2015 and beyond is one of optimism. We now have an Exchange which is fit for purpose, with a robust governance structure and diverse and experienced Boards of both executive and non-executive directors at both the Company and CISEA level.

We have worked hard on our strategy for the Exchange; our vision is to be a leading independent Exchange and our mission is to provide a pragmatic and sensible regulatory environment.

# **The Channel Islands Securities Exchange Limited**

**For the period 14 November 2013 to 31 December 2014**

## **Chairman's Statement (continued)**

The strategy will include diversification of business streams, looking at niche markets, including new geographical markets, upgrading our IT systems and bringing more market makers, sponsors and trading companies to the Exchange in a bid to create a more liquid market, not simply a listing venue. We continuously work to improve customer service, with good progress in the last year.

Our watchwords are integrity, entrepreneurship and innovation; we are looking forward to developing our markets, we are open to new ideas and we look forward to working with our sponsors in 2015 and beyond.

We could not have achieved any of this without the efforts of our staff and Directors and the support of our sponsors and shareholders, so thank you all.



Jon Moulton  
27 March 2015

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Directors' Report

The Directors submit their report and the audited consolidated financial statements of The Channel Islands Securities Exchange Limited (the **Company**) and its subsidiary (together **the Group**) for the period ended 31 December 2014.

### Incorporation

The Company was incorporated in Guernsey on 14 November 2013 (Registered No. 57524).

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

### Acquisition of Business and Principal Activities

By way of a Scheme of Arrangement under Part VIII of The Companies (Guernsey) Law, 2008 (the **Companies Law**) sanctioned by order of The Royal Court of Guernsey (the **Royal Court**) on 20 December 2013 (the **Scheme of Arrangement**), the Company and its wholly owned subsidiary acquired the business of operating an investment exchange in the Channel Islands from The Channel Islands Stock Exchange, LBG (**CISX**).

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

The principal activities of the Company are the marketing and commercial activities in respect of the investment exchange operated by the Subsidiary.

CISEA is licensed to operate as an investment exchange (the **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, CISEA was granted a statutory limitation of liability in respect of certain specified regulatory functions conferred on it by conditions to the licence issued by the GFSC.

### Results and Dividends

The results of the Group for the period are set out on page 20.

The Directors do not recommend the payment of a dividend in respect of the period.

### Business Review

The first financial period since incorporation proved to be an extremely busy one for the Company and for the Group. The business of operating an exchange in the Channel Islands transferred across from CISX to the Group on 20 December 2013 the day the Royal Court approved the terms of the Scheme of Arrangement. On the same day, HMRC designated CISEA as a recognised Stock Exchange. Further international recognitions and memberships quickly followed from the International Organisation of Securities Commissions, the Australian Securities Exchange and most recently the World Federation of Exchanges (Affiliate status). An application for recognition by the US Securities Exchange Commission has been submitted.

# **The Channel Islands Securities Exchange Limited**

**For the period 14 November 2013 to 31 December 2014**

## **Directors' Report (continued)**

On 20 December 2013 the GFSC licensed CISEA to carry on controlled investment business and to operate as an investment exchange. In early 2014, the States of Guernsey granted statutory immunity to CISEA in relation to specified regulatory functions.

The transfer of the business of operating an exchange in the Channel Islands also introduced a change in structure. There is a clearer separation of the commercial interests of the Group from its regulatory functions. Under the new structure, the Company is the parent company of CISEA and is responsible for marketing and commercial matters. CISEA is responsible for all regulatory matters. The independent Board of Directors of CISEA comprises Advocate Diana Thompson (Chief Executive Officer), Mark Tubby (Chairman) and Georgina Sines.

To ensure demonstrable, credible and effective regulation of the Exchange's market and its participants, as well as to ensure compliance with all legislation, rules and codes of practice, CISEA has created the roles of Head of Regulation and of Compliance Officer.

The GFSC licensed CISEA subject to the fulfilment of a number of conditions during 2014, including a full review of the Listing and Membership rules. A Rules Committee, to oversee this review and to ensure the ongoing appropriateness of the Membership and Listing Rules, was set up comprising Mark Tubby and Georgina Sines, together with four representatives from the Listing Members of the Exchange.

As at 31 December 2014 there were 3 Trading Members and 43 Listing Members. During the financial period, 3 Listing Members resigned and 1 new Listing Member was admitted.

During the financial period there were 393 new listings of securities. De-listings and maturities of securities totalled 705, predominantly in the first few months after the acquisition of the business. As at 31 December 2014 there were 2,274 securities listed.

Listing fees were reviewed and amended on 2 April 2014 and on 1 August 2014 to ensure the continued commercial success of the business.

The business traded profitably and proved to be cash generative during the Group's first financial reporting period. The Group now reports a profit despite having to bear the costs in connection with the acquisition of the business.

Since the period-end the Group has opened an office in Jersey in recognition of the importance of the Listing Members in Jersey and to improve the support offered to those Members, which has been well received.

## **Shareholders**

As at 31 December 2014, 1,285,400 Shares were registered in the name of Huntress (CI) Nominees Limited. These shares were held in a nominee capacity on behalf of a number of underlying shareholders.

## **Directors of the Company**

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



# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Directors' Report (continued)

### Directors and their Interests

The Directors' interests in the share capital of the Company, as at 31 December 2014, were as follows:

J P Moulton	Indirect holding of 200,000 ordinary shares
S P Lansdown	Indirect holding of 250,000 ordinary shares
M K Stone	Indirect holding of 7,500 ordinary shares Beneficial interest in Hatstone Listing Services Limited which holds 1,500 ordinary shares
T J Herbert	Direct holding of 10,000 ordinary shares
G E S Coltman	Beneficial interest in Carey Olsen Corporate Finance Ltd which holds 246,100 ordinary shares

Except for 50,000 ordinary shares acquired on the secondary market by S P Lansdown on 19 September 2014, the ordinary shares were acquired further to the offer of shares made in conjunction with the Scheme of Arrangement.

### Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements for each financial period which give a true and fair view, in accordance with applicable Guernsey Law and United Kingdom Accounting Standards, of the state of affairs of the Company, and of the profit or loss of the Company for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to ensure that the financial statements comply with the Companies Law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Directors' Report (continued)

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

## Financial Statements and Audit

The Company has prepared consolidated financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" and in compliance with section 244 of the Companies Law. As a result, there is no requirement to prepare individual financial statements for the Company on a stand-alone basis.

The consolidated financial statements are subject to audit and are required to be filed with the GFSC. The individual financial statements for the Subsidiary are not subject to audit.

The GFSC has exercised the discretion permitted by the Investment Exchange (Notification) Rules 1998 (the **IEN Rules**) and dis-applied the requirement upon CISEA to file audited financial statements for CISEA.

The GFSC has exercised the discretion permitted by The Licensees (Conduct of Business) Rules 2009 (the **Licensees Rules**) and modified the requirement to file audited financial statements for CISEA to instead require CISEA to file the consolidated financial statements of the Company which include the CISEA's results.

## Auditor

The Auditors, PricewaterhouseCoopers CI LLP, have expressed their willingness to continue in office as auditors and a resolution to reappoint PricewaterhouseCoopers CI LLP as auditors to the Company will be proposed at the next Annual General Meeting.

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

Approved by the Board of Directors on 27 March 2015 and signed on its behalf by:

*Jon Moulton*

*Marcus Stone*

**J P Moulton**  
Director

**M K Stone**  
Director

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Approach to Corporate Governance

### Introduction

The Boards of the Company and its Subsidiary, CISEA (together, the **Group**) are committed to high standards of corporate governance and business integrity in all of its activities. The Group is managed in a manner that results in transparency, effective risk management and strong internal controls. The Boards of the Company and of CISEA monitor the Group's adherence to these corporate governance standards to ensure their ongoing effectiveness.

CISEA is licensed to operate as an investment exchange (the **Exchange**) by the GFSC and is guided by the GFSC's Finance Sector Code of Corporate Governance (the **Code**) to which it will adhere wherever appropriate. The Code comprises eight principles which are referred to below.

Whilst the Company is not licensed by the GFSC, the Company's Board considers it good practice to adhere to the Code.

### 1. The Board

The Boards of the Company and of CISEA are the principal decision-making forum for the Group and are responsible to shareholders for achieving the Group's strategic objectives and delivering sustainable growth in shareholder value. The Directors act in a way they consider will promote the long-term success of the Group for the benefit of shareholders as a whole, with regard to the interests of the Group's employees and the impact of the business on the community and environment.

The Boards of the Company and of CISEA have elected standing Chairmen which both provide effective leadership. The roles of Chairman and Chief Executive Officer are distinct and separate with a clear division of responsibilities. The Chairman is responsible for the running and leadership of the Board and ensuring its effectiveness. The Chief Executive Officer has delegated authority from, and is responsible to, the Board for managing the Group's business with the power for further delegation in respect of matters which are necessary for the effective running and management of the business.

The Group's structure allows each Board to change their composition without undue disruption to the operation of the other.

There is a strong non-executive element on the Group's Boards, and the non-executive Directors provide deep corporate experience and knowledge which they apply to their understanding of the Group and its strategy.

#### 1.1 The Company

The Company's Board is the principal decision making forum for the Company and is responsible for the strategic objectives and performance of the Company and the Group. It is also responsible for the approval of the Group's annual business plan and budget, major changes to the Group's corporate structure, approval of the Group's annual report and financial statements and the approval of major capital expenditure.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Approach to Corporate Governance (continued)

In a number of areas these responsibilities, under specific Terms of Reference, have been delegated to committees as follows:

- Audit (incorporating Risk) Committee, chaired by Advocate Marcus Stone;
- Nominations Committee, chaired by Stephen Lansdown; and
- Remuneration Committee, chaired by Advocate Guy Coltman.

The Company's Board has a range of skills, professional qualifications and experience relevant to the operation of the Company. The Board currently comprises five non-executive directors, including the Chairman, as well as an executive director who is the Chief Executive Officer. The non-executive directors fulfil a vital role in corporate accountability and bring independent judgment to issues of strategy, performance, resources and standards of conduct.

The Company's Board meets no less than four times a year and is provided with timely reports and direct access to any information on request.

### 1.2 CISEA

CISEA's Board is responsible for all regulatory and operational matters of the Exchange. In a number of areas these responsibilities, under specific Terms of Reference, have been delegated to committees as follows:

- Listing & Membership Committee, which meets weekly for the purpose of managing, operating and regulating the Exchange; and
- Rules Committee, which meets as required to consider, recommend and approve changes to the Membership and Listing Rules to ensure their ongoing appropriateness.

CISEA's Board currently comprises one non-executive director, who is the Chairman, and two executive directors, one of which is the Chief Executive Officer. The Chairman is Mark Tubby who has over 20 years' experience of UK and International Financial Services Regulation and is currently a Director and Head of Compliance of finnCap Limited.

CISEA's Board meets monthly and is provided with timely reports and direct access to any information on request.

## 2. **Directors**

The basic duty of the Directors is to exercise their business judgement to act in what they reasonably believe to be the best interests of the Company. The Directors of the Company and of CISEA have sufficient experience to understand their duties and these duties are adhered to without exception. They are fully conversant with all applicable legislation and regulations and are constantly alert to emerging strategic issues.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Approach to Corporate Governance (continued)

The Boards of the Company and of CISEA consider that the Directors possess a strong range of business experience and that the Boards have the right mix of skills and experience given the Group's increasing diversification, scale and reach. The Boards consider that the appropriate balance of skills and experience is best achieved by balancing continuity of experience and new joiners and also by drawing Directors from a wide range of backgrounds, including legal, financial and IT. The Boards believe that the Group benefits from having directors with a mixture of tenures and backgrounds.

The Boards of the Company and of CISEA have concluded that all non-executive Directors are independent in character and judgement. In assessing each Director, the Boards considered whether there were relationships or circumstances which were likely to affect, or could appear to affect, the Director's judgement.

The Nominations Committee considers the size and structure of the Company's Board, as well as nominations to the Board. It also gives full consideration to succession planning. The current composition of the Board does not give rise to any immediate succession issues.

Directors have the benefit of Directors' and Officers' liability insurance cover which is renewed annually. The insurance does not provide cover for a Director in the event that the Director is proved to have acted fraudulently or dishonestly.

### **3. Business Conduct and Ethics**

The Directors of the Company and of CISEA maintain good standards of business conduct, integrity and ethical behaviour and operate with due care and diligence and at all times honestly and openly.

Directors have a duty to avoid, manage or minimise conflicts of interest and should, wherever possible, arrange their personal and business affairs so as to avoid direct and indirect conflicts of interest. All Directors of the Company and of CISEA must declare any relevant interests at the start of each Board Meeting and both the Company and CISEA have a conflict of interest register.

The Chairman of the Company considers that all Directors are well aware of their duties by virtue of their experience and qualifications.

### **4. Accountability**

The Board of the Company is responsible for overseeing the Group's objectives and business plans. It is aware of its responsibilities for financial reporting and maintaining an appropriate relationship with the Company's Auditors, for maintaining a sound system of internal control to safeguard the Group's assets and for the management of risks. In this regard it is assisted by the Audit Committee. The Company's Board actively monitors the effectiveness, professional relationship and independence of the Auditors in conjunction with the Audit Committee.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Approach to Corporate Governance (continued)

The Company's Board retains responsibility and accountability for the only material outsourced function, namely IT support.

The Company's Board undertakes an annual review of the Group's business activities and future prospects when it produces its business plan for the year ahead.

The Remuneration Committee reviews and considers the performance of the Chief Executive Officer and Chairman of the Company.

### 5. Risk Management

The Company's Board determines the Group's risk appetite and tolerance and develops policies, procedures and controls for identifying, evaluating and managing all significant risks faced by the Group.

The Audit (incorporating Risk) Committee considers and makes recommendations in connection with operational risk and financial fraud.

The Company's Board has established appropriate disaster recovery procedures.

### 6. Disclosure and Reporting

The Boards of the Company and of CISEA ensure the timely and balanced disclosure to shareholders and/or regulators of all material matters concerning the Group. The First Annual General Meeting (the **AGM**) of the Company was held on 9 December 2014, with another scheduled for June 2015.

### 7. Remuneration

The Board of the Company ensures that remuneration arrangements are structured fairly and responsibly and that remuneration policies are consistent with effective risk management. The Company's Remuneration Committee is responsible for, inter alia, the Group's remuneration policy and for reviewing and recommending all Directors and Senior Executives' remuneration, bonuses and incentives.

### 8. Shareholder Relations

The Board of the Company believes that shareholders play an integral part in corporate governance and therefore ensures that satisfactory communication takes place with shareholders and is based on a mutual understanding of needs, objectives and concerns.

The Group is committed to maintaining clear and open communications with its shareholders ensuring access to high quality information in an accessible and timely manner. Company shareholders are encouraged to attend the AGM and to put questions to the Board of the Company and of CISEA, including the Chairmen of the Company's various committees.

The Chairman of the Company makes himself available to shareholders at all times.

# **The Channel Islands Securities Exchange Limited**

**For the period 14 November 2013 to 31 December 2014**

## **Approach to Corporate Governance (continued)**

### **Conclusion**

The Boards of the Company and of CISEA understand their obligations under the Code and consider them central to the success of the Group.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Directors' Biographies

### Jon Moulton



Jon Moulton is Chairman of the Better Capital fund entities. He is also a Chartered Accountant, a CF and a Fellow of the Institute for Turnaround Professionals. Former Managing Partner of Alchemy, Jon also previously worked with Citicorp Venture Capital in New York and London, Permira and Apax. Jon is a Trustee of the UK Stem Cell Foundation. He is a very active angel investor. He is Non-Executive Chairman of finnCap, the stockbroker and a Member of the Advisory Board for the £2.8bn UK Regional Growth Fund, as well as fulfilling other public, corporate and charitable roles.

### Stephen Lansdown



Stephen Lansdown is co-founder and former Chairman of Hargreaves Lansdown PLC, the UK's biggest independent private client brokerage and a member of the FTSE 100. He resigned as an executive director in August 2010 to pursue his many other business interests. A Fellow of the Institute of Chartered Accountants in England and Wales as well as being a Fellow of the Chartered Institute for Securities and Investment, he was presented with Honorary Degrees from Bristol University (Doctor of Laws) and the University of the West of England (Doctor of Business Administration) in 2012.

The majority shareholder of Bristol City Football Club and Bristol Rugby Club, his vision to put Bristol on the sporting map has started to become reality with the formation of Bristol Sport, a vehicle which will promote sport in Bristol and its place in the community.

He moved to Guernsey in March 2010 and has become a firm supporter of local business, culture and sports. Other Directorships held include Sustainable Technology Investments (Guernsey) Limited, Earth Capital Partners (Guernsey) Limited and Pula Limited.



# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Directors' Biographies (continued)

### Marcus Stone



Marcus Stone has seventeen years' experience in Jersey. Having previously been employed at Ogier and Crill Advocates (now Walkers), Marcus established the Jersey legal practice of Ozannes in 2006 before its merger in 2010 with Mourant. Marcus retired from the partnership of Mourant Ozannes in November 2011 to establish Hatstone Lawyers, a boutique private wealth and corporate practice.

Marcus was educated at Blundell's School in Devon, University of Exeter and University of Angers, France. Marcus is an Advocate of the Royal Court of Jersey and a registered person under the Financial Services (Jersey) Law 1998, as amended.

### Guy Coltman



Guy Coltman is a corporate partner of Carey Olsen's Jersey practice. Prior to joining Carey Olsen in September 2006, Guy practised corporate law with an emphasis on private and public company mergers and acquisitions at the London office of the international law firm Skadden Arps, Slate, Meagher & Flom (UK) LLP, and latterly with another law firm in Jersey.

Guy qualified as a solicitor in England and Wales whilst at Ashurst and was educated at McGill University in Montreal and Cambridge. He became a partner of Carey Olsen in March 2009. Guy is an Advocate of the Royal Court of Jersey.

### Stuart Turner



Stuart Turner has spent the last 30 years in the financial market industry. His early career was spent in investment analysis, merchant banking and building a global market information business. He followed this with a series of roles at a variety of stock and derivatives exchanges, mostly in IT, clearing, risk management and senior management roles.

In the last decade, Stuart has been applying his wealth of experience as a consultant with Bourse Consult, a boutique consultancy that provides exchanges, other financial market infrastructures and regulators worldwide with both strategic and practical advice.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Directors' Biographies (continued)

Most recently, Stuart has turned his long industry experience to different use by actually creating his own start-up company, Avenir Limited, to develop an innovative new range of post-trade software for securities depositories and share registrars.

### Fiona Le Poidevin



Fiona Le Poidevin is Chief Executive Officer for the Company.

Prior to her appointment in January 2015, Fiona was Chief Executive of Guernsey Finance, the promotional agency for the financial services industry in Guernsey. Her role included business development and strategy for the promotion of Guernsey's finance industry in the Island's target markets including Europe, the US and the emerging markets, as well as liaison with industry associations and government.

Previously a senior tax manager with a Big 4 accountancy firm, she has more than 16 years' experience working in financial services in both London and the Channel Islands.

Fiona is a Chartered Accountant (FCA), a Member of the Institute of Directors and holds the IoD Diploma in Company Direction.

# **The Channel Islands Securities Exchange Limited**

**For the period 14 November 2013 to 31 December 2014**

## **Independent Auditors' Report to the Members of The Channel Islands Securities Exchange Limited**

### **Report on the financial statements**

We have audited the accompanying consolidated financial statements (“the financial statements”) of The Channel Islands Securities Exchange Limited (“the Company”) which comprise the consolidated statement of financial position as of 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' responsibility for the financial statements**

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

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2014, and of the financial performance and the cash flows of the Group for the period then ended in accordance with United Kingdom Accounting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

### **Report on other legal and regulatory requirements**

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information is as detailed on the Contents page.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Independent Auditors' Report to the Members of The Channel Islands Securities Exchange Limited (continued)

In our opinion the information as detailed in the Directors' Report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers CI LLP  
Chartered Accountants  
Guernsey, Channel Islands

Date: 27/3/15

### Notes

(a) The maintenance and integrity of The Channel Islands Securities Exchange Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Consolidated Statement of Comprehensive Income

	<i>Notes</i>	<b>£</b>
Turnover	5	3,084,609
Administrative expenses	6	<u>(3,027,695)</u>
<b>Operating profit</b>		<b>56,914</b>
Bank interest receivable		844
Interest payable		<u>(804)</u>
<b>Profit on ordinary activities before taxation</b>		<b>56,954</b>
Taxation	8	<u>-</u>
<b>Profit for the financial period</b>	7	<b>56,954</b>
Other comprehensive income		-
<b>Total comprehensive income for the financial period</b>		<b><u>56,954</u></b>
Earnings per share:		
Basic and fully diluted	9	<u>2.3p</u>

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

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

The notes on pages 24 to 37 form an integral part of these Consolidated Financial Statements.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Consolidated Statement of Financial Position

	<b>Notes</b>	<b>£</b>
<b>Fixed assets</b>		
Intangible assets	11	155,785
Tangible fixed assets	12	<u>48,692</u>
		<b>204,477</b>
<b>Current assets</b>		
Debtors	13	703,964
Cash at bank and in hand		<u>3,165,615</u>
		<b>3,869,579</b>
<b>Current liabilities</b>		
Creditors: Amounts falling due within one year	14	<u>( 1,546,101)</u>
		<b>2,323,478</b>
<b>Total assets less current liabilities</b>		
		<b>2,527,955</b>
Provisions for other liabilities	15	(90,000)
		<u><b>2,437,955</b></u>
<b>Capital and reserves</b>		
Called-up share capital	16	2,381,001
Retained earnings		56,954
		<u><b>2,437,955</b></u>
<b>Shareholders' equity</b>		
		<u><b>2,437,955</b></u>

The Consolidated Financial Statements were approved by the Board of Directors on 27 March 2015.

Signed on behalf of the Board of Directors:

*Jon Moulton*

*Marcus Stone*

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

**M K Stone**  
**Director**

The notes on pages 24 to 37 form an integral part of these Consolidated Financial Statements.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Consolidated Statement of Changes in Equity

	Called-up share capital £	Retained earnings £	Shareholders' equity £
Total comprehensive income for the period	-	56,954	56,954
New shares issued	2,461,001	-	2,461,001
Share issue costs	(80,000)	-	(80,000)
<b>At 31 December 2014</b>	<b>2,381,001</b>	<b>56,954</b>	<b>2,437,955</b>

The notes on pages 24 to 37 form an integral part of these Consolidated Financial Statements.

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Consolidated Statement of Cash Flows**

	<b>Notes</b>	<b>£</b>	<b>£</b>
Net cash inflow from operating activities	17(a)		<u>615,920</u>
<b>Investing activities</b>			
Net cash and cash equivalent from purchase of business	17(b)	247,000	
Payments to purchase tangible fixed assets		(70,345)	
Interest received		844	
			<u>177,499</u>
<b>Net cash inflow from investing activities</b>			
<b>Financing activities</b>			
Interest paid		(804)	
Issue of ordinary shares		2,453,000	
Share issue costs paid		(80,000)	
			<u>2,372,196</u>
<b>Net cash inflow from financing activities</b>			
<b>Increase in cash and cash equivalents</b>			<u><b>3,165,615</b></u>
Cash and cash equivalents at start of the financial period			-
Cash and cash equivalents at end of the financial period	17(c)		<u><u>3,165,615</u></u>

The notes on pages 24 to 37 form an integral part of these Consolidated Financial Statements.



# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Notes to the Consolidated Financial Statements

### 1. General Information

The Company is a Limited Liability Company incorporated in Guernsey. The Registered Office is One Lefebvre Street, St Peter Port, Guernsey GY1 4PJ.

### 2. Statement of Compliance

The consolidated financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (**FRS 102**) and with the Companies Law.

### 3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statement are set out below.

#### (a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value arising from the business acquisition.

#### (b) Basis of consolidation

The financial statements include the financial statements of the Company and its sole Subsidiary, CISEA, drawn up to 31 December 2014. CISEA was incorporated on the same date as the Company and its results since incorporation have been consolidated. All intra-Group transactions, balances, revenues and expenses are eliminated on consolidation.

#### (c) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements, estimates and assumptions made by the Directors in preparing these financial statements are outlined in Note 4.

#### (d) Business combinations and intangible assets

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given and of equity instruments issued plus the costs directly attributable to the business combination.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Notes to the Consolidated Financial Statements (continued)

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

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding five years.

Goodwill is assessed for impairment where there are indicators of impairment and any impairment would be charged to the Consolidated Statement of Comprehensive Income.

#### (e) Tangible fixed assets and depreciation

Tangible fixed assets acquired upon acquisition of a business are stated at fair value less depreciation recognised since the business acquisition. Other tangible fixed assets acquired are stated at cost less depreciation recognised since acquisition.

- Office premises improvements are written off over the expected period of occupancy of office premises.
- Furniture, fixtures and fittings acquired as a part of acquisition are written off over one year. Post acquisition, other furniture, fixtures and fittings acquired in the normal course of business are written off over three years.
- Computer equipment and software acquired as a part of acquisition are written off over one year. Post acquisition, other computer equipment and software acquired in the normal course of business is written off over three years.

#### (f) Revenue recognition

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

Initial membership fees are recognised upon receipt of membership applications. Annual membership fees are recognised on a straight line basis over the period to which the fee relates.

# The Channel Islands Securities Exchange Limited

## For the period 14 November 2013 to 31 December 2014

### Notes to the Consolidated Financial Statements (continued)

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

Annual listing fees and annual membership fees invoiced but not yet recognised as income are recorded as deferred income. Fee income recognised not yet invoiced is recorded as accrued income in debtors.

Other income comprises other Exchange fees and delegate fees for Exchange organised workshops. Such income is recognised on a receivables basis when the services have been provided.

##### (g) Provisions for liabilities and contingencies

###### *i. Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

###### *ii. Contingencies*

Contingent liabilities are not recognised as a liability, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date; or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

##### (h) Employee benefits

Employee benefits, other than termination benefits, include all benefits to which employees become entitled as a result of services rendered to the Group during the reporting period. Employee benefits include salary, paid holiday arrangements, bonus payments and payments to employee's personal pension arrangements. The cost of such benefits are recognised as an expense on an accruals basis.

The Group has no formal bonus plan for employees. Bonus payments are recognised in the profit and loss account only when the Group has a legal and 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.

# The Channel Islands Securities Exchange Limited

## For the period 14 November 2013 to 31 December 2014

### Notes to the Consolidated Financial Statements (continued)

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

##### (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) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity of three months or less together with bank overdrafts. Bank overdrafts are shown in creditors: amounts falling due within one year.

##### (k) Financial instruments

###### *i. Financial assets*

Short-term financial assets including trade debtors and other debtors are initially recognised at transaction price, and subsequently measured at amortised cost, using the effective interest method.

Trade debtors arise from the raising of listing and membership fees. 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 income statement.

###### *ii. Financial liabilities*

Short-term financial liabilities, including payments on account from issuers, trade creditors and other creditors, are initially recognised at transaction price, and subsequently measured at amortised cost using the effective interest method.

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

Payments on account from issuers are amounts received in advance of listing fees being raised and are also classified as current liabilities.

##### (l) 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.

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Notes to the Consolidated Financial Statements (continued)

### 4. Critical Accounting Judgements and Estimation Uncertainty

The following judgements have had the most significant effect on amounts recognised in the financial statements:

- Goodwill – fair values on acquisition (*note 9*)

The Group acquired the business of operating an investment exchange in the Channel Islands from CISX on 20 December 2013. The Group acquired certain assets and liabilities of CISX in return for the consideration paid. Fair values at the time of the acquisition of the business needed to be assigned to the assets and liabilities assumed from CISX. The extent to which the fair values of the assets and liabilities fell short of the value of the consideration paid needed to be established and recognised as Goodwill.

The Group was provided with book cost values of assets and liabilities as recorded by CISX. The Group needed to consider the value of the recorded assets and liabilities and any adjustment necessary to the book cost values provided by CISX, and to consider recognition of any assets and liabilities not recorded, together with recognition of any contingent liabilities.

- Goodwill – impairment review

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

- Provision for liabilities - leasehold dilapidations (*note 14*)

The Group has occupied premises following the acquisition of the business from CISX. No formal assignment of the sub-lease entered into by CISX has taken place and the Scheme of Arrangement did not explicitly address the transfer of liabilities associated with the sub-lease.

A provision has been made for the estimated costs of dilapidation repairs in respect of premises occupied by the Company and its Subsidiary, notwithstanding the absence of a formal legally binding lease. The provision has been recognised immediately upon the possible assumption of liability on acquisition of the business of the CISX.

The existence and quantum of this liability has yet to be established.

- Administrative expenses – office premises costs

The Group's occupation of office premises following the acquisition of the business from CISX, notwithstanding the absence of a formal legally binding lease agreement, has been accounted for as an operating lease with commercial terms imputed.

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Notes to the Consolidated Financial Statements (continued)**

**5. Turnover**

	<b>Period from 14.11.2013 to 31.12.2014</b>	
	£	£
Membership fees		
• <i>Initial fees</i>	10,000	
• <i>Annual fees</i>	238,642	
	<hr/>	248,642
Listing fees		
• <i>Initial fees</i>	1,296,444	
• <i>Annual fees</i>	1,325,956	
• <i>Other fees</i>	152,675	
	<hr/>	2,775,075
Other income		60,892
		<hr/> <b>3,084,609</b> <hr/>

**6. Staff Costs**

Administrative expenses includes staff costs as follows:

	<b>Period from 14.11.2013 to 31.12.2014</b>
	£
Salaries, including bonus payments	1,644,336
Social security costs	93,807
Other employee benefits	162,926
	<hr/> <b>1,901,069</b> <hr/>

**7. Auditors' Remuneration**

Profit for the period has been arrived at after charging auditors' remuneration as follows:

	£
Fees payable to the Company's auditors for audit services	20,000
Fees payable to the Company's auditors for non-audit services	1,500
<b>Total</b>	<hr/> <b>21,500</b> <hr/>

**8. Taxation**

The results of the Company and its Subsidiary are subject to taxation in Guernsey at the company standard rate of 0%.

**The Channel Islands Securities Exchange Limited**  
For the period 14 November 2013 to 31 December 2014

**Notes to the Consolidated Financial Statements (continued)**

**9. Earnings per Share**

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>Period from 14.11.2013 to 31.12.2014 £</b>
<b>Earnings</b>	
Basic and diluted earnings per share	<u>56,954</u>
<b>Weighted average number of ordinary shares</b>	
Basic and diluted earnings per share	<u>2,461,000</u>

**10. Business Combination**

On 14 November 2013 the Company and its wholly owned Subsidiary, CISEA, were incorporated in Guernsey.

By way of Scheme of Arrangement under Part VIII of the Companies Law, sanctioned by order of the Royal Court on 20 December 2013, the Company and CISEA acquired the business of operating an investment exchange in the Channel Islands from CISX.

On 20 December 2013, CISEA was licensed to operate as an investment exchange by the GFSC under the POI Law.

Further to the provisions of the IEN Rules and the Licensees Rules, the GFSC specified, in respect of financial resources, that CISEA must maintain net assets of at least £500,000 and have in place professional indemnity insurance cover which in the opinion of CISEA directors is sufficient to meet the commitments and to withstand the risks to which its business is subject.

The Company subscribed for 500,000 shares of £1 each in CISEA to provide CISEA with the required financial resources.

The following detail summarises the consideration paid by the Group to acquire the CISX business and the fair value of assets acquired and liabilities assumed at the acquisition date.

Consideration at 20 December 2013:

	<b>£</b>
Ordinary shares issued	8,000
Cash consideration	<u>152,000</u>
<b>Total consideration paid</b>	<b><u>160,000</u></b>

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Notes to the Consolidated Financial Statements (continued)**

**10. Business Combination (continued)**

For cash flow disclosure purposes the amounts are disclosed as follows:  
(See note 17(b))

	£
Cash consideration paid	(152,000)
Cash and cash equivalents acquired	399,000
<b>Net cash inflow on acquisition</b>	<b><u>247,000</u></b>

Recognised amounts of identifiable assets acquired and liabilities assumed:

	<i>Note</i>	<b>Book values</b> £	<b>Adjustments</b> £	<b>Fair value</b> £
Tangible assets		33,601	-	33,601
Trade debtors	<i>(a)</i>	118,859	(11,416)	107,443
Payments on account	<i>(b)</i>	(149,285)	41,615	(107,670)
Prepayments	<i>(c)</i>	28,881	(19,034)	9,847
Deferred income		(368,468)	-	(368,468)
Accruals	<i>(d)</i>	-	(18,485)	(18,485)
Provision for liabilities	<i>(e)</i>	-	(90,000)	(90,000)
Cash at bank		399,000	-	399,000
<b>Total identifiable net assets</b>		<b><u>62,588</u></b>	<b><u>( 97,320)</u></b>	<b><u>( 34,732)</u></b>

The adjustments to the book cost values provided by CISX were as follows:

- (a) Provision against doubtful trade debtors
- (b) De-recognition of the liability in respect of unidentified receipts
- (c) Recognition of a prepayment of no value
- (d) Recognition of an accrual in respect of holiday pay
- (e) Recognition of provision for dilapidations following assessment by third party surveyor (see Note 15)



**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Notes to the Consolidated Financial Statements (continued)**

**10. Business Combination (continued)**

	£
Cash consideration	152,000
Shares	8,000
	<u>160,000</u>
Fair value acquired	(34,732)
<b>Goodwill</b>	<u><b>194,732</b></u>

**11. Intangible Assets**

	£
<b>Goodwill on acquisition of business</b>	
<b>Cost:</b>	
Acquisition of business	194,732
At 31 December 2014	<u><b>194,732</b></u>
<b>Amortisation:</b>	
Amortisation recognised during the period	38,947
At 31 December 2014	<u><b>38,947</b></u>
<b>Carrying amount</b>	
At 31 December 2014	<u><b>155,785</b></u>

**12. Tangible Assets**

	Office premises improvements £	Furniture, fixtures and fittings £	Computer equipment and software £	Total £
<b>Cost:</b>				
Acquisition of business	8,986	21,188	3,427	33,601
Other additions	-	15,161	55,184	70,345
At 31 December 2014	<u>8,986</u>	<u>36,349</u>	<u>58,611</u>	<u>103,946</u>
<b>Depreciation:</b>				
Recognised during the period	7,188	26,243	21,823	55,254
At 31 December 2014	<u>7,188</u>	<u>26,243</u>	<u>21,823</u>	<u>55,254</u>
<b>Carrying amount:</b>				
At 31 December 2014	<u>1,798</u>	<u>10,106</u>	<u>36,788</u>	<u>48,692</u>

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Notes to the Consolidated Financial Statements (continued)

### 13. Debtors

	£
Trade debtors	630,155
Other debtors	6,226
Prepayments and accrued income	67,583
	<u>703,964</u>

No amounts fall due after more than one year.

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

	£
Deferred income	1,223,209
Payments on account from issuers	68,512
Trade creditors and accruals	115,372
Other creditors	139,008
	<u>1,546,101</u>

### 15. Provision for Liabilities

Dilapidations provision	£
Acquisition of business	90,000
<b>At 31 December 2014</b>	<u><b>90,000</b></u>

The provision recognised relates to the dilapidations liability in respect of the premises occupied by the Company, One Lefebvre Street, St Peter Port, Guernsey.

CISX is party to a sub-lease in respect of the 1<sup>st</sup> floor of One Lefebvre Street entered into on 27 November 2000. Under this sub-lease, CISX has an obligation to repair damages which occur during the life of the lease, including wear and tear. The Scheme of Arrangement approved by the Royal Court on 20 December 2013 did not explicitly address the transfer of obligations in respect of the sub-lease.

The Group has occupied the 1<sup>st</sup> floor of One Lefebvre Street since the transfer of business previously undertaken by CISX from these offices. The Company has met the rental and service charge obligations under the sub-lease since the transfer of the CISX business.

An initial assessment of the liability for dilapidations under the sub-lease was made by an independent surveyor in May 2014 with a guide of £90,000. A more formal assessment has been commissioned by the Landlord in advance of the termination of the Head Lease on 30 March 2015. The results of this assessment have yet to be made available to the Company.

Negotiations with the Liquidators of CISX, regarding who should bear any claim made by the Landlord in respect of the 1<sup>st</sup> floor, remain on-going. The final dilapidations' liability of the Company is contingent on the outcome of these negotiations.

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Notes to the Consolidated Financial Statements (continued)**

**16. Share Capital**

	£
<b>Authorised</b>	
1 Non-Participating share of £1	1
5,000,000 Ordinary shares of £1 each	5,000,000
	5,000,001
<b>Allotted, called up and fully paid</b>	
Issued to the States of Guernsey – 1 Non-Participating share of £1	1
Issued on placement of shares – 2,453,000 ordinary shares of £1 each	2,373,000
Issued on acquisition of business – 8,000 ordinary shares of £1 each	8,000
	2,381,001

The Articles of Association stipulate that the Non-Participating share only carries voting rights where specifically provided for in the Companies Law and carries no right to receive any dividend and, on winding up, only the par value shall be payable.

Further to an Offer document dated 27 November 2013, 2,453,000 ordinary shares of £1 each were placed and issued at par. The placement involved underwriting and legal costs of £80,000. The net proceeds of the issued shares was £2,373,000.

**17. Notes to the Statement of Cash Flows**

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

	£	£
Profit for the financial period		56,954
Adjustments to reconcile profit for the period to net cash flow from operating activities:		
Amortisation of intangible assets		38,947
Depreciation of tangible assets		55,254
Interest payable		804
Bank interest receivable		(844)
Working capital movements:		
<i>Debtors on acquisition of business</i>	117,291	
<i>As at 31 December 2014</i>	703,964	
Increase in debtors		(586,673)
<i>Creditors on acquisition of business</i>	(494,623)	
<i>As at 31 December 2014</i>	1,546,101	
Increase in creditors		1,051,478
<b>Net cash inflow from operating activities</b>		<b>615,920</b>

(b) Acquisition of business

	£
<i>Receipt of cash on acquisition of business</i>	399,000
<i>Payment of cash on acquisition of business</i>	(152,000)
Net cash and cash equivalents acquired from purchase of business	<b>247,000</b>

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Notes to the Consolidated Financial Statements (continued)**

**17. Notes to the Statement of Cash Flows (continued)**

(c) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	£
Cash at bank and in hand	3,165,615
<b>At 31 December 2014</b>	<b><u>3,165,615</u></b>

**18. Related Parties**

During the reporting period the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and any trading balances outstanding at 31 December 2014, were as follows:

*i. Entities with significant influence over the Group*

Turnover

- Membership fees £5,000
- Other income – Workshop fees £690

Listing Member, Carey Olsen Corporate Finance Limited (**COCFL**), holds 10% of the issued share capital of the Company. In addition to the Membership fee, COCFL paid to attend workshops organised by the Group.

Director G E S Coltman is a corporate partner of Carey Olsen's Jersey practice and received total remuneration of £16,845 for the reporting period.

*ii. Entities controlled by Key Management Personnel*

Turnover

- Listing fees £22,826
- Membership fees £5,000
- Other income – *Workshop fees* £345

Expense

- Legal fees £4,925

Debtors

- Trade debtors – *Listing fees* £7,000

Creditors: Amounts falling due within one year

- Deferred income – *Listing fees* £4,094

# The Channel Islands Securities Exchange Limited

For the period 14 November 2013 to 31 December 2014

## Notes to the Consolidated Financial Statements (continued)

### 18. Related Parties (continued)

Certain issuers that have listed securities on the Exchange operated by the Group are subject to control by Director, J P Moulton.

Listing Member, Hatstone Listing Services Limited (**HLSL**) is an entity in which Director Advocate Marcus Stone, holds a beneficial interest. In addition to the Membership fee, HLSL paid to attend workshops organised by the Group.

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

#### (a) Terms and conditions of transactions with related parties

Income and expense transactions between related parties are made at normal market prices. Outstanding balances are unsecured, interest free and cash settlement is expected in line with set terms. Membership fees are due within 60 days of invoice.

The Group has not made any provision for doubtful debts relating to any amounts owed by related parties.

#### (b) Key management personnel

All Directors of the Company, as well as, all the Directors of CISEA, are considered to be key management personnel. Total remuneration for the reporting period, in respect of these individuals, is £518,022.

The Directors' Report details the interests in the share capital of the Company acquired by the Directors of the Company during the reporting period.

As at 31 December 2014, two Directors of CISEA, together with connected persons, held a total of 5,000 ordinary shares of the Company.

### 19. Controlling Party

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

### 20. Contingent Liabilities

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

A former employee of the Company brought an action claiming compensation for loss of office. The action for summary judgment was dismissed by the Royal Court.

**The Channel Islands Securities Exchange Limited**  
**For the period 14 November 2013 to 31 December 2014**

**Notes to the Consolidated Financial Statements (continued)**

**21. Commitments**

The Group has no capital commitments.

The Group has assumed the rental and service charge obligations under the sub-lease entered into by CISX. This sub-lease expires on 30 March 2015.

**22. Events after the Reporting Period**

On 1 January 2015, Fiona Le Poidevin was employed by the Company to take up the position of Chief Executive Officer and was appointed as a Director on 7 January 2015.

On 5 January 2015, the Group formally opened a branch office in Jersey.



**The Channel Islands Securities Exchange  
Limited**

**Annual Report and Consolidated Financial  
Statements**

**For the year ended 31 December 2015**

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

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# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### Corporate Information

<b>Directors:</b>	J P Moulton S P Lansdown M K Stone G E S Coltman S R Turner F L A Le Poidevin	(Chairman)     (Chief Executive Officer) ( <i>appointed 7 January 2015</i> )
<b>Secretary:</b>	C H Purdue	
<b>Auditors:</b>	PricewaterhouseCoopers CI LLP PO Box 321 1 Gategny Esplanade St Peter Port Guernsey GY1 4ND	
<b>Registered Office:</b>	Helvetia Court Les Echelons St Peter Port Guernsey GY1 1AR	
<b>Registered Number:</b>	57524	
<b>Bankers:</b>	HSBC Bank plc PO Box 31 St Peter Port Guernsey GY1 3AT	
<b>Legal Advisers:</b>	Mourant Ozannes PO Box 186 1 Le Marchant Street St Peter Port Guernsey GY1 4HP	

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### Chairman's Statement

The last year has been another period of change for the Group but one which puts us in a strong position for the future.

Fiona Le Poidevin joined as CEO at the start of 2015 and has been instrumental in driving forward these changes. This included the launch of the Jersey office in February 2015 and I am delighted to say that in the intervening 12 months we have received very positive feedback from the States of Jersey, Jersey-based Members and the island's wider financial services community.

2015 also saw a change of premises in Guernsey to our new home at Helvetia Court. The open-plan layout creates a much more productive working environment and it also has the benefit of some fantastic views over Castle Cornet, which I am sure has been verified by those of you who have visited us not least for our drinks reception and AGM in October.

At the AGM we unveiled our strategy for the future and launched our new brand, which we think better reflects the values of the Exchange today and the vision we have for its future. The strapline is 'Responsive. Innovative.'

Also in October we amended the rules for specialist debt as part of our wider programme of ensuring that all the rules are fit for purpose. Since then, we have also introduced rules for Special Purpose Acquisition Companies (SPACs) in response to their resurgent popularity in the marketplace.

These were introduced at the end of November just ahead of what proved to be a particularly busy final month of the year when there were 81 new listings, which was higher than even the bumper December 2014. Overall during 2015, there was an 8% rise in new listings year on year with 423 securities listed, comprising 20 funds (17 closed-ended; 3 open-ended) and the remainder debt. The growing size of these debt issues – with leading global companies issuing as much as £2 billion at a time – pushed the market capitalisation of the listings on the Exchange up by £61 billion (21%) in the year to reach £357 billion at the end of December.

However, we are also seeing increased diversity within the debt listings. For example, there has been growth in the number of convertible bonds and loan notes being issued as companies seek to raise fresh capital without immediately diluting their equity. During 2015 we saw a number being issued by London Main Market listed companies and we believe that during 2016 we will see a pipeline of convertibles from AIM traded companies listing on the Exchange.

2015 also saw the first listing on the Exchange from an issuer with its ultimate parent company based in China. The structure was raising finance for activity back in China while we have seen other subsequent listings involving Chinese parent companies where finance is being raised for acquisitions outside of China, including the UK.

These developments demonstrate the Exchange's willingness to take a risk-based approach to assessing listing applications and thereby be open to good business from around the globe. Indeed, we have received a number of enquiries as to whether the Exchange is willing to accept Islamic finance / Shariah compliant structures and while these are not specifically referenced in the rules there is nothing to preclude this business. In fact, we already have a number of Shariah compliant funds and debt structures, including several sukuk bonds, listed on the Exchange.

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

### **For the year ended 31 December 2015**

One of these is award-winning for being innovative in combining two series of sukuk with Insurance Linked Securities. This is another niche asset class where there are already some related listings on the Exchange but where we see potential for more in the future. Similarly, in 2015, we saw more Real Estate Investment Trusts (REITs) being listed on the Exchange and already there have been a number of new applications at the start of 2016 as institutions seek to avail of the UK REIT regime.

These business streams, combined with two sets of major changes to the fee regimes during 2014, have led to an increased profit for 2015. This must be viewed in light of the fact that some of our most capital-intensive projects have been pushed back and therefore expenditure delayed but nevertheless it shows that we are in a strong position to continue developing the business during 2016 and beyond.

I am happy to report that the efforts of the executive team have meant that trading has continued well so far in the current financial year. We are continuously looking for new ways to improve and grow the business and I hope to be able to report on such in the coming months.



Jon Moulton  
29 March 2016

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### Directors' Report

The Directors submit their annual report and the audited consolidated financial statements of The Channel Islands Securities Exchange Limited (the **Company**) and its subsidiary (together **the Group**) for the year ended 31 December 2015.

### Incorporation

The Company was incorporated in Guernsey on 14 November 2013 (Registered No. 57524).

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

### Acquisition of Business and Principal Activities

By way of a Scheme of Arrangement under Part VIII of The Companies (Guernsey) Law, 2008 (the **Companies Law**) sanctioned by order of The Royal Court of Guernsey (the **Royal Court**) on 20 December 2013 (the **Scheme of Arrangement**), the Company and its wholly owned subsidiary acquired the business of operating an investment exchange in the Channel Islands from the Channel Islands Stock Exchange, LBG (**CISX**).

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

The principal activities of the Company are the marketing and commercial activities in respect of the investment exchange operated by the Subsidiary.

CISEA is licensed to operate as an investment exchange (the **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, CISEA was granted a statutory limitation of liability in respect of certain specified regulatory functions conferred on it by conditions to the licence issued by the GFSC.

### Results and Dividends

The results of the Group for the year are set out on page 18.

Dividends of £123,050, at 5p per ordinary share, were paid during the year. No dividends were paid in the prior financial period.

### Business Review

The business review for the previous financial period concluded by noting that since the period-end the Group had opened an office in Jersey. It shows the Group's commitment to serving Jersey-based Members and has been very well received to date.

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

### **For the year ended 31 December 2015**

This latest period has also seen a change of premises in Guernsey to Helvetia Court, St Peter Port during August 2015. The office opening was marked in October by a drinks reception for Members and other guests, as well as shareholders who were also invited to the preceding AGM.

At the AGM, the latest iteration of the Group's strategy was unveiled. This included the announcement of the intention to list the Company on the Exchange operated by its subsidiary, the CISEA, during 2016.

It also laid out plans to improve the use of technology within the business to automate procedures and create efficiencies while also investing in an enhanced trading platform to help generate a more liquid market and enable the diversification of business and therefore revenue streams.

It was the potential offered in this regard which was of significant interest in seeking to acquire the assets of GXG Markets in July 2015. The deal had reached offer stage but, following extensive due diligence procedures, the Group decided not to proceed.

The AGM also saw the launch of the Group's new brand identity and this has been rolled out across various marketing materials in the intervening period.

Also in October, the CISEA amended the Chapter 8 rules for specialist debt as part of its wider programme of working via the Rules Committee to ensure that all the rules are fit for purpose. Since period-end it has commenced a review of the Chapter 7 rules for investment funds, not least due to the growing use of non-fund investment vehicles. In similar regard, in November, CISEA introduced a Chapter 10 set of rules for Special Purpose Acquisition Companies (SPACs) as a new product offering.

As at 31 December 2015 there were 43 Members in total of which 39 were Listing Members, 2 were combined Listing and Trading Members and 2 were Trading Members. During 2015, 4 Listing Members resigned, 2 new Listing Members were admitted and 1 Listing Member was also appointed a Trading Member. 3 of the 39 Listing Members chose not to renew their membership for 2016.

During 2015, the total number of listed entities on the Exchange fell by 101 (-4.4%), from 2274 to 2173 at the end of December. However, while there were 524 securities which delisted during the year, this was 153 (-22.6%) less than the previous 12 months (calendar year 2014). At the same time, there were 423 new listings during 2015, which was an 8% increase compared to calendar year 2014.

The Group has recorded an increased profit during 2015 compared to the previous financial period, which had included the acquisition of the business from CISX and two sets of major changes to the fee regimes.

There were no major amendments to the Listing and Membership fees during this financial year, although changes have come into effect since the year-end (1 January 2016).

### **Shareholders**

As at 31 December 2015, 1,290,400 ordinary shares (31 December 2014: 1,285,400 ordinary shares) were registered in the name of Huntress (CI) Nominees Limited. These shares were held in a nominee capacity on behalf of a number of underlying shareholders.

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### Directors of the Company

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

### Directors and their Interests

The Directors' interests in the share capital of the Company, as at 31 December 2015, were as follows:

J P Moulton	Indirect holding of 200,000 ordinary shares
S P Lansdown	Indirect holding of 250,000 ordinary shares
M K Stone	Indirect holding of 7,500 ordinary shares
G E S Coltman	Beneficial interest in Carey Olsen Corporate Finance Ltd which holds 246,100 ordinary shares
F L A Le Poidevin	Options to acquire 250,000 ordinary shares

Hatstone Listing Services Limited, a company that M K Stone had a beneficial interest in until late in 2015, held 1,500 ordinary shares.

Former Director T J Herbert holds directly 10,000 ordinary shares.

Except for 50,000 ordinary shares acquired on the secondary market by S P Lansdown on 19 September 2014, Directors' and former Directors' holdings of the ordinary shares were acquired in conjunction with the Scheme of Arrangement.

The options to acquire ordinary shares were granted to F L A Le Poidevin on 9 December 2015.

### Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements for each financial period which give a true and fair view, in accordance with applicable Guernsey Law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", the state of affairs of the Company, and of the profit or loss of the Company for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

## The Channel Islands Securities Exchange Limited

### For the year ended 31 December 2015

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to ensure that the financial statements comply with the Companies Law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

#### Financial Statements and Audit

The Company has prepared consolidated financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" and in compliance with section 244 of the Companies Law. As a result, there is no requirement to prepare individual financial statements for the Company, on a stand-alone basis.

The consolidated financial statements are subject to audit and are required to be filed with the GFSC. The individual financial statements for CISEA are not subject to audit.

The GFSC has exercised the discretion permitted by the Investment Exchange (Notification) Rules 1998 (the **IN Rules**) and dis-applied the requirement upon CISEA to file audited financial statements for CISEA, on a stand-alone basis.

The GFSC has exercised the discretion permitted by The Licensees (Conduct of Business) Rules 2009 (the **Licensees Rules**) and modified the requirement to file audited financial statements for CISEA to instead require CISEA to file the consolidated financial statements of the Company which include the CISEA's results.

#### Auditor

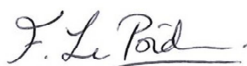
The Auditors, PricewaterhouseCoopers CI LLP, have expressed their willingness to continue in office as auditors and a resolution to reappoint PricewaterhouseCoopers CI LLP as auditors to the Company will be proposed at the next Annual General Meeting.

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

Approved by the Board of Directors on 29 March 2016 and signed on its behalf by:



**J P Moulton**  
Director



**F L A Le Poidevin**  
Director

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### Approach to Corporate Governance

#### Introduction

The Boards of the Company and its Subsidiary, CISEA (together, the **Group**) are committed to high standards of corporate governance and business integrity in all of its activities. The Group is managed in a manner that results in transparency, effective risk management and strong internal controls. The Boards of the Company and of CISEA monitor the Group's adherence to these corporate governance standards to ensure their ongoing effectiveness.

CISEA is licensed to operate as an investment exchange (the **Exchange**) by the GFSC and is guided by the GFSC's Finance Sector Code of Corporate Governance (the **Code**) to which it will adhere wherever appropriate. The Code comprises eight principles which are referred to below.

Whilst the Company is not licensed by the GFSC, the Company's Board considers it good practice to adhere to the Code.

#### 1. The Board

The Boards of the Company and of CISEA are the principal decision-making forum for the Group and are responsible to shareholders for achieving the Group's strategic objectives and delivering sustainable growth in shareholder value. The Directors act in a way they consider will promote the long-term success of the Group for the benefit of shareholders as a whole, with regard to the interests of the Group's employees and the impact of the business on the community and environment.

The Boards of the Company and of CISEA have elected standing Chairmen which both provide effective leadership. The roles of Chairman and Chief Executive Officer are distinct and separate with a clear division of responsibilities. The Chairman is responsible for the running and leadership of the Board and ensuring its effectiveness. The Chief Executive Officer has delegated authority from, and is responsible to, the Board for managing the Group's business with the power for further delegation in respect of matters which are necessary for the effective running and management of the business.

The Group's structure allows each Board to change their composition without undue disruption to the operation of the other.

There is a strong non-executive element on the Group's Boards, and the non-executive Directors provide deep corporate experience and knowledge which they apply to their understanding of the Group and its strategy.

##### 1.1 The Company

The Company's Board is the principal decision making forum for the Company and is responsible for the strategic objectives and performance of the Company and the Group. It is also responsible for the approval of the Group's annual business plan and budget, major changes to the Group's corporate structure, approval of the Group's annual report and financial statements and the approval of major capital expenditure.

In a number of areas these responsibilities, under specific Terms of Reference, have been delegated to committees as follows:

- Audit (incorporating Risk) Committee, chaired by M K Stone;



# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

- Nominations Committee, chaired by S P Lansdown; and
- Remuneration Committee, chaired by G E S Coltman.

The Company's Board has a range of skills, professional qualifications and experience relevant to the operation of the Company. The Board currently comprises five non-executive directors, including the Chairman, as well as an executive director who is the Chief Executive Officer. The non-executive directors fulfil a vital role in corporate accountability and bring independent judgment to issues of strategy, performance, resources and standards of conduct.

The Company's Board meets no less than four times a year and is provided with timely reports and direct access to any information on request.

### 1.2 CISEA

CISEA's Board is responsible for all regulatory and operational matters of the Exchange. In a number of areas these responsibilities, under specific Terms of Reference, have been delegated to committees as follows:

- Listing & Membership Committee, which meets weekly for the purpose of managing, operating and regulating the Exchange; and
- Rules Committee, which meets as required to consider and recommend changes to the Membership and Listing Rules to ensure their ongoing appropriateness.

CISEA's Board currently comprises one non-executive director, who is the Chairman, and up and until the end of 2015 two executive directors. On 31 December 2015 one of the two executive directors resigned, leaving Diana Thompson as the sole executive director. The Chairman is Mark Tubby who has over 20 years' experience of UK and International Financial Services Regulation and is currently a Director and Head of Compliance of finnCap Limited.

CISEA's Board meets monthly and is provided with timely reports and direct access to any information on request.

## 2. **Directors**

The basic duty of the Directors is to exercise their business judgement to act in what they reasonably believe to be the best interests of the Company. The Directors of the Company and of CISEA have sufficient experience to understand their duties and these duties are adhered to without exception. They are fully conversant with all applicable legislation and regulations and are constantly alert to emerging strategic issues.

The Boards of the Company and of CISEA consider that the Directors possess a strong range of business experience and that the Boards have the right mix of skills and experience given the Group's increasing diversification, scale and reach. The Boards consider that the appropriate balance of skills and experience is best achieved by balancing continuity of experience and new joiners and also by drawing Directors from a wide range of backgrounds, including legal, financial and IT. The Boards believe that the Group benefits from having directors with a mixture of tenures and backgrounds.

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

### **For the year ended 31 December 2015**

The Boards of the Company and of CISEA have concluded that all non-executive Directors are independent in character and judgement. In assessing each Director, the Boards considered whether there were relationships or circumstances which were likely to affect, or could appear to affect, the Director's judgement.

The Nominations Committee considers the size and structure of the Company's Board, as well as nominations to the Board. It also gives full consideration to succession planning. The current composition of the Board does not give rise to any immediate succession issues.

Directors have the benefit of Directors' and Officers' liability insurance cover which is renewed annually. The insurance does not provide cover for a Director in the event that the Director is proved to have acted fraudulently or dishonestly.

### **3. Business Conduct and Ethics**

The Directors of the Company and of CISEA maintain good standards of business conduct, integrity and ethical behaviour and operate with due care and diligence and at all times honestly and openly.

Directors have a duty to avoid, manage or minimise conflicts of interest and should, wherever possible, arrange their personal and business affairs so as to avoid direct and indirect conflicts of interest. All Directors of the Company and of CISEA must declare any relevant interests at the start of each Board Meeting and both the Company and CISEA have a conflict of interest register.

The Chairman of the Company considers that all Directors are well aware of their duties by virtue of their experience and qualifications.

### **4. Accountability**

The Board of the Company is responsible for overseeing the Group's objectives and business plans. It is aware of its responsibilities for financial reporting and maintaining an appropriate relationship with the Company's Auditors, for maintaining a sound system of internal control to safeguard the Group's assets and for the management of risks. In this regard it is assisted by the Audit Committee. The Company's Board actively monitors the effectiveness, professional relationship and independence of the Auditors in conjunction with the Audit Committee.

The Company's Board retains responsibility and accountability for the only material outsourced function, namely IT support.

The Company's Board undertakes an annual review of the Group's business activities and future prospects when it produces its business plan for the year ahead.

The Remuneration Committee reviews and considers the performance of the Chief Executive Officer and Chairman of the Company.

### **5. Risk Management**

The Company's Board determines the Group's risk appetite and tolerance and develops policies, procedures and controls for identifying, evaluating and managing all significant risks faced by the Group.

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

### **For the year ended 31 December 2015**

The Audit (incorporating Risk) Committee considers and makes recommendations in connection with operational risk and financial fraud.

The Company's Board has established appropriate disaster recovery procedures.

#### **6. Disclosure and Reporting**

The Boards of the Company and of CISEA ensure the timely and balanced disclosure to shareholders and/or regulators of all material matters concerning the Group. In line with the Companies Law and with the Articles of Association, the First Annual General Meeting of the Company was held on 9 December 2014, and a further Annual General Meeting (AGM) was held on 19 October 2015.

#### **7. Remuneration**

The Board of the Company ensures that remuneration arrangements are structured fairly and responsibly and that remuneration policies are consistent with effective risk management. The Company's Remuneration Committee is responsible for, inter alia, the Group's remuneration policy and for reviewing and recommending all Directors and Senior Executives' remuneration, bonuses and incentives.

#### **8. Shareholder Relations**

The Board of the Company believes that shareholders play an integral part in corporate governance and therefore ensures that satisfactory communication takes place with shareholders and is based on a mutual understanding of needs, objectives and concerns.

The Group is committed to maintaining clear and open communications with its shareholders ensuring access to high quality information in an accessible and timely manner. Company shareholders are encouraged to attend the AGM and to put questions to the Board of the Company and of CISEA, including the Chairmen of the Company's various committees.

The Chairman of the Company makes himself available to shareholders at all times.

#### **Conclusion**

The Boards of the Company and of CISEA understand their obligations under the Code and consider them central to the success of the Group.

# The Channel Islands Securities Exchange Limited

For the year ended 31 December 2015

## Directors' Biographies

### Jon Moulton



Jon Moulton is Chairman of the Better Capital fund entities. He is also a Chartered Accountant, a CF and a Fellow of the Institute for Turnaround Professionals. Former Managing Partner of Alchemy, Jon also previously worked with Citicorp Venture Capital in New York and London, Permira and Apax. Jon is a Trustee of the UK Stem Cell Foundation. He is a very active angel investor. He is Non-Executive Chairman of finnCap, the stockbroker and a Member of the Advisory Board for the £2.8bn UK Regional Growth Fund, as well as fulfilling other public, corporate and charitable roles.

### Stephen Lansdown



Stephen Lansdown is co-founder and former Chairman of Hargreaves Lansdown PLC, the UK's biggest independent private client brokerage and a member of the FTSE 100. He resigned as an executive director in August 2010 to pursue his many other business interests. A Fellow of the Institute of Chartered Accountants in England and Wales as well as being a Fellow of the Chartered Institute for Securities and Investment, he was presented with Honorary Degrees from Bristol University (Doctor of Laws) and the University of the West of England (Doctor of Business Administration) in 2012.

The majority shareholder of Bristol City Football Club and Bristol Rugby Club, his vision to put Bristol on the sporting map has started to become reality with the formation of Bristol Sport, a vehicle which will promote sport in Bristol and its place in the community.

He moved to Guernsey in March 2010 and has become a firm supporter of local business, culture and sports. Other Directorships held include Sustainable Technology Investments (Guernsey) Limited, Earth Capital Partners (Guernsey) Limited and Pula Limited.

### Marcus Stone



Marcus Stone has twenty years' experience in Jersey. Having previously been employed at Ogier and Crill Advocates (now Walkers), Marcus established the Jersey legal practice of Ozannes in 2006 before its merger in 2010 with Mourant. Marcus retired from the partnership of Mourant Ozannes in November 2011 to establish Hatstone Lawyers, a boutique private wealth and corporate practice. In December 2015, Marcus left Hatstone Lawyers to establish Lexstone Lawyers, a commercial and corporate practice, with his team.

Marcus was educated at Blundell's School in Devon, University of Exeter and University of Angers, France. Marcus is an Advocate of the Royal Court of Jersey and a registered person under the Financial Services (Jersey) Law 1998, as amended.

# The Channel Islands Securities Exchange Limited

For the year ended 31 December 2015

## Guy Coltman



Guy Coltman is a corporate partner of Carey Olsen's Jersey practice. Prior to joining Carey Olsen in September 2006, Guy practised corporate law with an emphasis on private and public company mergers and acquisitions at the London office of the international law firm Skadden Arps, Slate, Meagher & Flom (UK) LLP, and latterly with another law firm in Jersey.

Guy qualified as a solicitor in England and Wales whilst at Ashurst and was educated at McGill University in Montreal and Cambridge. He became a partner of Carey Olsen in March 2009. Guy is an Advocate of the Royal

Court of Jersey.

## Stuart Turner



Stuart Turner has spent the last 30 years in the financial market industry. His early career was spent in investment analysis, merchant banking and building a global market information business. He followed this with a series of roles at a variety of stock and derivatives exchanges, mostly in IT, clearing, risk management and senior management roles.

In the last decade, Stuart has been applying his wealth of experience as a consultant with Bourse Consult, a boutique consultancy that provides exchanges, other financial market infrastructures and regulators worldwide with both strategic and practical advice.

Most recently, Stuart has turned his long industry experience to different use by actually creating his own start-up company, Avenir Limited, to develop an innovative new range of post-trade software for securities depositories and share registrars.

## Fiona Le Poidevin



Fiona Le Poidevin is Chief Executive Officer for the Company.

Her role includes strategy formulation and business development, exploring opportunities to grow the business through the introduction of new products and service offerings.

Prior to her appointment in January 2015, Fiona was Chief Executive of Guernsey Finance. Previously a senior tax manager with a Big 4 accountancy firm, she has more than 17 years' experience working in financial services in both London and the Channel Islands.

Fiona is a Chartered Accountant (FCA) and holds the IoD Diploma in Company Direction. She is also a member of the AIC Channel Islands Committee, the IoD Guernsey Tax and Regulatory Committee and the Marketing Committee of the Guernsey Investment Fund Association.

# **The Channel Islands Securities Exchange Limited**

## **For the year ended 31 December 2015**

### **Independent Auditors' Report to the Members of The Channel Islands Securities Exchange Limited**

#### **Report on the financial statements**

We have audited the accompanying consolidated financial statements ("the financial statements") of The Channel Islands Securities Exchange Limited ("the Company") which comprise the consolidated statement of financial position as of 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Directors' responsibility for the financial statements**

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

#### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2015, and of the financial performance and the cash flows of the Group for the year then ended in accordance with United Kingdom Accounting Standards, including FRS 102 and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

#### **Report on other legal and regulatory requirements**

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information is as detailed on the Contents page.

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### Independent Auditors' Report to the Members of The Channel Islands Securities Exchange Limited (continued)

In our opinion the information as detailed in the Directors' Report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers CI LLP  
Chartered Accountants  
Guernsey, Channel Islands

Date: 29/3/16

#### Notes

(a) The maintenance and integrity of the Channel Islands Securities Exchange Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### Consolidated Statement of Comprehensive Income

		Year ended 31 December 2015 £	Period 14 November 2013 to 31 December 2014 £
Turnover	5	4,112,484	3,084,609
Administrative expenses	6, 7	(3,271,520)	(3,027,695)
<b>Operating profit</b>		<b>840,964</b>	<b>56,914</b>
Bank interest receivable		1,116	844
Interest payable		(8)	(804)
<b>Profit on ordinary activities before taxation</b>		<b>842,072</b>	<b>56,954</b>
Taxation	8	-	-
<b>Profit for the financial year / period</b>		<b>842,072</b>	<b>56,954</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the financial year / period</b>		<b>842,072</b>	<b>56,954</b>
Earnings per share:			
Basic	9	34.2p	2.3p
Diluted	9	30.0p	2.3p

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

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

The notes on pages 22 to 38 form an integral part of these Consolidated Financial Statements.



# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### Consolidated Statement of Financial Position

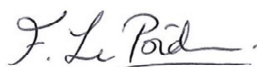
	<i>Notes</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
		<b>£</b>	<b>£</b>
<b>Fixed assets</b>			
Intangible assets	<i>11</i>	116,842	155,785
Tangible fixed assets	<i>12</i>	<u>117,466</u>	<u>48,692</u>
		<b>234,308</b>	<b>204,477</b>
<b>Current assets</b>			
Debtors	<i>13</i>	476,636	703,964
Cash and cash equivalents		<u>4,032,594</u>	<u>3,165,615</u>
		<b>4,509,230</b>	<b>3,869,579</b>
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	<i>14</i>	<u>(1,498,240)</u>	<u>(1,546,101)</u>
<b>Net current assets</b>		<b>3,010,990</b>	<b>2,323,478</b>
<b>Total assets less current liabilities</b>		<b>3,245,298</b>	<b>2,527,955</b>
Provisions for other liabilities	<i>15</i>	(821)	(90,000)
<b>Net assets</b>		<u><b>3,244,477</b></u>	<u><b>2,437,955</b></u>
<b>Capital and reserves</b>			
Called-up share capital	<i>16</i>	2,381,001	2,381,001
Share-based payments reserve	<i>18</i>	87,500	-
Retained earnings		775,976	56,954
<b>Shareholders' equity</b>		<u><b>3,244,477</b></u>	<u><b>2,437,955</b></u>

The Consolidated Financial Statements were approved by the Board of Directors on 29 March 2016.

Signed on behalf of the Board of Directors:



**J P Moulton**  
Director



**F L A Le Poidevin**  
Director

The notes on pages 22 to 38 form an integral part of these Consolidated Financial Statements.

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### Consolidated Statement of Changes in Equity

	Notes	Called-up share capital	Share- based payment s reserve	Retained earnings	Sharehol ders' equity
		£	£	£	£
Total comprehensive income for the period 14 November 2013 to 31 December 2014		-	-	56,954	56,954
New shares issued		2,461,001	-	-	2,461,001
Share issue costs		(80,000)	-	-	(80,000)
<b>At 31 December 2014</b>		<b>2,381,001</b>	<b>-</b>	<b>56,954</b>	<b>2,437,955</b>
<b>At 1 January 2015</b>		<b>2,381,001</b>	<b>-</b>	<b>56,954</b>	<b>2,437,955</b>
Total comprehensive income for the year ended 31 December 2015		-	-	842,072	842,072
Equity-settled share based payments	18	-	87,500	-	87,500
Dividends declared and paid		-	-	(123,050)	(123,050)
<b>At 31 December 2015</b>		<b>2,381,001</b>	<b>87,500</b>	<b>775,976</b>	<b>3,244,477</b>

The notes on pages 22 to 38 form an integral part of these Consolidated Financial Statements.

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### Consolidated Statement of Cash Flows

	<i>Notes</i>	Year ended 31 December 2015 £	Period 14 November 2013 to 31 December 2014 £
Net cash inflow from operating activities	<i>17(a)</i>	1,097,027	615,920
<b>Investing activities</b>			
Net cash and cash equivalent from purchase of business	<i>17(b)</i>	-	247,000
Payments to purchase tangible fixed assets		(108,106)	(70,345)
Interest received		1,116	844
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(106,990)</b>	<b>177,499</b>
<b>Financing activities</b>			
Interest paid		(8)	<b>(804)</b>
Issue of ordinary shares		-	2,453,000
Share issue costs paid		-	(80,000)
Dividend paid		(123,050)	-
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(123,058)</b>	<b>2,372,196</b>
<b>Increase in cash and cash equivalents</b>		<b>866,979</b>	<b>3,165,615</b>
Cash and cash equivalents at start of the financial period		3,165,615	-
Cash and cash equivalents at end of the financial period	<i>17(c)</i>	4,032,594	3,165,615

The notes on pages 22 to 38 form an integral part of these Consolidated Financial Statements.

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### Notes to the Consolidated Financial Statements

#### 1. General Information

The Company is a Limited Liability Company incorporated in Guernsey. The Registered Office is Helvetia Court, Les Echelons, St Peter Port, Guernsey GY1 14AR.

#### 2. Statement of Compliance

The consolidated financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (**FRS 102**) and with the Companies Law.

#### 3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statement are set out below.

##### (a) Basis of preparation

The consolidated financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value arising from the business acquisition in the prior financial period.

##### (b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its sole Subsidiary, CISEA, drawn up to 31 December 2015. The results of CISEA for the year have been consolidated. CISEA was incorporated on the same date as the Company and its results from incorporation up to 31 December 2014 have been consolidated and reported as part of the comparative amounts. All intra-Group transactions, balances, revenues and expenses are eliminated on consolidation.

##### (c) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements, estimates and assumptions made by the Directors in preparing these financial statements are outlined in Note 4.

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

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

#### (d) Business combinations and intangible assets

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding five years.

Goodwill is assessed for impairment where there are indicators of impairment and any impairment would be charged to the Consolidated Statement of Comprehensive Income.

#### (e) Tangible fixed assets and depreciation

Tangible fixed assets acquired upon acquisition of a business are stated at fair value less depreciation recognised since the business acquisition. Other tangible fixed assets acquired are stated at cost less depreciation recognised since acquisition.

- Office premises improvements are written off over the non cancellable period of occupancy of office premises.
- Furniture, fixtures and fittings acquired as a part of acquisition are written off over one year. Post acquisition, other furniture, fixtures and fittings acquired in the normal course of business are written off over three years.
- Computer equipment and software acquired as a part of acquisition are written off over one year. Post acquisition, other computer equipment and software acquired in the normal course of business is written off over three years.

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

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

#### (f) Revenue recognition

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

Initial membership fees are recognised upon receipt of membership applications. Annual membership fees are recognised on a straight line basis over the period to which the fee relates.

Annual listing fees and annual membership fees invoiced but not yet recognised as income are recorded as deferred income. Fee income recognised not yet invoiced is recorded as accrued income in debtors.

Other income comprises other Exchange fees and delegate fees for Exchange organised workshops. Such income is recognised on a receivables basis when the services have been provided.

#### (g) Provisions for liabilities and contingencies

##### *iii. 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.

##### *iv. Contingencies*

Contingent liabilities are not recognised as a liability, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date; or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

#### (h) Employee benefits

Employee benefits, other than termination benefits, include all benefits to which employees become entitled as a result of services rendered to the Group during the reporting period. Employee benefits include salary, paid holiday arrangements, bonus payments, payments to employee's personal pension arrangements and share based payments. The cost of such benefits are recognised as an expense on an accruals basis.

The Group has no formal bonus plan for employees. Bonus payments are recognised in the profit and loss account only when the Group has a legal and constructive obligation to make payments.

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

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

Employee termination benefits payable include benefits provided in exchange for the termination of an employee's employment. The cost of such benefits are recognised upon conclusion of any compromise agreement.

The Group provides no post-employment benefits.

#### (i) Share-based payments

The Group provides share based payment arrangements to certain employees. Equity-settled arrangements are measure at fair value at the date of grant. For benefits that vest immediately, the fair value of the share options issued is expensed at date of grant. In the absence of observable market prices, the Directors estimate fair value with reference to the Black Scholes internationally recognised pricing model.

The Group has no cash-settled arrangements.

#### (j) Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

#### (k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity of three months or less together with bank overdrafts. Bank overdrafts are shown in creditors: amounts falling due within one year.

#### (l) Financial instruments

##### *i. Financial assets*

Short-term financial assets including trade debtors and other debtors are initially recognised at transaction price, and subsequently measured at amortised cost, using the effective interest method.

Trade debtors arise from the raising of listing and membership fees. 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 income statement.

##### *ii. Financial liabilities*

Short-term financial liabilities, including payments on account from issuers, trade creditors and other creditors, are initially recognised at transaction price, and subsequently measured at amortised cost using the effective interest method.

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### Summary of Significant Accounting Policies (continued)

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

Payments on account from issuers are amounts received in advance of listing fees being raised and are also classified as current liabilities.

#### (m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds received.

### 4. Critical Accounting Judgements and Estimation Uncertainty

The following judgements have had the most significant effect on amounts recognised in the financial statements:

- Goodwill – fair values on acquisition (*notes 10 and 11*)

The Group acquired the business of operating an investment exchange in the Channel Islands from CISX on 20 December 2013. The Group acquired certain assets and liabilities of CISX in return for the consideration paid. Fair values at the time of the acquisition of the business needed to be assigned to the assets and liabilities assumed from CISX. The extent to which the fair values of the assets and liabilities fell short of the value of the consideration paid needed to be established and recognised as Goodwill.

The Group was provided with book cost values of assets and liabilities as recorded by CISX. The Group needed to consider the value of the recorded assets and liabilities and any adjustment necessary to the book cost values provided by CISX, and to consider recognition of any assets and liabilities not recorded, together with recognition of any contingent liabilities.

- Goodwill – impairment review

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

- Provision for liabilities - leasehold dilapidations (*note 15*)

The Group previously occupied certain premises following the acquisition of the business from CISX. No formal assignment of the sub-lease entered into by CISX ever took place and the Scheme of Arrangement did not explicitly address the transfer of liabilities associated with the sub-lease.



# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### 4. Critical Accounting Judgements and Estimation Uncertainty (continued)

A provision was made in the prior period for the estimated costs of dilapidation repairs in respect of premises occupied by the Company and its Subsidiary, notwithstanding the absence of a formal legally binding lease. The provision was recognised as a contingent liability as part of the acquisition of the business of the CISX.

Subsequent negotiations were undertaken with the liquidators of CISX leading to agreement for the Company to bear 1/15<sup>th</sup> of the costs once settlement was reached with the landlord of the premises. Post year-end negotiations between the liquidators of CISX and the landlord were concluded. Thus the uncertainty as to possible liability that existed in the prior period has now been resolved.

- Share based payments (*note 18*)

The fair value of share options issued under the Group Employee Share Option Scheme (ESOS) could not be established from observable market data. Instead, it has been necessary to estimate the fair value with reference to the internationally recognised Black Scholes option pricing model. The selection of this model, the selection of the inputs into this model, as well as, the review and the making allowance for the model's assumptions demanded judgement. In particular, best estimates were arrived at for the Company's share price, share price volatility and future dividend rates.

### 5. Turnover

	Year ended 31.12.2015		Period from 14.11.2013 to 31.12.2014	
	£	£	£	£
Membership fees				
• <i>Initial fees</i>	25,000		10,000	
• <i>Annual fees</i>	231,809		238,642	
		256,809		248,642
Listing fees				
• <i>Initial fees</i>	1,303,100		1,296,444	
• <i>Annual fees</i>	2,326,405		1,325,956	
• <i>Other fees</i>	195,900		152,675	
		3,825,405		2,775,075
Other income		30,270		60,892
		<b>4,112,484</b>		<b>3,084,609</b>

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### 6. Staff Costs

	Year ended 31.12.2015	Period from 14.11.2013 to 31.12.2014
	£	£
Administrative expenses includes staff costs as follows:		
Salaries, including bonus payments	1,818,454	1,644,336
Social security costs	105,838	93,807
Share based payments	87,500	-
Payments to employee's personal pension arrangements	63,414	89,458
Health insurance	43,723	42,462
Other employee benefits	25,087	31,006
	<b>2,144,016</b>	<b>1,901,069</b>

The average monthly number of persons (including executive directors) employed by the Group was 28.0 full time equivalents (FTEs) during the year and 26.3 FTEs during the period from 20 December 2013 to 31 December 2014.

### 7. Auditors' Remuneration

	Year ended 31.12.2015	Period from 14.11.2013 to 31.12.2014
	£	£
Fees payable to the Company's auditors for:		
Audit services	32,000	20,000
Non-audit services	-	1,500
	<b>32,000</b>	<b>21,500</b>

### 8. Taxation

The Company and its Subsidiary are subject to taxation in Guernsey at the company standard rate of 0%. The Jersey office operates as a Jersey Branch of the Company and its results are subject to taxation in Jersey at the standard corporate tax rate of 0%.

### 9. Earnings per Share

	Year ended 31.12.2015	Period from 14.11.2013 to 31.12.2014
	£	£
<b>Weighted average number of ordinary shares</b>		
Basic number of shares	2,461,000	2,461,000
Diluted number of shares	2,811,000	2,461,000

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### 10. Business Combination

On 14 November 2013 the Company and its wholly owned Subsidiary, CISEA, were incorporated in Guernsey.

By way of Scheme of Arrangement under Part VIII of the Companies Law, sanctioned by order of the Royal Court on 20 December 2013, the Company and CISEA acquired the business of operating an investment exchange in the Channel Islands from CISX.

On 20 December 2013, CISEA was licensed to operate as an investment exchange by the GFSC under the POI Law.

Further to the provisions of the IEN Rules and the Licensees Rules, the GFSC specified, in respect of financial resources, that CISEA must maintain net assets of at least £500,000 and have in place professional indemnity insurance cover which in the opinion of CISEA directors is sufficient to meet the commitments and to withstand the risks to which its business is subject.

The Company subscribed for 500,000 shares of £1 each in CISEA to provide CISEA with the required financial resources.

The following detail summarises the consideration paid by the Group to acquire the CISX business and the fair value of assets acquired and liabilities assumed at the acquisition date.

Consideration at 20 December 2013:

	£
Ordinary shares issued	8,000
Cash consideration	152,000
<b>Total consideration paid</b>	<b><u>160,000</u></b>

For cash flow disclosure purposes the amounts are disclosed as follows:  
(See note 17(b))

	£
Cash consideration paid	(152,000)
Cash and cash equivalents acquired	399,000
<b>Net cash inflow on acquisition</b>	<b><u>247,000</u></b>

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### 10. Business Combination (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed:

	<i>Note</i>	<b>Book values</b> £	<b>Adjustments</b> £	<b>Fair value</b> £
Tangible assets		33,601	-	33,601
Trade debtors	(a)	118,859	(11,416)	107,443
Payments on account	(b)	(149,285)	41,615	(107,670)
Prepayments	(c)	28,881	(19,034)	9,847
Deferred income		(368,468)	-	(368,468)
Accruals	(d)	-	(18,485)	(18,485)
Provision for liabilities	(e)	-	(90,000)	(90,000)
Cash at bank		399,000	-	399,000
<b>Total identifiable net assets</b>		<b>62,588</b>	<b>( 97,320)</b>	<b>( 34,732)</b>

The adjustments to the book cost values provided by CISX were as follows:

- (f) Provision against doubtful trade debtors
- (g) De-recognition of the liability in respect of unidentified receipts
- (h) Recognition of a prepayment of no value
- (i) Recognition of an accrual in respect of holiday pay
- (j) Recognition of provision for dilapidations (*see Note 15*)

	£
Cash consideration	152,000
Shares	8,000
	<hr/>
	160,000
Fair value acquired	(34,732)
<b>Goodwill</b>	<hr/> <b>194,732</b>

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### 11. Intangible Assets

Goodwill on acquisition of business	£
<b>Cost:</b>	
Acquisition of business	194,732
At 31 December 2014	<u>194,732</u>
Additions	-
At 31 December 2015	<u>194,732</u>
<b>Amortisation:</b>	
Charge for the period ended 31 December 2014	38,947
At 31 December 2014	<u>38,947</u>
Charge for year ended 31 December 2015	38,943
At 31 December 2015	<u>77,890</u>
<b>Carrying amount</b>	
At 31 December 2014	<u>155,785</u>
At 31 December 2015	<u>116,842</u>

### 12. Tangible Assets

	Office premises improvements £	Furniture, fixtures and fittings £	Computer equipment and software £	Total £
<b>Cost:</b>				
Acquisition of business	8,986	21,188	3,427	33,601
Other additions	-	15,161	55,184	70,345
At 31 December 2014	<u>8,986</u>	<u>36,349</u>	<u>58,611</u>	<u>103,946</u>
Additions	78,774	10,209	19,123	108,106
Written down	(8,986)	(21,188)	(3,427)	(33,601)
At 31 December 2015	<u>78,774</u>	<u>25,370</u>	<u>74,307</u>	<u>178,451</u>
<b>Depreciation:</b>				
Charge for the period ended 31 December 2014	7,188	26,243	21,823	55,254
At 31 December 2014	<u>7,188</u>	<u>26,243</u>	<u>21,823</u>	<u>55,254</u>
Charge for the year ended 31 December 2015	6,106	8,458	24,768	39,332
Written down	(8,986)	(21,188)	(3,427)	(33,601)
At 31 December 2015	<u>4,308</u>	<u>13,513</u>	<u>43,164</u>	<u>60,985</u>
<b>Carrying amount:</b>				
At 31 December 2014	<u>1,798</u>	<u>10,106</u>	<u>36,788</u>	<u>48,692</u>
At 31 December 2015	<u>74,466</u>	<u>11,857</u>	<u>31,143</u>	<u>117,466</u>

## The Channel Islands Securities Exchange Limited

For the year ended 31 December 2015

### 13. Debtors

	31.12.2015	31.12.2014
	£	£
Trade debtors	363,018	630,155
Other debtors	4,043	6,226
Prepayments and accrued income	109,575	67,583
	<b>476,636</b>	<b>703,964</b>

No amounts fall due after more than one year.

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

	31.12.2015	31.12.2014
	£	£
Deferred income	1,250,916	1,223,209
Payments on account from issuers	30,541	68,512
Trade creditors and accruals	194,313	115,372
Income tax and social security	-	128,585
Other creditors	22,470	10,423
	<b>1,498,240</b>	<b>1,546,101</b>

### 15. Provision for Liabilities

Dilapidations provision	£
Acquisition of business	90,000
<b>At 31 December 2014</b>	<b>90,000</b>
Adjustment to provision acquired	(84,715)
Reclassification as Creditor: Amount falling due within one year	(5,285)
New provision established	821
<b>At 31 December 2015</b>	<b>821</b>

The provision as at 31 December 2014 related to the dilapidations liability in respect of premises previously occupied by the Group.

A sub-lease in respect of the 1<sup>st</sup> floor of One Lefebvre Street, St. Peter Port, Guernsey was entered into by CISX on 27 November 2000. Under this sub-lease, CISX had an obligation to repair damages which occurred during the life of the lease, including wear and tear. The Scheme of Arrangement approved by the Royal Court on 20 December 2013 did not explicitly address the transfer of obligations in respect of the sub-lease.

The Group occupied the 1<sup>st</sup> floor of One Lefebvre Street following the Scheme of Arrangement up and until the end of the sub-lease on 30 March 2015. The Company met the rental and service charge obligations under the sub-lease post the Scheme of Arrangement.

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### 15. Provision for Liabilities (continued)

Further to the Scheme of Arrangement, the Company established a provision of £90,000 in respect of the potential dilapidations liability. With negotiations between the Company, the liquidators of CISX and the Landlord of the premises yet to commence, the provision established was left unchanged as at 31 December 2014.

A formal assessment of dilapidations was commissioned by the Landlord upon the termination of the Head Lease on 31 March 2015. Negotiations between the Landlord and CISX duly followed. Separately, negotiations began between the Company and the liquidators of CISX.

Negotiations between the Company and the liquidators of CISX concluded with the Company agreeing to bear 1/15<sup>th</sup> of the costs once settlement was reached with the landlord. Post year-end the liquidators of CISX and the landlord reached agreement as to the costs. The Company then paid £5,285 settling its agreed share of the claim.

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. Recognition of a provision of £821 has been made based on days since the completion of the fitting out to 31 December 2015.

### 16. Share Capital

	31.12.2015	31.12.2014
	£	£
<b>Authorised</b>		
1 Non-Participating share of £1	1	1
5,000,000 Ordinary shares of £1 each	5,000,000	5,000,000
	<u>5,000,001</u>	<u>5,000,001</u>
<b>Allotted, called up and fully paid</b>		
Issued to the States of Guernsey – 1 Non-Participating share	1	1
Issued on placement of shares – 2,453,000 Ordinary shares	2,453,000	2,453,000
Placement costs	(80,000)	(80,000)
Issued on acquisition of business – 8,000 Ordinary shares	8,000	8,000
	<u>2,381,001</u>	<u>2,381,001</u>

The Articles of Association stipulate that the Non-Participating share only carries voting rights where specifically provided for in the Companies Law and carries no right to receive any dividend and, on winding up, only the par value shall be payable.

Further to an Offer document dated 27 November 2013, 2,453,000 ordinary shares of £1 each were placed and issued at par. The placement involved underwriting and legal costs of £80,000. The net proceeds of the issued shares was £2,373,000.

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### 17. Notes to the Statement of Cash Flows

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

	Year ended		Period from 14.11.2013 to	
	31.12.2015		31.12.2014	
	£	£	£	£
Profit for the financial period		842,072		56,954
Adjustments to reconcile profit for the period to net cash flow from operating activities:				
Amortisation of intangible assets		38,943		38,947
Depreciation of tangible assets		39,332		55,254
Share based payments charge		87,500		-
Provision for other liabilities		(89,179)		-
Interest payable		8		804
Bank interest receivable		(1,116)		(844)
Working capital movements:				
<i>Debtors on acquisition of business</i>			117,291	
<i>As at 31 December 2014</i>	703,964		<u>703,964</u>	
<i>As at 31 December 2015</i>	<u>476,636</u>			
Increase in debtors		227,328		(586,673)
<i>Creditors on acquisition of business</i>			(494,623)	
<i>As at 31 December 2014</i>	1,546,101		<u>1,546,101</u>	
<i>As at 31 December 2015</i>	<u>1,498,240</u>			
Increase in creditors		(47,861)		1,051,478
<b>Net cash inflow from operating activities</b>		<b><u>1,097,027</u></b>		<b><u>615,920</u></b>

#### (b) Acquisition of business

	Period from
	14.11.2013 to
	31.12.2014
	£
<i>Receipt of cash on acquisition of business</i>	399,000
<i>Payment of cash on acquisition of business</i>	<u>(152,000)</u>
Net cash and cash equivalents acquired from purchase of business	<b><u>247,000</u></b>

#### (c) Cash and cash equivalents

	31.12.2015	31.12.2014
	£	£
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	<u>4,032,594</u>	<u>3,165,615</u>



# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### 18. Share based payments

#### Equity-settled share option scheme

The Group operates an Employee Share Option Scheme (ESOS) as approved by the shareholders of the Company by way of written resolution on 9 December, 2015. Under the ESOS, the Directors determine which employees are eligible to participate in the ESOS and no employee is, by right, eligible to participate.

Under the ESOS, the lesser of 1 million shares or 20% of the issued share capital of the Company may be issued over a 7 year period. The Directors may apply exercise conditions to the issue of any options. Any options issued may be exercised any time between date of grant and 7 years after grant. The option exercise price is set by the Directors and must not be less than the market value of CISE shares at date of grant. An employee may not sell or otherwise transfer options granted and the options either lapse within 1 month of cessation of employment or are automatically cancelled. Details of the share options granted during the year are as follows:-

	<b>Number of options</b>	<b>Exercise price</b>
Granted during the year	350,000	£1.00
Outstanding at the end of the year	350,000	£1.00

The options granted were subject to no exercise conditions and vested on the date of grant. Accordingly, the increase in equity associated with the grant of the options has been recognised in full on the date of grant. All options granted in the year are still outstanding at year end as no options were exercised or expired between their grant date and year end.

The Group was unable to directly measure the fair value of employee services received. Instead the fair value of the share options at the date of grant has been utilised. With no observable market price, the Directors have needed to utilise an alternative valuation methodology. The Directors arrived at a value for the options with reference to the internationally recognised Black Scholes option pricing model.

In respect of the equity-settled share-based payment transactions, the Group recognised a charge to the consolidated statement of comprehensive income within staff costs, detailed in note 6, for the year of £87,500.

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### 19. Related Parties

During the year and the prior reporting period 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 2015 and at 31 December 2014, were as follows:

#### iii. Entities with significant influence over the Group

	<u>2015</u>	<u>2014</u>
Turnover		
• Membership fees	£5,000	£5,000
• Other income – Workshop fees	£975	£690
Dividend payments	£12,305	Nil

Listing Member, Carey Olsen Corporate Finance Limited (**COCFL**), holds 10% of the issued share capital of the Company. In addition to the Membership fee, COCFL paid to attend workshops organised by the Group.

Director G E S Coltman is a corporate partner of Carey Olsen's Jersey practice and received total remuneration of £20,000 (2014: £16,845) for the year.

#### iv. Entities controlled by Key Management Personnel

	<u>2015</u>	<u>2014</u>
Turnover		
• Listing fees	£14,436	£22,826
• Membership fees	£5,000	£5,000
• Other income – <i>Workshop fees</i>	Nil	£345
Expenses		
• Legal fees	£525	£4,925
Dividend payments	£22,575	Nil
Debtors		
• Trade debtors – <i>Listing fees</i>	Nil	£7,000
Creditors: Amounts falling due within one year		
• Deferred income – <i>Listing fees</i>	£2,631	£4,094

Certain issuers that have listed securities on the Exchange operated by the Group are subject to control by Director, J P Moulton.

Listing Member, Hatstone Listing Services Limited (**HLSL**) is an entity in which Director Advocate Marcus Stone, previously held a beneficial interest. In addition to the Membership fee, in 2014, HLSL paid to attend workshops organised by the Group.

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

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### 19. Related Parties (continued)

#### (a) Terms and conditions of transactions with related parties

Income and expense transactions between related parties are made at normal market prices. Outstanding balances are unsecured, interest free and cash settlement is expected in line with set terms. Membership fees are due within 60 days of invoice.

The Group has not made any provision for doubtful debts relating to any amounts owed by related parties.

#### (b) Key management personnel

All Directors of the Company, as well as all the Directors of CISEA, are considered to be key management personnel during their term of appointment. The compensation recognised for the year in respect of key management totalled £864,694 (2014: £458,022).

The Directors' Report details the interests in the share capital of the Company at the year end and of the share transactions during the year and prior reporting period.

As at 31 December 2015, Directors of CISEA, together with connected persons, held a total of 5,000 ordinary shares of the Company and 100,000 share options (2014: 5,000 ordinary shares and nil share options). See also note 18 above.

In addition to the dividends received by entities controlled by key management reported above, key management and their close family received dividends totalling £625 in 2015 (2014: Nil)

### 20. Controlling Party

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

### 21. Contingent Liabilities

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

A former employee of the Company brought an action in the Royal Court for compensation for loss of office. This stems from a written Compromise Agreement upon which he seeks to rely, dated 13 January 2014. This is between himself, CISX and the Company. He claims £30,000 under that Compromise Agreement. The action is contested and is due to be heard before the Royal Court on 30/31 March 2016 with judgment expected no later than the following month.

# The Channel Islands Securities Exchange Limited

## For the year ended 31 December 2015

### 22. Operating Leases

On 8 June 2015, the Company entered into a 15 year lease in respect of office premises at Helvetia Court, South Esplanade, St. Peter Port, Guernsey. The lease allows for early termination after 7 years.

On 20 July 2015, the Company entered into a serviced offices licence in relation to an office at Forum 3, Grenville Street, St. Helier, Jersey. The minimum term under the licence is 30 months.

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

Payments due	31.12.2015	31.12.2014
	£	£
Not later than 1 year	191,616	-
Later than 1 year and not later than 5 years	758,200	-
Later than 5 years	266,360	-
	<u>1,216,176</u>	<u>-</u>

The Group recognised operating lease charges totalling £177,355 for the year (2014: £97,048).

### 23. Events after the Reporting Period

At the AGM held on 19 October 2015 it was announced that it was intended to list the ordinary shares of the Company on the Exchange during 2016. This plan remains the intention of the company and is being actively progressed.