TISE

The International Stock Exchange Group

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2019

Table of Contents

Table of Contents

Corporate Information

Corporate Information

Directors:

J P Moulton	(Chairman)
F L A Le Poidevin	(Chief Executive Officer)
G E S Coltman	
S R Turner	
A A Whamond	

Secretary:

E A C Humphry

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Listing Sponsor:

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Registrar:

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Chairman's Statement

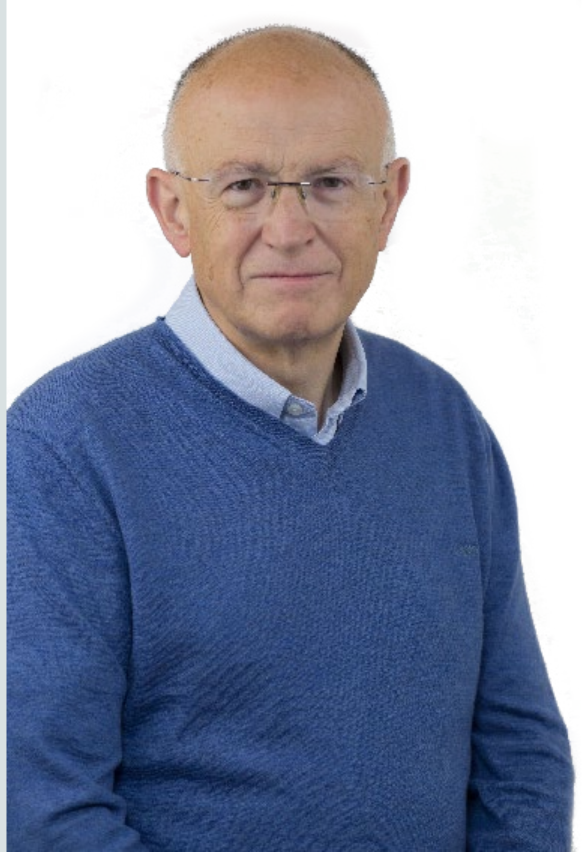
Chairman's Statement

The Company faced an uncertain market in 2019 but the year finished strongly so I am pleased to be able to report that we have been able to build on the success of previous years with further positive organisational changes, healthy new business flows and, once again, increased profits.

Group boards

The Company's CEO, Fiona Le Poidevin, has recently tendered her resignation in order to pursue a portfolio of non-executive directorships. Fiona has been instrumental in transforming the business since she joined as CEO just over five years ago.

In that time, we have seen consistent growth both in the number of listings on the Exchange and the profitability of the Company, which is reflected by the Company's market value rising tenfold in that period. The Board thanks Fiona for her productive efforts and wishes her well in the future. The Board has started the search for a new CEO to continue the development and growth of the business in conjunction with the strong management team which remains in place.



There have also been significant appointments to the board of our Subsidiary, with Charlie Geffen appointed as Non-Executive Director and Chairman in January 2020 and as I reported in the Interim Financial Report for 2019, Adrienne Muir appointed as Non-Executive Director in June 2019. The former replaced Mark Tubby who, at the end of 2019, stepped down as Chairman after six years in the role. Mark played an important part in the development of the regulatory arm of the Exchange during his six years in the role and we wish him well for the future.

Charlie has significant legal experience across a range of different facets of the corporate environment and has demonstrated strong leadership during his time in very senior positions at two major international law firms. Adrienne has over 20 years' experience working for exchanges and financial technology firms in both New Zealand and the UK. They join Executive Directors Mark Nicol (Managing Director), Jonathan Richards (Head of Market Regulation) and Robbie Andrade (Head of Listings) on the board of our Subsidiary which regulates the market.

I am pleased to welcome Charlie and Adrienne to the Group and I look forward to them utilising their experience and expertise on the board of the Subsidiary to help us further develop the business in 2020 and beyond.

2019 profits and listings

In 2019 there was another increase in profit before tax to just over £3.63 million (2018: £3.35 million), which reflects the fact that while initial fees from new listings in 2019 were reduced compared to the previous year, this was more than offset by the growth in annual fees which is an annuity stream from all current listings.

This is illustrated by the 656 newly listed securities during 2019, which represents a decrease of 24% on the prior year (2018: 865) but it still led to growth of 5% in the total number of listed securities on TISE, reaching 2,995 at the end of December 2019 (2018: 2,857).

Chairman's Statement continued

What we saw in 2019 was that the political and economic uncertainty that impacted the capital markets globally fed through to our pipeline of business and resulted in a much weaker trading performance during the first half of 2019 compared to a year previously. However, as the Board indicated in its statement in January 2020, activity picked up significantly during the second half of 2019 and especially the last quarter.

During 2019 we made several organisational changes, such as increased automation of the listing process through the TISE Portal and the introduction of a '3+2' service delivery framework, which has provided a consistently smoother and quicker client experience. These have been well received by issuers and their advisers both in our well-established markets and those where we are looking to develop a more significant presence.

With the general slowdown in the capital markets during 2019, it was pleasing to see that TISE continued to build market share across a range of product areas, including core, established markets such as intra-group debt, private equity debt, high yield bonds and UK Real Estate Investment Trusts (REITs), as well as emerging areas of focus such as investment grade debt, debt originating from Asia, UK SMEs and green finance.

Green finance

In 2018 we introduced a green market segment, TISE GREEN, to encourage and facilitate increased capital flows into initiatives which protect or enhance the environment. In 2019 we saw our first four certified green bonds admitted to the Official List and enter TISE GREEN. This was a continued focus of marketing efforts in the year but more broadly, green finance is a major focus for the business, with a number of initiatives underway and with developments being monitored in a number of areas, including across social and wider impact investing.

Woodford

It would be remiss of any review of 2019 to omit the fact that, as stated in last August's Interim Report, the Company and its Subsidiary were engaged with issuers that were investee companies of the now suspended and renamed LF (Woodford) Equity Income Fund in the UK. Our Subsidiary took regulatory action in order to protect the integrity of the market. It also liaised at the earliest opportunity with other relevant authorities, especially where matters of concern fell outside of its own remit. This was in the best interests of the market and its participants.

Coronavirus (COVID-19)

The virus and its effects have not adversely impacted new business right up to the middle of this month. However, the last few working days have been quiet and, given the current and predicted position of the global economy, it is possible that the very strong start to 2020 that we have seen will be curtailed by a likely slowdown in listing activity.

The Group does not have any offices in high risk affected countries but there are a growing number of cases of the virus in our own jurisdictions. We have introduced early preventative and remedial measures in terms of staff travel and working practices. These have exceeded the public health advice of the local authorities, such advice itself having been regularly updated over the past days and weeks in step with or ahead of measures taken in the UK. The precautionary approach has been and continues to be taken to ensure business continuity and in order to safeguard the interests of our staff and the wider communities in which we operate. We continue to closely monitor the spread of the virus and the advice of public health officials.

Chairman's Statement continued

Financial position

In total there were 11 trades of the Company's shares reported on the Exchange during 2019, with a total volume of 117,738 and total value of £0.75 million. The first trade in 2019 was at 950p per share but following the trading update in May and the special dividend payment of 200p per share on 1 July, the subsequent trades were at a price as low as 580p in October. The trend reversed somewhat after that point, which followed the publication of our interim financial results in August and again, following our trading statement in January 2020, so that the latest trade was conducted on 6 February 2020 at 700p per share.

In March 2019 we declared a dividend of 12.5p per share and in May the Board declared the special dividend of 200p per share, which was paid on 1 July. Another dividend of 20p per share was declared in September 2019 so that over the year there was a total return to shareholders of over £6.5 million. These payments, and especially the special dividend, reflect the fact that, as we had indicated at the 2018 AGM, the cash reserves were being kept available to pursue inorganic or scale-up growth opportunities but once none suitable had materialised then a distribution was made to shareholders.

The financial position of the Group remains strong. The liquid assets held by the Group are significant and conservatively managed.

The business to date has been strongly cash generative and our preliminary assessments show that the business would remain cash generative should new business weaken.

While the full implications of COVID-19 on the financial performance for the current financial year are difficult to determine at this stage, the Board remains confident in the long-term prospects of the Group.

Strategic review

The Company has achieved some major milestones in the last few years and there is a strategic vision which is being continually enhanced but we felt that it was right to review our position and ideas for the future in conjunction with an independent consultant given the dynamic nature of our industry.

We have commissioned Accenture to use their own market knowledge and research, alongside feedback and insight from ourselves and our stakeholders, to provide an independent report on how we can continue to provide innovative and relevant products and services to our clients in the future.

This will help set the direction of travel for the Company in the coming years.

I would like to thank my fellow Board members, the Group's executive team and staff for their continued contribution to our ongoing success. I would also like to thank our shareholders. I hope they feel that their faith in us has been justified given that that we have paid total dividends of 280p per share since listing and that they, our members and our wider stakeholders will continue to support us in the future, like they have done in the past, as we embark on the next stage of development of the business.

Jon Moulton
24 March 2020

Directors' Report

Directors' Report

The Directors submit their annual report and audited consolidated financial statements of The International Stock Exchange Group Limited (the Company or TISEG) and its wholly owned subsidiary The International Stock Exchange Authority Limited (the Subsidiary or TISEA) (together the Group) for the year ended 31 December 2019.

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 37.

Dividends totalling £6,558,825, were paid during the year (2018: £820,300). A dividend of 12.5p per share was declared on 26 March 2019 and paid on 29 April 2019. A special dividend of 200.0p per share was declared on 13 May 2019 and paid on 1 July 2019. A further dividend of 20.0p per share was declared on 17 September 2019 and paid on 21 October 2019.

Business Review

The Company was increasingly profitable again in 2019, which reflects the fact that while revenues from new listings were reduced compared to the previous year, this was more than offset by the growth in revenues from annual fees from all current listings.

There were 656 new listings, which was a 24% decrease on the previous year (2018: 865) but which itself had been the largest number of new listings on the Exchange in a calendar year ever. There were 518 de-listings during the year, which was a marginal 0.2% decrease from the previous year (2018: 519). Overall during 2019, the total number of listed entities on the Exchange grew by 138 (4.8%), from 2,857 to 2,995.

Equity – Trading Companies

The equity capital markets generally have been particularly lacklustre in the last year and so it is even more rewarding to have two new trading companies coming onto the market during 2019.

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

The other trading company represents the first listing on TISE by a UK SME. Likewise Group plc is a floorcoverings distributor which is headquartered in Birmingham and listed on TISE to raise working capital and finance future acquisitions. It has since made four acquisitions, including a reverse takeover, raised further capital and there is an active secondary market in the shares.

Directors' Report continued

The UK SME market has provided the focal point for a fully integrated marketing campaign in 2019, coordinated by the Guernsey office in conjunction with the Isle of Man office. Activity both regionally and nationally targeting companies and their advisers comprised meetings, sponsoring and/or delegate attendance at third party events, an editorial and advertising campaign and culminated in a TISE co-hosted event at The Gherkin in London.

Likewise Group plc acted as a case study for this seminar. It illustrates how TISE's lower costs and more proportionate regulation than other traditional markets enable growing UK companies to go public at an earlier stage than might otherwise be envisaged. This is a message which we will be seeking to spread further through the intermediary community in the UK where there is currently a focus on the deployment of private equity capital.

We can also point to our wider capabilities of being able to service private equity debt and list either equity or debt that is financing real estate transactions, which is another current focus of corporate advisers throughout the UK.

Equity - REITs

TISE has also continued to grow its market share in HMRC approved UK Real Estate Investment Trusts (REITs), with six UK REITs newly admitted to TISE during 2019. This not only outstripped both our established and emerging competitors, but it took the total number listed on the Exchange to 25 at the end of December 2019, which represents more than 30% of the UK REIT market and notably includes a number investing into social and supported housing.

Debt

Debt listings remain the largest proportion of new listings and despite increased competition, we have both consolidated our position in core markets, such as intra-group debt, private equity debt and high yield bonds, and seen diversification both by product type and geographical origin of business.

For example, TISE has maintained its position as leader in the European high yield bond market, with 55 securities issued by global brands such as Netflix, Aston Martin and IHS Markit listing on the Exchange during last year.

This took the total number of high yield bonds listed on the Exchange to 212 at the end of December 2019.

In addition, companies such as financial services groups Blackstone, KKR, Société Générale and Willis have listed investment grade debt on TISE during 2019. Following from our success in attracting high yield bonds, this is an area where we have seen a small but growing pipeline of listings with the potential for future exploitation.

There has also been a flow of listings emanating from the Far East, particularly transactions involving Chinese investment into Hong Kong infrastructure and real estate. In some instances, the TISE listing is the only component of the transaction which touches Europe as, in contrast to local exchanges, TISE provides a recognised venue that has the combination of appropriate rules, costs and service standards for efficiently listing these debt products. The executive team has been working with those Member firms active in the region to conduct research and marketing activity in the region, which last year included on the ground meetings with all the Debt Capital Markets (DCM) teams of the major international law firms in Hong Kong.

Green finance

During last year, the first investments which entered our green market segment, TISE GREEN, came in the form of four green bonds. Faro Energy, which specialises in solar energy projects in Latin America and other emerging markets, had the four bonds successfully admitted to TISE's Official List and subsequently approved to enter TISE GREEN. The bonds are certified green bonds under the Climate Bonds Initiative (CBI) Climate Bond Standard & Certification Scheme, with the proceeds intended to finance solar energy projects in Brazil.

We have considered widening the scope of the segment, or introducing a complementary segment, to encompass social or impact investment, not least because, as referenced earlier, we have social housing investment vehicles listed on TISE.

Directors' Report continued

However, our research indicates that while green at least has some recognised global standards, social and impact investment remains a relatively immature market from that perspective. This is an area we are closely monitoring in order to ensure that we can continue to offer a suitably relevant but also robust product.

Membership

As at 31 December 2019, there were 38 Members in total of which 35 were Listing (only) Members, 2 were combined Listing and Trading Members and 1 was a Trading (only) Member. This represents a reduction after the UK-based Trading (only) Member resigned early in 2019 and other less active Listing (only) Members also resigned during 2019.

However, in 2019 there was the addition of a new Listing (only) Member from the Isle of Man and this followed the addition of 5 new Listing (only) Members in 2018, 3 from Jersey, 1 from Guernsey and 1 from the Isle of Man. Our teams across the islands have worked not only to onboard but also support the new Members, who have been proactive and positive in marketing the new service to their client bases, which include large international networks and specialised sectors, in order to drive more diversified business flows to the Exchange.

Operational efficiency

In order to provide a more robust and efficient client experience, the business has not only continued to review and refine the Listing Rules and the Membership Rules but it invested in both human and technological resources, especially within the subsidiary which operates the Exchange. This has included increasing headcount in the compliance function, and the renaming of the Market Regulation Department which oversees market activity.

There has also been the continued development of TISE Portal, which was launched in 2018. 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. The functionality was expanded to include the online submission of listing applications and this was rolled out to Members through the second half of 2019.

Client service

The efficiencies gained have assisted in enabling the business to be able to publicly commit to a '3+2' service delivery framework from the middle of 2019. This matches some of our closest competitors and has been well received by issuers and their advisers both in our well-established markets and those where we are looking to develop a more significant presence.

Service delivery remains a key driver of business and as such, a battlefield among our competitors as both established and emerging marketplaces offer increasingly shorter turnaround times. TISE is not prepared to sacrifice regulatory standards but it is committed to the continued increase in the use of automation to make efficiencies and enhance client service wherever possible and practical to do so.

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
F L A Le Poidevin
G E S Coltman
S R Turner
A A Whamond

Directors' Report continued

Directors and their Interests

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

	31 December 2019			31 December 2018		
	No. of shares	%	Interest	No. of shares	%	Interest
F L A Le Poidevin	260,000	9.22%	Direct	250,000	8.86%	Direct
J P Moulton	255,930	9.07%	Indirect	243,430	8.63%	Indirect
G E S Coltman	246,100	8.72%	See below	246,100	8.72%	See below
A A Whamond	12,500	0.44%	Indirect	nil	nil	n/a

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

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.

Directors' Report continued

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

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

Financial Statements and Audit

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

Independent Auditor

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

Approved by the Board of Directors on 24 March 2020 and signed on its behalf by:

J P Moulton
Director

F L A Le Poidevin
Director

Corporate Governance Report

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). 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. Central to this strategy is the development of our equity market, the biggest challenge for which remains the ability to create liquidity.

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. In recognition of the changing needs of our shareholders and stakeholders, this year we have published a Corporate Sustainability Statement providing further information on the Group's proactive approach to sustainability, integrity and good governance (www.tisegroup.com/about/investor-relations). The business is managed in a progressive and responsible manner which we believe will further advance its strong financial performance.

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

Jon Moulton
24 March 2020

Corporate Governance Report continued

Governance Framework

The Group is committed to high standards of corporate governance and has implemented an effective governance framework which underpins delivery of its vision, mission and values. The Group's legal structure 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 an established senior management team with significant expertise in their respective fields.

The Board

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

The roles of the 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.

Corporate Governance Report continued

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 succession is managed as circumstances arise.

Composition, Skills and Training

As at 31 December 2019, 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 25 to 27.

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 2019.

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.

Corporate Governance Report continued

	Board	Audit Committee	Nominations Committee	Remuneration Committee	Risk Committee
Jon Moulton	13	3	3	3	n/a
Guy Coltman	8	n/a	2	3	5
Fiona Le Poidevin	13	n/a	n/a	n/a	n/a
Stuart Turner	11	n/a	2	2	5
Anderson Whamond	10	3	3	3	n/a
No. of meetings held	**13**	**3**	**3**	**3**	**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 Adrienne Muir and Anderson Whamond appointed as members. Mark Tubby stepped down from the committee on 31 December 2019 and Adrienne Muir was appointed effective 1 January 2020. 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. During 2019 the committee reviewed the current position with regard to internal audit and, within the overall context of the Group's scale, risk management framework and the work of Compliance, Finance and the external auditor, determined that an internal audit function was not currently required.

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.

Corporate Governance Report continued

Nominations Committee

The committee is chaired by Anderson Whamond, with Guy Coltman, Charlie Geffen, Jon Moulton and Stuart Turner appointed as members. Mark Tubby stepped down from the committee on 31 December 2019 and Charlie Geffen was appointed effective 1 January 2020. Where appropriate, the Chief Executive Officer and HR Manager are 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 2019, the committee led the process for the appointment of a successor chairman and new non-executive director on the board of the Subsidiary. The committee engaged an external consultancy to assist with the identification and selection of potential candidates for both roles. The external consultant was engaged again at the beginning of 2020 to assist with the identification and selection of a successor CEO, following the announcement that Fiona Le Poidevin intends to step down.

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 Charlie Geffen, Jon Moulton, Stuart Turner and Anderson Whamond appointed as members. Mark Tubby stepped down from the committee on 31 December 2019 and Charlie Geffen was appointed effective 1 January 2020. Where appropriate, the Chief Executive Officer and HR Manager are 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 2021 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, Charlie Geffen and Adrienne Muir appointed as members. Adrienne Muir was appointed to the committee on 16 September 2019. Mark Tubby stepped down from the committee on 31 December 2019 and Charlie Geffen was appointed effective 1 January 2020. The Managing Director of TISEA and Head of Market Regulation have standing invitations 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's activities during the year focused in particular on regulatory risk management, including the development of the Subsidiary's supervisory and enforcement framework and revisions to the member risk assessment framework. The events of 2019 highlighted the importance of protecting the Group's reputation and management of the associated risks will be central to the committee's work during 2020.

Corporate Governance Report continued

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 the values within their everyday working practices.

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

Principal Risks and Uncertainties

The Group's business activities are subject to 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 Group's reputation and regulatory experience are extremely valuable components of the business and are key to its future success. The Exchange is not impervious to reputational damage and the Board recognises that, as an important and high-profile constituent of the financial services infrastructure of the Crown Dependencies, events which are damaging to the Exchange's reputation may also have a detrimental impact upon the reputation of the Crown Dependencies.

The Subsidiary has in place rigorous processes to risk assess and review all applications for listing and membership at both take on and on an ongoing basis and remains committed to upholding the highest professional standards.

The Group's long-term success is dependent upon its ability to continue to attract, develop and retain high quality staff. The pool of talented staff available within the Crown Dependencies of Guernsey, Jersey and the Isle of Man is limited and the unique nature of our business within the islands presents further challenges for the recruitment of experienced staff. An enhanced career development framework was introduced in 2019 which, together with the progress already made to promote the Group's culture and values, should enable it to continue to attract, develop and retain high quality staff.

Corporate Governance Report continued

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 impact the Group's business either directly or indirectly. Uncertainty in the external environment is both a threat and an opportunity in terms of the Group's strategy. The political and economic uncertainty which impacted global capital markets during 2019 significantly weakened the Group's performance during the first half of the financial year. The success of the Group's business depends in part on its ability to identify and respond to opportunities which present themselves and react quickly to evolving macro-economic and sector trends and issuer preferences.

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 continue to make investments into its technology and IT to safeguard its systems and data as well as enabling it to improve operational efficiency and enhance client service. During 2020, the Group will be commencing a full review of its IT estate to ensure that it is appropriately positioned to support the Group's growth going forward.

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

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.

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. Fiona's resignation was announced in January 2020.

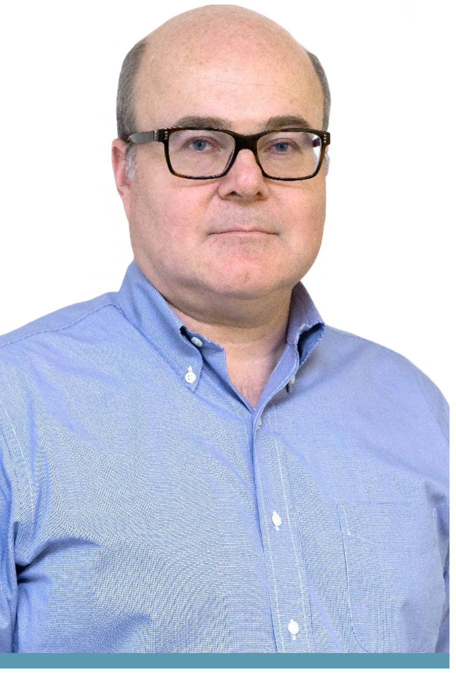
Background, Experience and Skills

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.

Directors' Biographies continued



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.

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.

Directors' Biographies continued

Anderson Whamond
Non-Executive Director

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

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 2019, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with United Kingdom Accounting Standards, comprising FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

What we have audited

The group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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 description of the significant accounting policies.

Basis for opinion

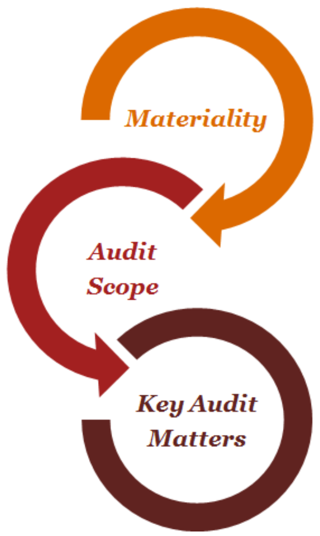
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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.

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



Our audit approach

Overview

Materiality

- The overall goup materiality was £181,600 (2018: £167,800) 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.
- Management's consideration of the potential impact of COVID-19.

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 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.

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

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
£181,600 (2018: £167,800)

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

Rationale for the materiality benchmark
The group is a profit oriented operating group with the intention of either reinvesting or distributing profits to shareholders by way of dividends. The financial performance of the group is assessed on profit levels and this can have an impact on the share price performance. Based on this understanding, we believe that consolidated profit before tax is the most appropriate measure for materiality due to this being a key metric for shareholders.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £9,082, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters 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 - Revenue recognition

We focus on the risk of material misstatement in the recognition of revenue, as a result of both fraud and error, because revenue is material and is an important determinant of the group's profitability, which has a consequent impact on its share price performance.

Certain directors and senior management have material shareholdings in the company and the group 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.

Revenue is derived from multiple service offerings being initial and annual membership fees, initial and annual listing fees, other listing related fees and other income as disclosed in note 3(e) and note 4 to the consolidated financial statements.

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

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

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

How our audit addressed the Key audit matter - Revenue recognition

- We understood and evaluated the controls and processes over the recording of revenue, including the raising of invoices through to the collection of debtors. Revenue is recorded in both the general ledger and on separate revenue spreadsheets.
- We obtained the revenue spreadsheets detailing all listing and members' fees and reconciled this to the general ledger and the consolidated financial statements.
- 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.
- 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.
- 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.
- 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.
- We recalculated the deferred income using the revenue spreadsheets and reconciled this to the general ledger and the consolidated financial statements.
- 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.
- We also assessed the revenue recognition policies adopted by the group for compliance with the relevant accounting standards.

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

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

Chairman's Statement, Note 3(a) to the Consolidated Financial Statements - Basis of preparation and Note 22 to the Consolidated Financial Statements – Events after the reporting period

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

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

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

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

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

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 (the "Annual Report") but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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.

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

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 related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- 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.

Use of this report

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

Report on other legal and regulatory requirements

Company Law exception reporting

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

- we have not received all the information and explanations we require for our audit;

- proper accounting records have not been kept; or

- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility

Tony Corbin
For and on behalf of PricewaterhouseCoopers CI LLP

Chartered Accountants
Guernsey, Channel Islands
24 March 2020

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Turnover	4	7,584,960	7,322,906
Administrative expenses	5, 6	(4,010,854)	(4,022,640)
Operating profit		**3,574,106**	**3,300,266**
Interest receivable and similar income			
Interest income from financial assets measured at amortised cost	7	52,770	57,695
Income and net gains/(losses) from financial assets measured at fair value through profit or loss	7	5,773	-
Profit on ordinary activities before taxation		**3,632,649**	**3,357,961**
Taxation	8	(156,573)	-
Profit for the financial year		**3,476,076**	**3,357,961**
Other comprehensive income		-	-
Total comprehensive income for the financial year		**3,476,076**	**3,357,961**
Earnings per share:			
Basic	9	123.2p	124.3p
Diluted	9	123.2p	119.8p

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 41 to 61 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	31 December 2019 £	31 December 2018 £
Fixed assets			
Tangible fixed assets	10	58,920	54,255
		58,920	**54,255**
Current assets			
Debtors	11	1,187,981	976,571
Investments	12	5,273,406	8,750,170
Cash and cash equivalents	17(b)	3,101,520	2,583,839
		9,562,907	**12,310,580**
Current liabilities			
Creditors: Amounts falling due within one year	13	(2,926,486)	(2,588,947)
Net current assets		**6,636,421**	**9,721,633**
Total assets less current liabilities		**6,695,341**	**9,775,888**
Non-current liabilities			
Provisions for other liabilities	14	(9,636)	(7,434)
Net assets		**6,685,705**	**9,768,454**
Capital and reserves			
Share capital	15	1,331,581	2,798,501
Share-based payments reserve	18	139,546	139,546
Retained earnings		5,214,578	6,830,407
Shareholders' equity		**6,685,705**	**9,768,454**

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 March 2020.

Signed on behalf of the Board of Directors:

J P Moulton
Director

F L A Le Poidevin
Director

The notes on pages 41 to 61 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 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	18	-	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**
At 1 January 2019		**2,798,501**	**139,546**	**6,830,407**	**9,768,454**
Total comprehensive income for the year ended 31 December 2019		-	-	3,476,076	3,476,076
Dividends declared and paid	15	(1,466,920)	-	(5,091,905)	(6,558,825)
At 31 December 2019		**1,331,581**	**139,546**	**5,214,578**	**6,685,705**

The notes on pages 41 to 61 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Net cash inflow from operating activities	17(a)	3,740,739	3,788,484
Taxation paid		(150,000)	-
Net cash generated from operating activities		**3,590,739**	**3,788,484**
Investing activities			
Payments to purchase tangible fixed assets	10	(38,061)	(13,249)
Purchases of certificates of deposit		(5,100,194)	(20,100,886)
Proceeds from disposal of certificates of deposit		13,850,366	16,251,269
Purchases of fixed term deposits/notice accounts		(2,178,055)	-
Purchases of liquidity funds		(3,099,000)	-
Interest received		50,711	49,806
Net cash inflow/(outflow) from investing activities		**3,485,767**	**(3,813,060)**
Financing activities			
Issue of Ordinary shares	15 & 18	-	317,500
Dividends paid		(6,558,825)	(820,300)
Net cash outflow from financing activities		**(6,558,825)**	**(502,800)**
Increase/(decrease) in cash and cash equivalents		**517,681**	**(527,376)**
Cash and cash equivalents at start of the financial year		2,583,839	3,111,215
Cash and cash equivalents at end of the financial year	**17(b)**	**3,101,520**	**2,583,839**

Cash and cash equivalents together with investments (note 12) totalled £8,374,926 as at 31 December 2019 (£11,334,009 as at 31 December 2018).

The notes on pages 41 to 61 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.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its sole subsidiary, drawn up to 31 December 2019. The results of the Subsidiary for the year, and for the prior year, have been consolidated. All intra-group transactions, balances, revenues and expenses are eliminated on consolidation. In preparing the consolidated financial statements the Company has elected to produce Group primary statements only, as permitted under section 244 of the Companies Law.

The principal activity of the Subsidary is the operation of an investment exchange known as The International Stock Exchange.

(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 assess 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.

Notes to the Consolidated Financial Statements continued

3. Summary of significant accounting policies (continued)

(d) 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.

(e) Revenue recognition

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

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

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

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

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

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

(f) Provisions for liabilities and contingencies

i. Provisions

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

ii. Contingencies

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

Notes to the Consolidated Financial Statements continued

(g) Employee benefits

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

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

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

The Group provides no post-employment benefits.

(h) Share-based payments

The Group provides share based 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.

(i) Operating leases

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

(j) Cash and cash equivalents

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

(k) Investments

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

(l) 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.

Notes to the Consolidated Financial Statements continued

3. Summary of significant accounting policies (continued)

(l) Financial instruments (continued)

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

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

ii. Financial liabilities

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

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

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

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

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new Ordinary shares are shown in equity as a deduction from the proceeds received. Distributions to shareholders paid out of capital are deducted from the carrying balance of share capital.

(n) Dividends

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

(o) Taxation

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

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

Notes to the Consolidated Financial Statements continued

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.

Entity wide disclosure		Year ended 31 December 2019		Year ended 31 December 2018
	£	£	£	£
Revenue from external customers				
Membership fees				
Initial fees	20,000		20,000	
Annual fees	286,900		280,945	
		306,900		**300,945**
Listing fees				
Initial fees	2,494,713			2,705,823
Annual fees	3,912,259			3,423,047
		6,406,972		**6,128,870**
Other Listing related fees		806,653		837,531
Other income		64,435		55,560
		7,584,960		**7,322,906**

Notes to the Consolidated Financial Statements continued

4. Operating segment information (continued)

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Revenue from external customers		
Membership fees		
Initial fees	20,000	20,000
Annual fees	286,900	280,945
	306,900	**300,945**
Listing fees		
Initial fees	2,494,713	2,705,823
Annual fees	3,912,259	3,423,047
	6,406,972	**6,128,870**
Other Listing related fees	806,653	837,531
Other income	64,435	55,560
	7,584,960	**7,322,906**
Membership Fees - Initial and Annual Geographical analysis Revenue from Members by domicile		
Guernsey	167,500	160,710
Jersey	107,100	122,578
Isle of Man	26,000	11,357
UK	6,300	6,300
	306,900	**300,945**

Notes to the Consolidated Financial Statements continued

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Listing Fees - Initial and Annual Geographical analysis Revenue from Issuers by domicile		
Guernsey	309,611	359,643
Jersey	504,335	579,878
UK	3,993,028	3,638,746
Isle of Man	36,466	15,821
Other	1,563,532	1,534,782
	6,406,972	**6,128,870**
Total Turnover – Geographical analysis		
Guernsey	556,520	601,348
Jersey	694,593	778,594
UK	4,472,576	4,053,872
Isle of Man	69,349	29,944
Other	1,791,922	1,859,148
	7,584,960	**7,322,906**

	31 December 2019 £	31 December 2018 £
Non-Current Assets Geographical analysis Tangible Assets by location		
Guernsey	57,807	51,287
Jersey	1,068	2,136
Isle of Man	45	832
	58,920	**54,255**

Notes to the Consolidated Financial Statements continued

5. Staff costs

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Administrative expenses includes staff costs as follows:		
Salaries, including bonus payments	2,041,848	2,079,457
Social security costs	127,141	125,008
Payments to employees' personal pension arrangements	93,290	79,735
Health insurance	60,152	60,306
Equity-settled share based payments	-	52,046
Other employee benefits	23,079	21,852
	2,345,510	**2,418,404**

6. Auditor's remuneration

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Fees payable to the Company's auditor for the audit of:		
The Group's consolidated financial statements	20,400	20,000
TISEA's stand-alone financial statements	31,600	30,000
	52,000	**50,000**

Notes to the Consolidated Financial Statements continued

7. Interest receivable and similar income

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Interest from financial assets measured at amortised cost:		
Cash and cash equivalents	7,404	10,494
Term deposits and notice accounts with term or notice of more than three months'	8,254	-
Certificates of deposit with maturity of three months or less at date of acquisition	37,112	47,201
Total interest from financial assets measured at amortised cost	**52,770**	**57,695**
Income and net gains/(losses) from financial assets measured at fair value through profit or loss:		
Dividends from liquidity funds	9,420	-
Movement in unrealised gain/(loss) on liquidity funds	(3,647)	-
Total income and net gains/(losses) from financial assets measured at fair value through profit or loss	**5,773**	-
Total interest receivable and similar income	**58,543**	**57,695**

Notes to the Consolidated Financial Statements continued

8. Taxation

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

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

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

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

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Profit on ordinary activities before taxation	3,632,649	3,357,961
Profit taxable at the standard rate of income tax of 0%	2,066,918	3,357,961
Profit taxable at the company intermediate rate of 10%	1,565,731	-
Profit on ordinary activities multiplied by the company standard rate of income tax in Guernsey of 0% (2018: 0%)	-	-
Effects of: Profits taxable at 10% in Guernsey	156,573	-
Total tax charge for the year	**156,573**	**-**

9. Earnings per share

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

Diluted earnings per share makes allowance for dilutive share options in issue during part or for all of the year. In calculating diluted earnings per share, the exercise of dilutive options is assumed to take place at the beginning of the year, or the later date of issue, and the assumed proceeds from exercise are regarded as used to repurchase shares at the average market price during the year.
Where the exercise price is less than the average market price during the year, 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.

Notes to the Consolidated Financial Statements continued

Details of the earnings per share calculations are as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Basic		
Basic weighted average of shares outstanding	2,821,000	2,701,575
Net profit attributable to Ordinary shareholders	£3,476,076	£3,357,961
Basic earnings per share	**123.2p**	**124.3p**
Diluted		
Potential Ordinary shares outstanding during the year:		
Dilutive share options in issue at start of year	-	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	-	-
Non-dilutive share options in issue at end of year	50,000	50,000
Proceeds from dilutive share options exercised	-	£317,500
Potential proceeds from dilutive share options	-	-
Average market share price for the year	777p	882p
Shares deemed repurchased	-	35,998
Shares deemed issued for no consideration	-	224,002
Weighted number of shares deemed issued for no consideration	-	101,384
Diluted weighted average shares outstanding	2,821,000	2,802,959
Net profit attributable to Ordinary shareholders	£3,476,076	£3,357,961
Diluted earnings per share	**123.2p**	**119.8p**

Notes to the Consolidated Financial Statements continued

10. Tangible fixed assets

	Office premises improvements £	Furniture, fixtures and fittings £	Computer equipment and software £	Total £
Cost:				
At 1 January 2018	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**
Additions	-	1,650	36,411	38,061
Written down	-	(230)	(5,027)	(5,257)
At 31 December 2019	**81,334**	**7,527**	**57,310**	**146,171**
Depreciation:				
At 1 January 2018	27,901	10,937	26,881	65,719
Charge for the year ended	12,047	2,036	8,642	22,725
31 December 2018				
Written down	-	(10,209)	(19,123)	(29,332)
At 31 December 2018	**39,948**	**2,764**	**16,400**	**59,112**
Charge for the year ended 31 December 2019	12,047	2,509	18,840	33,396
Written down	-	(230)	(5,027)	(5,257)
At 31 December 2019	**51,995**	**5,043**	**30,213**	**87,251**
Carrying amount:				
At 31 December 2018	41,386	3,343	9,526	54,255
At 31 December 2019	**29,339**	**2,484**	**27,097**	**58,920**

Notes to the Consolidated Financial Statements continued

11. Debtors

	31 December 2019 £	31 December 2018 £
Trade debtors	930,031	763,010
Other debtors	17,354	13,013
Prepayments	228,911	181,031
Accrued income	11,685	19,517
	1,187,981	**976,571**

No amounts fall due after more than one year.

12. Investments

	31 December 2019 £	31 December 2018 £
Investments at fair value through profit or loss:		
Liquidity funds	3,095,351	-
Investments at amortised cost:		
Certificates of deposit with maturity at date of acquisition of over 90 days and no more than 365 days	-	8,750,170
Short-term deposits/notice accounts with maturity at date of acquisition of over 90 days and no more than 365 days	2,178,055	-
	5,273,406	**8,750,170**

Notes to the Consolidated Financial Statements continued

13. Creditors: Amounts falling due within one year

	31 December 2019 £	31 December 2018 £
Deferred income	2,464,132	2,124,612
Payments on account from issuers	93,600	94,266
Trade creditors and accruals	316,448	345,348
Corporate taxation	6,573	-
Other creditors	45,733	24,721
	2,926,486	**2,588,947**

14. Provisions for other liabilities

Dilapidations provision	£
At 1 January 2018	**5,232**
Addition to provision	2,202
At 31 December 2018	**7,434**
Addition to provision	2,202
At 31 December 2019	**9,636**

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 £7,434 as at 31 December 2018 and £9,636 as at 31 December 2019.

Notes to the Consolidated Financial Statements continued

15. Share capital

	Non-Participating Share		Ordinary Shares	
	£	Number	£	Number
Authorised				
As at 1 January 2018	**1**	**1**	**5,000,000**	**5,000,000**
As at 31 December 2018	**1**	**1**	**5,000,000**	**5,000,000**
As at 31 December 2019	**1**	**1**	**5,000,000**	**5,000,000**
Allotted, called up and fully paid				
As at 1 January 2018	**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**
Special dividend paid from capital	-	-	(1,466,920)	-
As at 31 December 2019	**1**	**1**	**1,331,580**	**2,821,000**

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

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

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

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 £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.

Notes to the Consolidated Financial Statements continued

16. Financial instruments

	31 December 2019 £	31 December 2018 £
Financial assets at fair value through profit or loss:		
Liquidity funds	**3,095,351**	
Financial assets measured at amortised cost:		
Trade debtors	930,031	763,010
Other debtors	17,354	13,013
Certificates of deposit with maturity of more than three months at date of acquisition	-	8,750,170
Certificates of deposit with maturity of three months or less at date of acquisition	-	704,003
Term deposits and notice accounts with term or notice of more than three months	2,178,055	-
Term deposits and notice accounts with term or notice of three months or less	1,225,198	-
	4,350,638	**10,230,196**
Financial liabilities measured at amortised cost:		
Deferred income	2,464,132	2,124,612
Payments on account from issuers	93,600	94,266
Trade creditors and accruals	316,448	345,348
Corporate taxation	6,473	-
Other creditors	45,733	24,721
Provisions for other liabilities	9,636	7,434
	2,936,022	**2,596,381**

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

Investments in liquidity funds carried at fair value involve credit risk, liquidity risk and market risk. Credit risk is limited with exposure spread across a number of funds. A Group approved list of counterparties is maintained and individual counterparty limits set by the Board. The credit rating of each fund is investment grade and the portfolio is subject to oversight by the appointed investment manager. Liquidity risk exposure is in terms of the ability to realise the investments in a timely fashion. There is an active market in the approved funds as well as in the underlying investments of the funds which are of short term duration. Market risk exposure is in terms of price volatility of the liquidity funds themselves and of the underlying short duration financial instrument held by such funds. The liquidity funds and underlying short duration financial instruments represent an asset class that does not ordinarily experience extreme price variation.

Notes to the Consolidated Financial Statements continued

17. Notes to the Statement of Cash Flows

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

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Profit on ordinary activities before taxation		3,632,649	3,357,961
Adjustments to reconcile profit for the period to net cash flow from operating activities:			
Equity settled share based payments	18	-	52,046
Amortisation of intangible assets		-	38,954
Depreciation of tangible assets	10	33,396	22,725
Provision for other liabilities	14	2,202	2,202
Unrealised loss on investments		3,647	-
Interest received		(50,711)	(49,806)
Working capital movements:			
Increase in debtors		(211,410)	(74,841)
Increase in creditors		330,966	439,243
Net cash inflow from operating activities		**3,740,739**	**3,788,484**

(b) Cash and cash equivalents

	31 December 2019 £	31 December 2018 £
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	1,876,322	1,879,836
Short-term deposits/notice accounts with maturity at date of acquisition of 90 days or less	1,225,198	704,003
	3,101,520	**2,583,839**

Notes to the Consolidated Financial Statements continued

18. Share based payments

Equity-settled share option scheme

The Group operates an Employee Share Option Scheme (ESOS) as approved by the shareholders of the Company by way of written resolution on 9 December 2015. 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

Excerise price	£1.00	£6.75	£9.125
Outstanding as at 1 January 2018	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
Outstanding as at 31 December 2019	-	-	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.

The increase in equity associated with the grant of the share options in 2018 was recognised in full on the date of grant.

No options were granted in 2019.

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.

Notes to the Consolidated Financial Statements continued

During 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 and in relation to the exercise of the share options over 10,000 ordinary shares at an exercise price of £6.75 per share. In accordance with the rules of the ESOS, the additional shares were issued by the Company in 2018.

The 50,000 share options granted at an exercise price of £9.125 per share will lapse if not exercised by 13 December 2025 or otherwise cancelled further to the rules of the ESOS.

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.

19. 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 2019 and at 31 December 2018, were as follows:

i. Entities with significant influence over the Group

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Turnover		
Membership fees	£6,300	£6,300
Other income - Workshop fees	Nil	£400
Dividend payments	£572,183	£73,830
Debtors		
Trade debtors	Nil	£50

Listing Member, Carey Olsen Corporate Finance Limited (COCFL), holds 8.72% (2018: 8.72%) of the issued share capital of the Company. In addition to the Membership fee, in 2018 COCFL paid to attend a workshop 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 (2018: £25,000) for the year.

Notes to the Consolidated Financial Statements continued

19. Related parties (continued)

ii. Entities controlled by Key Management Personnel

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Turnover		
Listing fees	£13,586	£23,499
Dividend payments	£565,975	£68,686
Debtors		
Trade debtors - listing fees	Nil	£1,500
Creditors: Amounts falling due within one year		
Deferred income – Listing fees	£2,400	£486

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

(a) Terms and conditions of transactions with related parties

Income and expense transactions between related parties are made at normal market prices. Outstanding balances are unsecured, interest free and cash settlement is expected in line with set terms. Membership fees are due within 30 days of invoice. The Group has not made any provision for doubtful debts relating to any amounts owed by related parties.

(b) Key management personnel

All Directors of the Company, as well as all 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 £924,229 (2018: £965,966).

As at 31 December 2019, Directors of the Subsidiary, together with connected persons, held a total of 500 Ordinary shares of the Company and 50,000 share options (2018: 500 Ordinary shares and 50,000 share options). The interests of the Directors of the Company in the share capital of the Company is disclosed in the Directors' Report on page 14.

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 £582,183 in 2019. Key management and their close family received dividends, during their period of appointment, totalling £50,150 in 2018.

Notes to the Consolidated Financial Statements continued

20. Controlling party

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

21. Operating leases

On 8 June 2015, the Company entered into a 15 year lease in respect of office premises at Helvetia Court, South Esplanade, St Peter Port, Guernsey. The lease allows for early termination after 7 years.

On 30 July 2019, the Company entered into a serviced offices licence in relation to an office at Forum 3, Grenville Street, St Helier, Jersey. The minimum term under the licence is 24 months.

On 29 April 2019, the Company entered into a serviced office licence agreement in relation to an office at Merchants House, 24 North Quay, Douglas, Isle of Man, IM1 4LE. The minimum term under the licence is 12 months from the commencement date of 1 January 2019.

Payments due	31 December 2019 £	31 December 2018 £
Not later than 1 year	226,505	205,994
Later than 1 year and not later than 5 years	298,501	455,931
	525,006	**661,925**

The Group recognised operating lease charges totalling £215,427 for the year (2018: £207,066).

22. Events after the reporting period

Since the balance sheet date the global disruption caused by COVID-19 has become ever more evident. The situation is fast changing and the scale of the impact on the global economy, on capital markets and on individual businesses remains uncertain.

The amounts stated in these financial statements reflect conditions existing as at the balance sheet date and no adjustments have been made as a result of COVID-19.

The Group has a strong balance sheet and significant liquid assets. The Directors' view that the Group is a going concern remains unaltered.

Summary Financial Information (Unaudited)

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2019 £ '000	Year ended 31 December 2018 £ '000	Year ended 31 December 2017 £ '000
Turnover	7,585	7,323	6,008
Administrative expenses	(4,011)	(4,023)	(3,539)
Operating profit	**3,574**	**3,300**	**2,469**
Interest receivable/payable	59	58	21
Profit on ordinary activities before taxation	**3,633**	**3,358**	**2,490**
Taxation	(157)	-	-
Profit for the financial year	**3,476**	**3,358**	**2,490**
Other comprehensive income	-	-	-
Total comprehensive income for the financial year	**3,476**	**3,358**	**2,490**

Consolidated Statement of Financial Position

	31 December 2019 £ '000	31 December 2018 £ '000	31 December 2017 £ '000
Fixed assets	**59**	**54**	**103**
Current assets	**9,563**	**12,311**	**8,913**
Current liabilities	**(2,926)**	**(2,589)**	**(2,150)**
Net current assets	**6,637**	**9,722**	**6,763**
Total assets less current liabilities	**6,696**	**9,776**	**6,866**
Provisions for other liabilities	**(10)**	**(7)**	**(5)**
Net assets	**6,686**	**9,769**	**6,861**
Shareholders' equity	**6,686**	**9,769**	**6,861**

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The International Stock Exchange Group

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