The Cayman Islands Stock Exchange Ltd.

Financial Statements

for the year ended June 30, 2011
and Independent Auditors' Report

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

FINANCIAL STATEMENTS

for the year ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Cayman Islands Stock Exchange Ltd. (the "Company"), which comprise the statement of financial position as at June 30, 2011, and the statement of comprehensive income and retained earnings, and the statement of cash flows for the year then ended (all expressed in Cayman Islands dollars), and a summary of significant accounting policies and other explanatory notes as set out on pages A7 to A13 in accordance with the provisions of Section 60(a)(ii) of the *Public Management and Finance Law (2010 Revision)*.

The financial statements of the Company as at and for the year ended June 30, 2010 were not audited by Deloitte, but were audited by the Office of the Auditor General whose report, dated August 3, 2011, expressed an unqualified opinion on those financial statements.

Management's Responsibilities 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.

Auditors' Responsibility and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 upon 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Cayman Islands Stock Exchange Ltd. as at June 30, 2011, the results of its comprehensive income and retained earnings and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte & Touche

Date: December 14, 2011

Garnet Harrison

Garnet Harrison, CA
Acting Auditor General
Date: December 14, 2011

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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 (2010 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 (2010 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 record the financial transactions of the Company.

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

The financial statements fairly present the statements of financial position, comprehensive income and retained earnings, and cash flows for the financial year ended June 30, 2011.

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

(a) are complete and reliably reflect the financial transactions of the Stock Exchange for the year ended June 30, 2011;

(b) fairly reflect the financial position as at June 30, 2011 and performance for the year ended June 30, 2011;

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

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

Anthony B. Travers
Chairman
The Cayman Islands Stock Exchange Ltd.

Date: 14.12.2011

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

Date: 14 December 2011

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Comprehensive Income and Retained Earnings

for the year ended June 30, 2011

(expressed in Cayman Islands dollars)

	2011	2010
REVENUES		
Operations (Note 3)	**$ 1,041,252**	$ 1,031,360
CUSIP (Note 3)	**413,874**	434,600
Miscellaneous	**17,245**	17,492
Interest	**412**	387
Amortisation of Government capital grant	**-**	423
	1,472,783	1,484,262
OPERATING EXPENSES		
Personnel (Notes 9 and 12)	**677,592**	828,283
CUSIP	**81,596**	81,426
Lease of office (Note 5)	**71,618**	71,562
Legal and professional fees	**58,255**	57,934
Utilities	**45,228**	45,398
Memberships, subscriptions and publications	**29,179**	31,658
Technology	**28,409**	36,773
Marketing, travel and subsistence (Note 11)	**27,975**	36,286
Depreciation (Note 4)	**17,415**	20,846
Bad debts and provision for bad debts	**13,743**	39,079
Training	**11,867**	11,975
Disaster recovery	**10,011**	10,398
Other office and miscellaneous	**7,295**	13,968
Printing, postage, courier and stationery	**7,253**	8,670
Insurance	**3,295**	4,092
Lease of Bloomberg terminals	**-**	19,841
Donations	**-**	1,500
	1,090,731	1,319,689
NET OPERATING INCOME FOR THE YEAR	**382,052**	164,573
Dividends (Note 14)	**-**	(215,936)
RETAINED EARNINGS AT BEGINNING OF YEAR	**1,033,536**	1,084,899
RETAINED EARNINGS AT END OF YEAR	**$ 1,415,588**	$ 1,033,536

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Financial Position

June 30, 2011

(expressed in Cayman Islands dollars)

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents (Note 6)	**$ 1,433,860**	$ 975,025
Accounts receivable (net of bad debt provision: $18,831 (2010: $18,831))	**259,687**	302,785
Prepayments and other receivables	**20,771**	15,060
Total current assets	**1,714,318**	1,292,870
LONG-TERM ASSETS		
Fixed assets (Note 4)	**31,334**	43,568
Total assets	**$ 1,745,652**	$ 1,336,438
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 149,725**	$ 122,222
Deferred annual fees	**8,413**	8,754
Total current liabilities	**158,138**	130,976
SHAREHOLDER'S EQUITY		
Share capital (Note 8)	**100,000**	100,000
Additional paid-in capital	**71,926**	71,926
Retained earnings	**1,415,588**	1,033,536
Total shareholder's equity	**1,587,514**	1,205,462
Total liabilities and shareholder's equity	**$ 1,745,652**	$ 1,336,438

See notes to financial statements

THE CAYMAN ISLANDS STOCK EXCHANGE LTD.

Statement of Cash Flows

for the year ended June 30, 2011

(expressed in Cayman Islands dollars)

	2011	2010
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net operating income for the year	$ **382,052**	$ 164,573
Adjustments for items not affecting cash:		
Depreciation	**17,415**	20,846
Amortisation of Government capital grant	**-**	(423)
	399,467	184,996
Changes in operating assets and liabilities:		
Decrease in accounts receivable	**43,098**	5,227
(Increase)/decrease in prepayments and other receivables	**(5,711)**	6,047
Increase/(decrease) in accounts payable and accrued liabilities	**27,503**	(30,715)
Decrease in deferred annual fees	**(341)**	(4,560)
Net cash provided by operating activities	**464,016**	160,995
INVESTING ACTIVITIES		
Purchase of fixed assets	**(5,181)**	(20,542)
FINANCING ACTIVITIES		
Dividend paid	**-**	(215,936)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**458,835**	(75,483)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**975,025**	1,050,508
CASH AND CASH EQUIVALENTS, END OF YEAR	$ **1,433,860**	$ 975,025
SUPPLEMENTARY DISCLOSURE		
Interest received	$ **390**	$ 397

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 or cash equivalents.

Revenue Recognition

Revenue is recognised as earned. Membership and listing fees are non refundable.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables. This estimate is established as a scaled percentage of outstanding accounts receivable based on their age and assessed collectability.

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 and retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation

Fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

Type of fixed asset	Estimated useful life
Leasehold improvements	remainder of current lease term
Computer hardware and software	2 to 3 years
Office furniture and equipment	5 to 10 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.

3. OPERATING REVENUES

Operating revenues are as follows:

	2011	2010
Listing fees:		
Debt securities	$ 260,314	$ 283,606
Mutual funds	365,105	377,241
Eurobonds	132,291	100,204
International companies	26,650	15,170
Domestic companies	9,840	11,480
Listing document updates	14,514	25,092
	808,714	812,793
Listing agents fees	176,300	164,000
Broker membership fees	50,430	49,610
Affiliated membership fees	2,050	-
Crossing fees	3,758	4,957
	$ 1,041,252	$ 1,031,360

3. OPERATING REVENUES (continued)

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.

4. FIXED ASSETS

	Leasehold improvements	Computer hardware and software	Office furniture and equipment	Total
Cost:				
At July 1, 2010	$ 143,138	$ 1,183,591	$ 159,470	$ 1,486,199
Additions	-	5,181	-	5,181
At June 30, 2011	143,138	1,188,772	159,470	1,491,380
Depreciation:				
At July 1, 2010	143,138	1,154,770	144,723	1,442,631
Charge for the year	-	14,802	2,613	17,415
At June 30, 2011	143,138	1,169,572	147,336	1,460,046
Net book value at June 30, 2011	$ -	$ 19,200	$ 12,134	$ 31,334
Net book value at June 30, 2010	$ -	$ 28,821	$ 14,747	$ 43,568

5. COMMITMENTS

Effective January 1, 2009, the Company signed a new lease for its existing office premises on the 4th floor of Elizabethan Square for a one year period with a further one year option in place. The lease payments for the twelve months ended June 30, 2011, were $71,618 (2010: $71,562). From December 31, 2009, the Company has moved to a rolling monthly contract for the foreseeable future and as such does not have any lease commitments for the years ended June 30, 2011 and 2010.

6. CASH AND CASH EQUIVALENTS

	2011	2010
Current and call accounts	$ 790,910	$ 332,465
Short-term fixed deposits maturing within one month	642,950	642,560
	$ 1,433,860	$ 975,025

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

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

Credit and Counterparty Risk

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

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 that represents a scaled percentage of outstanding accounts receivable based on their age and assessed collectability.

Liquidity Risk

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

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

7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Market risk

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

Currency risk

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

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

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

The only foreign currency monetary assets or liabilities held at June 30, 2011, were United States dollars as part of cash and cash equivalents in the amount of $1,230,927 (2010: $938,781).

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 $642,950 (2010: $642,560) which is shown on the statement of financial position as a part of cash and cash equivalents. As the financial instrument is short term in nature and a fixed rate is set at each monthly renewal of the fixed deposit, interest rate fluctuations would not significantly impact the Company's future cash flows. As such, no sensitivity analysis for interest rate risk has been prepared.

8. SHARE CAPITAL

The authorised and issued share capital of the Company is CI$100,000 divided into 100,000 shares of CI$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.

9. PERSONNEL

Included within personnel expenses are the salary, pension and healthcare payments made to and on behalf of the eight members of staff employed during the year. For the year ended June 30, 2011 total personnel expenses amounted to $677,592 (2010: $828,283). Total remuneration for the Company's three key management personnel was $328,337 for the year ended June 30, 2011 (2010: $464,663). At June 30, 2011 and 2010, key management personnel consisted of the Chief Executive Officer, Head of Markets and Compliance and the Head of Listings. The Chief Executive Officer was on unpaid leave from October 1, 2010 to June 30, 2011.

Included in prepayments and other receivables are amounts receivable from the CEO amounting to $3,999 (2010: $nil) for health insurance premiums recoverable for the period in which the CEO was on unpaid leave. There are no particular repayment terms and conditions attached to this receivable.

10. 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, 2010. The capital structure of the Company consists of issued shares, additional paid-in capital, and retained earnings.

11. MARKETING, TRAVEL AND SUBSISTENCE

Marketing, travel and subsistence largely consists of advertising costs for 2011 of $6,825 (2010: $7,971), and cost for conferences, and international trade events in Madrid and Chicago for 2011 of $13,303 (2010: $14,914).

12. PENSION SCHEME

As required by the National Pensions Law (2010 Revision), the Company has established for its employees a defined contribution pension scheme with a third party pensions provider based in the Cayman Islands up to a maximum of $250/month. The mandatory contribution rate under the law is 10.00% 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, 2011, was $20,275 (2010: $22,432). This represents the employer's portion and is included in personnel expenses.

13. RELATED PARTY TRANSACTIONS

The related party balances and transactions have been disclosed elsewhere in these financial statements.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through December 14, 2011 the date the financial statements were available to be issued, and noted the following:

The present dividend policy is for the Company to pay 75.00% of net operating income to the Government. The Government is the 100% shareholder and the dividend policy is reviewed on an annual basis. Due to the projected needs of the Company and the actual performance during the financial year, the Stock Exchange Council reassessed the dividend policy for the year ended June 30, 2011 and proposed the dividend payment be similar to that of the year ended June 30, 2010. Therefore, on October 28, 2011 the Stock Exchange Council approved dividend payments for the years ended June 30, 2011 and June 30, 2010 of $1.2343 per share totaling $123,430 and $1.2343 per share totaling $123,430, respectively.

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Stock Exchange Council and authorized for issue on December 14, 2011.