# The International Stock Exchange Group Limited

# Annual Report and Consolidated Financial Statements

# For the year ended 31 December 2018

## Contents

## Corporate Information

| | | |
|---|---|---|
| **Directors:** | J P Moulton | (Chairman) |
| | G E S Coltman | |
| | F L A Le Poidevin | (Chief Executive Officer) |
| | S R Turner | |
| | A A Whamond | |
| **Secretary:** | E A C Humphry | |
| **Registered Office:** | Helvetia Court<br>Block B, Third Floor<br>Les Echelons<br>St Peter Port<br>Guernsey<br>GY1 1AR | |
| **Registered Number:** | 57524 | |
| **Independent Auditor:** | PricewaterhouseCoopers CI LLP<br>Royal Bank Place<br>1 Glategny Esplanade<br>St Peter Port<br>Guernsey<br>GY1 4ND | |
| **Listing Sponsor:** | Bedell Channel Islands Ltd<br>26 New Street<br>St Helier<br>Jersey<br>JE2 3RA | |
| **Registrar:** | Anson Registrars Ltd<br>Anson House<br>Havilland Street<br>St Peter Port<br>Guernsey<br>GY1 2QE | |

## Chairman's Statement

Last year the Company built on the success of recent years to record a number of notable achievements, very strong business flows and increased profits.

The increase in profits to just over £3.3 million (2017: £2.5 million) has principally been driven by the continued growth in new listings. There were 865 new securities listed during 2018, which was an increase of 22.7% on 2017 (2017: 705) and this represents the largest number of securities listed on the Exchange in a calendar year since the business was established in 1998. This took the total number of listed securities on TISE to 2,857 at the end of December 2018 (2017: 2,511).

The growth in new business reflects the Exchange's ability to provide a proportionate regulatory environment for the streamlined and cost-effective listing of a wide range of securities from a variety of issuers. The increased demand from issuers for listings on the Exchange is also helping to attract new members who want to be able to provide a more holistic offering to their client base by adding this to their range of services.

In 2018, new members spanned Guernsey, Jersey and the Isle of Man and comprised businesses looking to capitalise on existing core business streams for the Exchange, those operating in niche product areas and those with wide international networks. As such, these new members offer the potential to further develop the diversification of business both in terms of product types and geographical origins.

Last year, new listings were characterised by some world firsts, further development of niche product areas and further diversification in terms of the geographical origin of business.

For example, the Exchange played a role in an innovative Insurance Linked Securities (ILS) transaction when it became home to what is believed to be the first ever regulated exchange listing of notes digitised on a blockchain; US$4.1 billion of bonds were listed on TISE as part of the world's most expensive real estate transaction for a single building, The Center, which is Hong Kong's fifth largest skyscraper; and a £3.5 billion debt issuance from a FTSE 100 sports betting and gaming company was the first listing on the Exchange to be sponsored by one of the Isle of Man based member firms.

TISE has also become home to growing numbers of high yield bonds. Third party research shows that 44% of all new European high yield bond listings in the calendar year to the end of the third quarter of 2018 were on our Exchange. These comprise high yield bonds from predominantly US and European headquartered companies, both public and private, including leading global brands and specialists in their respective fields. There were more than 170 high yield bonds listed on the Exchange at the end of December 2018.

We have also continued to grow our market share of HMRC approved UK tax resident Real Estate Investment Trusts (REITs) so that now more than a quarter are listed on the Exchange. Leading industry commentators now recognise TISE as *the* alternative to the Main Market of the London Stock Exchange and in 2018, new listings outstripped those of the Exchange's competitors. Some of the REITs are more 'institutional' in nature while others are more widely held and more regularly traded through the Exchange.

The growth in new listings of more liquid securities has helped to grow the number, volume and value of trades reported on the Exchange during 2018 in comparison with previous years. Whilst this means that levels of trading are exceeding those of other exchanges which would traditionally have been seen as our competitors, they remain markedly lower than the larger exchanges.

Investment into a new trading system remains at the forefront of our thinking but it is neither an inexpensive commitment nor without a range of possibilities. As such, it is a decision which is not being taken lightly and without due consideration of the various factors at play, including the changes taking place within the exchange/markets space in light of technological developments. It is also worth remembering that – as we have seen from competitor exchanges – it is not a 'silver bullet' to generating more liquidity and TISE also needs to attract more liquid securities.

In this regard, an area of focus for us remains attracting more trading companies from our 'home' markets of Guernsey, Jersey and the Isle of Man, as well as UK Small and Medium-sized Enterprises (SMEs). I am delighted to report that, after period close, in January 2019, a UK flooring distribution business became the first UK SME to list on TISE. Upon listing it raised £7 million of capital to be used towards future acquisitions, some of which have already been effected.

We have received testimony from the issuer that a listing on TISE provided a pragmatic and cost-effective route to going public and we have received positive feedback from the issuer's advisers on the streamlined and efficient process for listing on TISE. This example illustrates the way in which TISE is not only a viable, but also a tried and tested, option for growth companies to raise finance from the capital markets in order to significantly scale their business.

There were a number of other significant achievements during the year, including: continued automation of the listing process through the introduction of TISE Portal; recognition of TISE by the US Securities and Exchange Commission (SEC) as a Designated Offshore Securities Market (DOSM); the revision of the Listing and Membership Rules (effective from 1 January 2019), including to allow for the listing of debt being marketed to retail investors; and the launch of a green finance market segment, **TISE GREEN**, to enhance the visibility of those investments making a positive impact on the environment.

The Company's position is underpinned by a strong balance sheet, including significant liquid funds which are available for use on projects, such as a new trading system, which are planned for the future or new opportunities which seem likely to emerge. We have continued to explore strategic transactions of varied natures but as yet, nothing has seemed attractive enough to pursue.

The Company paid dividends of 30p per share in 2018, taking the total dividends paid to 47.5p per share since listing.

In total there were 21 trades of the Company's shares reported on the Exchange during 2018, with a total volume of 174,610 and total value of £1,438,905. The share price rose from 700p on 4 January, peaking at 1125p on 8 October before falling to 900p on 1 November, which was the last trade reported in 2018 (and the last trade post period close was at the same price).

For the year 2019 onwards, income from the regulated activity of operating an investment exchange was brought within the scope of the Guernsey company intermediate income tax rate of 10%.

The Company is well positioned for the future although the impact of both the general market conditions and Brexit remain to be seen. The period of time immediately before and after the Brexit referendum was something of a hiatus, although it was followed by a period of increased activity. From our perspective, the depreciation of Sterling was one of a number of factors which drove an increase in demand for UK REITs and a good proportion chose to list on TISE.

The imminent withdrawal of the UK from the EU is once again creating something of a hiatus in the markets and generally there is a lot of uncertainty in the UK. However, the fact that TISE is located in the British Crown Dependencies, which are already outside the EU, means that we offer certainty and stability but still from within the 'British family'. We believe that this enhances our proposition, especially for UK trading companies, and so while Brexit is creating uncertainty, it is also a time of opportunity for TISE.

That is why, in these times, it is important that we continue to enhance our client service, including through the increased use of automation through the listing process; that we continue to scale up the marketing of our offering; and that we continue to be innovative in our thinking and our approach.

We are ready to seize the opportunities which will add long term value to the business.

I would like to thank my fellow Board members, the Group's executive team and staff for their efforts in making 2018 such a success and our shareholders, members and wider stakeholders for their continued support.

Jon Moulton
26 March 2019

## Directors' Report

The Directors submit their annual report and audited consolidated financial statements of The International Stock Exchange Group Limited (the **Company** or **TISEG**) and its wholly owned subsidiary The International Stock Exchange Authority Limited (the **Subsidiary** or **TISEA**) (together the **Group**) for the year ended 31 December 2018.

### Background

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

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

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

### Principal Activity

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

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

### Results and Dividends

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

Dividends totalling £820,300, were paid during the year (2017: £243,295). A dividend of 10p per share was declared on 28 March 2018 and paid on 30 April 2018. A further dividend of 20p per share was declared on 20 September 2018 and paid on 22 October 2018.

### Business Review

The number of securities listed on the Exchange during 2018 was the largest ever.

There were 865 new listings, which was a 22.7% increase on the previous year (2017: 705) and which itself had been a 40% increase from 2016 when there were 502 listings. There were 519 de-listings during the year, which was an 11.3% increase from the previous year (2017: 466). Overall during 2018, the total number of listed entities on the Exchange grew by 346 (13.7%), from 2,511 to 2,857.

The new listings during 2018 included 2 equity securities of trading companies, 11 securities of closed ended investment vehicles and 16 securities of open ended investment vehicles, with the remainder being mainly various forms of debt.

There were more than 170 high yield bonds listed on the Exchange at the end of December 2018 and third party research shows that 44% of all new European high yield bond listings in the calendar year to the end of the third quarter of 2018 were listed on TISE.

The 11 new securities of closed ended investment vehicles which listed on the Exchange in 2018 included 6 HMRC approved UK tax resident Real Estate Investment Trusts (REITs). Data and commentary from leading industry analysts shows that TISE is growing its market share so that now more than a quarter of all UK REITs are listed on the Exchange and it is recognised as *the* alternative to the Main Market of the London Stock Exchange.

Other new listings included world firsts, namely the first-ever regulated exchange listing of notes digitised on a blockchain; and the listing of notes which facilitated the most expensive real estate transaction to date. There has also been further development of niche product areas, such as Insurance Linked Securities (ILS) and further diversification in terms of the geographical origin of business, for example the US, South Africa, the Middle East and Asia. These trends have been assisted by, and offer the potential for further development, as a result of the expansion of the membership base.

As at 31 December 2018, there were 43 Members of which 39 were Listing (only) Members, 2 were combined Listing and Trading Members and 2 were Trading (only) Members. During 2018, 5 new Listing (only) Members were admitted: 1 from Guernsey – a specialist in ILS; 1 from the Isle of Man – a fund administrator; and 3 from Jersey, comprising a law firm and corporate service provider, an administration services firm and a fund and corporate service provider, all of whom are multi-jurisdictional.

The scope for the expansion of business originating from further afield, especially the US, has been given a boost as a result of TISE receiving recognition by the US Securities and Exchange Commission (SEC) as a Designated Offshore Securities Market (DOSM). The approval is a significant endorsement of the standards of governance by which the market is operated and adds further credibility to the Exchange internationally. In practice, it also means that securities listed on TISE can be issued and resold in a more streamlined manner.

The Listing and Membership Rules were revised from 1 January in order to not just provide a more user-friendly rulebook but also to ensure that the rules themselves are fit for listing the widest range of business. The changes included specific amendments to ensure provision of the most appropriate environment for listing Small and Medium-sized Enterprises (SMEs) and to provide for the listing of debt being marketed to retail investors.

The amendment of the rules to facilitate the listing of retail debt was made to coincide with the launch of a new market segment, **TISE GREEN**, which aims to enhance the visibility of those investments which make a positive impact on the environment (and are typically more retail focused). **TISE GREEN** is open to all types of green investments, including bonds, funds and trading companies, from any jurisdiction, subject to having an appropriate third-party providing verification that the investment meets an internationally recognised standard of green finance. The investment must first be admitted to TISE's Official List but there is no additional charge for the subsequent entry to, and presence on, **TISE GREEN**.

Last year also saw the launch of TISE Portal. It was introduced as an easy to use and secure online platform by which members (and other contributors) could undertake the continuing obligations for issuers with securities listed on TISE. A significant amount of work has also been undertaken to expand the functionality to allow for the online submission of listing applications and this tool is being rolled out in the second quarter of 2019. Automation remains a core focus as the business seeks to make continued efficiencies and to enhance client service.

### Directors of the Company

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

J P Moulton

G E S Coltman

S R Turner

F L A Le Poidevin

A A Whamond

### Directors and their Interests

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

| | 31 December 2018 | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|
| | No. of shares | Percentage | Interest | No. of shares | Percentage | Interest |
| F L A Le Poidevin | 250,000 | 8.86% | Direct | nil | nil | n/a |
| G E S Coltman | 246,100 | 8.72% | See below | 246,100 | 9.61% | See below |
| J P Moulton | 243,430 | 8.63% | Indirect | 200,000 | 7.81% | Indirect |

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

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

| | 31 December 2018 | 31 December 2017 | | | |
|---|---|---|---|---|---|
| | No. of options | No. of options | Exercise price | Grant date | Exercise date |
| F L A Le Poidevin | nil | 250,000 | £1.00 | 9/12/15 | 15/6/18 |

### Directors' Responsibilities

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

In preparing those financial statements the Directors are required to:

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

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

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

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

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

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

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

**Financial Statements and Audit**

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

**Independent Auditor**

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

Approved by the Board of Directors on 26 March 2019 and signed on its behalf by:

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

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

## Corporate Governance Report

### Chairman's Statement

The Board recognises the importance of corporate governance and its contribution to promoting the long-term success of the Company. The Board has adopted the Quoted Companies Alliance (**QCA**) Corporate Governance Code (**Code**) in line with changes to TISE's Listing Rules requiring issuers to follow a recognised code of corporate governance. Our application of the Code's principles of good corporate governance is summarised below. Further details of our governance arrangements and application of the Code are included within the Statement of Compliance which is available on the investor relations page of our website (www.tisegroup.com/about/investor-relations).

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

The Board determines the Group's strategy and overall commercial objectives, ensuring that our organisation is run effectively for the long-term benefit of our shareholders and other key stakeholders. The Group's growth strategy is based on expanding our existing business whilst also identifying new revenue opportunities through the diversification of our products, services and geographical markets. Key to this strategy is the development of our equity market, the biggest challenge for which remains the ability to create liquidity. The Board continues to explore opportunities to accelerate this strategy through inorganic growth.

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

The Company's governance and reporting arrangements are kept under review and enhancements are made where opportunities to do so are identified. The Company is a member of the QCA, which provides access to valuable expertise and guidance.

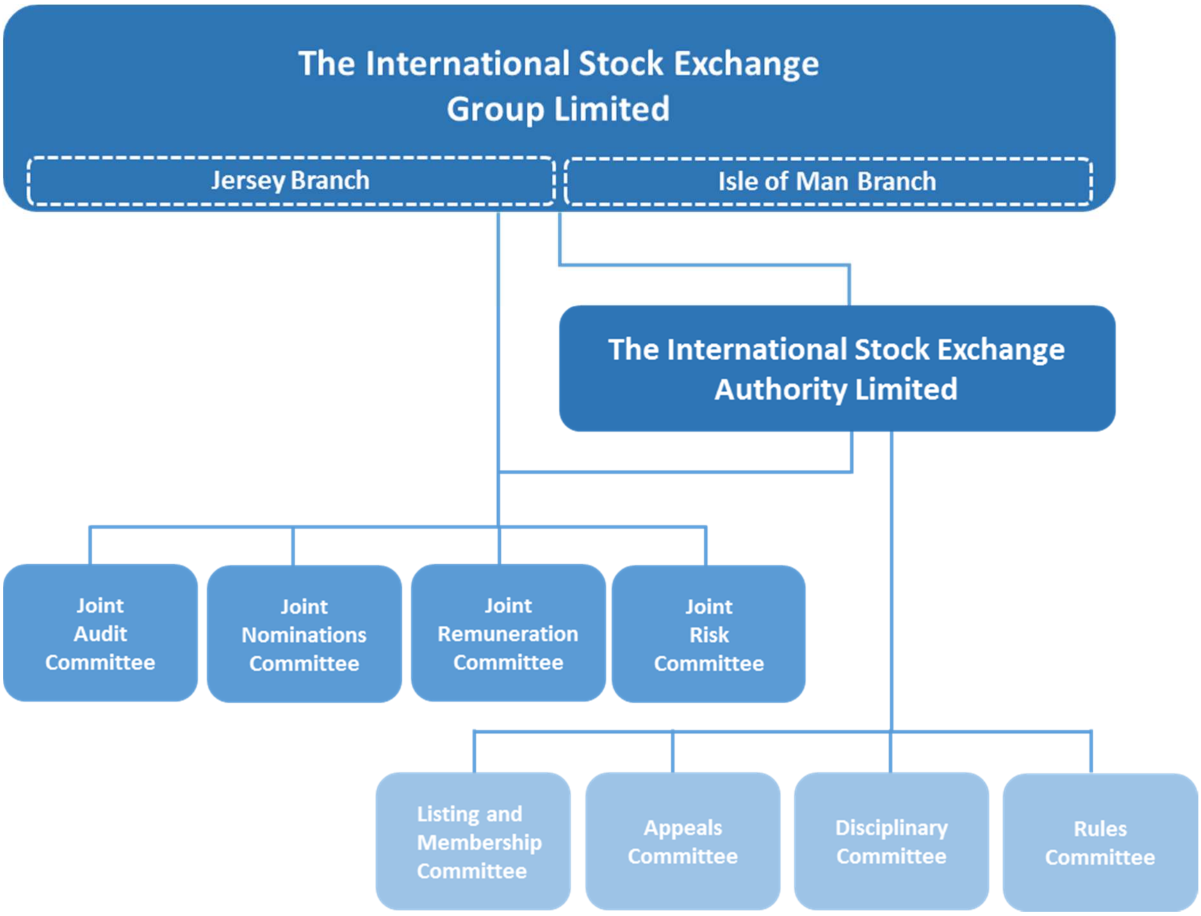
Lastly, I am pleased to report that the Board considers that it has complied with all principles of the Code during the year.

Jon Moulton
Chairman

**Governance Framework**

The Group is committed to high standards of corporate governance and has implemented an effective governance framework which underpins delivery of its vision, mission and values. The Group's legal structure separates the strategic and promotional activities of the Company from the regulatory activities and functions of the Subsidiary. The segregation of these potentially conflicting interests is achieved on a day-to-day basis through the operation of ethical walls and information barriers.

The boards of the Group companies each have highly committed, competent board members with a wide range of experience amongst them. They are supported by established senior management teams with significant expertise in their respective fields.




**The Board**

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

The roles of the Chairman and Chief Executive Officer are distinct and separate with a clear division of responsibilities, which are set out in writing. The Chairman is responsible for the leadership of the Board and for creating the conditions for overall Board and individual director effectiveness. The

Chairman ensures that all directors actively participate in Board and committee meetings and effectively contribute their skills and experience to inform discussions and shape the Group's strategic direction.

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

The Chairman of the Board, Jon Moulton, is also currently Chairman of the Audit Committee. Whilst recognising that these roles are commonly segregated, this arrangement reflects that only one of the Company's non-executive directors has specific financial expertise and an accountancy qualification. The Board considers that this arrangement is the most appropriate and effective use of his expertise.

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

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

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

The Nominations Committee considers succession planning on an at least annual basis and makes recommendations to the Board. The Board benefits from having directors with a variety of lengths of service and no immediate succession issues have been identified.

*Composition, Skills and Training*
As at 31 December 2018, the Board comprised four independent non-executive directors (including the Chairman) and the Chief Executive Officer. The Board has determined that all non-executive directors are considered to be independent in character and judgement. All directors are aware of and fulfil their duties and by doing so exercise, both individually and collectively, objective and independent judgement. In arriving at this conclusion, the Board also considers other relevant qualities, such as the directors' experience, knowledge, professional background, integrity and ethics.

The Board is considered to be a suitable size and includes an appropriate combination of skills, experience, independence and other characteristics which promote a diversity of perspectives and ensure that it operates effectively. The Board takes decisions collaboratively and there is collective responsibility for achieving success.

The Board benefits from directors with specific expertise in financial markets, corporate finance, accountancy, law, marketing, IT and change management. The Board comprises directors with the collective experience, skills, capability and other characteristics which are required to develop and deliver the Group's strategy for the long-term benefit of our shareholders and other key stakeholders. Details of the background, experience, skills and time commitment of each of the directors are provided on pages 18 to 20.

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

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

*Meetings*
The Board meets formally at least four times each year and supplements this with additional ad hoc meetings as required. In addition to its scheduled quarterly meetings, the Board held a further nine meetings during 2018.

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

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

| **Director** | **Board** | **Audit Committee** | **Nominations Committee** | **Remuneration Committee** | **Risk Committee** |
|---|---|---|---|---|---|
| Jon Moulton | 10 | 2 | 2 | 3 | n/a |
| Guy Coltman | 9 | n/a | 3 | 5 | 5 |
| Fiona Le Poidevin | 13 | n/a | n/a | n/a | n/a |
| Stuart Turner | 11 | n/a | 3 | 5 | 5 |
| Anderson Whamond | 11 | 3 | 3 | 5 | n/a |
| Number of meetings held | **13** | **3** | **3** | **5** | **5** |

**Group Committees**

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

The Board is represented on each of these committees by at least two non-executive directors and the committees provide regular reporting to the Board on their activities. Whilst these committees may provide advice and make recommendations to the Board in respect of any areas within their remit, it remains the responsibility of the Board to agree and approve any action required.

*Audit Committee*
The committee is chaired by Jon Moulton, with Anderson Whamond and Mark Tubby appointed as

members. The membership of the committee was unchanged throughout 2018. The Chief Executive Officer and Chief Financial Officer have a standing invitation to attend committee meetings, but the committee holds at least one meeting with the auditor and without management present.

The committee meets at least twice per year and reviews the Company's financial reports, recommending them to the Board for approval. The committee considers the integrity of the financial reporting and whether it presents a fair, balanced and understandable account to assess the Company's financial performance, business model and strategy. The committee reports to the Board on any significant financial reporting issues or judgements which the reports contain.

The committee reviews the adequacy and effectiveness of the Group's internal controls and risk management practices implemented by management to effectively identify, assess, manage and control financial risks.

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

*Nominations Committee*
The committee is chaired by Anderson Whamond, with Guy Coltman, Jon Moulton, Mark Tubby and Stuart Turner appointed as members. The membership of the committee was unchanged throughout 2018. Where appropriate, the Chief Executive Officer is invited to attend committee meetings.

The committee meets at least twice per year and reviews the structure, size, balance and composition (including the skills, knowledge, experience and diversity) of the Group boards. The committee makes recommendations to the boards in respect of candidates for appointment as director and, where relevant, the re-election of directors, having due regard to their performance and ability to continue to contribute to the board. The committee monitors the leadership needs of the Group and considers succession planning for the Group's directors and other senior executives.

During the year, the committee engaged an external consultancy to assist with the identification and selection of potential candidates to be appointed as a non-executive director of the Subsidiary.

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

*Remuneration Committee*
The committee is chaired by Guy Coltman, with Jon Moulton, Mark Tubby, Stuart Turner and Anderson Whamond appointed as members. The membership of the committee was unchanged throughout 2018. Where appropriate, the Chief Executive Officer is invited to attend committee meetings.

The committee meets at least twice per year and reviews the remuneration strategy of the Group, including the balance between fixed and performance related, immediate and deferred remuneration, within the context of the Group's strategic objectives and risk appetite. The committee reviews and makes recommendations to the Board on the total compensation package of each of the Group's directors and senior executives. The committee also makes recommendations to the Board in respect of share awards and, where relevant, associated performance conditions.

A resolution to authorise the Board to determine the remuneration of the directors for 2020 will be proposed at the forthcoming Annual General Meeting.

No remuneration consultants were engaged during the year.

*Risk Committee*
The committee is chaired by Stuart Turner, with Guy Coltman and Mark Tubby appointed as members. The membership of the committee was unchanged throughout 2018. The Managing Director of TISEA and Head of Risk, Regulation and Compliance have a standing invitation to attend committee meetings and do so.

The committee meets on a quarterly basis and reviews the Group’s significant risks within the context of the Group’s approved strategic objectives and overall risk appetite. The committee reviews the adequacy and effectiveness of the internal controls and risk management practices implemented by management to effectively identify, assess, manage and control key business and non-financial risks. The committee reviews the Group’s non-financial controls such as regulatory compliance, data protection, business continuity and cyber security.

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

**Risk Management**

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

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

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

**Principal Risks and Uncertainties**

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

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

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

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

The Group continues to diversify its services and products and is well positioned to exploit new opportunities.

**Shareholder Relations**

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

The Annual General Meeting is the Company's primary forum for communicating with shareholders. The Chairman and, where possible, the other non-executive directors attend the Annual General Meeting and meet with shareholders upon request. Shareholders are encouraged to attend the Annual General Meeting and to ask questions.

Outside of formal engagements, contact details for the Chairman and Chief Executive Officer are included on the Group's website, to enable shareholders to communicate with the Board should they wish to share their views. The Chairman of the Company makes himself available to shareholders at all times.

## Directors' Biographies

**Jon Moulton, Non-Executive Chairman**

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

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

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

*Time Commitment:* Approximately 2-3 days a month.

**Guy Coltman, Non-Executive Director**

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

*Background, Experience and Skills*
Guy is an Advocate of the Royal Court of Jersey and qualified as a solicitor in England and Wales.

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

*Time Commitment:* Approximately 1-2 days a month.

**Fiona Le Poidevin, Chief Executive Officer**

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

*Background, Experience and Skills*
Fiona is a Chartered Accountant (FCA) and a Chartered Director (CDir). She is also a member of the IoD Guernsey Committee, the IoD Guernsey Tax and Regulatory Committee and the AIC Channel Islands Committee.

Prior to joining the Company, Fiona was Chief Executive of Guernsey Finance. Previously a senior tax manager with a Big 4 accountancy firm, she has over 20 years' experience working in financial services in both London and the Channel Islands.

*Time Commitment:* Full time.

**Stuart Turner, Non-Executive Director**

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

*Background, Experience and Skills*
Stuart has extensive IT and change management experience and has spent the last 30 years in the financial markets industry.

Stuart's early career was spent in investment analysis, merchant banking and building a global market information business. He followed this with a series of roles at a variety of stock and derivatives exchanges, mostly in IT, clearing, risk management and senior management. He is a director of Avenir Limited, which has developed a new and innovative range of post-trade software for securities depositories and share registrars.

*Time Commitment:* Approximately 1-2 days a month.

**Alexander Anderson Whamond, Non-Executive Director**

Alexander (Anderson) Whamond is an independent non-executive director and was appointed to the Board in March 2017. He is also Chairman of the Group's Nominations Committee a member of both the Audit Committee and Remuneration Committee.

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

Anderson began his career in 1983 at White Weld Securities (part of the CSFB group) before joining Salomon Brothers International in London in 1986 and then Morgan Stanley International in 1989 where he was a principal in charge of convertible bond trading. He joined Peregrine Securities International (UK) Limited in 1993, relocating to Hong Kong in 1996 to run the equity trading businesses of Peregrine Investment Holdings Limited. In 1998, Anderson joined the Regent Pacific Group as head of corporate investments and relocated to the Isle of Man. He joined the Charlemagne Group in 2002 and was a director of AIM quoted Charlemagne Capital Limited until March 2009.

*Time Commitment:* Approximately 1-2 days a month.

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

**Report on the audit of the consolidated financial statements**

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of The International Stock Exchange Group Limited (the "Company") and its subsidiaries (together "the Group") as at 31 December 2018, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with United Kingdom Accounting Standards, comprising FRS 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Basis for opinion

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

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

### Independence

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

### Our audit approach

*Overview*


*Materiality*

- The overall Group materiality was £167,800 (2017: £124,500) which represents 5% of the consolidated profit before tax.

*Audit scope*

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

*Key audit matters*

- Revenue recognition.

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

*Audit scope*

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

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

The Company is incorporated in Guernsey, operating with branches in Jersey and the Isle of Man and a wholly owned underlying Guernsey incorporated subsidiary, The International Stock Exchange Authority Limited. The consolidated financial statements are a consolidation of the Company and its wholly owned underlying subsidiary.

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

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

*Materiality*

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

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

| | |
|---|---|
| *Overall Group materiality* | £167,800 (2017: £124,500) |
| *How we determined it* | 5% of the consolidated profit before tax was used as a benchmark for calculating materiality. |
| *Rationale for the materiality benchmark* | The Group is a profit oriented operating company with the intention of either reinvesting or distributing profits to shareholders by way of dividends. The financial performance of the Group is assessed on profit levels and this can have an impact on the share price performance. Based on this understanding, we believe that consolidated profit before tax is the most appropriate measure for materiality due to this being a key metric for shareholders. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £8,300, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

*Key audit matters*

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

| Key audit matter | How our audit addressed the Key audit matter |
|---|---|
| **Revenue recognition**<br><br>We focus on the risk of material misstatement in the recognition of revenue, as a result of both fraud and error, because revenue is material and is an important determinant of the Group's profitability which has a consequent impact on its share price performance.<br><br>Certain of the directors and senior management have material shareholdings in the Company and the Company also operates a share option scheme for directors where the attractiveness of this scheme will also be driven by the Company's share price performance. As in any organisation where the directors and senior management have material shareholdings and there are incentives based on performance, there is an inherent risk of fraud in revenue recognition as there is an incentive to overstate revenue. Revenue may also be misstated due to errors in system calculations or manual processes.<br><br>We have assessed all revenue streams in the Group and determined that there is a significant risk of fraud within membership fees, listing fees and other listing related fees and a significant risk of error within all of the revenue streams. The risk is dependent upon the opportunity for errors to occur or for management to commit fraud.<br><br>Revenue is derived from multiple service offerings being initial and annual membership fees, initial and annual listing fees, other listing related fees and other income as disclosed in note 3(f) and note 4 to the consolidated financial statements.<br><br>The nature of these multiple service offerings can be complex due to the various fee arrangements and the high volume of transactions. The processes for recording revenue involve manual intervention with limited involvement of automation or IT systems. As a result, misstatement of revenue could arise from fraudulently manipulating manual calculations, spreadsheet errors or unauthorised changes to approved fee schedules.<br><br>Based on these factors, there is a significant risk due to fraud and error that revenue is not accurately recorded or that revenue is not recognised in the correct accounting period in accordance with FRS 102. | • We understood and evaluated the controls and processes over the recording of revenue, including the raising of invoices through to collection of debtors. Revenue is recorded in both the general ledger and on separate revenue spreadsheets.<br>• We obtained the revenue spreadsheets detailing all listing and members' fees and reconciled this to the general ledger and the consolidated financial statements.<br>• We obtained the Group's fee schedule which has been approved by the board of directors. On a sample basis we agreed that the correct listing and membership fees were used in the revenue spreadsheets by agreeing them to the Group's approved fee schedule.<br>• On a sample basis we verified that the standing data in the revenue spreadsheets was correctly recorded and agreed to supporting documentation such as the Group's approved fee schedule or application forms.<br>• For the issuers and members from which initial and annual listing fees were earned during the year, we agreed that all were registered as an issuer or member on the Group's website via a two way check between the revenue spreadsheets and the Group's website, other than those applications on hold or delisted.<br>• For a sample of fees, we obtained the invoices and traced to the general ledger. We also recalculated the fees based on the Group's approved fee schedule.<br>• We recalculated the deferred income using the revenue spreadsheets and reconciled this to the general ledger and the consolidated financial statements.<br>• In addition, for those revenue streams where a significant risk of fraud exists, we performed risk based target testing of revenue journals posted into the general ledger. This included identification of those journals posted to revenue which did not follow the expected posting pattern.<br>• We also assessed the revenue recognition policies adopted by the Group for compliance with the relevant accounting standards.<br><br>Overall there were no matters nor misstatements identified which required reporting to those charged with governance. |

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

### Other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report and Consolidated Financial Statements but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

### Report on other legal and regulatory requirements

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

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

We have no exceptions to report arising from this responsibility.

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

Tony Corbin

**Tony Corbin**
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
26 March 2019

## Consolidated Statement of Comprehensive Income

| | *Notes* | Year ended 31 December 2018 £ | Year ended 31 December 2017 £ |
|---|---|---|---|
| Turnover | *4* | 7,322,906 | 6,008,226 |
| Administrative expenses | *5, 6* | (4,022,640) | (3,538,809) |
| **Operating profit** | | **3,300,266** | **2,649,417** |
| Interest receivable | | 57,695 | 20,632 |
| **Profit on ordinary activities before taxation** | | **3,357,961** | **2,490,049** |
| Taxation | *7* | - | - |
| **Profit for the financial year** | | **3,357,961** | **2,490,049** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the financial year** | | **3,357,961** | **2,490,049** |
| Earnings per share: | | | |
| Basic | *8* | 124.3p | 97.2p |
| Diluted | *8* | 119.8p | 90.0p |

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

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

The notes on pages 30 to 46 form an integral part of these consolidated financial statements.

# The International Stock Exchange Group Limited
**For the year ended 31 December 2018**

## Consolidated Statement of Financial Position

| | Notes | 31 December 2018 £ | 31 December 2017 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | *9* | - | 38,954 |
| Tangible fixed assets | *10* | 54,255 | 63,731 |
| | | **54,255** | **102,685** |
| **Current assets** | | | |
| Debtors | *11* | 976,571 | 901,730 |
| Investments | *12* | 8,750,170 | 4,900,553 |
| Cash and cash equivalents | *16(b)* | 2,583,839 | 3,111,215 |
| | | **12,310,580** | **8,913,498** |
| **Current liabilities** | | | |
| Creditors: Amounts falling due within one year | *13* | (2,588,947) | (2,149,704) |
| **Net current assets** | | **9,721,633** | **6,763,794** |
| **Total assets less current liabilities** | | **9,775,888** | **6,866,479** |
| **Non-current liabilities** | | | |
| Provisions for other liabilities | *14* | (7,434) | (5,232) |
| **Net assets** | | **9,768,454** | **6,861,247** |
| **Capital and reserves** | | | |
| Share capital | *15* | 2,798,501 | 2,481,001 |
| Share-based payments reserve | *17* | 139,546 | 87,500 |
| Retained earnings | | 6,830,407 | 4,292,746 |
| **Shareholders' equity** | | **9,768,454** | **6,861,247** |

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 March 2019.

Signed on behalf of the Board of Directors:

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

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

The notes on pages 30 to 46 form an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

| | Notes | Share capital | Share-based payments reserve | Retained earnings | Shareholders' equity |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **At 1 January 2017** | | **2,481,001** | **87,500** | **2,045,992** | **4,614,493** |
| Total comprehensive income for the year ended 31 December 2017 | | - | - | 2,490,049 | 2,490,049 |
| Dividends declared and paid | | - | - | (243,295) | (243,295) |
| **At 31 December 2017** | | **2,481,001** | **87,500** | **4,292,746** | **6,861,247** |
| **At 1 January 2018** | | **2,481,001** | **87,500** | **4,292,746** | **6,861,247** |
| Total comprehensive income for the year ended 31 December 2018 | | - | - | 3,357,961 | 3,357,961 |
| New shares issued upon exercise of options | *15* | 317,500 | - | - | 317,500 |
| Equity-settled share based payments | 17 | - | 52,046 | - | 52,046 |
| Dividends declared and paid | | - | - | (820,300) | (820,300) |
| **At 31 December 2018** | | **2,798,501** | **139,546** | **6,830,407** | **9,768,454** |

The notes on pages 30 to 46 form an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

| | *Notes* | Year ended 31 December 2018 £ | Year ended 31 December 2017 £ |
|---|---|---|---|
| Net cash inflow from operating activities | *16(a)* | 3,788,484 | 2,486,015 |
| **Investing activities** | | | |
| Payments to purchase tangible fixed assets | *10* | (13,249) | (16,088) |
| Purchases of certificates of deposit | | (20,100,886) | (11,952,186) |
| Proceeds from disposal of certificates of deposit | | 16,251,269 | 7,051,633 |
| Interest received | | 49,806 | 20,632 |
| **Net cash outflow from investing activities** | | **(3,813,060)** | **(4,896,009)** |
| **Financing activities** | | | |
| Issue of Ordinary shares | *15 & 17* | 317,500 | - |
| Dividends paid | | (820,300) | (243,295) |
| **Net cash outflow from financing activities** | | **(502,800)** | **(243,295)** |
| **Decrease in cash and cash equivalents** | | **(527,376)** | **(2,653,289)** |
| Cash and cash equivalents at start of the financial year | | 3,111,215 | 5,764,504 |
| Cash and cash equivalents at end of the financial year | *16(b)* | 2,583,839 | 3,111,215 |

Cash and cash equivalents together with investments (note 12) totalled £11,334,009 as at 31 December 2018 (£8,011,768 as at 31 December 2017).

The notes on pages 30 to 46 form an integral part of these consolidated financial statements.

## Notes to the Consolidated Financial Statements

### 1. General Information

The International Stock Exchange Group Limited (the **Company** or **TISEG**) is a company with limited liability incorporated in Guernsey. The registered address of the Company is Helvetia Court, Block B, 3rd Floor, Les Echelons, St Peter Port, Guernsey, GY1 1AR.

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

### 2. Statement of Compliance

The consolidated financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (**FRS 102**) and with the Companies (Guernsey) Law, 2008 (the **Companies Law**).

### 3. Summary of Significant Accounting Policies

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

(a) Basis of preparation

The consolidated financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value arising from the business acquisition in December 2013.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its sole subsidiary, drawn up to 31 December 2018. The results of the Subsidiary for the year, and for the prior year, have been consolidated. All intra-group transactions, balances, revenues and expenses are eliminated on consolidation. In preparing the consolidated financial statements the Company has elected to produce Group primary statements only, as permitted under section 244 of the Companies Law.

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

(c) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The areas where assumptions and estimates are significant to the consolidated financial statements are outlined later in these notes.

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

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

(d) Business combinations and intangible assets

Business combinations are accounted for by applying the purchase method.

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

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

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

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

Goodwill is assessed for impairment where there are indicators of impairment and any impairment would be charged to the Consolidated Statement of Comprehensive Income. FRS 102 requires an assessment to be made at each reporting date, as to whether there is any indication of impairment.

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

### (e) Tangible fixed assets and depreciation

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

- Office premises improvements are written off over the non-cancellable period of occupancy of office premises.
- Furniture, fixtures and fittings acquired in the normal course of business are written off over three years.
- Computer equipment and software acquired in the normal course of business is written off over three years.

### (f) Revenue recognition

Initial listing fees are recognised upon receipt of initial listing applications. Such fees are due upon application and are non-refundable. Annual listing fees are recognised on a straight line basis over the period to which the fee relates. Other listing fees include fees for listing additional securities of an existing class, fees for the partial redemption of securities of an existing class and fees for the early delisting of an existing class. Such fees are recognised upon receipt of the request for these transactions to be processed.

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

Annual listing fees and annual membership fees invoiced but not yet recognised as income are recorded as deferred income.

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

Interest income is recognised on an accruals basis.

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

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

(g) Provisions for liabilities and contingencies

*i. Provisions*

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

*ii. Contingencies*

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

(h) Employee benefits

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

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

Employee termination benefits payable include benefits provided in exchange for the termination of an employee’s employment. The cost of such benefits are recognised upon conclusion of any compromise agreement.

The Group provides no post-employment benefits.

(i) Share-based payments

The Group provides share based payment arrangements to certain employees. Equity-settled arrangements are measured at fair value at the date of grant. For benefits that vest immediately, the fair value of the share options issued is expensed at date of grant. In the absence of observable market prices, the Directors estimate fair value with reference to the Black Scholes internationally recognised pricing model.

The Group has no cash-settled arrangements.

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

(j) Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(k) Cash and cash equivalents

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

(l) Investments

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

(m) Financial instruments

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

*i. Financial assets*

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

Trade debtors and other debtors are classified as current assets as these fall due within one year. Trade debtors are subject to periodic impairment assessment. Any losses arising from impairment are recognised in the consolidated statement of comprehensive income.

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

*ii. Financial liabilities*

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

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

(m) Financial instruments (continued)

*ii. Financial liabilities (continued)*

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

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

(n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new Ordinary shares are shown in equity as a deduction from the proceeds received

**4. Operating Segment information**

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

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

| **Revenue from external customers** | **Year ended 31 December 2018** | | **Year ended 31 December 2017** | |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| Membership fees | | | | |
| • *Initial fees* | 20,000 | | 30,000 | |
| • *Annual fees* | 280,945 | | 257,276 | |
| | | 300,945 | | 287,276 |
| Listing fees | | | | |
| • *Initial fees* | *2,705,823* | | *2,238,525* | |
| • *Annual fees* | *3,423,047* | | *2,883,497* | |
| | | 6,128,870 | | 5,122,022 |
| Other Listing related fees | | 837,531 | | 577,063 |
| Other income | | 55,560 | | 21,865 |
| | | **7,322,906** | | **6,008,226** |

## 4. Operating Segment information

| | Year ended 31 December 2018 £ | Year ended 31 December 2017 £ |
|---|---|---|
| **Membership Fees – Initial and Annual - Geographical analysis** | | |
| **Revenue from Members by domicile** | | |
| Guernsey | 160,710 | 161,742 |
| Jersey | 122,578 | 106,000 |
| Isle of Man | 11,357 | 13,534 |
| UK | 6,300 | 6,000 |
| | **300,945** | **287,276** |
| **Listing Fees – Initial and Annual - Geographical analysis** | | |
| **Revenue from Issuers by domicile** | | |
| Guernsey | 359,643 | 382,644 |
| Jersey | 579,878 | 470,224 |
| UK | 3,638,746 | 3,109,504 |
| Isle of Man | 15,821 | 6,661 |
| Other | 1,534,782 | 1,152,989 |
| | **6,128,870** | **5,122,022** |
| **Total Turnover – Geographical analysis** | | |
| Guernsey | 601,348 | 601,069 |
| Jersey | 778,594 | 630,725 |
| UK | 4,053,872 | 3,449,503 |
| Isle of Man | 29,944 | 21,458 |
| Other | 1,859,148 | 1,305,471 |
| | **7,322,906** | **6,008,226** |

**Non-Current Assets – Geographical analysis**
**Tangible Assets by location**

| | 31 December 2018 £ | 31 December 2017 £ |
|---|---|---|
| Guernsey | 51,287 | 61,715 |
| Jersey | 2,136 | - |
| Isle of Man | 832 | 2,016 |
| | **54,255** | **63,731** |

## 5. Staff Costs

| Administrative expenses includes staff costs as follows: | Year ended 31 December 2018 £ | Year ended 31 December 2017 £ |
|---|---|---|
| Salaries, including bonus payments | 2,079,457 | 1,881,219 |
| Social security costs | 125,008 | 111,008 |
| Payments to employee's personal pension arrangements | 79,735 | 71,742 |
| Health insurance | 60,306 | 46,385 |
| Equity-settled share based payments | 52,046 | - |
| Other employee benefits | 21,852 | 24,798 |
| | **2,418,404** | **2,135,152** |

## 6. Auditor's Remuneration

| | Year ended 31 December 2018 £ | Year ended 31 December 2017 £ |
|---|---|---|
| Fees payable to the Company's auditor for the audit of: | | |
| The Group's consolidated financial statements | 20,000 | 34,835 |
| TISEA's stand-alone financial statements | 30,000 | - |
| | **50,000** | **32,635** |

On 22 June 2018 the Company passed a written ordinary resolution rescinding, for the financial year ended 31 December 2018 and for an indefinite period thereafter the audit waiver resolution passed on 8 September 2015 pursuant to section 256 of the Companies Law in relation to the standalone financial statements of TISEA.

## 7. Taxation

The results of the Company and of the Subsidiary for the years ended 31 December 2018 and 31 December 2017 are subject to taxation in Guernsey at the company standard rate of 0%. The Jersey office operates as a Jersey branch of the Company and its results are subject to taxation in Jersey at the standard corporate tax rate of 0%. The Isle of Man office operates as an Isle of Man branch of the Company and its results are subject to taxation in the Isle of Man at the standard rate for all resident and non-resident companies of 0%.

For the year 2019 onwards the Subsidiary will be subject to the company intermediate rate of 10%. Income from the regulated activity of operating an investment exchange under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 was brought within the scope of the company intermediate income tax rate with effect from 1 January 2019.

## 8. Earnings per Share

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

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

Details of the earnings per share calculations are as follows:

| | Year ended 31 December 2018 | Year ended 31 December 2017 |
|---|---|---|
| **Basic:** | | |
| Basic weighted average of shares outstanding | 2,701,575 | 2,561,000 |
| Net profit attributable to Ordinary shareholders | £3,357,961 | £2,490,049 |
| **Diluted:** | | |
| Potential Ordinary shares outstanding during the year: | | |
| Dilutive share options in issue at start of year | 250,000 | 250,000 |
| Dilutive share options granted during the year | 10,000 | - |
| Non-dilutive share options granted during the year | 50,000 | - |
| Dilutive share options exercised during the year | 260,000 | - |
| Dilutive share options in issue at end of year | - | 250,000 |
| Non-dilutive share options in issue at end of year | 50,000 | - |
| Proceeds from dilutive share options exercised | £317,500 | - |
| Potential proceeds from dilutive share options | - | £250,000 |
| Average market share price for the year | 882p | 579p |
| Shares deemed repurchased | 35,998 | 43,189 |
| Shares deemed issued for no consideration | 224,002 | 206,811 |
| Weighted number of shares deemed issued for no consideration | 101,384 | 206,811 |
| Diluted weighted average shares outstanding | 2,802,959 | 2,767,811 |
| Net profit attributable to Ordinary shareholders | £3,357,961 | £2,490,049 |

## 9. Intangible Assets

| **Goodwill on acquisition of business** | **£** |
|---|---|
| **Cost:** | |
| At 1 January 2017 | 194,732 |
| At 31 December 2017 | 194,732 |
| At 31 December 2018 | 194,732 |
| **Amortisation:** | |
| At 1 January 2017 | 116,834 |
| Charge for year ended 31 December 2017 | 38,944 |
| At 31 December 2017 | 155,778 |
| Charge for year ended 31 December 2018 | 38,954 |
| At 31 December 2018 | 194,732 |
| **Carrying amount** | |
| At 31 December 2017 | 38,954 |
| At 31 December 2018 | - |

## 10. Tangible Assets

| | **Office premises improvements £** | **Furniture, fixtures and fittings £** | **Computer equipment and software £** | **Total £** |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 1 January 2017 | 78,774 | 25,600 | 79,334 | 183,708 |
| Additions | 2,560 | 1,708 | 11,820 | 16,088 |
| Written down | - | (15,161) | (55,185) | (70,346) |
| At 31 December 2017 | 81,334 | 12,147 | 35,969 | 129,450 |
| Additions | - | 4,169 | 9,080 | 13,249 |
| Written down | - | (10,209) | (19,123) | (29,332) |
| At 31 December 2018 | 81,334 | 6,107 | 25,926 | 113,367 |
| **Depreciation:** | | | | |
| At 1 January 2017 | 15,905 | 22,049 | 69,610 | 107,564 |
| Charge for the year ended 31 December 2017 | 11,996 | 4,049 | 12,456 | 28,501 |
| Written down | - | (15,161) | (55,185) | (70,346) |
| At 31 December 2017 | 27,901 | 10,937 | 26,881 | 65,719 |
| Charge for the year ended 31 December 2018 | 12,047 | 2,036 | 8,642 | 22,725 |
| Written down | - | (10,209) | (19,123) | (29,332) |
| At 31 December 2018 | 39,948 | 2,764 | 16,400 | 59,112 |
| **Carrying amount:** | | | | |
| At 31 December 2017 | 53,433 | 1,210 | 9,088 | 63,731 |
| At 31 December 2018 | 41,386 | 3,343 | 9,526 | 54,255 |

## 11. Debtors

| | 31 December 2018 £ | 31 December 2017 £ |
|---|---|---|
| Trade debtors | 763,010 | 709,844 |
| Other debtors | 13,013 | 20,170 |
| Prepayments | 181,031 | 160,088 |
| Accrued income | 19,517 | 11,628 |
| | **976,571** | **901,730** |

No amounts fall due after more than one year.

## 12. Investments

| | 31 December 2018 £ | 31 December 2017 £ |
|---|---|---|
| Certificates of deposit with maturity at date of acquisition of over 90 days and no more than 365 days | 8,750,170 | 4,700,553 |
| Certificates of deposit with maturity at date of acquisition of over 365 days* | - | 200,000 |
| | **8,750,170** | **4,900,553** |

*No investments had a maturity of over 365 days as at the prior year balance sheet date.

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

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

| | 31 December 2018 £ | 31 December 2017 £ |
|---|---|---|
| Deferred income | 2,124,612 | 1,744,316 |
| Payments on account from issuers | 94,266 | 84,233 |
| Trade creditors and accruals | 345,348 | 277,132 |
| Other creditors | 24,721 | 44,023 |
| | **2,588,947** | **2,149,704** |

## 14. Provision for Liabilities

| **Dilapidations provision** | **£** |
|---|---|
| **At 1 January 2017** | **3,029** |
| Addition to provision | 2,203 |
| **At 31 December 2017** | **5,232** |
| Addition to provision | 2,202 |
| **At 31 December 2018** | **7,434** |

On 8 June 2015, the Company entered into a lease in respect of office premises at Helvetia Court, South Esplanade, St. Peter Port, Guernsey. The Company subsequently fitted out these offices. Following such fitting out, the Company identified a liability estimated at £15,000 to make good the alterations, removing new fixtures and fittings come the end of the lease. The lease allows early termination after 7 years. Based on days since the completion of the fitting out this provision has been increased to £5,232 as at 31 December 2017 and £7,434 as at 31 December 2018.

## 15. Share Capital

| | **Non-Participating Share** | | **Ordinary Shares** | |
|---|---|---|---|---|
| | **£** | **Number** | **£** | **Number** |
| **Authorised** | | | | |
| **As at 1 January 2017** | 1 | 1 | 5,000,000 | 5,000,000 |
| **As at 31 December 2017** | 1 | 1 | 5,000,000 | 5,000,000 |
| **As at 31 December 2018** | 1 | 1 | 5,000,000 | 5,000,000 |
| | | | | |
| **Allotted, called up and fully paid** | | | | |
| **As at 1 January 2017** | 1 | 1 | 2,481,000 | 2,561,000 |
| **As at 31 December 2017** | 1 | 1 | 2,481,000 | 2,561,000 |
| Issued upon exercise of options | - | - | 317,500 | 260,000 |
| **As at 31 December 2018** | 1 | 1 | 2,798,500 | 2,821,000 |

The Non-Participating share of par value £1 has been issued to the States of Guernsey. The Articles of Incorporation stipulate that the Non-Participating share only carries voting rights where specifically provided for in the Companies Law and carries no right to receive any dividend and, on winding up, only the par value shall be payable.

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

On 16 July 2018, 250,000 Ordinary shares were issued for a consideration of £1 per share further to the exercise of 250,000 share options in accordance with the Rules of the Group Employee Share Option Scheme.

On 24 September 2018, 10,000 Ordinary shares were issued for a consideration of £6.75 per share further to the exercise of 10,000 share options in accordance with the Rules of the Group Employee Share Option Scheme.

## 16. Notes to the Statement of Cash Flows

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

| | Notes | Year ended 31 December 2018 £ | £ | Year ended 31 December 2017 £ | £ |
|---|---|---|---|---|---|
| Profit for the financial year | | | 3,357,961 | | 2,490,049 |
| Adjustments to reconcile profit for the period to net cash flow from operating activities: | | | | | |
| Equity settled share based payments | *17* | | 52,046 | | - |
| Amortisation of intangible assets | *11* | | 38,954 | | 38,944 |
| Depreciation of tangible assets | *12* | | 22,725 | | 28,501 |
| Provision for other liabilities | *16* | | 2,202 | | 2,203 |
| Interest received | | | (49,806) | | (20,632) |
| Working capital movements: | | | | | |
| *As at 31 December 2016* | | - | | 457,669 | |
| *As at 31 December 2017* | | 901,730 | | 901,730 | |
| *As at 31 December 2018* | *13* | 976,571 | | - | |
| Increase in debtors | | | (74,841) | | (444,061) |
| *As at 31 December 2016* | | - | | 1,758,693 | |
| *As at 31 December 2017* | | 2,149,704 | | 2,149,704 | |
| *As at 31 December 2018* | *15* | 2,588,947 | | - | |
| Increase in creditors | | | 439,243 | | 391,011 |
| **Net cash inflow from operating activities** | | | **3,788,484** | | **2,486,015** |

(b) Cash and cash equivalents

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Cash and cash equivalents comprise the following: | £ | £ |
| Cash at bank and in hand | 1,879,836 | 1,160,133 |
| Cash equivalents | 704,003 | 1,951,082 |
| | **2,583,839** | **3,111,215** |

## 17. Share based payments

### Equity-settled share option scheme

The Group operates an Employee Share Option Scheme (ESOS) as approved by the shareholders of the Company by way of written resolution on 9 December 2015. In accordance with the rules of the ESOS, the Directors determine which employees of the Group are eligible to participate in the ESOS and no employee is, by right, eligible to participate.

In accordance with the rules of the ESOS, the lesser of 1 million shares or 20% of the issued share capital of the Company may be issued on the exercise of options over a 7 year period. The Directors may apply exercise conditions to the issue of any options. Any options issued may be exercised any time between date of grant and 7 years after grant. The option exercise price is set by the Directors and must not be less than the market value of the Company's shares at the date of grant. An option holder may not sell or otherwise transfer options granted and the options either lapse within 1 month of cessation of employment or are automatically cancelled.

### Number of options

| **Exercise Price** | **£1.00** | **£6.75** | **£9.125** |
|---|---|---|---|
| Outstanding as at 1 January 2017 | 250,000 | - | - |
| Outstanding as at 31 December 2017 | 250,000 | - | - |
| Granted during the year ended 31 December 2018 | | 10,000 | 50,000 |
| Exercised during the year ended 31 December 2018 | 250,000 | 10,000 | - |
| Outstanding as at 31 December 2018 | - | - | 50,000 |

On 20 February 2018 10,000 share options were granted at an exercise price of £6.75 per share. On 13 December 2018 a further 50,000 share options were granted at an exercise price of £9.125 per share. The share options granted were subject to no exercise conditions and vested on the date of grant.

The increase in equity associated with the grant of the share options has been recognised in full on the date of grant.

In each instance, 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 for the share options, the Directors have needed to utilise an alternative valuation methodology. The Directors arrived at a value for the share options with reference to the internationally recognised Black Scholes option pricing model. In respect of the share options granted, the Group recognised a total charge to the consolidated statement of comprehensive income for the year of £52,046.

On 15 June 2018 notice was given in relation to the exercise of the share options over 250,000 Ordinary shares at an exercise price of £1.00 per share. In accordance with the rules of the ESOS, the additional shares were issued by the Company on 16 July 2018.

On 23 August 2018, notice was given in relation to the exercise of the share options over 10,000 Ordinary shares at an exercise price of £6.75 per share. The additional shares were issued by the Company on 24 September 2018.

**17. Share based payments (continued)**

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

**18. Related Parties**

During the year and the prior year the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and all trading balances outstanding at 31 December 2018 and at 31 December 2017, were as follows:

*i. Entities with significant influence over the Group*

| | **Year ended 31 December 2018** | **Year ended 31 December 2017** |
|---|---|---|
| Turnover | | |
| • Membership fees | £6,300 | £6,000 |
| • Other income – Workshop fees | £400 | Nil |
| Dividend payments | £73,830 | £23,380 |
| Debtors | | |
| • Trade debtors | £50 | Nil |

Listing Member, Carey Olsen Corporate Finance Limited (**COCFL**), holds 8.72% (2017: 9.61%) of the issued share capital of the Company. In addition to the Membership fee, in 2018 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 from the Company of £25,000 (2017: £20,000) for the year.

*ii. Entities controlled by Key Management Personnel*

| | **Year ended 31 December 2018** | **Year ended 31 December 2017** |
|---|---|---|
| Turnover | | |
| • Listing fees | £23,499 | £4,027 |
| Dividend payments | £68,686 | £30,250 |
| Debtors | | |
| • Trade debtors – *Listing fees* | £1,500 | £375 |
| Creditors: Amounts falling due within one year | | |
| • Deferred income – *Listing fees* | £486 | £485 |

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

**18. Related Parties (continued)**

(a) Terms and conditions of transactions with related parties

Income and expense transactions between related parties are made at normal market prices. Outstanding balances are unsecured, interest free and cash settlement is expected in line with set terms. Membership fees are due within 30 days of invoice.

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

(b) Key management personnel

All Directors of the Company, as well as all of the Directors of the Subsidiary, are considered to be key management personnel during their term of appointment. The compensation recognised for the year in respect of key management totalled £965,966 (2017: £869,129).

As at 31 December 2018, Directors of the Subsidiary, together with connected persons, held a total of 500 Ordinary shares of the Company and 50,000 share options (2017: 500 Ordinary shares and nil share options). The interests of the Directors of the Company in the share capital of the Company is disclosed in the Directors' Report on page 9.

In addition to the dividends received by entities controlled by key management reported above, key management and their close family received dividends, during their period of appointment, totalling £50,150 in 2018. Key management and their close family received dividends, during their period of appointment, totalling £9,785 in 2017.

**19. Controlling Party**

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

**20. Operating Leases**

On 8 June 2015, the Company entered into a 15 year lease in respect of office premises at Helvetia Court, South Esplanade, St Peter Port, Guernsey. The lease allows for early termination after 7 years. On 3 August 2017, the Company entered into a serviced offices licence in relation to an office at Forum 3, Grenville Street, St Helier, Jersey. The minimum term under the licence is 30 months.
On 13 February 2017, the Company entered into a serviced office licence agreement in relation to an office at Merchants House, 24 North Quay, Douglas, Isle of Man, IM1 4LE. The licence period under the agreement ended on 31 December 2018. The license was renewed after the year end with provision for a further minimum term of 12 months.

**20. Operating Leases (continued)**

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

| Payments due | 31 December 2018 £ | 31 December 2017 £ |
|---|---|---|
| Not later than 1 year | 205,994 | 210,554 |
| Later than 1 year and not later than 5 years | 455,931 | 660,275 |
| | 661,925 | 870,829 |

The Group recognised operating lease charges totalling £207,066 for the year (2017: £200,030).

**21. Events after the Reporting Period**

There have been no events after the reporting period that require disclosure or adjustment in the financial statements.

# The International Stock Exchange Group Limited
**For the year ended 31 December 2018**

## Summary Financial Information

### Consolidated Statement of Comprehensive Income

| | Year ended 31 December 2018 £ '000 | Year ended 31 December 2017 £ '000 | Year ended 31 December 2016 £ '000 |
|---|---|---|---|
| Turnover | 7,323 | 6,008 | 4,696 |
| Administrative expenses | (4,023) | (3,539) | (3,230) |
| **Operating profit** | **3,300** | **2,469** | **1,466** |
| Interest receivable/payable | 58 | 21 | 1 |
| **Profit on ordinary activities before taxation** | **3,358** | **2,490** | **1,467** |
| Taxation | - | - | - |
| **Profit for the financial year** | **3,358** | **2,490** | **1,467** |
| Other comprehensive income | - | - | - |
| **Total comprehensive income for the financial year** | **3,358** | **2,490** | **1,467** |

### Consolidated Statement of Financial Position

| | 31 December 2018 £ '000 | 31 December 2017 £ '000 | 31 December 2016 £ '000 |
|---|---|---|---|
| **Fixed assets** | **54** | **103** | **154** |
| **Current assets** | **12,311** | **8,913** | **6,222** |
| **Current liabilities** | **(2,589)** | **(2,150)** | **(1,759)** |
| **Net current assets** | **9,722** | **6,763** | **4,463** |
| **Total assets less current liabilities** | **9,776** | **6,866** | **4,617** |
| **Provisions for other liabilities** | **(8)** | **(5)** | **(3)** |
| **Net assets** | **9,768** | **6,861** | **4,614** |
| **Shareholders' equity** | **9,768** | **6,861** | **4,614** |