

***The Cayman Islands Stock
Exchange Ltd.***

Financial Statements

for the period from
July 1, 2016 to December 31, 2017
and Independent Auditors' Report

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

FINANCIAL STATEMENTS

for the period from July 1, 2016 to December 31, 2017

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The Cayman Islands Stock Exchange Ltd.

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by The Cayman Islands Stock Exchange Ltd. (the "Company") in accordance with the provisions of the *Public Management and Finance Law (2017 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2017 Revision)*.

As Chairman and Chief Executive Officer, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly reflect the financial transactions of the Company.

As Chairman and Chief Executive Officer we are responsible for the preparation of the Company's financial statements and for the judgements made in them.

The financial statements fairly present the statements of comprehensive income, financial position, changes in shareholder's equity, and cash flows, as well as the explanatory information, for the period from July 1, 2016 to December 31, 2017.

To the best of our knowledge we represent that these financial statements:

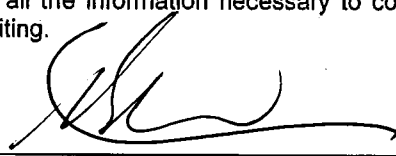
- (a) are complete and reliably reflect the financial transactions of the Company for the period from July 1, 2016 to December 31, 2017;
- (b) fairly reflect the financial position as at December 31, 2017 and performance for the period from July 1, 2016 to December 31, 2017;
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

The Office of the Auditor General and Deloitte & Touche jointly conducted an independent audit and expressed an opinion on the accompanying financial statements. The Office of the Auditor General and Deloitte & Touche have been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.



Anthony Travers
Chairman
The Cayman Islands Stock Exchange Ltd.

April 30, 2018



Marco S. Archer
Chief Executive Officer
The Cayman Islands Stock Exchange Ltd.

April 30, 2018

INDEPENDENT AUDITOR'S REPORT

To the Auditor General of the Cayman Islands and the Board of Directors of The Cayman Islands Stock Exchange Ltd.

Opinion

We have audited the financial statements of The Cayman Islands Stock Exchange Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2017 and the statements of comprehensive income, changes in shareholder's equity and cash flows for the period from July 1, 2016 to December 31, 2017 (all expressed in Cayman Islands Dollars), and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance, changes in shareholder's equity and its cash flows for the period from July 1, 2016 to December 31, 2017 ended in accordance with International Financial Reporting Standards (IFRSs).

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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

To the Auditor General of the Cayman Islands and the Board of Directors of The Cayman Islands Stock Exchange Ltd.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Deloitte & Touche

April 30, 2018

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Comprehensive Income

for the period from July 1, 2016 to December 31 2017

(expressed in Cayman Islands dollars)

	July 1, 2016 to December 31, 2017	July 1, 2015 to June 30, 2016
REVENUES		
Operations (Note 3)	\$ 2,504,757	\$ 1,497,211
CUSIP (Note 4)	549,689	414,768
Miscellaneous	27,452	29,078
Interest	1,208	891
	<u>3,083,106</u>	<u>1,941,948</u>
OPERATING EXPENSES		
Personnel (Notes 11 and 14)	899,972	726,848
Legal and professional fees	326,296	108,964
License fee (Note 7)	213,587	142,109
Lease of office (Note 7)	132,043	85,690
CUSIP	112,337	65,230
Amortisation (Note 6)	111,926	73,450
Memberships, subscriptions and publications	65,645	46,593
Utilities	65,129	42,688
Technology	48,112	24,633
Marketing, travel and subsistence (Note 13)	39,644	53,521
Bloomberg terminals	31,054	20,394
Other office and miscellaneous	25,432	12,070
Depreciation (Note 5)	21,211	13,235
Printing, postage, courier and stationery	15,743	8,170
Impairment allowances (Note 9)	16,278	17,448
Disaster recovery	6,244	6,543
Insurance	2,443	2,143
Training	1,169	275
	<u>2,134,265</u>	<u>1,450,004</u>
NET INCOME AND COMPREHENSIVE INCOME	<u>\$ 948,841</u>	<u>\$ 491,944</u>

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Financial Position

December 31, 2017

(expressed in Cayman Islands dollars)

	<u>December 31, 2017</u>	<u>June 30, 2016</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 8)	\$ 2,738,955	\$ 2,094,053
Accounts receivable (net of impairment allowances: \$23,521 (2016: \$15,781)) (Note 9)	446,898	323,438
Prepayments and other receivables	<u>25,846</u>	<u>23,302</u>
Total current assets	<u>3,211,699</u>	<u>2,440,793</u>
NON-CURRENT ASSETS		
Property, plant and equipment (Note 5)	29,324	25,709
Intangible assets (Note 6)	<u>17,053</u>	<u>128,979</u>
Total non-current assets	<u>46,377</u>	<u>154,688</u>
Total assets	<u>\$ 3,258,076</u>	<u>\$ 2,595,481</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 247,308	\$ 164,596
Total current liabilities	<u>247,308</u>	<u>164,596</u>
SHAREHOLDER'S EQUITY		
Share capital (Note 10)	100,000	100,000
Additional paid-in capital	71,926	71,926
Retained earnings	<u>2,838,842</u>	<u>2,258,959</u>
Total shareholder's equity	<u>3,010,768</u>	<u>2,430,885</u>
Total liabilities and shareholder's equity	<u>\$ 3,258,076</u>	<u>\$ 2,595,481</u>

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Changes in Shareholder's Equity

for the period from July 1, 2016 to December 31 2017

(expressed in Cayman Islands dollars)

	<u>Share capital</u> <u>(Note 10)</u>	<u>Additional</u> <u>paid-in capital</u>	<u>Retained</u> <u>earnings</u>	<u>Total</u> <u>shareholder's</u> <u>equity</u>
Balance at June 30, 2015	\$ 100,000	\$ 71,926	\$ 2,072,361	\$ 2,244,287
Net income and comprehensive income for the year	-	-	491,944	491,944
Dividends (Note 10)	<u>-</u>	<u>-</u>	<u>(305,346)</u>	<u>(305,346)</u>
Balance at June 30, 2016	100,000	71,926	2,258,959	2,430,885
Net income and comprehensive income for the period	-	-	948,841	948,841
Dividends (Note 10)	<u>-</u>	<u>-</u>	<u>(368,958)</u>	<u>(368,958)</u>
Balance at December 31, 2017	<u>\$ 100,000</u>	<u>\$ 71,926</u>	<u>\$ 2,838,842</u>	<u>\$ 3,010,768</u>

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Cash Flows

for the period from July 1, 2016 to December 31 2017

(expressed in Cayman Islands dollars)

	July 1, 2016 to December 31, 2017	July 1, 2015 to June 30, 2016
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income and comprehensive income for the period	\$ 948,841	\$ 491,944
Adjustments for items not affecting cash:		
Increase in impairment allowances	7,740	410
Amortisation	111,926	73,450
Depreciation	21,211	13,235
	<u>1,089,718</u>	<u>579,039</u>
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(131,200)	(9,913)
Increase/(Decrease) in accounts payable and accrued liabilities	82,712	(29,380)
(Increase)/Decrease in prepayments and other receivables	(2,544)	18,153
Net cash provided by operating activities	<u>1,038,686</u>	<u>557,899</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(24,826)</u>	<u>(6,037)</u>
Cash used in investing activities	<u>(24,826)</u>	<u>(6,037)</u>
FINANCING ACTIVITIES		
Dividends paid	<u>(368,958)</u>	<u>(305,346)</u>
Cash used in financing activities	<u>(368,958)</u>	<u>(305,346)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	644,902	246,516
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD/YEAR	<u>2,094,053</u>	<u>1,847,537</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD/YEAR	<u><u>\$ 2,738,955</u></u>	<u><u>\$ 2,094,053</u></u>
SUPPLEMENTARY INFORMATION ON CASH FLOW FROM OPERATING ACTIVITIES		
Interest received	<u><u>\$ 1,208</u></u>	<u><u>\$ 891</u></u>

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the period from July 1, 2016 to December 31 2017

(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").

Change of financial period and comparative figures

As of July 1, 2016, the financial year of the Company changed from period July 1 to June 30 to the period from January 1 to December 31 to align with a change in the Government reporting period. These financial statements have been prepared as of and for the 18 month period from July 1, 2016 to December 31, 2017 and the prior period information is as of and for the 12 month period from July 1, 2015 to June 30, 2016, which is not entirely comparable.

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 period end. Allowances are established when the Company determines amounts are doubtful of collection.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the period from July 1, 2016 to December 31 2017

(expressed in Cayman Islands dollars)

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 tested on an annual basis for any impairments.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the period from July 1, 2016 to December 31 2017

(expressed in Cayman Islands dollars)

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the period from July 1, 2016 to December 31 2017

(expressed in Cayman Islands dollars)

(continued)

3. OPERATING REVENUES

Operating revenues are as follows:

	July 1, 2016 to December 31, 2017	July 1, 2015 to June 30, 2016
Listing fees:		
Debt securities	\$ 956,371	\$ 497,248
Corporate debt securities	785,417	460,020
Investment funds	292,494	215,660
Insurance linked securities	43,050	41,820
Equity securities	44,690	37,857
Specialist companies	33,620	-
Listing document updates	16,318	15,498
	<u>2,171,960</u>	<u>1,268,103</u>
Listing agents fees	276,750	198,850
Broker membership fees	52,275	25,010
NAV fees	1,722	3,198
Affiliated membership fees	2,050	2,050
	<u>\$ 2,504,757</u>	<u>\$ 1,497,211</u>

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:

	July 1, 2016 to December 31, 2017	July 1, 2015 to June 30, 2016
Cayman Islands	\$ 494,995	\$ 386,466
British Virgin Islands	46,494	22,070
Other	8,200	6,232
	<u>\$ 549,689</u>	<u>\$ 414,768</u>

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the period from July 1, 2016 to December 31 2017

(expressed in Cayman Islands dollars)

(continued)

5. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Computer hardware and software	Office furniture and equipment	Total
<u>Cost:</u>				
At July 1, 2016	\$ 145,494	\$ 754,949	\$ 162,079	\$ 1,062,522
Additions	-	22,457	2,369	24,826
At December 31, 2017	145,494	777,406	164,448	1,087,348
<u>Depreciation:</u>				
At July 1, 2016	145,494	735,915	155,404	1,036,813
Charge for the period	-	19,410	1,801	21,211
At December 31, 2017	145,494	755,325	157,205	1,058,024
Net book value at December 31, 2017	\$ -	\$ 22,081	\$ 7,243	\$ 29,324

	Leasehold improvements	Computer hardware and software	Office furniture and equipment	Total
<u>Cost:</u>				
At July 1, 2015	\$ 145,494	\$ 749,372	\$ 161,619	\$ 1,056,485
Additions	-	5,577	460	6,037
At June 30, 2016	145,494	754,949	162,079	1,062,522
<u>Depreciation:</u>				
At July 1, 2015	144,447	725,148	153,983	1,023,578
Charge for the year	1,047	10,767	1,421	13,235
At June 30, 2016	145,494	735,915	155,404	1,036,813
Net book value at June 30, 2016	\$ -	\$ 19,034	\$ 6,675	\$ 25,709

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the period from July 1, 2016 to December 31 2017

(expressed in Cayman Islands dollars)

(continued)

6. INTANGIBLE ASSETS

	<u>Website</u>	<u>Software</u>	<u>Total</u>
<u>Cost:</u>			
At July 1, 2016	\$ 6,560	\$ 367,253	\$ 373,813
Additions	-	-	-
At December 31, 2017	<u>6,560</u>	<u>367,253</u>	<u>373,813</u>
<u>Amortisation:</u>			
At July 1, 2016	-	244,834	244,834
Charge for the period	<u>1,749</u>	<u>110,177</u>	<u>111,926</u>
At December 31, 2017	<u>1,749</u>	<u>355,011</u>	<u>356,760</u>
Net book value at December 31, 2017	<u>\$ 4,811</u>	<u>\$ 12,242</u>	<u>\$ 17,053</u>

	<u>Website</u>	<u>Software</u>	<u>Total</u>
<u>Cost:</u>			
At July 1, 2015	\$ 6,560	\$ 367,253	\$ 373,813
Additions	-	-	-
At June 30, 2016	<u>6,560</u>	<u>367,253</u>	<u>373,813</u>
<u>Amortisation:</u>			
At July 1, 2015	-	171,384	171,384
Charge for the year	<u>-</u>	<u>73,450</u>	<u>73,450</u>
At June 30, 2016	<u>-</u>	<u>244,834</u>	<u>244,834</u>
Net book value at June 30, 2016	<u>\$ 6,560</u>	<u>\$ 122,419</u>	<u>\$ 128,979</u>

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the period from July 1, 2016 to December 31 2017

(expressed in Cayman Islands dollars)

(continued)

7. COMMITMENTS

The lease payments for the period from July 1, 2016 to December 31, 2017, were \$132,043 (year ended June 30, 2016: \$85,690). 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 period from July 1, 2016 to December 31, 2017 and year ended June 30, 2016.

The Company entered into a five year licensing agreement on September 3, 2012 for the provision of trading software related services which expired on September 2, 2017. The licensing agreement has not been renewed, but is continuing on a month to month basis. The annual fee on the agreement was based on the level of services provided with a minimum of €150,000 per year payable by the Company. The license fees incurred for the period from July 1, 2016 to December 31, 2017, were \$213,587 (year ended June 30, 2016: \$142,109).

Licensing agreement future commitments

	<u>December 31, 2017</u>	<u>June 30, 2016</u>
Not later than one year	\$ -	\$ 135,300
Later than one year and not later than five years	-	23,789
Later than five years	-	-
	<u>\$ -</u>	<u>\$ 159,089</u>

Above commitments were originally denominated in Euro and have been converted into Cayman Islands dollars using the prevailing exchange rate as at December 31, 2017 and June 30, 2016.

8. CASH AND CASH EQUIVALENTS

	<u>December 31, 2017</u>	<u>June 30, 2016</u>
Current and call accounts	\$ 2,091,060	\$ 1,447,367
Short-term fixed deposits maturing within one month	647,895	646,686
	<u>\$ 2,738,955</u>	<u>\$ 2,094,053</u>

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the period from July 1, 2016 to December 31 2017

(expressed in Cayman Islands dollars)

(continued)

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.

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>December 31, 2017</u>	<u>June 30, 2016</u>
31-60 days	\$ 81,516	\$ 28,880
61-90 days	19,917	18,959
91-120 days	17,754	10,325
Over 120 days	271,653	111,362
	<u>\$ 390,840</u>	<u>\$ 169,526</u>

Movement in impairment allowances

	<u>December 31, 2017</u>	<u>June 30, 2016</u>
Balance at beginning of period	\$ 15,781	\$ 15,371
Impairment losses recognised on receivables	16,278	17,448
Amounts written off as uncollectible	(8,538)	(638)
Amounts recovered	-	(16,400)
Balance at end of period	<u>\$ 23,521</u>	<u>\$ 15,781</u>

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

Age of impaired accounts receivable

	<u>December 31, 2017</u>	<u>June 30, 2016</u>
31-60 days	\$ -	\$ -
61-90 days	-	-
91-120 days	-	-
Over 120 days	23,521	15,781
Total – impaired	<u>\$ 23,521</u>	<u>\$ 15,781</u>

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the period from July 1, 2016 to December 31 2017

(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 of 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. 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 December 31, 2017, were United States dollars as part of cash and cash equivalents in the amount of \$2,267,298 (June 30, 2016: \$1,600,958) and licensing fees payable of \$24,908 (June 30, 2016: \$22,612). The impact of any fluctuation of foreign currencies would not have a material effect on the Company's net income and comprehensive income. As such, no currency risk sensitivity analysis has been prepared.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the period from July 1, 2016 to December 31 2017

(expressed in Cayman Islands dollars)

(continued)

9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The only financial instrument upon which changes in interest rates could have an impact is a fixed deposit, renewed monthly, in the amount of \$647,895 (June 30, 2016: \$646,686) which is shown on the statement of financial position as part of cash and cash equivalents. As the financial instrument is short-term in nature and a fixed rate is set at each monthly renewal of the fixed deposit, interest rate fluctuations would not significantly impact the Company's future cash flows. As such, no sensitivity analysis for interest rate risk has been prepared.

10. SHARE CAPITAL

The authorised and issued share capital of the Company is \$100,000 divided into 100,000 shares of \$1 each. All of the shares were exclusively subscribed on behalf of the Government by the Authority in 1996 in accordance with the Cayman Islands Stock Exchange Company Law, 1996.

The present dividend policy is for the Company to pay 75% of net operating income to the Government. The Government is the 100% shareholder of the Company and the dividend policy is reviewed on an annual basis. On September 20, 2016, the Stock Exchange Council approved dividend payments for the year ended June 30, 2016 of \$3.68958 per share totaling \$368,958 (2015: \$3.05346 per share totaling \$305,346). The dividends declared for the year ended June 30, 2016 were fully paid to the Government during the period from July 1, 2016 to December 31, 2017.

11. PERSONNEL

Included within personnel expenses are the salary, bonus, pension and healthcare payments made to and on behalf of the six (2016: six) members of staff employed during the period. For the period from July 1, 2016 to December 31, 2017, total personnel expenses amounted to \$899,972 (year ended June 30, 2016: \$726,848). Total remuneration for the Company's three key management personnel was \$355,596 for the period from July 1, 2016 to December 31, 2017 (year ended June 30, 2016: \$486,708) which includes the employer's portion of pension expenses.

On January 31, 2017, the Head of Information Technology and Trading Systems ceased to be an employee. On August 31, 2017, Valia Theodoraki ceased to be the Chief Executive Officer of the Company and became the Vice President of Marketing as of September 1, 2017. Marco S. Archer became the new Chief Executive Officer of the Company on October 2, 2017. At December 31, 2017, key management personnel consisted of the Chief Executive Officer and the Deputy Head of Listing and Compliance. At June 30, 2016, key management personnel consisted of the Chief Executive Officer, the Head of Information Technology and Trading Systems and the Deputy Head of Listing and Compliance.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the period from July 1, 2016 to December 31 2017

(expressed in Cayman Islands dollars)

(continued)

12. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern without additional funding from the Government. The Company's overall strategy remains unchanged from the year ended June 30, 2016. The capital structure of the Company consists of issued shares, additional paid-in capital and retained earnings. The Company has no externally imposed capital requirements.

13. MARKETING, TRAVEL AND SUBSISTENCE

Marketing, travel and subsistence largely consists of promotional costs of \$4,829 (year ended June 30, 2016: \$8,814), public relations costs of \$2,425 (year ended June 30, 2016: \$nil), and costs for conferences and international trade events in London, Las Vegas and the Cayman Islands of \$19,346 (year ended June 30, 2016: Miami, Las Vegas and the Cayman Islands of \$30,378). Travel and subsistence expenses relating to conferences, international trade events and other marketing travel totaled \$13,044 (year ended June 30, 2016: \$14,329).

14. PENSION SCHEME

As required by the National Pensions Law of the Cayman Islands, the Company has established for its employees a defined contribution pension scheme with a third party pensions provider based in the Cayman Islands of the mandatory contribution rate up to the current maximum pensionable earnings of \$87,000 per annum (year ended June 30, 2016: \$60,000 per annum). The mandatory contribution rate under the law is 10% of the employee's salary, borne equally by the employer and employee. The Company contributions are borne 5.00% by the employer and 5.00% by the employee. The total pension cost recorded during the period from July 1, 2016 to December 31, 2017, was \$25,845 (year ended June 30, 2016: \$16,800). This represents the employer's portion and is included in personnel expenses.

15. SUBSEQUENT EVENTS

Management has evaluated the possibility of subsequent events existing in the Company's financial statements through April 30, 2018, the date the financial statements were available to be issued.

Management has determined that there are no further material events that would require disclosure in the Company's financial statements.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Stock Exchange Council and authorised for issue on April 30, 2018.