

**THE CAYMAN ISLANDS
STOCK EXCHANGE LTD.
FINANCIAL STATEMENTS
JUNE 30, 2015**

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statements of Comprehensive Income

for the years ended June 30, 2015 and 2014

(expressed in Cayman Islands dollars)

	<u>2015</u>	<u>2014</u>
REVENUES		
Operations (Note 3)	\$ 1,380,183	\$ 1,246,013
CUSIP (Note 4)	417,260	358,318
Miscellaneous	42,788	29,807
Interest	641	723
	<u>1,840,872</u>	<u>1,634,861</u>
OPERATING EXPENSES		
Personnel (Notes 11 and 14)	666,742	672,783
License fee (Note 7)	145,327	171,750
Legal and professional fees	133,223	85,821
Lease of office (Note 7)	85,641	85,658
Amortisation (Note 6)	73,450	73,450
CUSIP	70,830	48,207
Marketing, travel and subsistence (Note 13)	65,453	47,914
Utilities	44,438	45,359
Memberships, subscriptions and publications	42,475	45,838
Technology	28,661	27,072
Bloomberg terminals	19,680	19,762
Printing, postage, courier and stationery	17,042	3,924
Other office and miscellaneous	13,276	9,733
Disaster recovery	10,574	6,331
Impairment allowances (Note 9)	6,761	23,854
Depreciation (Note 5)	6,498	4,368
Insurance	2,648	3,792
Training	1,025	2,206
	<u>1,433,744</u>	<u>1,377,822</u>
NET INCOME AND COMPREHENSIVE INCOME	<u>\$ 407,128</u>	<u>\$ 257,039</u>

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statements of Financial Position

June 30, 2015 and 2014

(expressed in Cayman Islands dollars)

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 8)	\$ 1,847,537	\$ 1,608,757
Accounts receivable (net of impairment allowances: \$15,371 (2014: \$23,252)) (Note 9)	313,935	243,635
Prepayments and other receivables	<u>41,455</u>	<u>35,562</u>
Total current assets	<u>2,202,927</u>	<u>1,887,954</u>
NON-CURRENT ASSETS		
Property, plant and equipment (Note 5)	32,907	13,261
Intangible assets (Note 6)	<u>202,429</u>	<u>273,419</u>
Total non-current assets	<u>235,336</u>	<u>286,680</u>
Total assets	<u>\$ 2,438,263</u>	<u>\$ 2,174,634</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>\$ 193,976</u>	<u>\$ 144,695</u>
Total current liabilities	<u>193,976</u>	<u>144,695</u>
SHAREHOLDER'S EQUITY		
Share capital (Note 10)	100,000	100,000
Additional paid-in capital	71,926	71,926
Retained earnings	<u>2,072,361</u>	<u>1,858,013</u>
Total shareholder's equity	<u>2,244,287</u>	<u>2,029,939</u>
Total liabilities and shareholder's equity	<u>\$ 2,438,263</u>	<u>\$ 2,174,634</u>

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statements of Changes in Shareholder's Equity

for the years ended June 30, 2015 and 2014

(expressed in Cayman Islands dollars)

	Share capital (Note 10)	Additional paid-in capital	Retained earnings	Total shareholder's equity
Balance at June 30, 2013	\$ 100,000	\$ 71,926	\$ 1,679,924	\$ 1,851,850
Net comprehensive income for the year	-	-	257,039	257,039
Dividends (Note 10)	-	-	(78,950)	(78,950)
Balance at June 30, 2014	100,000	71,926	1,858,013	2,029,939
Net comprehensive income for the year	-	-	407,128	407,128
Dividends (Note 10)	-	-	(192,780)	(192,780)
Balance at June 30, 2015	<u>\$ 100,000</u>	<u>\$ 71,926</u>	<u>\$ 2,072,361</u>	<u>\$ 2,244,287</u>

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statements of Cash Flows

for the years ended June 30, 2015 and 2014

(expressed in Cayman Islands dollars)

	<u>2015</u>	<u>2014</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net comprehensive income for the year	\$ 407,128	\$ 257,039
Adjustments for items not affecting cash:		
(Decrease)/Increase in impairment allowances	(7,881)	13,165
Amortisation	73,450	73,450
Depreciation	6,498	4,368
	<u>479,195</u>	<u>348,022</u>
Changes in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable	(62,419)	119,889
(Increase)/Decrease in prepayments and other receivables	(5,893)	6,588
Increase/(Decrease) in accounts payable and accrued liabilities	49,281	(48,836)
Decrease in deferred annual fees	-	(1,991)
Net cash provided by operating activities	<u>460,164</u>	<u>423,672</u>
INVESTING ACTIVITIES		
Purchase of intangible asset	(2,460)	(4,100)
Purchase of fixed assets	(26,144)	(3,971)
Net cash used in investing activities	<u>(28,604)</u>	<u>(8,071)</u>
FINANCING ACTIVITIES		
Dividends paid	(192,780)	(78,950)
NET INCREASE IN CASH AND CASH EQUIVALENTS	238,780	336,651
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,608,757</u>	<u>1,272,106</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,847,537</u>	<u>\$ 1,608,757</u>
SUPPLEMENTARY INFORMATION ON CASH FLOW FROM OPERATING ACTIVITIES		
Interest received	<u>\$ 602</u>	<u>\$ 772</u>

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the years ended June 30, 2015 and 2014

(expressed in Cayman Islands dollars)

1. INCORPORATION AND GENERAL INFORMATION

The Cayman Islands Stock Exchange Ltd. (the "Company") was incorporated as a private company limited by shares on September 26, 1996 as CSX Ltd. pursuant to the Cayman Islands Companies Law. The Company changed its name to The Cayman Islands Stock Exchange Ltd. on December 23, 1996.

In accordance with the powers conferred by the Cayman Islands Stock Exchange Company Law, 1996 the Company is engaged in carrying on the business of establishing and operating a securities market for the listing and trading of securities. This business includes the admission of persons as exchange members entitled by reason of membership of the exchange to engage in the listing and trading of securities through the facilities made available by the Company for such purposes.

The Company is wholly owned by the Stock Exchange Authority (the "Authority") on behalf of the Government of the Cayman Islands (the "Government").

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies adopted by the Company are as follows:

Cash and cash equivalents

The Company considers cash and short-term deposits with an original maturity of three months or less to be cash and cash equivalents.

Revenue recognition

Revenue is recognised as earned

Accounts receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Allowances are established when the Company determines amounts are doubtful of collection.

Translation of foreign currencies

Assets and liabilities denominated or accounted for in currencies other than Cayman Islands dollars are translated into Cayman Islands dollars at the applicable exchange rate ruling at the statement of financial position date. Foreign currency income and expense transactions are translated at the appropriate exchange rate ruling at the transaction date. Realised and unrealised gains and losses arising from such transactions are included in the statements of comprehensive income.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the years ended June 30, 2015 and 2014

(expressed in Cayman Islands dollars)

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated using the straight-line method over their estimated useful lives as follows:

<u>Type of non-current asset</u>	<u>Estimated useful life</u>
Leasehold improvements	remainder of current lease term
Computer hardware	3 years
Office furniture and equipment	10 years
Intangible assets	5 years

Fair value of financial instruments

The fair value of financial instruments approximates their carrying value principally due to the short-term nature of such instruments.

Critical accounting judgement and key source of estimation uncertainty

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The key areas of judgement or estimation are with regard to the recoverability of accounts receivable and the impairment of intangible assets. Accounts receivable are considered to be recoverable in full by the Company after taking into consideration the age of the receivable, the financial stability of the debtors, and the post year end receipts to the date of the report. Intangible assets are revalued on an annual basis for any impairments.

New accounting pronouncements

At the date of authorisation of these financial statements, a number of standards and interpretations were in issue but not yet effective. The Standards and Interpretations that are likely to have an impact on the accounting policies and financial statements of the Company are as follows:

IFRS 9 '*Financial Instruments*' ("IFRS 9") introduces new requirements for the classification and measurement of financial assets. The standard is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at amortised cost or fair value, with the determination to be made at initial recognition based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

The standard did not have a significant impact on the financial statements since the Company's financial assets approximate fair value.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the years ended June 30, 2015 and 2014

(expressed in Cayman Islands dollars)

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting pronouncements (continued)

IFRS 15 '*Revenue from Contracts with Customers*' ("IFRS 15") is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after January 1, 2018.

The standard is not expected to have a significant impact on the financial statements upon adoption.

The International Accounting Standards Board (IASB) has published '*Disclosure Initiative (Amendments to IAS 1)*'. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. Disclosure Initiative (Amendments to IAS 1) makes the following changes:

- **Materiality.** The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- **Statement of financial position and statement of profit or loss and other comprehensive income.** The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- **Notes.** The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The amendments are effective for annual periods beginning on or after January 1, 2016. The standard is not expected to have a significant impact on the financial statements upon adoption.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the years ended June 30, 2015 and 2014

(expressed in Cayman Islands dollars)

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting pronouncements (continued)

The International Accounting Standards Board (IASB) has published 'Clarification of Acceptable Methods of Depreciation and Amortisation' (Amendments to IAS 16 and IAS 38). The amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefited of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Company uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. Management of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, Management does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Company's financial statements.

There are no other standards or interpretations that are effective that would be expected to have a material impact on the financial statements of the Company.

3. OPERATING REVENUES

Operating revenues are as follows:

	<u>2015</u>	<u>2014</u>
Listing fees:		
Debt securities	\$ 392,903	\$ 346,543
Investment funds	248,788	255,881
Corporate debt securities	391,632	290,169
Equity securities	77,490	79,540
Insurance linked securities	36,900	48,790
Listing document updates	<u>5,740</u>	<u>8,200</u>
	1,153,453	1,029,123
Listing agents fees	186,550	172,200
Broker membership fees	38,130	42,640
Affiliated membership fees	<u>2,050</u>	<u>2,050</u>
	<u>\$ 1,380,183</u>	<u>\$ 1,246,013</u>

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the years ended June 30, 2015 and 2014

(expressed in Cayman Islands dollars)

(continued)

4. CUSIP REVENUES

The Company is the exclusive Committee on Uniform Security Identification Procedures ("CUSIP") international numbering agent for issuing CUSIP numbering system identifiers for securities of issuers registered in the Cayman Islands and the British Virgin Islands.

CUSIP revenues are as follows:

	<u>2015</u>	<u>2014</u>
CUSIP revenue:		
British Virgin Islands	\$ 16,936	\$ 25,256
Cayman Islands	<u>400,324</u>	<u>333,062</u>
	<u>\$ 417,260</u>	<u>\$ 358,318</u>

5. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold improvements</u>	<u>Computer hardware and software</u>	<u>Office furniture and equipment</u>	<u>Total</u>
<u>Cost:</u>				
At July 1, 2014	\$ 143,138	\$ 726,006	\$ 161,197	\$ 1,030,341
Additions	<u>2,356</u>	<u>23,366</u>	<u>422</u>	<u>26,144</u>
At June 30, 2015	<u>145,494</u>	<u>749,372</u>	<u>161,619</u>	<u>1,056,485</u>
<u>Depreciation:</u>				
At July 1, 2014	143,138	721,316	152,626	1,017,080
Charge for the year	<u>1,309</u>	<u>3,832</u>	<u>1,357</u>	<u>6,498</u>
At June 30, 2015	<u>144,447</u>	<u>725,148</u>	<u>153,983</u>	<u>1,023,578</u>
Net book value at June 30, 2015	<u>\$ 1,047</u>	<u>\$ 24,224</u>	<u>\$ 7,636</u>	<u>\$ 32,907</u>
Net book value at June 30, 2014	<u>\$ -</u>	<u>\$ 4,690</u>	<u>\$ 8,571</u>	<u>\$ 13,261</u>

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the years ended June 30, 2015 and 2014

(expressed in Cayman Islands dollars)

(continued)

6. INTANGIBLE ASSETS

	<u>Website</u>	<u>Software</u>	<u>Total</u>
<u>Cost:</u>			
At July 1, 2014	\$ 4,100	\$ 367,253	\$ 371,353
Additions	<u>2,460</u>	<u>-</u>	<u>2,460</u>
At June 30, 2015	<u>6,560</u>	<u>367,253</u>	<u>373,813</u>
<u>Amortisation:</u>			
At July 1, 2014	-	97,934	97,934
Charge for the year	<u>-</u>	<u>73,450</u>	<u>73,450</u>
At June 30, 2015	<u>-</u>	<u>171,384</u>	<u>171,384</u>
Net book value at June 30, 2015	<u>\$ 6,560</u>	<u>\$ 195,869</u>	<u>\$ 202,429</u>
Net book value at June 30, 2014	<u>\$ 4,100</u>	<u>\$ 269,319</u>	<u>\$ 273,419</u>

7. COMMITMENTS

The lease payments for the twelve months ended June 30, 2015, were \$85,641 (2014: \$85,658). From December 31, 2009, the Company has moved to a rolling monthly contract to lease its existing office premises on the 4th floor of Elizabethan Square. This rolling arrangement will be in place for the foreseeable future and as such the Company does not have any lease commitments for the years ended June 30, 2015 and 2014.

The Company entered into a five year licensing agreement on September 3, 2012 for the provision of trading software related services. The annual fee depends on the level of services provided with a minimum of €150,000 per year payable by the Company. The license fees paid for the twelve months ended June 30, 2015, were \$145,327 (2014: \$171,750).

Licensing agreement future commitments

	<u>2015</u>	<u>2014</u>
Not later than one year	\$ 137,316	\$ 167,558
Later than one year and not later than five years	160,202	502,673
Later than five years	<u>-</u>	<u>-</u>
	<u>\$ 297,518</u>	<u>\$ 670,231</u>

Above commitments were originally denominated in Euro and have been converted into Cayman Islands dollars using the prevailing exchange rate as at June 30, 2015 and 2014.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the years ended June 30, 2015 and 2014

(expressed in Cayman Islands dollars)

(continued)

8. CASH AND CASH EQUIVALENTS

	<u>2015</u>	<u>2014</u>
Current and call accounts	\$ 1,201,780	\$ 963,603
Short-term fixed deposits maturing within one month	<u>645,757</u>	<u>645,154</u>
	<u>\$ 1,847,537</u>	<u>\$ 1,608,757</u>

9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Company's operating activities expose it to various types of financial risks that are associated with the financial instruments and markets in which it invests. These financial risks include credit and counterparty risk, liquidity risk and market risk (including currency risk and interest rate risk). The Company's overall risk management program focuses on minimising potential adverse effects on the Company's operations resulting from these financial risks. The exposure to, and management of, these risks are summarised below.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the years ended June 30, 2015 and 2014

(expressed in Cayman Islands dollars)

(continued)

9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Credit and counterparty risk

Credit and counterparty risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments which potentially expose the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable.

Age of accounts receivable past due but not impaired

	<u>2015</u>	<u>2014</u>
31-60 days	\$ 54,900	\$ 21,432
61-90 days	13,794	6,834
91-120 days	21,919	8,282
Over 120 days	<u>95,809</u>	<u>122,716</u>
	<u>\$ 186,422</u>	<u>\$ 159,264</u>

Movement in impairment allowances

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 23,252	\$ 10,087
Impairment losses recognised on receivables	6,761	23,854
Amounts written off as uncollectible	(8,492)	(10,197)
Amounts recovered	<u>(6,150)</u>	<u>(492)</u>
Balance at end of year	<u>\$ 15,371</u>	<u>\$ 23,252</u>

The aging of the impaired fee income receivables was as follows:

Age of impaired accounts receivable

	<u>2015</u>	<u>2014</u>
31-60 days	\$ -	\$ -
61-90 days	-	-
91-120 days	-	-
Over 120 days	<u>15,371</u>	<u>23,252</u>
Total – impaired	<u>\$ 15,371</u>	<u>\$ 23,252</u>

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the years ended June 30, 2015 and 2014

(expressed in Cayman Islands dollars)

(continued)

9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Credit and counterparty risk (continued)

The Company mitigates its exposure to credit risk by placing cash with major international institutions. As the Company provides listing services, its revenue is made up of small fees from many customers. As such, any failure of a customer to pay their fees would not have a significant impact on the financial statements of the Company. The Company's policy is to provide for an allowance of doubtful debts based on specifically identified outstanding accounts receivable evaluated based on their age and assessed collectability.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's primary financial liabilities are accounts payable and accrued liabilities. The Company monitors current assets and liabilities to ensure that it has sufficient liquid assets to be able to meet its future expected cash outflows. All the Company's liabilities are expected to be paid within one year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Company comprises two types of risk: currency risk and interest rate risk. The Company is not exposed to any other market risks.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company operates in the Cayman Islands and the main currencies of its operations are the Cayman Islands dollar and the United States dollar.

The Cayman Islands dollar has a fixed exchange rate against the United States dollar so no currency risk or translation gains/losses arise from fluctuations between the currencies, and as such no currency risk sensitivity analysis has been prepared. The Cayman Islands dollar to United States dollar exchange rate used by the Company is 0.82.

The only foreign currency monetary assets or liabilities held at June 30, 2015, were United States dollars as part of cash and cash equivalents in the amount of \$1,359,579 (2014: \$1,133,381).