



CAYMAN ISLANDS
STOCK EXCHANGE

**Report
For The Fiscal Year Ending 31 December
2020**

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Objectives

- to operate the Exchange for the trading of securities, including the operation of an electronic trading platform and related trading and clearance tracking processes and the operation of a crossing market.
- to admit persons (brokers) as Exchange members.
- to list securities on the Exchange and to appoint Listing Agents.
- to regulate listed issuers and broker members through the establishment and monitoring of Listing Rules and Membership Rules.
- to promote listing, membership, and use of the Exchange.



CSX Council Members

Anthony B. Travers, OBE

Chairman

Roisin Addlestone

Vice-Chairman

Dax Basdeo

Council Member

Sophia Dilbert

Council Member

Mark Lewis

Council Member

Barry Smith

Council Member

Nick Freeland

Council Member

Marco S. Archer

Chief Executive Officer

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Broker Members

Butterfield Bank (Cayman) Ltd.

Cayman National Securities Ltd.

FirstCaribbean International Bank and Trust Company (Cayman) Limited

VBK Bank & Trust, Ltd.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Listing Agents

Appleby (Cayman) Ltd.

Bedell Cristin Cayman Partnership

Campbells

Carey Olsen

Collas Crill

Conyers Dill & Pearman

Harneys

Maples and Calder

Mourant Governance Services (Cayman) Limited

Ocorian Trust (Cayman) Limited

Ogier

Stuarts Walker Hersant Humphries

Travers Thorp Alberga

Walkers

A listing agent of the Exchange may be appointed as listing agent for the purpose of the listing. A listing agent acts as an intermediary between the issuer and the Exchange and is responsible for preparing and filing the application documents for listing and ensures ongoing compliance with the Listing Rules. In addition, two authorised representatives must be nominated by an issuer as the principal channel of communication with the Exchange on an ongoing basis.

CSX Milestones

1997 - CSX officially opens

2001 – ISG membership

2002 - 5th anniversary - 700 listings

2003 - Affiliate member of IOSCO

2004 - UK HMRC recognition

2006 - CSX joins AIMA

2008 – first shariah compliant listing

2009 - 3,000 + listings

2011 – first LatAm eurobond and mineral company equity listings

2012 – US\$10 billion ‘cat bond’ listings

2012 – CSX announces ability to trade catastrophe bonds

2013 – CSX progresses to affiliate membership of WFE (World Federation of Exchanges)

2013 – CSX launches XETRA trading platform

2015 – 4,000 + listings

2016 – 20th anniversary

2016/17 – introduction of new product listing rules for debt and equity securities of “Specialist Companies” and a significant increase of the number of new listing applications and the market capitalisation from USD198 billion to over USD241 billion

2018 – Market capitalization exceeded USD310 billion

2019 – Market capitalization exceeded USD428 billion and CSX relocated to Cricket Square

2020 – CSX launches its own order driven trading platform to replace Xetra, market capitalization reached US\$459 billion, and CSX successfully operated remotely during Covid-19 lockdown for six months.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Profile

The foundation for the establishment of the Cayman Islands Stock Exchange (the “CSX” or “Exchange”) was laid 25 years ago with the passing of the Cayman Islands Stock Exchange Law. Since then the CSX has grown rapidly to become one of the leading offshore exchanges with a listed market value as at 31 December 2020 of approximately US\$459 billion, providing a facility for the listing and trading of equity and debt securities in the Cayman Islands. The CSX provides a primary listing and trading facility for equities, investment funds, exchange traded funds (ETFs), and corporate and specialist debt securities (such as asset backed securities, credit linked securities, insurance linked securities and loan participating notes). The CSX also provides a secondary listing facility and an

offshore trading venue for securities listed and traded on another recognised stock exchange. The CSX listing may provide a variety of tax benefits, such as exemptions or lower rates and in some jurisdictions, such as the UK and Japan for instance, can provide a more favourable tax treatment if investors, subject to their tax regime, hold securities issued by Issuers that are listed on a recognised stock exchange, such as the CSX.

The CSX is a private limited company wholly owned by the Cayman Islands Government. As at 31 December 2020, the CSX had registered fourteen listing agents, four broker members, and admitted to its Daily Official List from inception over 6,339 securities. The Official List is available for inspection at www.csx.ky



Major Activities

The principal activities of the Exchange during the year continued to be the provision of listing, trading and CUSIP/ISIN facilities in the Cayman Islands.

Listing Activities

The Exchange offers a unique and convenient listing service in the EST time zone and has become the specialist exchange of choice for a growing number of international Issuers. While entities incorporated in the Cayman Islands and the United States of America comprise a significant proportion of listed securities, many other jurisdictions are represented.

CSX offers a personalised approach to listing applications within a highly regulated and innovative marketplace.

The CSX offers the following advantages:

- fast and efficient listing services from an experienced and highly qualified team that understands the complexities of specialist issuances and is dedicated to meeting issuer's timelines.
- responsive and approachable Listing Committee which is available daily to consider approving securities for admission to the Official List of the CSX.
- "Recognised Stock Exchange" status from the HM Revenue & Customs (designated as such under section 1005 Income Tax Act 2007 (UK) making debt securities eligible for the Quoted Eurobond Exemption).
- competitive pricing.
- existing documentation (for example, prospectus, offer memorandum, scheme particulars, pricing supplements) may be utilised to form the listing document, furthering the potential to save on costs.
- the Listing Rules are easy to understand, meet international standards and are based on IOSCO standards which are generally regarded as international best practice.
- an issuer may not be required to appoint a listing agent depending on the type of listing (applicable to specialist and corporate debt securities only).
- the CSX operates outside the European Union (EU) and EU Directives do not apply, therefore the regulatory burden is less onerous than listing on other major exchanges domiciled in the EU.

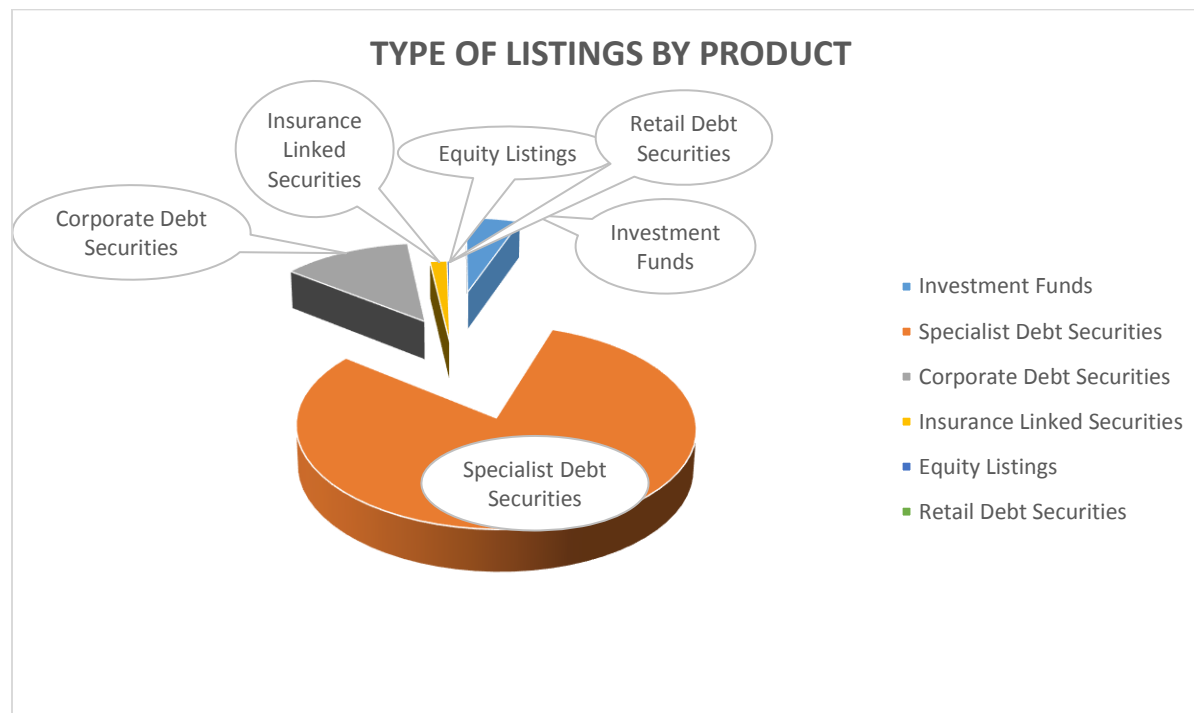
As part of its listing function the Exchange examines suitability and eligibility of issuers applying to have their securities admitted to its official list. Applications that meet the requirements of the CSX's Listing Rules are approved before the securities are admitted to listing and trading. An issuer, its listing agent or its professional advisers may approach the Exchange to discuss the suitability of the listing proposals prior to making any formal application.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Listings of debt securities issued by special purpose vehicles have increased dramatically over the last few years.

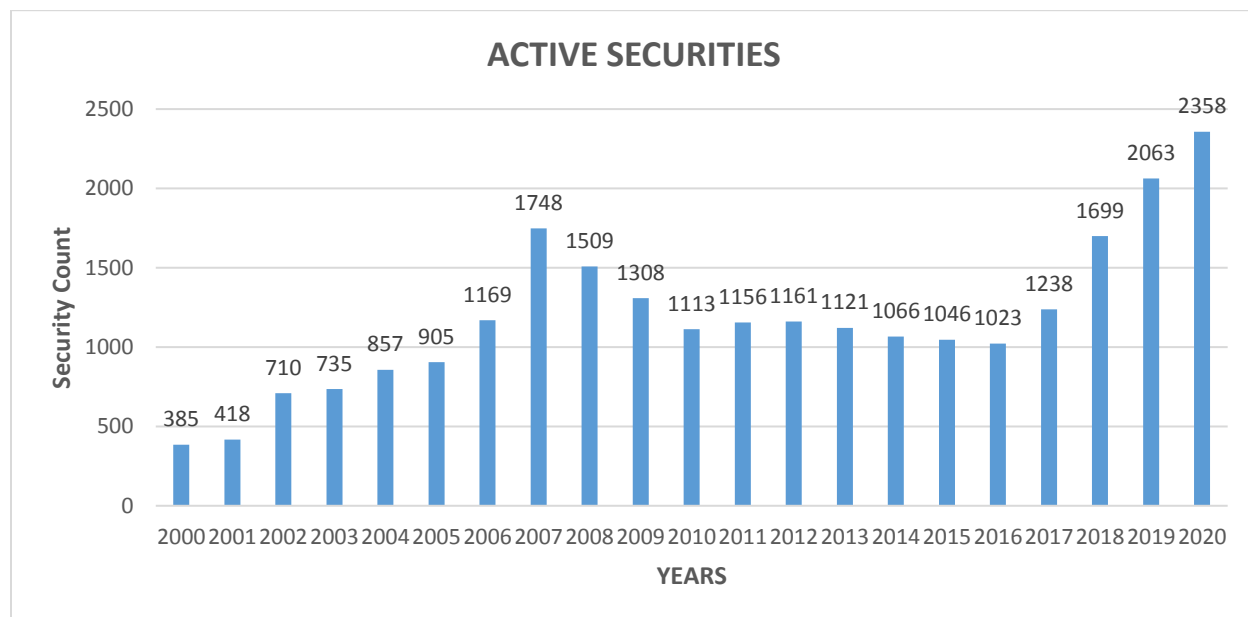
The Exchange continued to grow its market share in listing of collateralised loan obligation issuers (“CLOs”). This is the second highest annual total of new CLOs listings since the inception of the Exchange, eclipsed only by last year where 290 CLO securities were listed.

The following chart shows the breakdown of listings by product as of 31 December 2020:

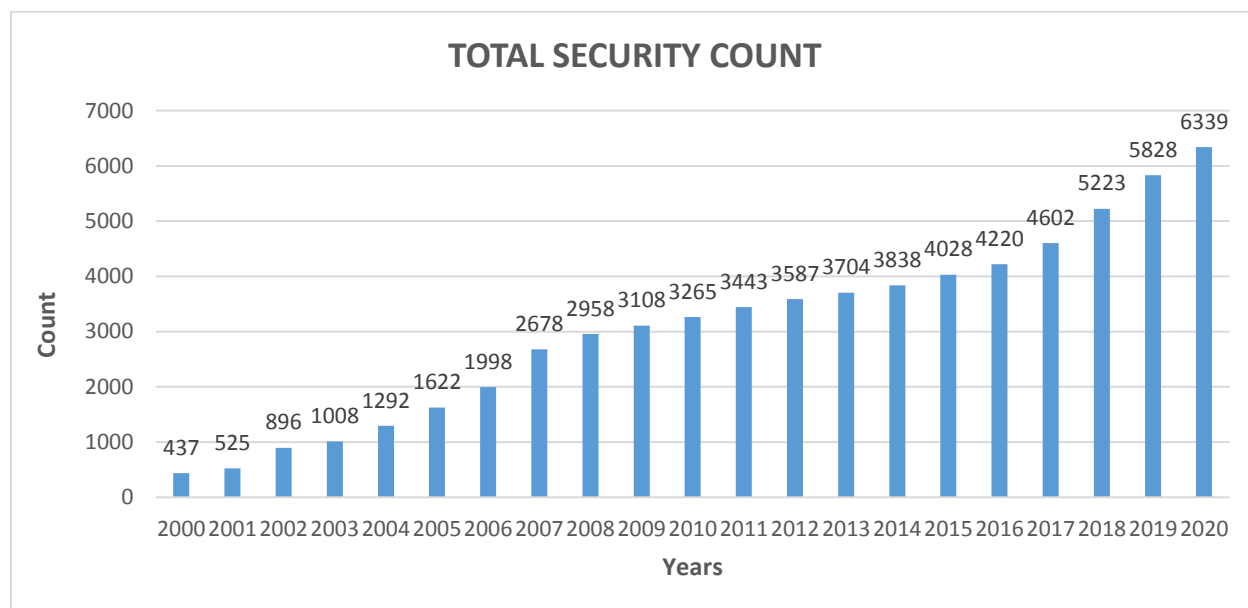


In 2020, the Exchange continued to build on recent success to record some very strong business flows and increased profits principally driven by the continued growth in new listings. The number of financial instruments admitted to the Daily Official List of the Exchange increased by 295 new securities, taking the number of active listed securities on the Daily Official List of the Exchange to 2,358, an increase of 14.3% compared to 2019.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.



However, without factoring in the number of matured and delisted securities, the total number of securities admitted since inception of the Exchange was 6,339 at the end of 2020, an increase of 8.8% compared to the previous year.



The continued growth in the number of new listings on the Exchange reflects the growing recognition from issuers and their advisers that the CSX provides a thoroughly regulated, convenient and cost-effective listing venue for their securities. While Covid-19 may have disrupted or slowed some market activity, it has also generated other new listings as companies refinanced in the face of the changing economic conditions.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

For 2020, new listings were characterised by some Fortune 100 companies, further development of niche product areas and greater diversification in the origin of business geographically.

Other examples are:

1. listing of US CLOs for a number of high profile collateral managers;
2. listing of medium term note programs and standalone transactions for a variety of international corporates; and
3. listing of a broad scope of ABS transactions including insurance linked securities, receivables and loan repackaging.

The exceptional service at the CSX continues to generate a significant number of enquiries from Cayman Islands entities as well as from overseas including UK, Channel Islands, Delaware and Irish companies wanting to learn more about listing capabilities on the CSX.

The Exchange also examines eligibility and suitability of applications made for authorisation of listing agents. Applicants that meet the criteria published in its Listing Rules are added to the register of listing agents and can represent issuers that wish to apply for their securities to be listed. Currently, there are 14 listing agents authorised to represent issuers with Appleby (Cayman) Ltd. becoming the latest entity authorised to act as a listing agent.

The Exchange continued to focus on diversifying its income streams by further developing its revenue-generating activities and regularly reviewing its fee structure and rules to identify appropriate policies that may be introduced to enhance competitiveness and efficiency, in line with international practices and standards.

The CSX continued to work on amendments to the listing rules in 2020 in relation to continuing obligations, AML legislative requirements, the potential listing of virtual asset securities, the listing of variable funded notes, and the reciprocal recognition of other stock exchanges.

Covid-19

Like many others in the Cayman Islands and throughout the world, normal operations at the CSX were affected, although minimally, by the arrival of the Covid-19 pandemic. Recognising that a pandemic-induced lockdown would require the CSX to operate remotely, an early decision was taken to procure all necessary equipment for staff to ensure that the delivery of services to clients, locally and internationally, would continue without interruption. As a result, the staff were able work remotely from home, without incident, for approximately five months, returning to the office in early August 2020.

Despite not affecting the day-to-day operations of the CSX, the pandemic did affect plans to market the CSX internationally. The CSX was able attend and exhibit at one event in 2020, the

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Structured Finance Industry Group asset-backed securities conference in Las Vegas in February 2020. However, due to social distancing requirements and the lack of air-transport, attending marketing meetings and other conferences was no longer possible in the remainder of 2020.

Transparency and Oversight

Following admission to the official list, issuers must comply with certain published continuing obligations. The continuing obligations are intended to ensure that all market users have simultaneous access to the same information and to maintain an orderly market in the listed securities. In the case of a primary listing on the CSX, Chapters 6, 8, and 9 to 13 of the Listing Rules, each dealing with a specific types of listed security (equity, investments funds, depositary receipts, derivative warrants, specialist and corporate and sovereign debt and retail debt securities), provide for continuing obligations which the relevant issuer is required to observe, including a Model Code for securities transactions by directors of listed companies.

Such obligations include clearance from the Exchange prior to taking certain actions, notification of changes to the listed securities and the communication and disclosure of information in certain circumstances. If an issuer fails to comply with such obligations, the Exchange may take enforcement actions (for example de-listing).

The Exchange continues to monitor issuers' compliance with these continuing obligations as set out in its Listing Rules and advising issuers on any post listing matters.

International Relations and Marketing

The Exchange maintained a level of membership with several organisations that set international standards, including the International Organisation of Securities Commissions (IOSCO), the Quoted Companies Alliance, The Alternative Investment Management Association (AIMA), the Intermarket Surveillance Group (ISG) and the World Federation of Exchanges.

As noted above, due to Covid-19 travel restrictions, the CSX was only able attend and exhibit at one event in 2020, the Structured Finance Industry Group asset-backed securities conference in Las Vegas in February 2020.

The CSX had intended to continue building on its leading position as an offshore exchange in 2020 by traveling to Asia to increase its presence at conferences as well as hold a number of marketing meetings with professional services advisers to establish and strengthen valuable relationships and secure additional listings for the Exchange. The CSX intends to continue with this plan once a new normal with respect to air travel is established.

Building a long-lasting relationship with the CSX Listing Agents and Onshore Service Providers

The Covid-19 pandemic-induced lockdown and other restrictions also prevented the Exchange

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

from visiting Listing Agents locally to provide practical information concerning amendments to and interpretation of listing rules and the continuing obligations of issuers post-listing on the Exchange. The CSX plans to conduct these presentations whenever possible in 2021 to give Listing Agents an opportunity to discuss key topics and for the Exchange to receive valuable feedback.

Trading and NAV Reporting Activities

All equity trades in 2020 were supported by the CSX's own order driven trading platform. Prior to 2020, the CSX relied on the Xetra order driven trading platform.

Access to the CSX trading platform requires a standard web browser and trading is continuous from 9:00 a.m. to 4:30 p.m. Monday to Friday. The currency of each listed security is designated as the trading currency of such security and, for the time being, the Exchange does not charge trading fees for executed trades.

Broker members and their registered representatives duly admitted to the Exchange were able to access the new trading platform and use the trading facilities. However, there were no new broker members admitted during the 2020 year.

Net Asset Valuations ("NAVs") are received and validated prior to publication on the CSX's website. Historic NAVs are captured and can be accessed by the public on the Exchange's website. The Exchange monitors electronically any significant variations in NAVs or volumes and takes any necessary action.

Administrators are authorised to post NAVs directly onto the CSX via a secure internet page. Once the information is inputted by a fund administrator, the prices are immediately published on the mutual fund listings page on the Exchange's internet web site and are sent to Bloomberg for posting to its information pages.

NAV information was published and disseminated to the public in the local press until the pandemic-induced lockdown. However, investors can easily access published data via the CSX's website. Therefore, ongoing listing requirements serve to enhance investor confidence.

CUSIP Numbering Agency

The Exchange is acting as Standard & Poor's' sole agent for CUSIP, a company that issues International Securities Identification Numbers ("ISINs") for Cayman Islands and British Virgin Islands incorporated entities. CUSIP revenue of \$1,090,887 increased by 211% in 2020 when compared to 2019. This very significant increase is attributed to a Goldman Sachs entity utilising the CSX for bulk purchases of ISINs for large quantities of securities to be issued.

Human Resources

There were no personnel changes in 2020 and as at 31 December 2020, key management

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

personnel consisted of the Chief Executive Officer, the Head of Listing, and the Head of Information Technology and Trading Systems, which remained unchanged from 2019. The Exchange will continue its efforts to attract and recruit qualified and experienced employees.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Financial Report

Financial Highlights

The main financial highlights for the year ended 31 December 2020 ("2020") are set out below for comparison with actual results for the year ended 31 December 2019 ("2019"):

	Actual: Year Ended 31 December 2020	Target: Year Ended 31 December 2020	Actual: Year Ended 31 December 2019
	CI\$	CI\$	CI\$
Revenues	3,931,130	2,868,480	3,165,659
Operating Expenses	1,805,452	1,634,888	1,951,379
Net Income	2,125,678	1,233,592	1,241,280
Total Assets	7,979,703	5,024,320	6,078,717
Total Liabilities	3,442,396	766,987	1,997,109
Total Shareholder's Equity	4,537,307	4,257,333	4,081,608
Net Cash from Operating Activities	2,779,345	1,626,720	2,086,096
Cash at End of Year	6,426,893	3,992,687	4,362,760

Total income for 2020 was CI\$3.9 million compared to CI\$3.2 million for 2019.

Revenues from operations for 2020 amounted to CI\$2,826,580, compared to CI\$2,796,221 for 2019. This included revenue from listing fees of CI\$2,576,644 for 2020 compared to CI\$2,538,167 for 2019.

Income from CUSIP services for the 2020 year was CI\$1,090,887, comparable to CI\$350,878 for 2019. This very significant increase is attributed to a Goldman Sachs entity utilising the CSX for bulk purchases of ISINs for large quantities of securities to be issued.

Total expenses for 2020 were CI\$1.80 million, compared to CI\$1.95 million total expenses for 2019.

Net income for 2020 was CI\$2,125,678 compared to \$1,241,280 for 2019.

During the year ended 31 December 2020 the number of staff decreased by one and the personnel expenses for the year totalled CI\$969,747 (2019: CI\$977,460).

A dividend of CI\$607,170 relating to 2019 was paid in November 2020 to the sole shareholder of the Exchange.

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

Financial Statements

for the year ended
31 December 2020
and Auditor General's Report

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

FINANCIAL STATEMENTS

for the year ended 31 December 2020

Contents	Page
Statement of Responsibility for the Financial Statements	1
Auditor General's Report	2
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Shareholder's Equity	7
Statement of Cash Flows	8
Notes to Financial Statements	9

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 Act (2020 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 Act (2020 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.

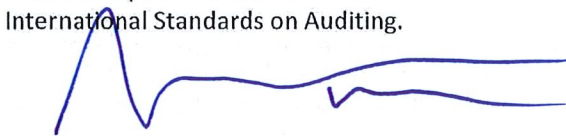
As Chairman and Chief Executive Officer we are responsible for the preparation of the Company's financial statements and for the judgements made in them.

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 year ended 31 December 2020.

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 year ended 31 December 2020;
- (b) fairly reflect the financial position as at 31 December 2020 and performance for the year ended 31 December 2020;
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

The Office of the Auditor General and its agent jointly conducted an independent audit and expressed an opinion on the accompanying financial statements. The Office of the Auditor General and its agent 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.

30 April 2021



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

30 April 2021

AUDITOR GENERAL'S REPORT

To the Council of The Cayman Islands Stock Exchange Ltd.

Opinion

I have audited the financial statements of The Cayman Islands Stock Exchange Ltd. (the "Stock Exchange"), which comprise the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year ended 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 9 to 26.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Stock Exchange as at 31 December 2020 and its financial performance and its cash flows for year ended 31 December 2020 in accordance with International Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Stock Exchange in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. In rendering my audit opinion on the financial statements of the Stock Exchange, I have relied on the work carried out on my behalf by a public accounting firm who performed their work in accordance with International Standards on Auditing.

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 International Financial Reporting Standards 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 Stock Exchange'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 Stock Exchange or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR GENERAL'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Stock Exchange'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 Stock Exchange's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Stock Exchange to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Act (2020 Revision)*. I 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 I identify during my audit.



Sue Winspear, CPFA
Auditor General

30 April 2021
Cayman Islands

This page is left intentionally blank

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Comprehensive Income

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

		Year ended	Year ended
	Note	31 December 2020	31 December 2019
Revenues			
Operations	3	\$ 2,826,580	\$ 2,796,221
CUSIP	3	1,090,887	350,878
Miscellaneous		12,300	14,771
Interest		1,363	3,789
		<u>3,931,130</u>	<u>3,165,659</u>
Operating expenses			
Personnel	11,12	969,747	977,460
Legal and professional fees		33,537	146,388
License fee		-	152,347
Impairment allowances	7	(6,546)	72,172
Marketing, travel and subsistence	13	27,493	78,032
Lease of office		6,470	73,485
CUSIP		397,558	76,746
Memberships, subscriptions and publications		46,508	49,249
Utilities		40,179	57,475
Technology		44,630	79,554
Bloomberg terminals		22,140	21,590
Depreciation	4, 8	147,577	69,428
Amortisation		1,312	1,312
Other office and miscellaneous		31,449	66,994
Lease finance charges	8	16,955	8,807
Printing, postage, courier and stationery		3,671	6,761
Disaster recovery		8,758	4,794
Insurance		10,988	6,923
Training		3,026	1,862
		<u>1,805,452</u>	<u>1,951,379</u>
Net income and comprehensive income		<u><u>\$ 2,125,678</u></u>	<u><u>\$ 1,214,280</u></u>

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Financial Position

31 December 2020

(expressed in Cayman Islands dollars)

	<u>Note</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Current assets			
Cash and cash equivalents	6	\$ 6,426,893	\$ 4,362,760
Trade receivables (net of impairment allowances: \$121,133 (2019: \$202,260))	7	540,729	494,867
Prepayments and other receivables		35,131	157,106
Total current assets		<u>7,002,753</u>	<u>5,014,733</u>
Non-current assets			
Right of use assets	8	501,916	548,881
Property, plant and equipment	4	474,159	512,916
Intangible assets		875	2,187
Total non-current assets		<u>976,950</u>	<u>1,063,984</u>
Total assets		<u>\$ 7,979,703</u>	<u>\$ 6,078,717</u>
Current liabilities			
Accounts payable and accrued liabilities		220,929	292,282
Contract liabilities	3	300,460	144,234
Lease liabilities	8	56,808	45,690
Dividend payable	9	1,062,839	-
Total current liabilities		<u>1,641,036</u>	<u>482,206</u>
Non-current liabilities			
Contract liabilities	3	1,351,033	1,007,241
Lease liabilities	8	450,327	507,662
Total non-current liabilities		<u>1,801,360</u>	<u>1,514,903</u>
Total liabilities		<u>3,442,396</u>	<u>1,997,109</u>
Shareholder's equity			
Share capital	9	100,000	100,000
Additional paid-in capital		71,926	71,926
Retained earnings		4,365,381	3,909,682
Total shareholder's equity		<u>4,537,307</u>	<u>4,081,608</u>
Total liabilities and shareholder's equity		<u>\$ 7,979,703</u>	<u>\$ 6,078,717</u>

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Changes in Shareholder's Equity

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

	<u>Note</u>	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total shareholder's equity</u>
Balance at 31 December 2018		\$ 100,000	\$ 71,926	\$ 2,833,679	3,005,605
Net income and comprehensive income for the year		-	-	1,214,280	1,214,280
Dividends	9	-	-	(138,277)	(138,277)
Balance at 31 December 2019		100,000	71,926	3,909,682	4,081,608
Net income and comprehensive income for the year		-	-	2,125,678	2,125,678
Dividends	9	-	-	(1,669,979)	(1,669,979)
Balance at 31 December 2020		<u>\$ 100,000</u>	<u>\$ 71,926</u>	<u>\$ 4,365,381</u>	<u>\$ 4,537,307</u>

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Cash Flows

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

	Year ended 31 December 2020	Year ended December 31, 2019
Cash provided by (used in):		
Operating activities		
Net income and comprehensive income for the year	\$ 2,125,678	\$ 1,214,279
Adjustments for items not affecting cash:		
(Decrease)/Increase in impairment allowances	(81,160)	(31,967)
Amortisation	1,312	1,312
Depreciation	147,577	69,428
	<u>2,193,407</u>	<u>1,253,052</u>
Changes in operating assets and liabilities:		
Increase in accounts receivable	35,298	324,895
(Decrease)/Increase in accounts payable and accrued liabilities	(71,353)	65,675
Increase in contract liabilities	500,018	532,585
(Increase) in prepayments and other receivables	121,975	(90,111)
Net cash provided by operating activities	<u>2,779,345</u>	<u>2,086,096</u>
Investing activities		
Purchase of property, plant and equipment	(53,052)	(493,369)
Cash used in investing activities	<u>(53,052)</u>	<u>(493,369)</u>
Financing activities		
Principal payment of lease liability	(55,020)	(14,456)
Dividends paid	(607,140)	(138,277)
Cash used in financing activities	<u>(662,160)</u>	<u>(152,733)</u>
Net increase in cash and cash equivalents	2,064,133	1,439,994
Cash and cash equivalents, beginning of year	<u>4,362,760</u>	<u>2,922,765</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,426,893</u></u>	<u><u>\$ 4,362,760</u></u>
Supplementary information on cash flow from operating activities		
Lease finance charges paid	<u>\$ 16,955</u>	<u>\$ 8,807</u>
Interest received	<u>\$ 1,363</u>	<u>\$ 3,789</u>

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(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 26 September 1996 as CSX Ltd. pursuant to the Cayman Islands Companies Law. The Company changed its name to The Cayman Islands Stock Exchange Ltd. on 23 December 1996.

In accordance with the powers conferred by the Cayman Islands Stock Exchange Company Law (2014 Revision) 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”).

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.

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 Statement of Comprehensive Income. Cayman Islands dollars is the functional and reporting currency.

Property, plant and equipment recognition and valuation

Property, plant and equipment is initially recognised, at the date on which it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Subsequently, property, plant and equipment shall be carried at its cost less any accumulated depreciation and accumulated impairment losses.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(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:

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

Leases (IFRS 16)

The Company initially applied IFRS 16 from 1 January 2019. IFRS 16 sets out requirements for companies to recognize right-of-use assets and lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. IFRS 16 introduces a single, on-balance sheet lease accounting model. A lessee recognises a right-of-use asset respecting its right to use the underlying asset and a lease liability respecting its obligation to make lease payments. The right-of-use asset is depreciated over the lease term, being 10 years. Finance charges are incurred over the remainder of the lease payments reduce the lease liability balance. See Note 8.

Financial assets and liabilities

IFRS 9 *Financial Instruments* ("IFRS 9") sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Company initially adopted IFRS 9 from 1 January 2018.

Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Under IFRS 9, the Company classifies its financial assets as Cash, Trade receivables and Other receivables. Trade receivables are held at amortised cost. IFRS 9 divides all financial assets into two classifications - those measured at amortized cost and those measured at fair value. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Cash and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's cash and receivables comprise trade and other receivables, short term deposits and cash and cash equivalents in the balance sheet.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial assets are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Income.

The Company classifies its financial liabilities as accounts payables and accrued liabilities. Such financial liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or obligations to the Cayman Islands Government for dividends based on net income and comprehensive income. Accounts payable and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Impairment

The “expected credit loss” (“ECL”) model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Company only has financial assets carried at amortised cost.

Allowance for credit losses

An allowance for credit losses (“ACL”) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Financial assets carried at amortized cost are presented net of ACL on the Statement of Financial Position. The Company measures the ACL on each reporting date according to a three-stage expected credit loss impairment model, with Stages 1 and 2 for performing financial assets, and Stage 3 for impaired financial assets.

Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date.

Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset.

Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognised equal to credit losses expected over the remaining lifetime of the asset.

The ECL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon.

Increases or decreases in the required ACL attributable to derecognitions and remeasurements due to changes in loss expectations or stage migrations are recorded in provision for credit losses. Write-off and recoveries are recorded against allowance for credit losses. The ACL represents an unbiased estimate of expected credit losses on financial assets as at the reporting date. Judgement is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward-looking information. The underlying assumptions and estimates could result in changes to the allowances from period to period that significantly affects the results of operations.

The stages don’t apply to accounts receivable as lifetime losses are considered within the ECL calculation.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD") discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

Expected credit losses are discounted to the reporting period date using the effective interest rate.

The Company has adopted a "simplified approach" for trade receivables. The simplified approach, as permitted by IFRS 9, allows entities to recognise lifetime expected losses without the need to identify significant increases in credit risk (see Note 7).

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated 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 trade receivables. Trade receivables 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 period-end receipts to the date of the report.

3. REVENUE

The Company generates revenue primarily from the provision of listing services to its customers. Other sources of revenue include income from the provision of CUSIPs.

In the following table, revenue from contracts with customers for the year ended 31 December 2020, is disaggregated by the Company's major service lines.

	Year ended	Year ended
Major service lines	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Listing fees	\$ 2,576,644	\$ 2,538,167
Cusip income	1,090,887	350,878
Listing Agent fees	215,250	217,300
Broker Member fees	30,750	38,540
Other income	<u>17,599</u>	<u>20,774</u>
Revenue from contracts with customers	<u>\$ 3,931,130</u>	<u>\$ 3,165,659</u>

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

3. REVENUE (continued)

Operating revenues are further disaggregated as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Listing fees		
Debt securities	\$ 1,531,340	\$ 1,516,953
Corporate debt securities	506,112	515,980
Investment funds	205,820	183,352
Specialist companies	103,320	78,074
Equity securities	107,830	109,470
Insurance linked securities	38,082	54,530
Listing document updates and other	26,084	28,640
	<u>2,518,588</u>	<u>2,486,999</u>
Other fees		
Listing agents fees	215,250	217,300
Broker membership fees	30,750	38,540
De-listing fees	58,056	51,168
NAV fees	3,936	2,214
	<u>\$ 2,826,580</u>	<u>\$ 2,796,221</u>

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:

	Year ended 31 December 2020	Year ended 31 December 2019
Cayman Islands	\$ 1,048,247	\$ 315,782
British Virgin Islands	41,164	31,816
Other	1,476	3,280
	<u>\$ 1,090,887</u>	<u>\$ 350,878</u>

IFRS 15, Revenue from Contracts with Customers

IFRS 15, *Revenue from contracts with customers* ("IFRS 15") establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

3. REVENUE (continued)

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a service to a customer. The Company initially applied IFRS 15 from 1 January 2018. Information about the Company's accounting policies relating to contracts with customers is provided below.

Performance obligations and revenue recognition policies

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of Service	Nature and timing of satisfaction of performance obligations	Revenue recognition policies
Initial listing	Invoices for initial listings are issued when the customer's application for listing is accepted by the Company based on the Company's published price list.	Revenue is recognised over time as the services are provided for the duration of the listing. As a result, revenue relating to the remainder of the listing period after the first year, is deferred.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

3. REVENUE (continued)

Performance obligations and revenue recognition policies (continued)

Type of Service	Nature and timing of satisfaction of performance obligations	Revenue recognition policies
Annual listing	Invoices for annual listing fees are issued at the point at which the security is listed, based on the Company's published price list. Thereafter, an invoice is issued at the anniversary date of listing.	Revenue is recognised at the point in time at which the security is listed, and its anniversary thereafter.
CUSIP	Invoices for CUSIP fees are issued at the point at which the CUSIP is provided to the customer based on the Company's published price list. For one revenue stream bulk CUSIP's are paid up front and then deferred through the Statement of Financial Position and recognised in revenue when utilised.	Revenue is recognised at the point in time at which the CUSIP is issued.
Listing Agent	Listing agents are invoiced at the point in time at which they are admitted as a listing agent based on the Company's published price list. Thereafter, an invoice is issued at the anniversary date of acceptance.	Revenue is recognised at the point in time at which the agent is admitted, and its anniversary thereafter.
Broker Member	Broker members are invoiced at the point in time at which they are admitted as a broker member based on the Company's published price list. Thereafter, an invoice is issued at the anniversary date of admittance.	Revenue is recognised at the point in time at which the broker member is admitted, and its anniversary thereafter.

Performance obligations satisfied over time

As a result of the reassessment of the recognition of initial listing fees, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of 31 December 2020 is \$1,508,075 (2019: \$1,151,475). As a result of the assessment of certain CUSIP fees which are paid up front by a bulk buyer during the year, the aggregate amount allocated to performance obligations that are unsatisfied as of 31 December 2020 is \$143,418 (2019: \$nil). These have been recorded as Contract Liabilities on the Statement of Financial Position. This revenue has been deferred, and is expected to be recognised as revenue over the expected duration of each listing. For Contract Liabilities in relation to CUSIPs, these are recognised as individual CUSIPs are issued to specific securities by the bulk buyer.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

3. REVENUE (continued)

Performance obligations satisfied over time (continued)

The following table shows the split of revenue for the year ended 31 December 2020, based on the timing of revenue recognition:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Services transferred at a point in time	\$ 3,611,643	\$ 3,022,085
Services transferred over time	319,487	143,574
Revenue from contracts with customers	<u>\$ 3,931,130</u>	<u>\$ 3,165,659</u>

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers as of 31 December 2020.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Trade receivables	\$ 540,729	\$ 494,867
Contract liabilities	\$ 1,651,493	\$ 1,151,475

Contract liabilities primarily relate to the advance consideration received from customers for initial listing fees, for which revenue is recognised over time. As at 31 December 2020, the amount of contract liabilities is \$1,651,493, which will be recognised as revenue over the duration of the listings, which is expected to occur over the next fifteen years.

Also included in Contract Liabilities are bulk CUSIP contracts which are paid for upfront and then deferred on the Statement of Financial Position until that CUSIP is assigned a security, at which point it will be recognised in revenue.

The amount of \$32,495 included in contract liabilities as at 31 December 2019 has been recognised as revenue in 2020.

No amount of revenue was recognised in the year ended 31 December 2020 from performance obligations satisfied (or partially satisfied) in previous periods.

No information is provided about remaining performance obligations at 31 December 2020 that have an original expected duration of one year or less, as allowed by IFRS 15.

As a result of the adoption of IFRS 9, the Company did not have to make any consequential amendments relating to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the Statement of Comprehensive Income.

Additionally, in the previous year, the Company has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7").

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

4. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold improvements</u>	<u>Computer hardware and software</u>	<u>Office furniture and equipment</u>	<u>Total</u>
Cost:				
At 31 December 2019	\$ 389,396	\$ 867,442	\$ 236,372	\$ 1,493,210
Removal of fully depreciated assets, no longer in use	-	-	(163,120)	\$ (163,120)
Additions/(Disposals)	<u>38,173</u>	<u>14,879</u>	<u>-</u>	<u>\$ 53,052</u>
At 31 December 2020	<u>\$ 427,569</u>	<u>\$ 882,321</u>	<u>\$ 73,252</u>	<u>\$ 1,383,142</u>
Accumulated Depreciation:				
At 31 December 2019	\$ 12,844	\$ 802,594	\$ 164,856	\$ 980,294
	-	-	(163,120)	\$ (163,120)
Charge for the year	<u>44,165</u>	<u>36,039</u>	<u>11,605</u>	<u>\$ 91,809</u>
At 31 December 2020	<u>\$ 57,009</u>	<u>\$ 838,633</u>	<u>\$ 13,341</u>	<u>\$ 908,983</u>
Net book value at 31 December 2020	<u><u>\$ 370,560</u></u>	<u><u>\$ 43,688</u></u>	<u><u>\$ 59,911</u></u>	<u><u>\$ 474,159</u></u>

	<u>Leasehold improvements</u>	<u>Computer hardware and software</u>	<u>Office furniture and equipment</u>	<u>Total</u>
Cost:				
At 31 December 2018	\$ 145,494	\$ 835,393	\$ 164,448	\$ 1,145,335
Removal of fully depreciated assets, no longer in use	(145,494)	-	-	(145,494)
Additions/(Disposals)	<u>389,396</u>	<u>32,049</u>	<u>71,924</u>	<u>493,369</u>
At 31 December 2019	<u>\$ 389,396</u>	<u>\$ 867,442</u>	<u>\$ 236,372</u>	<u>\$ 1,493,210</u>
Accumulated Depreciation:				
At 31 December 2018	\$ 145,494	\$ 771,018	\$ 158,775	\$ 1,075,287
Removal of fully depreciated assets, no longer in use	(145,494)	-	-	(145,494)
Charge for the period	<u>12,844</u>	<u>31,576</u>	<u>6,081</u>	<u>50,501</u>
At 31 December 2019	<u>\$ 12,844</u>	<u>\$ 802,594</u>	<u>\$ 164,856</u>	<u>\$ 980,294</u>
Net book value at 31 December 2019	<u><u>\$ 376,552</u></u>	<u><u>\$ 64,848</u></u>	<u><u>\$ 71,516</u></u>	<u><u>\$ 512,916</u></u>

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

5. COMMITMENTS

The lease payments for the year ended 31 December 2020, were \$78,445, with \$71,975 recognised against lease liabilities – refer to Note 8 (31 December 2019: \$96,748). In September 2019, the Company entered into a 10-year lease agreement to lease the existing office premises on the 3rd floor, SIX, Cricket Square – refer to Note 8.

6. CASH AND CASH EQUIVALENTS

	<u>31 December 2020</u>	<u>31 December 2019</u>
Current and call accounts	\$ 5,746,919	\$ 3,684,150
Short-term fixed deposits maturing within one month	679,974	678,610
	<u>\$ 6,426,893</u>	<u>\$ 4,362,760</u>

7. 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 trade receivables.

The Company's trade receivables do not contain any financing components. In accordance with IFRS 9, the Company calculates impairment allowances based on default rates as shown in the expected credit loss assessment table below.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Company does not require collateral in respect of trade receivables. The Company does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of three months. During the year ended 31 December 2020, \$74,614 was written off as uncollectible (2019: \$104,139), relating to trade receivables which have been outstanding for a period longer than three months and are not expected to be collected.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Credit and counterparty risk (continued)

Trade receivables and contract assets

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31 December 2020 is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
31-60 days	\$ 75,136	\$ 73,857
61-90 days	33,136	8,338
91-120 days	32,085	12,869
Over 120 days	195,965	166,606
	<u>\$ 336,322</u>	<u>\$ 261,670</u>

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 expected credit losses on both the total trade receivables balance as well as specifically identified outstanding trade receivables based on the age and assessed collectability of receivables.

Expected credit loss assessment

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2020.

Age of impaired accounts receivable, and the resultant ECLs:

	<u>% Loss</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
30 days & less	6%	\$ 12,826	\$ 22,304
31-60 days	12%	10,558	17,318
61-90 days	20%	8,300	3,978
91-120 days	28%	12,585	11,379
Over 120 days	28%	76,863	147,313
Total – impaired		<u>\$ 121,132</u>	<u>\$ 202,292</u>

Loss rates are based on actual credit loss experience over the previous year. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Credit and counterparty risk (continued)

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows.

Movement in impairment allowances

	<u>31 December 2020</u>	<u>31 December 2019</u>
Balance at beginning of year	\$ 202,293	\$ 234,260
Impairment (recovery) losses recognised on receivables	(6,546)	72,172
Amounts written off as uncollectible	(74,614)	(104,139)
Balance at end of year	<u>\$ 121,133</u>	<u>\$ 202,293</u>

The following significant changes in the gross carrying amounts of trade receivables contributed to the changes in the impairment loss allowance during 2020:

- 1) The write off of \$74,614, considered to have been provided for within the 31 December 2019 impairment allowances balance, included in the gross carrying amounts of trade receivables; and
- 2) The improved recoveries noted during the year as a result of enhanced monitoring of gross trade receivables balances.

These changes resulted in net decrease in impairment allowances in 2020 of \$35,298.

Cash and cash equivalents

The Company held cash and cash equivalents of \$6,426,893 at 31 December 2020 (2019: \$4,362,760). The Company mitigates its exposure to credit risk by placing cash with major international institutions. The Company's cash and cash equivalents consists of balances held with a financial institution in the Cayman Islands with an S&P rating of A2 (31 December 2019: A2).

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of its counterparty.

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 current financial liabilities are contractually required to be paid within one year.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

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 price 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 ("KYD") and the main currencies of its operations are the KYD and the United States dollar ("USD"). The current monetary policy of the Cayman Islands Government is to maintain parity between the USD and the KYD, at an exchange rate of USD1:KYD0.82. Accordingly, there is currently no foreign exchange risk faced by the Company.

The only foreign currency monetary assets or liabilities held at 31 December 2020, were United States dollars as part of cash and cash equivalents in the amount of \$6,157,676 (31 December 2019: \$4,072,600). 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.

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 \$679,974 (31 December 2019: \$678,610) 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.

8. LEASES

On adoption of IFRS 16, the Company recognised right-of-use assets and lease liabilities. When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. This rate was provided by The Ministry of Finance and Economic Development. The Prime Rate of 4.75% in the Cayman Islands was applied as the incremental borrowing rate. The Prime Rate was chosen on the basis that if the Company was to borrow, with the Cayman Islands Government's intervention and assistance, the Company would be able to secure borrowing at the Prime Rate.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

8. LEASES (continued)

obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company has assessed two warehouse rentals to be low-value items and as such an amount of \$6,470 has been included in the Statement of Comprehensive Income as these are exempt from IFRS 16 for full disclosure.

The Company has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below.

The Company recognised in 2019 an asset and liability for its operating lease of office space (see Note 5), with a 10 year lease term. The nature of expenses related to this lease has changed because the Company has recognised a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously in 2018, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The right of use asset recognised (net of depreciation) is \$501,916 as at year end 31 December 2020. The depreciation charge is recorded on the Statement of Comprehensive Income as an expense.

	Right-of-use- asset		Right-of-use- asset
Cost:		Cost:	
At 31 December 2019	\$ 567,808	At 31 December 2018	\$ -
Additions/(Disposals)	8,803	Additions/(Disposals)	567,808
At 31 December 2020	\$ 576,611	At 31 December 2019	\$ 567,808
Depreciation:		Depreciation:	
At 31 December 2019	\$ (18,927)	At 31 December 2018	\$ -
Charge for the year	(55,768)	Charge for the year	(18,927)
At 31 December 2020	\$ (74,695)	At 31 December 2019	\$ (18,927)
Net book value at		Net book value at	
At 31 December 2020	<u>\$ 501,916</u>	At 31 December 2019	<u>\$ 548,881</u>

The lease liability is \$507,135 (current liability \$56,808 and non-current liability of \$450,327) as at year end 31 December 2020 (2019: \$553,352). An interest expense of \$16,955 (2019: \$8,807) is attributable to the current year and is recognised as an expense on the Statement of Comprehensive Income. Additions of \$8,803 were recognised in the year. Lease payments of \$71,975 (2019: \$23,263) have been made during the year ended 31 December 2020.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

9. 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 Stock Exchange Company Act (2014 Revision).

The present dividend policy is for the Company to pay out the greater of 5% of operating revenue for the fiscal year, or 50% of operating surplus for the fiscal year, but not exceeding the change in cash and cash equivalents less restricted cash. On June 29, 2020 the Stock Exchange Council approved a dividend payment of \$607,140, (2019: \$138,277). This dividend of \$607,140 declared during the year was fully paid to the Government during the year ended 31 December 2020. A dividend of \$1,062,839 has been accrued in relation to the year ended December 31, 2020. The Government is the 100% shareholder of the Company and the dividend policy is reviewed on an annual basis.

10. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern without additional funding from the Government. The Company's overall strategy remains unchanged from 31 December 2019. 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.

11. PERSONNEL

Included within personnel expenses are the salary, defined contribution pension plan and healthcare payments made to and on behalf of the eight members of staff employed during the year (31 December 2019: seven). For the year ended 31 December 2020, total personnel expenses amounted to \$969,747 (31 December 2019: \$977,460). Total remuneration for the Company's three key management personnel was \$525,227 for the year ended 31 December 2020 which includes the employer's portion of pension expenses (31 December 2019: \$578,864).

12. PENSION SCHEME

As required by the Public Services Pension Act of the Cayman Islands, the Company has established for its employees a defined contribution pension scheme with the Cayman Islands Pension Board. The law provides for a mandatory contribution rate of 12% of the employee's salary up to the current maximum pensionable earnings of \$87,000 per annum, borne equally at 6% by the employer and 6% by the employee. The total pension cost recorded during the year ended 31 December 2020, was \$51,892 (31 December 2019: \$52,743). This represents the employer's portion and is included in personnel expenses.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2020

(expressed in Cayman Islands dollars)

(continued)

13. MARKETING, TRAVEL AND SUBSISTENCE

Marketing, travel and subsistence largely consists of promotional costs of the following:

	Year ended 31 December 2020	Year ended December 31, 2019
Conferences	24,337	75,776
Advertising, promotional costs	3,156	1,845
Public relations	-	411
	<u>\$ 27,493</u>	<u>\$ 78,032</u>

Conference costs of \$24,337 relate to costs for the attendance of conference in Las Vegas and virtual conferences in the Cayman Islands (31 December 2019: Barcelona, London, Dana Point (California), Las Vegas, Miami, New York and the Cayman Islands of \$75,776).

14. SUBSEQUENT EVENTS

Management has evaluated the possibility of subsequent events existing in the Company's financial statements through 30 April 2021, 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.

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Stock Exchange Council and authorised for issue on 30 April 2021.