# *The Cayman Islands Stock Exchange Ltd.*

## Financial Statements

for the year ended
June 30, 2016
and Independent Auditors' Report

# THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

## FINANCIAL STATEMENTS

**for the year ended June 30, 2016**

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# The Cayman Islands Stock Exchange Ltd.

## STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by The Cayman Islands Stock Exchange Ltd. (the "Company") in accordance with the provisions of the *Public Management and Finance Law (2013 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2013 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 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 financial year ended June 30, 2016.

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 June 30, 2016;

(b) fairly reflect the financial position as at June 30, 2016 and performance for the year ended June 30, 2016;

(c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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

Anthony Travers
Chairman
The Cayman Islands Stock Exchange Ltd.

Date October 28, 2016

Valia Theodoraki
Chief Executive Officer
The Cayman Islands Stock Exchange Ltd.

Date October 28, 2016

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CAYMAN ISLANDS

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# AUDITOR GENERAL'S REPORT

## To the Council Members and Shareholder of the Cayman Islands Stock Exchange Ltd.:

In accordance with section 60(1)(a)(ii) of the *Public Management and Finance Law (2013 Revision)* and section 14(6) of the Stock Exchange Company Law I have audited the accompanying financial statements of Cayman Islands Stock Exchange Ltd., which comprise the statement of financial position as at June 30, 2016 and the statements of comprehensive income, changes in shareholder's equity, and cash flows for the years then ended, and the notes to financial statements as set out on pages A7 - A18.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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.

***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on our audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. In conducting my audit 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.

***Opinion***

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Cayman Islands Stock Exchange Ltd. as at June 30, 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Sue Winspear, CPFA
Auditor General

October 28, 2016
Cayman Islands

# THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

## Statement of Comprehensive Income

**for the year ended June 30, 2016**

*(expressed in Cayman Islands dollars )*

| | 2016 | 2015 |
|---|---|---|
| **REVENUES** | | |
| Operations (Note 3) | **$ 1,497,211** | $ 1,380,183 |
| CUSIP (Note 4) | **414,768** | 417,260 |
| Miscellaneous | **29,078** | 42,788 |
| Interest | **891** | 641 |
| | **1,941,948** | 1,840,872 |
| **OPERATING EXPENSES** | | |
| Personnel (Notes 11 and 14) | **726,848** | 666,742 |
| License fee (Note 7) | **142,109** | 145,327 |
| Legal and professional fees | **108,964** | 133,223 |
| Lease of office (Note 7) | **85,690** | 85,641 |
| Amortisation (Note 6) | **73,450** | 73,450 |
| CUSIP | **65,230** | 70,830 |
| Marketing, travel and subsistence (Note 13) | **53,521** | 65,453 |
| Memberships, subscriptions and publications | **46,593** | 42,475 |
| Utilities | **42,688** | 44,438 |
| Technology | **24,633** | 28,661 |
| Bloomberg terminals | **20,394** | 19,680 |
| Impairment allowances (Note 9) | **17,448** | 6,761 |
| Depreciation (Note 5) | **13,235** | 6,498 |
| Other office and miscellaneous | **12,070** | 13,276 |
| Printing, postage, courier and stationery | **8,170** | 17,042 |
| Disaster recovery | **6,543** | 10,574 |
| Insurance | **2,143** | 2,648 |
| Training | **275** | 1,025 |
| | **1,450,004** | 1,433,744 |
| **NET INCOME AND COMPREHENSIVE INCOME** | **$ 491,944** | $ 407,128 |

*See notes to financial statements*

# THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

## Statement of Financial Position

**June 30, 2016**

*(expressed in Cayman Islands dollars )*

| | 2016 | 2015 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents (Note 8) | **$ 2,094,053** | $ 1,847,537 |
| Accounts receivable (net of impairment allowances: $15,781 (2015: $15,371)) (Note 9) | **323,438** | 313,935 |
| Prepayments and other receivables | **23,302** | 41,455 |
| **Total current assets** | **2,440,793** | 2,202,927 |
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment (Note 5) | **25,709** | 32,907 |
| Intangible assets (Note 6) | **128,979** | 202,429 |
| **Total non-current assets** | **154,688** | 235,336 |
| **Total assets** | **$ 2,595,481** | $ 2,438,263 |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued liabilities | **$ 164,596** | $ 193,976 |
| **Total current liabilities** | **164,596** | 193,976 |
| **SHAREHOLDER'S EQUITY** | | |
| Share capital (Note 10) | **100,000** | 100,000 |
| Additional paid-in capital | **71,926** | 71,926 |
| Retained earnings | **2,258,959** | 2,072,361 |
| **Total shareholder's equity** | **2,430,885** | 2,244,287 |
| **Total liabilities and shareholder's equity** | **$ 2,595,481** | $ 2,438,263 |

*See notes to financial statements*

# THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

## Statement of Changes in Shareholder's Equity

**for the year ended June 30, 2016**

*(expressed in Cayman Islands dollars )*

| | Share capital (Note 10) | Additional paid-in capital | Retained earnings | Total shareholder's equity |
|---|---|---|---|---|
| Balance at June 30, 2014 | $ 100,000 | $ 71,926 | $ 1,858,013 | $ 2,029,939 |
| Net comprehensive income for the year | - | - | 407,128 | 407,128 |
| Dividends (Note 10) | - | - | (192,780) | (192,780) |
| Balance at June 30, 2015 | 100,000 | 71,926 | 2,072,361 | 2,244,287 |
| Net comprehensive income for the year | - | - | 491,944 | 491,944 |
| Dividends (Note 10) | - | - | (305,346) | (305,346) |
| **Balance at June 30, 2016** | **$ 100,000** | **$ 71,926** | **$ 2,258,959** | **$ 2,430,885** |

*See notes to financial statements*

# THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

## Statement of Cash Flows

**for the year ended June 30, 2016**

*(expressed in Cayman Islands dollars )*

| | 2016 | 2015 |
|---|---|---|
| **CASH PROVIDED BY (USED IN):** | | |
| **OPERATING ACTIVITIES** | | |
| Net comprehensive income for the year | **$ 491,944** | $ 407,128 |
| Adjustments for items not affecting cash: | | |
| Increase/(Decrease) in impairment allowances | **410** | (7,881) |
| Amortisation | **73,450** | 73,450 |
| Depreciation | **13,235** | 6,498 |
| | **579,039** | 479,195 |
| Changes in operating assets and liabilities: | | |
| Increase in accounts receivable | **(9,913)** | (62,419) |
| Decrease/(Increase) in prepayments and other receivables | **18,153** | (5,893) |
| (Decrease)/Increase in accounts payable and accrued liabilities | **(29,380)** | 49,281 |
| Net cash provided by operating activities | **557,899** | 460,164 |
| **INVESTING ACTIVITIES** | | |
| Purchase of intangible asset | **-** | (2,460) |
| Purchase of property, plant and equipment | **(6,037)** | (26,144) |
| Net cash used in investing activities | **(6,037)** | (28,604) |
| **FINANCING ACTIVITIES** | | |
| Dividends paid | **(305,346)** | (192,780) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **246,516** | 238,780 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | **1,847,537** | 1,608,757 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | **$ 2,094,053** | $ 1,847,537 |
| **SUPPLEMENTARY INFORMATION ON CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Interest received | **$ 891** | $ 602 |

*See notes to financial statements*

### 1. INCORPORATION AND GENERAL INFORMATION

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

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

***Statement of compliance***

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

***Cash and cash equivalents***

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

***Revenue recognition***

Revenue is recognised as earned.

***Accounts receivable***

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

***Translation of foreign currencies***

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

**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:

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

***Fair value of financial instruments***

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

***Critical accounting judgement and key source of estimation uncertainty***

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

***New accounting pronouncements***

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

***New accounting pronouncements*** (continued)

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

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

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

- Materiality. The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

- Statement of financial position and statement of profit or loss and other comprehensive income. The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- Notes. The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

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

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

***New accounting pronouncements*** (continued)

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

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefited of the intangible asset are highly correlated.

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

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

**3. OPERATING REVENUES**

Operating revenues are as follows:

| | 2016 | 2015 |
|---|---|---|
| Listing fees: | | |
| Debt securities | $ 497,248 | $ 392,903 |
| Corporate debt securities | 460,020 | 391,632 |
| Investment funds | 215,660 | 248,788 |
| Insurance linked securities | 41,820 | 36,900 |
| Equity securities | 37,857 | 77,490 |
| Listing document updates | 15,498 | 5,740 |
| | 1,268,103 | 1,153,453 |
| Listing agents fees | 198,850 | 186,550 |
| Broker membership fees | 25,010 | 38,130 |
| NAV fees | 3,198 | - |
| Affiliated membership fees | 2,050 | 2,050 |
| | $ 1,497,211 | $ 1,380,183 |

### 4. CUSIP REVENUES

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

CUSIP revenues are as follows:

| | 2016 | 2015 |
|---|---|---|
| Cayman Islands | $ 386,466 | $ 400,324 |
| British Virgin Islands | 22,070 | 16,936 |
| Other | 6,232 | - |
| | $ 414,768 | $ 417,260 |

### 5. PROPERTY, PLANT AND EQUIPMENT

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

**5. PROPERTY, PLANT AND EQUIPMENT** (continued)

| | Leasehold improvements | Computer hardware and software | Office furniture and equipment | Total |
|---|---|---|---|---|
| Cost: | | | | |
| At July 1, 2015 | $ 145,494 | $ 749,372 | $ 161,619 | $ 1,056,485 |
| Additions | - | 5,577 | 460 | 6,037 |
| At June 30, 2016 | 145,494 | 754,949 | 162,079 | 1,062,522 |
| Depreciation: | | | | |
| At July 1, 2015 | 144,447 | 725,148 | 153,983 | 1,023,578 |
| Charge for the year | 1,047 | 10,767 | 1,421 | 13,235 |
| At June 30, 2016 | 145,494 | 735,915 | 155,404 | 1,036,813 |
| Net book value at June 30, 2016 | $ - | $ 19,034 | $ 6,675 | $ 25,709 |
| Net book value at June 30, 2015 | $ 1,047 | $ 24,224 | $ 7,636 | $ 32,907 |

**6. INTANGIBLE ASSETS**

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

**6. INTANGIBLE ASSETS** (continued)

| | Website | Software | Total |
|---|---|---|---|
| Cost: | | | |
| At July 1, 2015 | $ 6,560 | $ 367,253 | $ 373,813 |
| Additions | - | - | - |
| At June 30, 2016 | 6,560 | 367,253 | 373,813 |
| Amortisation: | | | |
| At July 1, 2015 | - | 171,384 | 171,384 |
| Charge for the year | - | 73,450 | 73,450 |
| At June 30, 2016 | - | 244,834 | 244,834 |
| Net book value at June 30, 2016 | $ 6,560 | $ 122,419 | $ 128,979 |
| Net book value at June 30, 2015 | $ 6,560 | $ 195,869 | $ 202,429 |

**7. COMMITMENTS**

The lease payments for the twelve months ended June 30, 2016, were $85,690 (2015: $85,641). From December 31, 2009, the Company has moved to a rolling monthly contract to lease its existing office premises on the 4th floor of Elizabethan Square. This rolling arrangement will be in place for the foreseeable future and as such the Company does not have any lease commitments for the years ended June 30, 2016 and 2015.

The Company entered into a five year licensing agreement on September 3, 2012 for the provision of trading software related services. The annual fee depends on the level of services provided with a minimum of €150,000 per year payable by the Company. The license fees paid for the twelve months ended June 30, 2016, were $142,109 (2015: $145,327).

Licensing agreement future commitments

| | 2016 | 2015 |
|---|---|---|
| Not later than one year | $ 135,300 | $ 137,316 |
| Later than one year and not later than five years | 23,789 | 160,202 |
| Later than five years | - | - |
| | $ 159,089 | $ 297,518 |

Above commitments were originally denominated in Euro and have been converted into Cayman Islands dollars using the prevailing exchange rate as at June 30, 2016 and 2015.

### 8. CASH AND CASH EQUIVALENTS

| | 2016 | 2015 |
|---|---|---|
| Current and call accounts | $ 1,447,367 | $ 1,201,780 |
| Short-term fixed deposits maturing within one month | 646,686 | 645,757 |
| | $ 2,094,053 | $ 1,847,537 |

### 9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

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

***Credit and counterparty risk***

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

Age of accounts receivable past due but not impaired

| | 2016 | 2015 |
|---|---|---|
| 31-60 days | $ 28,880 | $ 54,900 |
| 61-90 days | 18,959 | 13,794 |
| 91-120 days | 10,325 | 21,919 |
| Over 120 days | 111,362 | 95,809 |
| | $ 169,526 | $ 186,422 |

Movement in impairment allowances

| | 2016 | 2015 |
|---|---|---|
| Balance at beginning of year | $ 15,371 | $ 23,252 |
| Impairment losses recognised on receivables | 17,448 | 6,761 |
| Amounts written off as uncollectible | (638) | (8,492) |
| Amounts recovered | (16,400) | (6,150) |
| Balance at end of year | $ 15,781 | $ 15,371 |

**9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS** (continued)

***Credit and counterparty risk*** (continued)

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

Age of impaired accounts receivable

| | 2016 | 2015 |
|---|---|---|
| 31-60 days | $ - | $ - |
| 61-90 days | - | - |
| 91-120 days | - | - |
| Over 120 days | 15,781 | 15,371 |
| Total – impaired | $ 15,781 | $ 15,371 |

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

***Liquidity risk***

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

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

***Market risk***

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

Currency risk

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

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

**9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS** (continued)

***Market risk*** (continued)

Currency risk (continued)

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

The only foreign currency monetary assets or liabilities held at June 30, 2016, were United States dollars as part of cash and cash equivalents in the amount of $1,600,958 (2015: $1,359,579).

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 $646,686 (2015: $645,757) which is shown on the statements of financial position as part of cash and cash equivalents. As the financial instrument is short-term in nature and a fixed rate is set at each monthly renewal of the fixed deposit, interest rate fluctuations would not significantly impact the Company's future cash flows. As such, no sensitivity analysis for interest rate risk has been prepared.

**10. SHARE CAPITAL**

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

The present dividend policy is for the Company to pay 75% of net operating income to the Government. The Government is the 100% shareholder of the Company and the dividend policy is reviewed on an annual basis. On November 19, 2015, the Stock Exchange Council approved dividend payments for the year ended June 30, 2015 of $3.05346 per share totaling $305,346 (2014: $1.9278 per share totaling $192,780). The dividends declared for the year ended June 30, 2015 were fully paid to the Government during the year ended June 30, 2016.

### 11. PERSONNEL

Included within personnel expenses are the salary, bonus, pension and healthcare payments made to and on behalf of the six (2015: six) members of staff employed during the year. For the year ended June 30, 2016 total personnel expenses amounted to $726,848 (2015: $666,742). Total remuneration for the Company's three key management personnel was $486,708 for the year ended June 30, 2016 (2015: $448,362) which includes the employer's portion of pension expenses. At June 30, 2016 and 2015, key management personnel consisted of the Chief Executive Officer, the Head of Information Technology and Trading Systems and the Deputy Head of Listing and Compliance.

Included in prepayments and other receivables are amounts receivable from employees amounting to $nil (2015: $2,100) of which $nil (2015: $nil) is receivable from key management personnel.

### 12. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern without additional funding from the Government. The Company's overall strategy remains unchanged from the year ended June 30, 2015. The capital structure of the Company consists of issued shares, additional paid-in capital and retained earnings. The Company has no externally imposed capital requirements.

### 13. MARKETING, TRAVEL AND SUBSISTENCE

Marketing, travel and subsistence largely consists of promotional costs of $8,814 (2015: $3,057), public relations costs of $nil (2015: $4,008), and cost for conferences and international trade events in Miami, Las Vegas and the Cayman Islands of $30,378 (2015: New York, London and the Cayman Islands of $24,370). Travel and subsistence expenses relating to conferences, international trade events and other marketing travel totaled $14,329 (2015: $34,018).

### 14. PENSION SCHEME

As required by the National Pensions Law of the Cayman Islands, the Company has established for its employees a defined contribution pension scheme with a third party pensions provider based in the Cayman Islands of the mandatory contribution rate on up to the current maximum pensionable earnings of $60,000 per annum. The mandatory contribution rate under the law is 10% of the employee's salary, borne equally by the employer and employee. The Company contributions are borne 5.00% by the employer and 5.00% by the employee. The total pension cost recorded during the year ended June 30, 2016, was $16,800 (2015: $14,700). This represents the employer's portion and is included in personnel expenses.

### 15. SUBSEQUENT EVENTS

Management has evaluated the possibility of subsequent events existing in the Company's financial statements through October 28, 2016, the date the financial statements were available to be issued.

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

### 16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Stock Exchange Council and authorised for issue on October 28, 2016.