CAYMAN ISLANDS STOCK EXCHANGE

Report to those charged with governance on the 2024 audit

June 2025

To help the public service spend wisely

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REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2024 financial statements of the Cayman Islands Stock Exchange ("the Company"). In providing my audit opinion on the financial statements I relied on the work carried out on my behalf by a private accounting firm. The firm performed its work in accordance with International Standards on Auditing (ISAs). The ISAs require that we communicate certain matters to those charged with governance of the Company in sufficient time to enable appropriate action. The matters we are required to communicate under ISAs include:

   - Auditors' responsibilities in relation to the audit.
   - The overall scope and approach to the audit, including any expected limitations, or additional requirements.
   - Relationships that may bear on our independence, and the integrity and objectivity of our staff.
   - Expected modifications to the audit report.
   - Significant findings from our audit.

2. This report sets out for the consideration of those charged with governance those matters arising from the audit of the 2024 financial statements that we consider worthy of drawing to your attention.

3. This report has been prepared for the sole use of those charged with governance, and we accept no responsibility for its use by a third party. Under the *Freedom of Information Act* (*2021 Revision*) it is the policy of the Office of the Auditor General to release all final reports proactively through our website: www.auditorgeneral.gov.ky.

AUDITOR'S RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR'S RESPONSIBILITY UNDER INTERNATIONAL STANDARDS ON AUDITING

4. ISAs require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters, and this report includes only those matters of interest that came to our attention as a result of the performance of our audit.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter dated 22 November 2024. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

6. While we have no responsibility to perform any audit work on other information, including forward-looking statements containing audited financial statements, we have read the other information contained in the Company's annual report and noted that it is materially consistent with information appearing in the financial statements or our knowledge of the operations of the Company. We have not reviewed other documents containing the Company's audited financial statements.

CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

7. The accounting firm applied a risk-based approach to planning and conducting the audit, with the audit procedures focused on balances, transactions and disclosures that are considered higher risk (or a higher likelihood of material misstatement). The risk assessment was based on the firm's understanding of the Company and its environment, including its objectives, strategies, operations, governance structures and internal controls. They also obtained an understanding of the classes of transactions, account balances, and disclosures to be expected in the financial statements and reviewed the Company's business process and internal controls.

8. The accounting firm's overall audit strategy was to test the design and implementation of controls for significant risks identified and then to take a fully substantive approach.

9. Information on the integrity and objectivity of the Office of the Auditor General and audit staff and the nature and scope of the audit were outlined in the engagement letter presented to the Chief Executive Officer on 22 November 2024 and follows the requirements of the ISAs. We are not aware of any impairment to our independence as auditors, including that of the private auditing firm.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS

10. We have issued an unmodified audit report on the 31 December 2024 financial statements.

11. Appendix 1 provides information on the one audit adjustment made to the financial statements. Appendix 2 summarises the uncorrected material misstatements identified.

12. As part of the completion of our audit, we obtained written representations from management on aspects of the accounts, judgments, and estimates made. These representations were provided to us on 29 April 2025.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

13. We are responsible for providing our views about qualitative aspects of the Company's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

14. Generally accepted accounting principles provide for the Company to make accounting estimates and judgments about accounting policies and financial statement disclosures. We are, however, not aware of any new or controversial accounting practices reflected in the Company's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

15. Management has made judgments and estimates with regard to the following financial statement items:

- Trade receivables - Expected Credit Losses.
- Deferred revenue – initial listing fees.

GOING CONCERN DOUBTS

16. As a result of our audit, we did not become aware of any material uncertainties related to events and conditions that may cast significant doubt on the Company's ability to continue as a going concern.

MATERIAL WEAKNESSES IN INTERNAL CONTROL

17. We identified two significant deficiencies during our audit. These are noted in Appendix 3, along with management's response.

18. In addition, we identified four deficiencies in internal control that we deemed not to be significant. These have been reported separately to management.

FRAUD OR ILLEGAL ACTS

19. Applicable auditing standards recognise that the primary responsibility for the prevention and detection of fraud and compliance with applicable laws and regulations rests with both those charged with governance of the entity and with management. It is important that management, with the oversight of those charged with governance; place a strong emphasis on fraud prevention, and fraud deterrence.

20. They are also responsible for establishing and maintaining controls pertaining to the Company's objective of preparing financial statements that are presented fairly, in all material respects, in

accordance with the applicable financial reporting framework and managing risks that may give rise to material misstatements in those financial statements. In exercising oversight responsibility, those charged with governance should consider the potential for management override of controls or other inappropriate influence over the financial reporting process.

21. As auditors, in planning and performing the audit, we are required to reduce audit risk to an acceptably low level, including the risk of undetected misstatements in the financial statements due to fraud.

22. However, we cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of such factors as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature.

23. No fraud or illegal acts came to our attention as a result of the 2024 audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

24. No difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

25. We have had no disagreements with management resulting from our audit.

ANY OTHER SIGNIFICANT MATTERS

26. There were no other significant matters noted during the audit.

ACKNOWLEDGEMENTS

27. We would like to express our thanks to the staff of the Cayman Islands Stock Exchange for their help and assistance during the audit of this year's financial statements. This enabled us to provide an audit report within the agreed timetable.

Yours Sincerely,

Patrick O. Smith, CPA, CFE
Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED MISSTATEMENTS

	Account description and adjustment details	Debit	Credit
1.	Accrued Interest Interest expense Dividends Payable to Government *Accounting for accrued interest on Scotiabank fixed deposit*.	11,053 5,601	 (11,053) (5,601)
	Total adjustments	**16,654**	**(16,654)**

APPENDIX 2 – SUMMARY OF UNADJUSTED MISSTATEMENTS

	Description	Impact on statement of financial position	Impact on income statement
1.	Expected credit loss provision (Dr)	78,247	
	Retained earnings (Cr)	(90,570)	
	Expected credit loss (Dr)		(12,232)
Judgmental overstatement of impairment allowance provision due to model not factoring at least 90 days of subsequent collections data, which impacted the determination of loss rates used.			
2.	Expected credit loss provision (Cr)	(67,180)	
	Expected credit loss (Dr)		(67,180)
Factual understatement of impairment allowance as management's model did not reverse the IFRS 15 adjustment to defer listing fees, which impacted the determination of the loss rate used.			
3.	Retained earnings (Dr)	104,789	
	Deferred listing fees (Cr)	(77,531)	
	Debt securities listing fees (Cr)		27,258
Deferred portion of revenue based on 'one-off' listing fees that were billed in the period from 2018 to 2020.			
4.	Accounts receivable (Dr)	2,700	
	Debt securities listing fees (Cr)		(2,700)
To recognize revenue for one issue that was not invoiced for the year ended 31 December 2024 but was listed on the exchange.			
5.	Accounts receivable (Dr)	132,881	
	Debt securities listing fees (Cr)		(132,881)
Projected error noted in revenue completeness testing, one sample item found not to have been billed in 2024 that should have been. Error rate extrapolated over total listings.			
Total unadjusted Under/(Over) statement		**83,336**	**(187,735)**

APPENDIX 3 – INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
1. <u>Deficiency in controls – Trade receivables: Expected credit loss provision</u> The Operations and Finance Manager prepares the estimate of the impairment allowance using an Excel spreadsheet. The source data is taken from QuickBooks and formulas are used to lookup between different data sources and calculate the required amounts. The Operations and Finance Manager posts the results of this analysis into QuickBooks. Walk-through procedures identified a control where the CEO reviews the Excel spreadsheet containing the model and approves to the Operations and Finance Manager via email that his review	**<u>Risk/implication:</u>** Due to the infrequent nature of the control (annual) without adequate documentation of what should be reviewed as part of the performance of the control there may be inconsistency in performance resulting in undetected errors. Errors in the data, formulas or inputting of the journal may result in a misstated impairment allowance balance in the financial statements. **<u>Recommendation:</u>** Management should implement an annual review checklist of the model to include at a minimum: • checking that data has been completely extracted from source systems by reference to QuickBooks. • checking the accuracy of the data included on a sample basis back to QuickBooks or other source documents.	Yes	Recommendation accepted.	

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
is complete and the resulting journal may be posted. However, the CEO's email communication does not provide sufficient evidence of what is checked as part of the review. Therefore, the control, as designed, is deficient.	• review of any adjustments to revenue for the period used to ensure items that are not the issuance of invoices are removed e.g. manual deferral entries, interest income. • a retrospective review of the prior year expected credit loss rates and provision against current year development. • review of all formulas in the model. • review of the journal entry made to QuickBooks against the reviewed workings. This checklist should be signed and retained as evidence of performance of the review.			
2. <u>Deficiency in internal controls – Deferred revenue: Initial listing fees</u> The Operations and Finance Manager prepares the Initial Listing Fees Analysis and records the contract liability in QuickBooks. The CEO reviews the calculation and approves via email to the Operations and Finance Manager that the review is complete and	**<u>Risk/Implication:</u>** Due to the infrequent nature of the control (annual) without adequate documentation of what should be reviewed as part of the performance of the control there may be inconsistency in performance resulting in undetected errors. Errors in the data, formulas or inputting of the journal may result in a over or understatement of the balance in the financial statements.	Yes	Recommendation accepted.	

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y/N)	Management Response	Implementation Date
the resulting entry is deemed reasonable. However, the CEO’s email did not provide sufficient evidence on what was checked as part of the review. Therefore, the control, as designed, is deficient.	**<u>Recommendation:</u>** Management should implement an annual review checklist of the model to include at a minimum: • checking that data has been completely extracted from source systems by reference to QuickBooks or Previse. • checking the accuracy of the data included on a sample basis back to QuickBooks, Previse or other source documents. • a retrospective review of the prior year estimate of the deferral period/amount and the amount released to revenue (including cancellations in the current year). • review of all formulas in the model. • review of the journal entry made to QuickBooks against the reviewed workings. This checklist should be signed and retained as evidence of performance of the review.			