



CAYMAN ISLANDS
STOCK EXCHANGE

**Report
For The Fiscal Year Ending 31 December
2022**

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Objectives

- 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.
- 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.



THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

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

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Broker Members

Butterfield Bank (Cayman) Ltd.

Cayman National Securities Ltd.

FirstCaribbean International Bank and Trust Company (Cayman) Limited

VBK Bank & Trust, Ltd.

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Listing Agents

Appleby (Cayman) Ltd.

Bedell Cristin Cayman Partnership

Campbells

Carey Olsen

Collas Crill

Conyers Dill & Pearman

Dentons

Harneys

Maples and Calder (Cayman) LLP

Mourant Governance Services (Cayman) Limited

Ocorian Trust (Cayman) Limited

Ogier

Stuarts Walker Hersant Humphries

Travers Thorp Alberga

Walkers

An issuer may appoint an entity who is acceptable to the Exchange as their agent to the Exchange for the purpose of the listing ("Listing Agent"). 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.

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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 for six months during the Covid-19 lockdown
2021 - CSX had a record year for new listings - market capitalization exceeded USD800 billion
2022 – market capitalization reached US\$807 billion and the CSX ESG Market was established

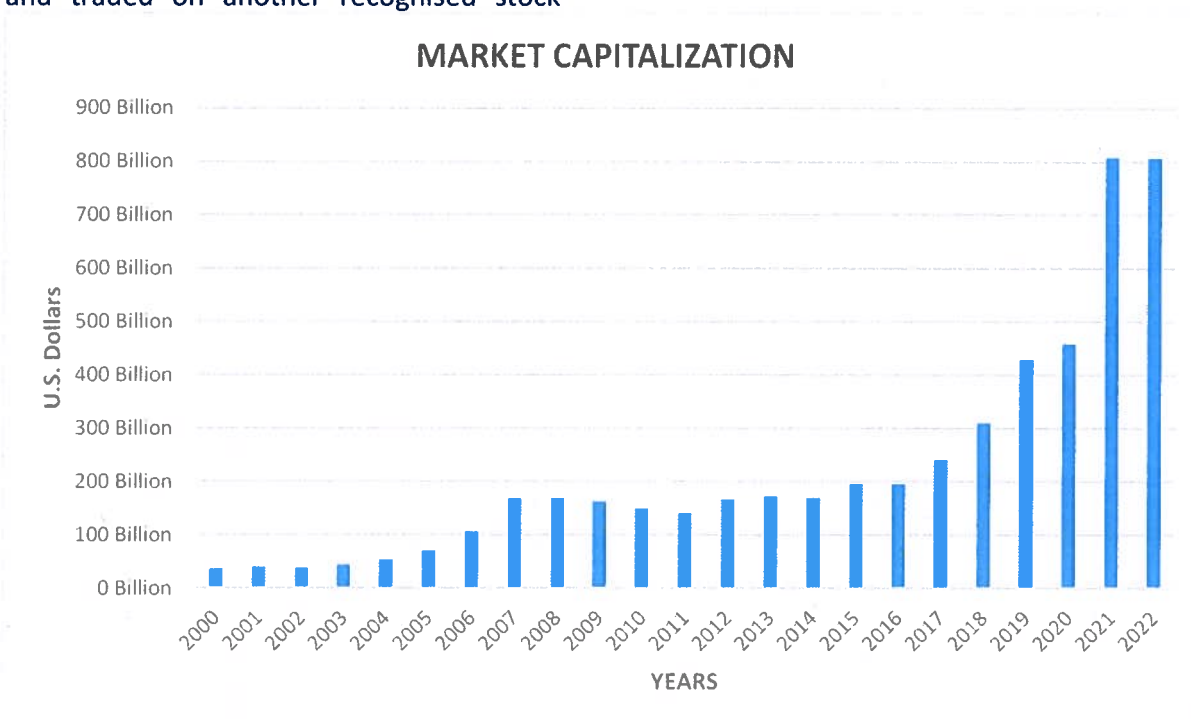
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Profile

The foundation for the establishment of the Cayman Islands Stock Exchange (the “CSX” or “Exchange”) was laid 27 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 2022 of approximately US\$807 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 provides a thoroughly regulated, convenient, and cost-effective listing venue for securities. A CSX listing may provide a variety of benefits for issuers, such as fast and efficient listing services from an experienced and highly qualified team, competitive pricing versus other exchanges, potential cost savings by utilising existing documentation to form the listing document, and being outside of EU Directives, a less onerous regulatory burden.

The CSX is a private limited company wholly owned by the Cayman Islands Government. As at 31 December 2022, the CSX had registered fifteen listing agents, four broker members, and admitted to its Daily Official List from inception over 7,636 securities. The Official List is available for inspection at www.csx.ky



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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.

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

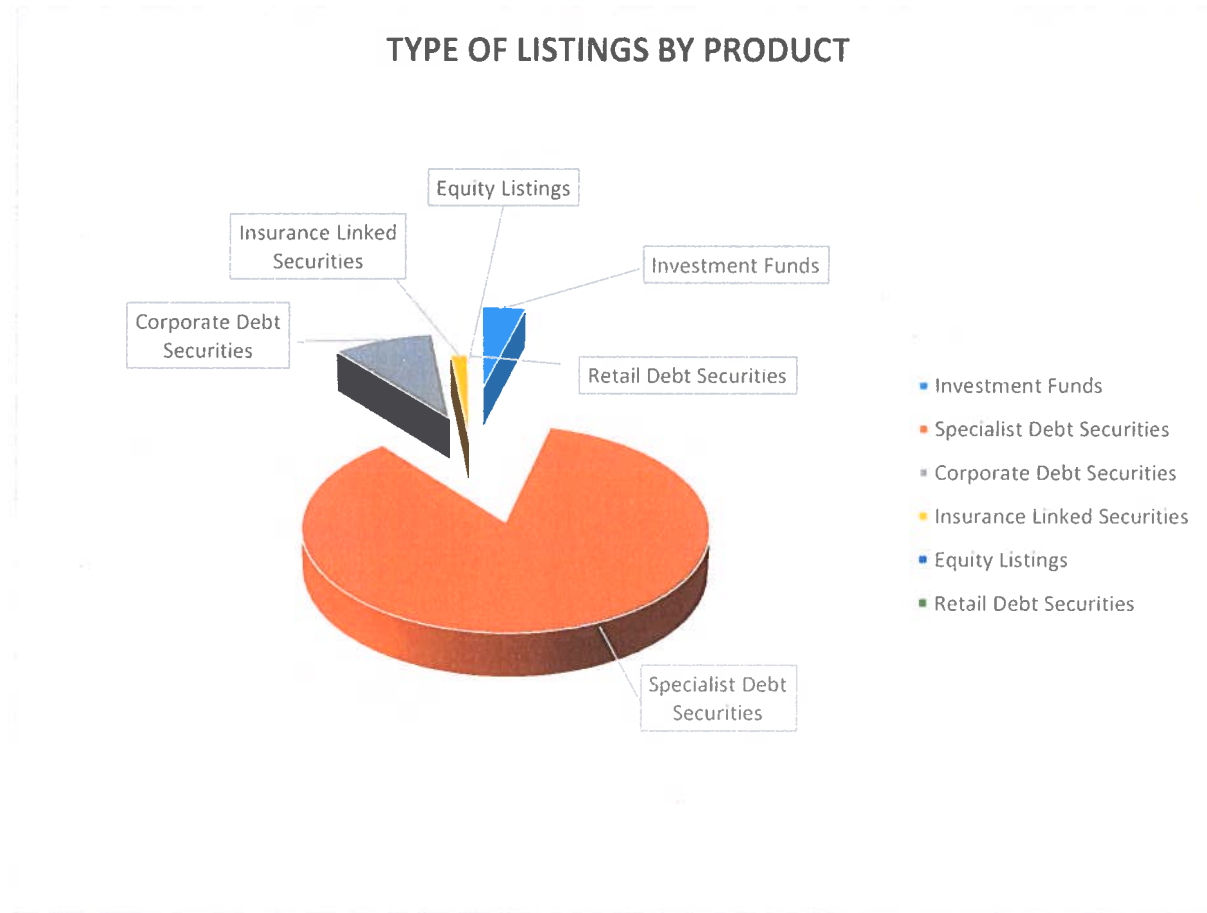
As part of its listing function the Exchange examines suitability and eligibility of issuers applying to have their securities admitted to its official list. Applications that meet the requirements of the CSX's Listing Rules are approved before the securities are admitted to listing and trading. An issuer, 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.

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

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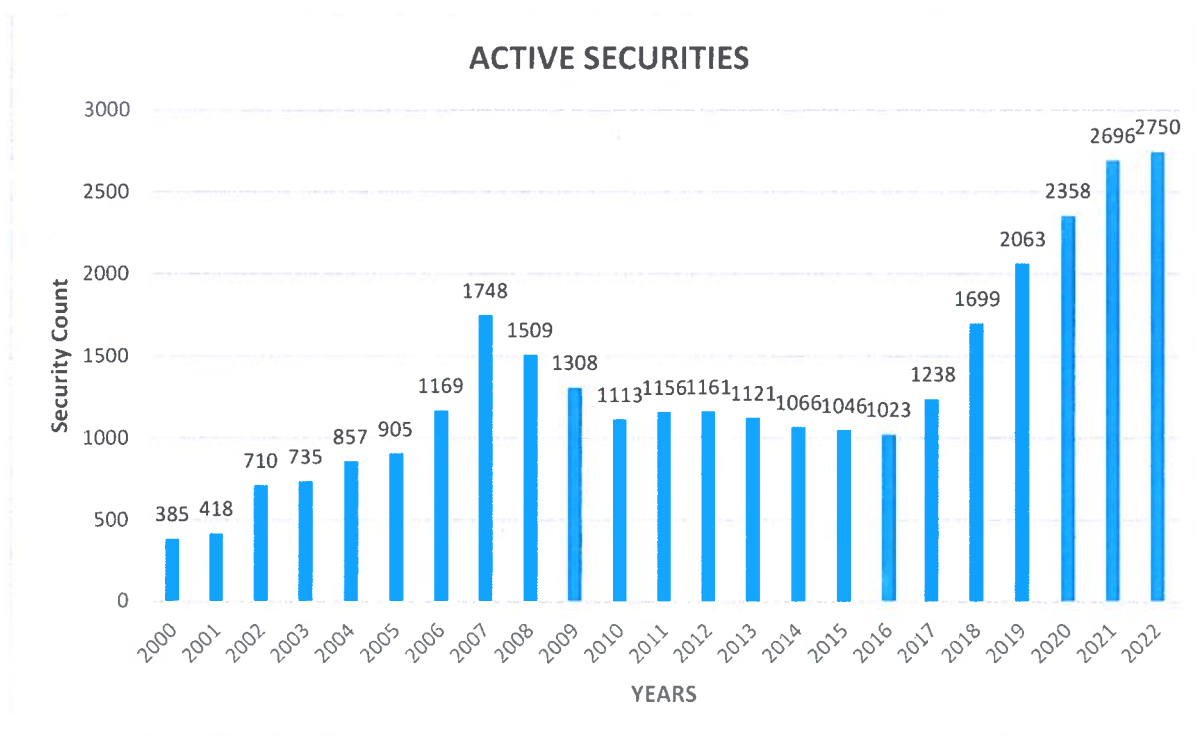
The Exchange continued to grow its market share in listing of collateralised loan obligation issuers (“CLOs”) in 2022 with 146 CLOs listed.

The following chart shows the breakdown of listings by product as of 31 December 2022:

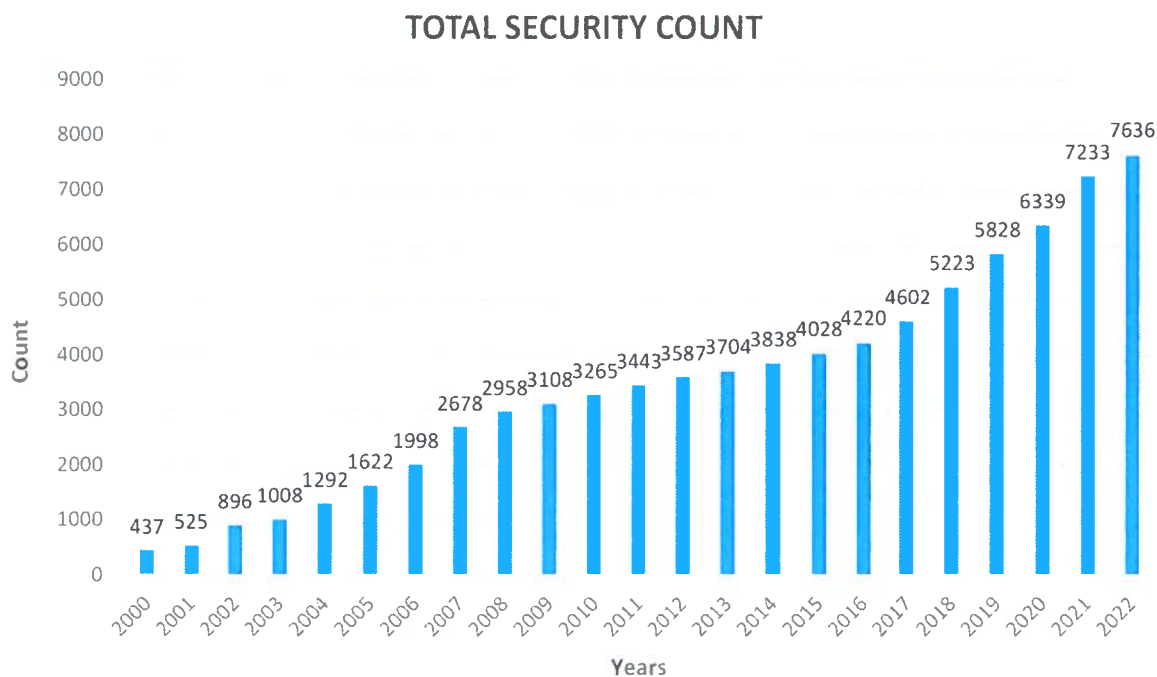


In 2022, the Exchange continued to build on recent success to record very strong business flows and increased profits principally driven by the continued growth in new listings. The number of financial instruments admitted to the Daily Official List of the Exchange increased by 402 new securities, taking the number of active listed securities on the Daily Official List of the Exchange to 2,750, an increase of 2% over 2021’s listings.

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However, without factoring in the number of matured and delisted securities, the total number of securities admitted since inception of the Exchange was 7,636 at the end of 2022, an increase of 5.6% compared to the previous year.



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

The Exchange continues to review its fee structure and listing rules to identify appropriate policies that may be introduced to enhance competitiveness and efficiency, in line with international best practices and standards. Unlike the larger listing exchanges, the CSX has a small trading business and is in essence a listing venue: companies list bond and specialist vehicles on the CSX to fulfil legal and regulatory obligations rather than specifically to raise capital.

A great majority of the securities listed on the CSX are bonds issued by special purpose vehicles (SPV) and are typically listed for one or more of the following reasons: (i) to benefit from the Quoted Eurobond Exemption; (ii) to avoid the onerous obligations set by the EU, such as the Market Abuse Regulation; and (iii) to ensure eligibility for inclusion in mutual funds' investments.

Taking a more commercial approach, the CSX's position is more flexible than other exchanges and recognises that specialist debt securities issued by SPVs/holding companies tend to be purchased and traded by only a limited number of sophisticated or institutional investors. As a result, the CSX listed 402 new securities during 2022 (of which there were a total of 371 new issuances listed and an additional 31 further issues to existing listings), taking the total number of active listings on the CSX to 2,750 at the end of 2022, an increase of 2% year-on-year with market capitalization reaching US\$807,369,557,150.

There were 325 securitisation bonds newly listed during 2022 and included prominent deals from major international banks backed by a range of asset classes including aircraft financings, auto loans, credit card receivables, loans to SMEs, as well as residential and commercial mortgage-backed securities.

In the same period, the CSX further cemented its position as the leading venue for listing CLOs. The CSX has become home to a growing numbers of CLO issuers and has captured a significant percentage of U.S. new launches, refinancing and resets in the market. There were 146 CLO securities listed on the CSX last year, taking the total number of CLOs listed on the CSX to 1,322 securities at the end of December.

Although in 2022 we saw CLO listings on the CSX fall from 2021 levels, CSX listings of CLOs kept pace with 2019 and 2020 statistics. In addition, while the volume of Cayman Islands incorporated CLO issuers decreased last year due to the inclusion of the Cayman Islands on the EU AML List, we noticed that Jersey, Bermudian and Delaware issuers were electing to list CLOs on the CSX.

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Overall, in 2022, the Cayman Islands vehicles remained the largest single source of new business for CSX. However, more than 29 of all issuers listing securities on CSX last year were domiciled in either United States, Ireland or Luxembourg.

While equity listings continue to grow, they account for only a small part of the overall listings. The CSX hopes to improve on this by encouraging local equities to list. A thriving capital market is of great importance in helping the local economy of small, developing countries. A listing provides an alternative source of capital for businesses, reducing the need for, but also complementing, traditional bank financing for entrepreneurial investment and creating better opportunities for investors to increase household wealth in the long-term, including reducing the increasingly unsustainable burden of future pension provision. Thriving capital markets also help to increase the sources of funding available to entities seeking to further innovate and grow or expand through acquisitions. To this end, the CSX will continue to inform local proprietors of the benefits of listing on the CSX and will continue this initiative in 2022.

The CSX ESG Market, the comprehensive sustainable market segment, was launched in 2022 in order to support environmental, social and sustainable initiatives.

CSX ESG Market is designed to help issuers to meet investor demands for greater and more consistent disclosures and enhance visibility to bonds, funds and trading companies which are verified as making a positive environmental impact and/or are classified as sustainable securities. CSX ESG Market can enable those seeking investment into environmentally beneficial initiatives to highlight their credentials while, at the same time, providing easier access for investors who are looking to see a positive impact from investments they have made alongside traditional financial return.

A listing on the CSX ESG Market ESG can assist with the marketing as well as enabling access to certain institutional investors, including pension funds as well as providing a withholding tax exemption for certain issuers. CSX is a "Recognised Stock Exchange" by UK HM Revenue & Customs, making debt securities eligible for the Quoted Eurobond Exemption.

The CSX ESG Market offers an environment where issuers of ESG and sustainable securities can market their securities and publish any material information and reports.

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 specific types of listed security (equity, investments funds, depository 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.

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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. Therefore, ongoing listing requirements serve to enhance investor confidence.

International Relations and Marketing

The Exchange maintains 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), and the Intermarket Surveillance Group (ISG).

As the world began to embrace in-person meetings again, the CSX was able to attend and exhibit at three conferences in 2022, namely SFVegas 2022, ABS East Miami, and CLO Summit.

The CSX intends to continue building on its leading position as an offshore exchange by traveling to Asia, Europe, and USA 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.

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

The Covid-19 pandemic-induced restrictions had prevented the Exchange 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. However, the CSX was able to resume these presentations in 2022 in order 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 2022 were supported by the CSX's own 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 2022.

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Net Asset Valuations (“NAV’s”) 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 weekly until the pandemic-induced lockdown, and has not resumed. However, investors can easily access published data via the CSX’s website.

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 \$949,880 decreased by 12.9% in 2021 when compared to 2020 because of reduced demand by Goldman Sachs for bulk purchases of ISINs when issuing large quantities of securities.

Human Resources

There were no personnel changes in 2022 and as at 31 December 2022, key management personnel consisted of the Chief Executive Officer, Head of Listing, Operations & Finance Manager, and the Head of Information Technology and Trading Systems, which remained unchanged from 2021. The Exchange will continue its efforts to attract and recruit qualified and experienced employees.

Community Outreach

At the CSX, we believe that our financial success should also translate to additional benefit to the community in which we live. Therefore, the Council of the Exchange decided that the CSX would contribute to various organizations that provide opportunities for people to maximize their full potential and improve their standing in life.

Therefore, in 2020, a donation of CI\$15,000 was made to sponsor five named individuals who would be undertaking courses offered by Inspire Cayman Training Limited. In 2020, the CSX also donated CI\$15,000 to Inclusion Cayman to assist in their program of improving the life possibilities of people with developmental differences in the Cayman Islands.

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The CSX continued its charitable donations in 2022 and collaborated with the Lighthouse School's Home School Association by donating CI\$28,358 for the renovation of the Home Science room. In 2022, the CSX also donated CI\$30,000 for two named individuals to participate in the Superior Auto Training Program.

Roisin Addlestone, Member of the Council of the Exchange



Roisin joined the CSX as Senior Listing Executive from April to December 1998 and appointed to the Council of the Exchange in January 2007, serving until December 2022. After 15 years as a member of the Council, where she made an invaluable contribution to the growth and development of the CSX, Roisin has stepped down to devote her full attention to other matters. The Council and staff of the Exchange wish Roisin continued success in her new role and future endeavours.

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Financial Report

Financial Highlights

The main financial highlights for the year ended 31 December 2022 ("2022") are set out below for comparison with actual results for the year ended 31 December 2021 ("2021"):

	2021 Actual	2022 Actual	2022 Budget	2022 Variance Actual/Budget
	CI\$	CI\$	CI\$	%
Total Revenue	4,597,751	4,034,440	3,179,346	27%
Operating Expenses	2,124,322	2,220,721	2,190,970	1%
Net Income	2,473,429	1,813,720	988,376	84%
Total Assets	9,836,305	10,458,430	8,802,672	19%
Total Liabilities	4,062,283	3,388,829	2,584,023	31%
Total Shareholder's Equity	5,774,022	7,069,601	6,218,649	14%
Net Cash from Operating	3,107,651	1,920,700	1,161,637	65%
Cash at End of Year	8,410,338	9,028,490	7,571,574	19%
Current Assets : Current Liabilities	4.96	8.76	9.91	
Total Assets : Total Liabilities	2.42	3.09	3.41	

Total revenue for 2022 was CI\$4.0 million compared to CI\$4.6 million for 2021, a decrease of 12.3%.

Operating expenses for 2022 totalled CI\$2.2 million (compared to CI\$2.1 million in 2021), an increase of 4.5%.

Net income for 2022 was CI\$1,813,720 compared to \$2,473,429 for 2021, a decrease of 26.7%.

In accordance with the Cayman Islands Government's dividend calculation formula, a dividend of CI\$1,236,726 relating to 2021 was paid to the sole shareholder of the Exchange in June 2022.

Total assets in 2022 were CI\$10,458,430 compared to CI\$9,836,305 in 2021, an increase of 6.3%.

Total liabilities in 2022 were CI\$3,388,829 compared to CI\$4,062,283 in 2021, a decrease of 16.6%.

Total Shareholder's Equity increased to CI\$7,069,601 from CI\$5,774,022 in 2021, an increase of 22.4%.

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Net Cash from Operating Activities were CI\$1,920,738 compared to CI\$3,107,651 in 2021, a decrease of 38.2%.

Cash at end of year was CI\$9,028,490 compared to CI\$8,410,338 in 2021, an increase of 7.3%.

Total assets performed 19% better than expected with a CI\$1.7 million increase over budget, driven by CI\$1.5 million more in cash balances.

Liabilities were also CI\$0.8 million higher than budgeted for 2022 due mainly to the introduction of IFRS 15, IFRS 16, and the accrual of a dividend for the 2022 fiscal year.

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

Financial Statements

for the year ended
31 December 2022
and Independent Auditor's Report

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

FINANCIAL STATEMENTS

for the year ended 31 December 2022

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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 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 2022.

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 2022;
- (b) fairly reflect the financial position as at 31 December 2022 and performance for the year ended 31 December 2022;
- (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.



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

28 April 2023

28 April 2023

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 2022 and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year ended 31 December 2022, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 9 to 25.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Stock Exchange as at 31 December 2022 and its financial performance and its cash flows for year ended 31 December 2022 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.

AUDITOR GENERAL'S REPORT (continued)

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

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.

AUDITOR GENERAL'S REPORT (continued)

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.



Patrick Smith, CPA, CFE
Acting Auditor General

28 April 2023
Cayman Islands

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Comprehensive Income

for the year ended 31 December 2022

(expressed in Cayman Islands dollars)

		Year ended	Year ended
	Note	31 December 2022	31 December 2021
Revenues			
Operations	3	\$ 3,424,244	\$ 3,635,110
CUSIP	3	595,607	949,880
Miscellaneous		12,300	12,300
Interest		<u>2,289</u>	<u>461</u>
		<u>4,034,440</u>	<u>4,597,751</u>
Operating expenses			
Personnel	10,11	1,197,020	1,061,898
Legal and professional fees		188,607	131,383
Impairment allowances	6	59,041	212,053
Marketing, travel and subsistence	12	86,020	5,559
Lease of office		100	3,080
CUSIP		209,239	276,134
Memberships, subscriptions and publications		37,710	33,384
Utilities		48,828	45,926
Technology		94,537	75,393
Bloomberg terminals		22,681	22,406
Depreciation	4, 7	119,753	145,203
Amortisation		-	875
Other office and miscellaneous		48,376	59,483
Donations		58,358	-
Lease finance charges	7	21,904	23,612
Printing, postage, courier and stationery		11,128	1,374
Disaster recovery		8,656	8,702
Insurance		7,465	11,305
Training		<u>1,297</u>	<u>6,552</u>
		<u>2,220,720</u>	<u>2,124,322</u>
Net income and comprehensive income		\$ <u>1,813,720</u>	\$ <u>2,473,429</u>

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Financial Position

31 December 2022

(expressed in Cayman Islands dollars)

	<u>Note</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Current assets			
Cash and cash equivalents	5	\$ 9,028,490	\$ 8,410,338
Trade receivables (net of impairment allowances: \$217,365 (2021: \$266,497))	6	585,332	491,106
Prepayments and other receivables		<u>53,264</u>	<u>60,515</u>
Total current assets		<u>9,667,086</u>	<u>8,961,959</u>
Non-current assets			
Right-of-use assets	7	448,703	474,959
Property, plant and equipment	4	<u>342,641</u>	<u>399,387</u>
Total non-current assets		<u>791,344</u>	<u>874,346</u>
Total assets		\$ 10,458,430	\$ 9,836,305
Current liabilities			
Accounts payable and accrued liabilities		280,589	241,755
Contract liabilities	3	248,286	277,626
Lease liabilities	7	56,457	51,735
Dividend payable	8	<u>518,152</u>	<u>1,236,714</u>
Total current liabilities		<u>1,103,484</u>	<u>1,807,830</u>
Non-current liabilities			
Contract liabilities	3	1,881,653	1,816,945
Lease liabilities	7	<u>403,692</u>	<u>437,508</u>
Total non-current liabilities		<u>2,285,345</u>	<u>2,254,453</u>
Total liabilities		<u>3,388,829</u>	<u>4,062,283</u>
Shareholder's equity			
Share capital	8	100,000	100,000
Additional paid-in capital		71,926	71,926
Retained earnings		<u>6,897,675</u>	<u>5,602,096</u>
Total shareholder's equity		<u>7,069,601</u>	<u>5,774,022</u>
Total liabilities and shareholder's equity		\$ 10,458,430	\$ 9,836,305

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Changes in Shareholder's Equity

for the year ended 31 December 2022

(expressed in Cayman Islands dollars)

	Note	Share capital	Additional paid-in capital	Retained earnings	Total shareholder's equity
Balance at 31 December 2020		\$ 100,000	\$ 71,926	\$ 4,365,381	\$ 4,537,307
Net income and comprehensive income for the year		-	-	2,473,429	2,473,429
Dividends	8	-	-	(1,236,714)	(1,236,714)
Balance at 31 December 2021		100,000	71,926	5,602,096	5,774,022
Net income and comprehensive income for the year		-	-	1,813,720	1,813,720
Dividends	8	-	-	(518,141)	(518,141)
Balance at 31 December 2022		\$ 100,000	\$ 71,926	\$ 6,897,675	\$ 7,069,601

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Cash Flows

for the year ended 31 December 2022

(expressed in Cayman Islands dollars)

	Year ended 31 December 2022	Year ended December 31, 2021
Cash provided by (used in):		
Operating activities		
Net income and comprehensive income for the year	\$ 1,813,720	\$ 2,473,429
Adjustments for items not affecting cash:		
(Decrease)/Increase in impairment allowances	(49,132)	145,364
Amortisation	-	875
Depreciation	<u>119,753</u>	<u>145,203</u>
	1,884,341	2,764,871
Changes in operating assets and liabilities:		
Increase in trade receivable	(45,094)	(95,741)
Increase in accounts payable and accrued liabilities	38,834	20,827
Increase in contract liabilities	35,368	443,078
Decrease/(Increase) in prepayments and other receivable	<u>7,251</u>	<u>(25,384)</u>
Net cash provided by operating activities	<u>1,920,700</u>	<u>3,107,651</u>
Investing activities		
Purchase of property, plant and equipment	<u>(13,434)</u>	<u>(10,617)</u>
Cash used in investing activities	<u>(13,434)</u>	<u>(10,617)</u>
Financing activities		
Principal payment of lease liability	(52,399)	(50,750)
Dividends paid	<u>(1,236,715)</u>	<u>(1,062,839)</u>
Cash used in financing activities	<u>(1,289,114)</u>	<u>(1,113,589)</u>
Net increase in cash and cash equivalents	618,152	1,983,445
Cash and cash equivalents, beginning of year	<u>8,410,338</u>	<u>6,426,893</u>
Cash and cash equivalents, end of year	<u>\$ 9,028,490</u>	<u>\$ 8,410,338</u>
Supplementary information on cash flow from operating activities		
Lease finance charges paid	<u>\$ 21,904</u>	<u>\$ 23,612</u>
Interest received	<u>\$ 2,289</u>	<u>\$ 461</u>

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2022

(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 Act. 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 Act (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 2022

(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 recognise 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, which, reduce the lease liability balance. See Note 7.

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 amortised 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 on the statement of financial position.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2022

(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 the statement of comprehensive income.

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 2022

(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 amortised 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 2022

(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 6).

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.

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. Otherwise an impairment allowance is recognised against the trade receivable.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2022

(expressed in Cayman Islands dollars)

(continued)

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 2022, is disaggregated by the Company's major service lines.

	Year ended December 31, 2022	Year ended December 31, 2021
Major service lines		
Listing fees (including delisting fees)	\$ 3,176,358	\$ 3,402,722
Cusip income	595,607	949,880
Listing Agent fees	207,050	194,750
Broker Member fees	31,570	30,750
Other income	<u>23,855</u>	<u>19,649</u>
Revenue from contracts with customers	<u>\$ 4,034,440</u>	<u>\$ 4,597,751</u>

Operating revenues are further disaggregated as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Listing fees		
Debt securities	\$ 2,279,908	\$ 2,374,647
Corporate debt securities	431,601	517,379
Investment funds	157,440	152,274
Specialist companies	96,432	95,940
Equity securities	74,210	81,590
Insurance linked securities	42,640	46,740
Listing document updates and other	<u>32,504</u>	<u>46,248</u>
	3,114,735	3,314,818
Other fees		
Listing agents fees	207,050	194,750
Broker membership fees	31,570	30,750
De-listing fees	61,623	87,904
NAV fees	<u>9,266</u>	<u>6,888</u>
	<u>\$ 3,424,244</u>	<u>\$ 3,635,110</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.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2022

(expressed in Cayman Islands dollars)

(continued)

3. REVENUE (continued)

CUSIP revenues are as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Cayman Islands	\$ 563,627	\$ 893,710
British Virgin Islands	31,980	56,170
Other	-	-
	<u>\$ 595,607</u>	<u>\$ 949,880</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.

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 2022

(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. For bulk CUSIP's paid up front, these are deferred until utilised when the revenue is then recognised.
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 2022 is \$2,064,094 (2021: \$2,005,724). 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 2022 is \$65,846 (2021: \$88,847). 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 2022

(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 2022, based on the timing of revenue recognition:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Services transferred at a point in time	\$ 3,658,070	\$ 4,168,711
Services transferred over time	<u>376,370</u>	<u>429,040</u>
Revenue from contracts with customers	<u>\$ 4,034,440</u>	<u>\$ 4,597,751</u>

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers as of 31 December 2022.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Trade receivables	\$ 585,332	\$ 491,106
Contract liabilities	\$ 2,129,939	\$ 2,094,571

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 2022, the amount of contract liabilities is \$2,129,939, 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 \$101,224 included in contract liabilities as at 31 December 2021 has been recognised earlier than expected as revenue in 2022. This is due to the contracts being extinguished prior to initial contract end.

No information is provided about remaining performance obligations at 31 December 2022 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.

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2022

(expressed in Cayman Islands dollars)

(continued)

4. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Computer hardware and software	Office furniture and equipment	Total
Cost				
At 31 December 2021	427,569	892,938	73,252	1,393,759
Removal of fully depreciated assets, no longer in use	-	-	(2,035)	(2,035)
Additions/(Disposals)	-	9,464	3,970	13,434
At 31 December 2022	427,569	902,402	75,187	1,405,158
Accumulated Depreciation				
At 31 December 2021	99,766	869,684	24,922	994,372
Removal of fully depreciated assets, no longer in use	-	-	(2,035)	(2,035)
Charge for the year	42,757	15,284	12,139	70,180
At 31 December 2022	142,523	884,968	35,026	1,062,517
Net Book Value at 31 December 2022	285,046	17,434	40,161	342,641

	Leasehold improvements	Computer hardware and software	Office furniture and equipment	Total
Cost				
At 31 December 2020	427,569	882,321	73,252	1,383,142
Additions/(Disposals)	-	10,617	-	10,617
At 31 December 2021	427,569	892,938	73,252	1,393,759
Accumulated Depreciation				
At 31 December 2020	57,009	838,633	13,341	908,983
Charge for the year	42,757	31,051	11,581	85,389
At 31 December 2021	99,766	869,684	24,922	994,372
Net Book Value at 31 December 2021	327,803	23,254	48,330	399,387

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Notes to Financial Statements

for the year ended 31 December 2022

(expressed in Cayman Islands dollars)

(continued)

5. CASH AND CASH EQUIVALENTS

	<u>31 December 2022</u>	<u>31 December 2021</u>
Current and call accounts	\$ 8,346,214	\$ 7,729,950
Short-term fixed deposits maturing within three months	<u>682,276</u>	<u>680,388</u>
	<u>\$ 9,028,490</u>	<u>\$ 8,410,338</u>

6. 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 2022, \$108,173 was written off as uncollectible (2021: \$66,689), 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 2022

(expressed in Cayman Islands dollars)

(continued)

6. 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 2022 is as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
31-60 days	\$ 124,909	\$ 64,755
61-90 days	77,005	56,001
91-120 days	19,173	22,664
Over 120 days	<u>114,094</u>	<u>146,562</u>
	<u>\$ 335,181</u>	<u>\$ 289,982</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 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 2022.

Age of impaired accounts receivable, and the resultant ECLs:

	<u>% Loss</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
30 days & less	11%	\$ 31,432	\$ 24,986
31-60 days	21%	33,807	23,200
61-90 days	34%	39,539	36,091
91-120 days	46%	16,198	24,404
Over 120 days	46%	<u>96,389</u>	<u>157,816</u>
Total estimated credit losses		<u>\$ 217,365</u>	<u>\$ 266,497</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 2022

(expressed in Cayman Islands dollars)

(continued)

6. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Credit and counterparty risk (continued)

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

Movement in impairment allowances

	<u>31 December 2022</u>	<u>31 December 2021</u>
Balance at beginning of year	\$ 266,497	\$ 121,133
Impairment losses recognised on receivables	59,041	212,053
Amounts written off as uncollectible	(108,173)	(66,689)
Balance at end of year	<u>\$ 217,365</u>	<u>\$ 266,497</u>

The following significant changes in the gross carrying amounts of trade receivables contributed to the changes in the impairment loss allowance during 2022:

- The write off of \$108,173, considered to have been provided for within the 31 December 2021 impairment allowances balance, included in the gross carrying amounts of trade receivables; and
- 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 2022 of \$49,132 (Increase in 2021: \$145,364).

Cash and cash equivalents

The Company held cash and cash equivalents of \$9,028,490 at 31 December 2022 (2021: \$8,410,338). 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 two financial institutions in the Cayman Islands, one with an S&P rating of A2 (31 December 2021: A2) and another with an S&P rating of A- (31 December 2021: A-1).

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 counterparties.

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.

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6. 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 2022 were USD-denominated cash and cash equivalents in the amount of \$8,950,492 (31 December 2021: \$8,194,299). 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 \$682,276 (31 December 2021: \$680,434) 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.

7. 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

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Notes to Financial Statements

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7. LEASES (continued)

obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

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, 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 \$448,703 as at year end 31 December 2022. 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 2021	\$ 609,468	At 31 December 2020	\$ 576,611
Additions/(Disposals)	<u>25,353</u>	Additions/(Disposals)	<u>32,857</u>
At 31 December 2022	\$ 634,821	At 31 December 2021	\$ 609,468
Depreciation:		Depreciation:	
At 31 December 2021	\$ (134,509)	At 31 December 2020	\$ (74,695)
Charge for the year	<u>(51,609)</u>	Charge for the year	<u>(59,814)</u>
At 31 December 2022	\$ (186,118)	At 31 December 2021	\$ (134,509)
Net book value at		Net book value at	
At 31 December 2022	<u>\$ 448,703</u>	At 31 December 2021	<u>\$ 474,959</u>

The lease liability is \$460,149 (current liability \$56,457 (2021: \$51,735) and non-current liability of \$403,692 (2021: \$437,508)) as at year end 31 December 2022 (2021: \$489,243). An interest expense of \$21,904 (2021: \$23,612) is attributable to the current year and is recognised as an expense on the Statement of Comprehensive Income. Additions of \$25,353 were recognised in the year.

The lease payments for the year ended 31 December 2022 were \$76,451, with \$76,351 recognised against lease liabilities (31 December 2021: \$74,445). 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.

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8. 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 and minimum capital prescribed by legislation. On April 29, 2022 the Stock Exchange Council approved a dividend payment of \$1,236,715, (2021: \$1,062,839). This dividend of \$1,236,715 was accrued for as at 31 December 2021 and was fully paid to the Government during the year ended 31 December 2022. A dividend of \$518,152 has been accrued in relation to the year ended December 31, 2022 as the company is legally required to pay this dividend.

9. 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 2021. 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.

10. PERSONNEL

Included within personnel expenses are the salary, defined contribution pension plan and healthcare payments made to and on behalf of the seven members of staff employed during the year (31 December 2021: seven). For the year ended 31 December 2022, total personnel expenses amounted to \$1,197,020 (31 December 2021: \$1,061,898). Total remuneration for the Company's four key management personnel was \$823,206 for the year ended 31 December 2022 (31 December 2021: five key management personnel \$739,480) which includes the employer's portion of pension expenses. A performance payment scheme was approved by the Cabinet for the year ended 31 December 2022; key management personnel received performance payments of \$88,857 which is included within the above total remuneration.

11. PENSION SCHEME

As required by the Public Service Pensions Act of the Cayman Islands, the Company has established for its employees a defined contribution pension scheme with the Public Service Pensions Board. The law provides for a mandatory contribution rate of 12 per cent of the employee's salary, all paid by the Company. Prior to 30 June 2022, the Company paid half of the pension contribution, but effective 1 July 2022 started paying the full amount of the pension contribution. The total pension cost recorded during the year ended 31 December 2022, was \$82,044 (31 December 2021: \$55,064). This represents the employer's portion and is included in personnel expenses.

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12. MARKETING, TRAVEL AND SUBSISTENCE

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

Marketing, Travel and Subsistence

	Year ended 31 December 2022	Year ended December 31, 2021
Conferences	83,690	135
Advertising and promotional costs	2,330	5,424
	<u>\$ 86,020</u>	<u>\$ 5,559</u>

Conference costs of \$83,690 relate to costs for the attendance of conferences in Dana Point (California), Las Vegas and Miami. (31 December 2021: meeting with Intertrust \$135).

13. RELATED PARTIES

Related party transactions consist of payments made to council members and transactions to entities with a common director. Payments to Council members of \$144,000 were made in the year (2021: \$60,000) for their expertise and input into the quarterly board meetings. During the year, approval was made to donate \$10,000 to the Cayman Islands Special Olympics. Listing Agent annual fees of \$16,400 (2020: \$16,400) were received from a Listing Agent with a common director.

14. SUBSEQUENT EVENTS

Management has evaluated the possibility of subsequent events existing in the Company's financial statements through 28 April 2023, the date the financial statements were available to be issued. Management has determined that other than as disclosed below, there are no further material events that would require disclosure in the Company's financial statements.

On January 17, 2023, the Company signed an Agreement to Lease. This Lease would come into effect on the completion date of the building which is currently scheduled for 1 February 2025. The Company would terminate its current lease upon commencement of the new lease. On this Lease's effective date, adjustments will be reflected in Note 7 above and any adjustments to the current and non-current components of both Right of use assets and Lease liabilities.

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Stock Exchange Council and authorised for issue on 28 April 2023.

