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2 May 2022

**The Council**
The Cayman Islands Stock Exchange Ltd
4th Floor, Elizabethan Square
George Town
Grand Cayman

Dear Sirs,

**RE: Audit of 31 December 2021 financial statements**

**Purpose and use:** We have completed our audit of the 31 December 2021 financial statements of Cayman Islands Stock Exchange Ltd. ("Company") and have issued an unqualified opinion on those statements. In rendering my audit opinion on the financial statements 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.

Professional standards require that we communicate certain matters to those charged with governance of the Company. 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)* 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:** International Standards on Auditing 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 a governance interest which came to our attention as a result of the performance of our audit.

In planning and performing the audit of the financial statements of the Company, the accounting firm considered the Company's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

**Responsibilities of management and those charged with governance:** Management's responsibilities are detailed in the engagement letter to which this engagement was subject. 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:** In connection with our audit of the financial statements, our responsibility is to read the other information available at the time of issuance of our audit report and consider whether a material inconsistency exists between the other information and the financial statements or our knowledge obtained in the audit, or the other information otherwise appears to be materially misstated. We did not identify any information that was materially inconsistent with the information in the financial statements.

If there are any changes to the Annual Report or any further documents containing audited financial statements that become available subsequent to the issuance of our audit report, we will read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the other information not yet received, if we conclude that there is a material misstatement therein, we will communicate the matter to those charged with governance.

## GENERAL APPROACH AND OVERALL SCOPE OF THE AUDIT

The accounting firm applied a top-down, risk-based approach to planning and conducting the audit, through the application of well-reasoned professional judgment. They obtained an understanding of the Company's operations and the related risks, which drove our assessment of materiality and identification of audit risks, including significant risks, which are audit risks that require special audit considerations. They also obtained an understanding of how management controls these risks, by considering management's approach to internal controls, and determined how they will test significant account balances and classes of transactions.

The accounting firm's audit approach involved a mixture of substantive testing, on sample basis, of significant transactions and balances.

## AUDIT REPORT, SIGNIFICANT IDENTIFIED MISSTATEMENTS (BOTH CORRECTED AND UNCORRECTED) AND MANAGEMENT REPRESENTATIONS

We have issued an unqualified audit opinion on the financial statements.

Appendix 1 outlines one financial statement misstatement corrected by management. There were no significant omitted financial statement disclosures noted.

As part of the completion of our audit we obtained written representations from management on aspects of the accounts and judgments and estimates made. Management has provided us with written representations in respect of our financial statement audit.

## SIGNIFICANT FINDINGS FROM THE AUDIT

**Going concern doubts:**
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.

**Significant accounting practices:** 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. Generally accepted accounting principles provide for the Company to make accounting estimates and judgments about accounting policies and financial statement disclosures. We are not aware of any areas where the significant accounting practices have changed from previous year, other than those discussed below, or are not consistent with general industry practice. In addition we are not aware of any new or controversial accounting practices reflected in the Company's financial statements, other than:

1. **IFRS 16 – Leases** ("IFRS 16") was adopted by the Company during the year ended 31 December 2019. 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 obligation to make lease payments. There are recognition exemptions for short term leases and leases of low-value items. We have assessed the continuing implementation and subsequent accounting for these leases and concluded that the lease disclosures within the financial statements are reasonable in the context of the financial statements taken as a whole.

2. **IFRS 9 – Financial Instruments** ("IFRS 9") has been assessed and we have reviewed and performed audit procedures around the calculation of the Expected Credit Loss ("ECL") provision. The calculation is subject to estimations and judgments based on collectability of receivables. Management have corrected the financial statements based on the review performed and we have determined that the updated provision included within the financial statements is reasonable in the context of the financial statement taken as a whole.

**Significant risks and exposures:** Significant risks and exposures are disclosed in the financial statement footnotes.

**Management's judgments and accounting estimates:** Matters which required management to make significant judgments or which required significant estimates, including those related to allowances for credit losses on accounts receivable, are appropriately disclosed in the financial statements.

**Deficiencies in internal control:** Internal control deficiencies were identified by the accounting firm who carried out the audit on our behalf and was communicated separately to management, which were deemed not significant.

**Fraud or illegal acts:** 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. They are also responsible for establishing and maintaining controls pertaining to the entity'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.

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. 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.

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

**Disagreements with management:** We have had no disagreements with management resulting from our audit.

**Other miscellaneous matters:** We are not aware of any consultations between management and other auditors about audit and accounting matters. We have no questions regarding management integrity. No significant matters were discussed with management prior to our appointment as auditors. No serious difficulties were encountered in the performance of our audit. We are not aware of any impairment to our independence as auditors.

**Other engagement commitments:** There were no other specific matters agreed upon in the terms of our engagement.

If you would like to discuss the results of our audit or any other matters in further detail please feel free to call Mr. Julius Aurelio at (345) 244-3202 or me at (345) 244-3201.

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.

Yours sincerely,

**Sue Winspear, CPFA**
Auditor General

## APPENDIX 1: SUMMARY OF CORRECTED MISSTATEMENTS

***In Cayman Islands Dollars (KYD)***

| | | Balance Sheet DR (CR) | | | Income Statement DR (CR) |
|---|---|---|---|---|---|
| | | Assets | Liabilities | Equity | |
| DR | Impairment allowances expense | - | - | - | **60,642** |
| CR | Trade receivables (allowance) | **(60,642)** | - | - | - |
| *IFRS 9 Adjustment to account for the increase in expected credit losses.* | | | | | |