

**EASTERN CARIBBEAN SECURITIES
EXCHANGE LIMITED AND ITS
SUBSIDIARY COMPANIES**

Consolidated Financial Statements

March 31, 2017



**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY
COMPANIES**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS
SUBSIDIARY COMPANIES**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Eastern Caribbean Securities Exchange Limited and its Subsidiary Companies (the "Group"), which comprise the consolidated statement of financial position as at March 31, 2017, the consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Barbados and the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT, continued

To the Shareholders of
**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS
SUBSIDIARY COMPANIES**

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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



INDEPENDENT AUDITORS' REPORT, continued

To the Shareholders of
**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS
SUBSIDIARY COMPANIES**

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 our 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



INDEPENDENT AUDITORS' REPORT, continued

To the Shareholders of
**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS
SUBSIDIARY COMPANIES**

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements,
continued**

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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 we identify during our audit.

KPMG

Chartered Accountants
Bridgetown, Barbados
July 24, 2017

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES


Consolidated Statement of Financial Position


March 31, 2017

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Assets			
Current Assets			
Cash and cash equivalents	6	\$ 26,400,764	38,884,602
Accounts receivable and other assets	7	908,696	465,043
Investments	8	6,955,333	6,935,878
Total Current Assets		34,264,793	46,285,523
Non-current Assets			
Plant and equipment	9	462,909	611,559
Intangible assets	10	1,674,931	1,508,342
Total Non-current Assets		2,137,840	2,119,901
Total Assets		\$ 36,402,633	48,405,424
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accruals	11	\$ 24,532,054	37,354,278
Provisions	12	-	90,064
Total Current Liabilities		24,532,054	37,444,342
Non-current Liabilities			
Provisions	12	14,063	-
Pension fund	13	824,022	719,261
Due to Eastern Caribbean Central Bank	14	2,874,845	2,874,845
Total Non-current Liabilities		3,712,930	3,594,106
Total Liabilities		28,244,984	41,038,448
Shareholders' Equity			
Share capital	16	9,725,810	9,725,810
Accumulated deficit		(1,568,161)	(2,358,834)
Total Shareholders' Equity		8,157,649	7,366,976
Total Liabilities and Shareholders' Equity		\$ 36,402,633	48,405,424

Approved for issue by the Board of Directors on 24 July 2017 and signed on its behalf by:


 Mr D Michael Morton
 Deputy Chairman


 Trevor E Blake
 Managing Director

The notes on pages 9 to 25 are an integral part of these consolidated financial statements.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended March 31, 2017

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Income			
Listing and registry income		\$ 2,294,392	2,383,633
Primary market income		740,383	802,169
Membership and trading income		391,839	373,863
Other income	19	232,563	437,000
Interest income		213,097	235,496
		<u>3,872,274</u>	<u>4,232,161</u>
General and Administrative Expenses			
Compensation costs		1,748,614	1,768,290
Administrative expenses		662,390	522,261
Depreciation and amortisation	9,10	301,856	181,443
Software maintenance		185,976	175,177
Staff training		64,485	2,549
Legal and professional costs		62,453	56,691
Promotional activities		55,827	42,866
		<u>3,081,601</u>	<u>2,749,277</u>
Net Profit, being Total Comprehensive Income for the Year		<u>\$ 790,673</u>	<u>1,482,884</u>
Earnings per Share	17	<u>\$ 0.81</u>	<u>1.52</u>

The notes on pages 9 to 25 are an integral part of these consolidated financial statements.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Consolidated Statement of Changes in Shareholders' Equity

Year ended March 31, 2017

(Expressed in Eastern Caribbean Dollars)

	<u>Share Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance as at March 31, 2015	\$ 9,725,810	(3,841,718)	5,884,092
Net profit, being total comprehensive income for the year	<u>-</u>	<u>1,482,884</u>	<u>1,482,884</u>
Balance as at March 31, 2016	9,725,810	(2,358,834)	7,366,976
Net profit, being total comprehensive income for the year	<u>-</u>	<u>790,673</u>	<u>790,673</u>
Balance as at March 31, 2017	\$ <u>9,725,810</u>	<u>(1,568,161)</u>	<u>8,157,649</u>

The notes on pages 9 to 25 are an integral part of these consolidated financial statements.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Consolidated Statement of Cash Flows

Year ended March 31, 2017

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities			
Net profit for the year	\$	790,673	1,482,884
Adjustments for:			
Depreciation and amortisation	9,10	301,856	181,443
Interest income		(213,097)	(235,496)
Gain on disposal of plant and equipment		-	(175,000)
Operating profit before changes in working capital		879,432	1,253,831
Change in accounts receivable and other assets		(447,592)	(105,802)
Change in accounts payable and accruals		(12,822,224)	15,788,422
Change in provisions		(76,001)	55,398
Change in pension fund		104,761	(39,726)
Net cash (used in) from operating activities		(12,361,624)	16,952,123
Cash flows from investing activities			
Purchase of intangible assets	10	(315,000)	(544,209)
Purchase of plant and equipment	9	(4,795)	(248,900)
Purchase of investments		(19,455)	(2,955,599)
Proceeds from sale of plant and equipment		-	175,000
Interest received		217,036	233,841
Net cash used in investing activities		(122,214)	(3,339,867)
(Decrease) increase in cash and cash equivalents during the year		(12,483,838)	13,612,256
Cash and cash equivalents at the beginning of the year		38,884,602	25,272,346
Cash and cash equivalents at the end of the year	\$	26,400,764	38,884,602
Comprised as follows:			
Cash at bank	6	\$ 26,400,474	38,884,427
Cash on hand	6	290	175
	\$	26,400,764	38,884,602

The notes on pages 9 to 25 are an integral part of these consolidated financial statements.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

1. Incorporation and Principal Activity

The Eastern Caribbean Securities Exchange Limited (“ECSE”) was incorporated as a public limited company on May 8, 2001 under the provisions of the Companies Act (No. 22 of 1996) of the laws of St. Christopher and Nevis.

The ECSE carries on business as a regional securities exchange and facilitates the buying and selling of financial products, including corporate and government securities for the member territories of the Eastern Caribbean Currency Union.

The registered office is situated at Bird Rock, Basseterre, St. Kitts.

These consolidated financial statements comprise the ECSE and its subsidiaries (the “Group”). The ECSE's subsidiaries and their activities are as follows:

- *The Eastern Caribbean Central Securities Registry Limited:*
The Eastern Caribbean Central Securities Registry Limited (“ECCSR”) was incorporated as a public limited company on August 2, 2001 under the provisions of the Companies Act (No 22 of 1996) of the laws of Saint Christopher and Nevis. It is a wholly-owned subsidiary of Eastern Caribbean Securities Exchange Limited.

The ECCSR electronically maintains the records of securities on behalf of issuers, which may include listed and non-listed public companies, government related entities, private companies, and individual security holders within the region.

- *The Eastern Caribbean Central Securities Depository Limited:*
The Eastern Caribbean Central Securities Depository Limited (“ECCSD”) was incorporated as a public limited company on August 2, 2001 under the provisions of the Companies Act (No. 22 of 1996) of the laws of Saint Christopher and Nevis. It is a wholly-owned subsidiary of Eastern Caribbean Securities Exchange Limited.

The principal activity of the ECCSD is the performance of all services incidental or conducive to the functioning of a central securities depository.

2. Basis of Preparation

(a) *Statement of Compliance:*

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies adopted in the preparation of these consolidated financial statements have been applied consistently to all periods presented in these consolidated financial statements and are set out below.

The consolidated financial statements were authorized for issue by the Board of Directors on July 24, 2017.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

2. Basis of Preparation (*cont'd*)

(b) *Basis of Measurement:*

These consolidated financial statements have been prepared on the historical cost basis.

(c) *Functional and Presentation Currency:*

The consolidated financial statements are presented in Eastern Caribbean Dollars, which is the Group's functional currency, rounded to the nearest dollar.

(d) *Use of Accounting Estimates and Judgments:*

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Significant Accounting Policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are as follows:

(a) *Basis of Consolidation:*

These financial statements consolidate those of the Group as of March 31, 2017. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of March 31.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. The amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

(b) *Cash and Cash Equivalents:*

Cash and cash equivalents include cash on hand, cash at banks and restricted amounts held by third party financial institutions with an original maturity date of three months or less.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (*cont'd*)

(c) *Accounts Receivable:*

Accounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy are considered indicators that the receivables are impaired. As at March 31, 2017, the Group is expected to collect all of its accounts receivable.

(d) *Plant and Equipment:*

Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. All other expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income.

Any gain or loss on disposal of an item of plant and equipment is recognised in the consolidated statement of profit or loss and other comprehensive income.

Depreciation is calculated to write off the cost of items of plant and equipment less their estimated residual values using the straight-line method, and is generally recognised in the consolidated statement of profit or loss and other comprehensive income.

Depreciation is provided on the straight line basis using rates estimated to write off the depreciable cost of the assets over their expected useful lives as follows:

Furniture and Fittings	4 years
Computer Equipment - Hardware	5 years
Motor Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (*cont'd*)

(e) *Intangible Assets:*

Intangible assets are identifiable non-monetary assets without physical substance. These are measured at cost less accumulated amortisation and any accumulated impairment losses.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Capitalised costs are amortised on the straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date.

The estimated useful lives of computer software range from five (5) to seven (7) years.

(f) *Accounts Payable and Accruals:*

Accounts payable and accruals are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(g) *Provisions:*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(h) *Revenue:*

The Group principally derives its revenue from the rendering of services. Revenue is recognised when the amount of revenue can be measured reliably and its probable that the economic benefits associated with the transaction will flow to the Group. It is measured at the fair value of consideration received or receivable excluding trade discounts.

Revenue is recognised on the accrual basis when the services have been provided.

Interest income is reported on the accrual basis using the effective interest method.

(i) *Taxation:*

By letter dated May 27, 2003, the Group was granted a ten (10) year tax holiday (Corporation and other taxes).

On May 24, 2012, the Group made application for a further ten (10) year tax holiday.

The Group was granted an extension in respect of taxation relief applicable to the current period. However, the matter is still under discussion with the Government of St. Christopher and Nevis.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

4. Standards, amendments and interpretations issued but not yet effective

Certain new standards, amendments and interpretations have been issued which are not yet effective for the current financial year and which the Group have not early-adopted. The Group is currently assessing the impact of adopting these standards, amendments and interpretations and has determined that the following may be relevant to its operations:

- IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018). In July 2015, the IASB issued IFRS 9 which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect the asset's cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables).

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

4. Standards, amendments and interpretations issued but not yet effective (*cont'd*)

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

- IFRS 15, 'Revenue from Contracts with Customers', (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

5. Financial Instruments

(a) *Recognition, Initial Measurement and Derecognition:*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(b) *Classification and Subsequent Measurement of Financial Assets:*

Financial assets are classified into the following categories upon initial recognition:

- Loans and receivables
- Held-to-maturity investments

All financial assets are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which is described below.

All income and expenses relating to financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

5. Financial Instruments (*cont'd*)

(c) *Loans and receivables:*

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. The Group's cash and cash equivalents and accounts receivable fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific party will default.

(d) *Held-to-maturity investments:*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Group has the intention and ability to hold them until maturity. The Group currently holds investments with maturities in excess of 90 days designated into this category.

Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment, including impairment losses, are recognised in the consolidated statement of profit or loss and other comprehensive income.

(e) *Classification and subsequent measurement of financial liabilities:*

The Group's financial liabilities include Due to Eastern Caribbean Central Bank, accounts payable and accruals, provisions and the pension fund.

The Group does not engage in any significant transactions which are speculative in nature.

Financial Risk Management:

(i) *Interest Rate Risk Exposure:*

The Group does not have any significant exposure to interest rate risk.

(ii) *Credit Risk Exposure:*

Credit risk arises from the possibility that counterparties may default on their obligations to the Group. The maximum credit risk exposure of financial assets recognised in the consolidated statement of financial position is represented by the carrying amounts of the financial assets.

Concentration of credit risk exists if a number of clients are engaged in similar activities or are located in the same industry sector or have similar economic characteristics such that their ability to meet contractual obligations would be similarly affected in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical locations.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

5. Financial Instruments (*cont'd*)

Financial Risk Management (*cont'd*)

(ii) *Credit Risk Exposure: (*cont'd*)*

Management does not believe that the concentration is unusual or provides undue risks.

(iii) *Fair Value:*

Fair value amounts represent the approximate values at which financial instruments could be exchanged in current transactions between willing parties. However, many of the financial instruments lack an available trading market and, therefore, it is not possible to determine independently the estimated fair values. The fair values of financial instruments are considered to approximate their book values.

All non-financial instruments are excluded from fair value disclosure and, accordingly, the total fair value amounts cannot be aggregated to determine the underlying value of the Group.

(iv) *Liquidity Risk:*

In order to manage liquidity risks, management seeks to maintain sufficient levels of cash and cash equivalents to meet reasonable expectations of its short term obligations.

The table below analyses the Group's financial assets into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date:

	Due within 1 Year	Total
Financial Assets		
Year ended March 31, 2017		
Cash and cash equivalents	\$ 26,400,764	26,400,764
Investments	6,955,333	6,955,333
Accounts receivable and other assets	750,988	750,988
	<u>\$ 34,107,085</u>	<u>34,107,085</u>
Year ended March 31, 2016		
Cash and cash equivalents	\$ 38,884,602	38,884,602
Investments	6,935,878	6,935,878
Accounts receivable and other assets	360,502	360,502
	<u>\$ 46,180,982</u>	<u>46,180,982</u>

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

5. Financial Instruments (*cont'd*)

Financial Risk Management (*cont'd*)

(iv) *Liquidity Risk (*cont'd*)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

	<u>Due within 1 Year</u>	<u>1 Year to 5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
Financial Liabilities				
Year ended March 31, 2017				
Accounts payable and accruals	\$ 24,532,054	-	-	24,532,054
Due to Eastern Caribbean Central Bank	-	-	2,874,845	2,874,845
Pension fund	-	824,022	-	824,022
Provisions	-	14,063	-	14,063
	<u>\$ 24,532,054</u>	<u>838,085</u>	<u>2,874,845</u>	<u>28,244,984</u>
Year ended March 31, 2016				
Accounts payable and accruals	\$ 37,354,278	-	-	37,354,278
Due to Eastern Caribbean Central Bank	-	-	2,874,845	2,874,845
Pension fund	-	719,261	-	719,261
Provisions	90,064	-	-	90,064
	<u>\$ 37,444,342</u>	<u>719,261</u>	<u>2,874,845</u>	<u>41,038,448</u>

(v) *Capital Management:*

The Group's policy is to maintain a strong capital base to encourage investor, creditor and market confidence, and to sustain future development of the Group. There were no changes to the way in which the Group managed its capital during the year.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

6. Cash and Cash Equivalents

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Cash with commercial banks	13	\$ 26,400,474	38,884,427
Cash on hand		290	175
Total		\$ 26,400,764	38,884,602

Cash with Commercial Banks mainly consist of:

- (i) Unclaimed securities holders' dividends, interest and maturity payments in the amount of \$20,427,356 (2016: \$30,770,782).
- (ii) Funds held in escrow in the amount of \$3,555,810 (2016: \$5,834,563) representing securities holders' dividends, interest and maturity payments which are withheld for charged/pledged accounts and/or at the request of the Court.

7. Accounts Receivable and Other Assets

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 670,543	276,120
Prepayments	157,708	104,541
Interest receivable	80,445	84,382
	\$ 908,696	465,043

As at March 31, 2017, the aging of accounts receivable was as follows:

	<u>Total</u>	<u>Neither Past Due nor Impaired</u>	<u>Past Due but not Impaired</u>	<u>30 to 90 days</u>	<u>Over 90 days</u>
2017	\$ 670,543	263,201	395,897	11,445	
2016	\$ 276,120	203,077	57,998	15,045	

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

8. Investments

	2017	2016
Certificates of Deposit	\$ 3,000,000	3,000,000
Treasury Bill LCB180717 at 1.98%	990,233	-
Treasury Bill LCB270617 at 3.83%	981,130	-
Treasury Bill VCB180417 at 2.98%	991,394	-
Treasury Bill LCB140617 at 3.45%	992,576	-
Treasury Bill DMB060416 at 6.00%	-	985,041
Treasury Bill VCB070416 at 4.82%	-	987,983
Treasury Bill LCB170416 at 4.50%	-	977,808
Treasury Bill LCB250516 at 5.99%	-	985,046
	<u>\$ 6,955,333</u>	<u>6,935,878</u>

Certificates of Deposit:

The certificates of deposit are held with various financial institutions within the Organisation of Eastern Caribbean States and earn interest at rates varying from 1.50 % to 3.00 % per annum (2016: 1.50% to 3.00%) per annum.

Treasury Bills:

The Treasury Bills represent investment in the Government of Saint Lucia's 180-day Treasury Bills, LCB270617 at 3.83% maturing on June 27, 2017, LCB180717 at 1.98% maturing on July 18, 2017 and 91-day Treasury Bill, LCB140617 at 3.45% maturing on June 14, 2017 and Government of St. Vincent and the Grenadines' 91-day Treasury Bill, VCB180417 at 2.98% maturing on April 18, 2017.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

9. Plant and Equipment

	Motor Vehicles	Computer Equipment	Furniture and Fixtures	Total
Cost:				
At March 31, 2015	\$ 176,000	904,620	74,344	1,154,964
Additions	245,000	3,900	-	248,900
Disposals	(176,000)	-	-	(176,000)
At March 31, 2016	245,000	908,520	74,344	1,227,864
Additions	-	4,795	-	4,795
At March 31, 2017	\$ 245,000	913,315	74,344	1,232,659
Depreciation:				
At March 31, 2015	\$ 157,867	428,850	70,588	657,305
Charge for the year	31,098	102,002	1,900	135,000
Written back on disposals	(176,000)	-	-	(176,000)
At March 31, 2016	12,965	530,852	72,488	616,305
Charge for the year	49,002	102,822	1,621	153,445
At March 31, 2017	\$ 61,967	633,674	74,109	769,750
Net Book Value:				
At March 31, 2017	\$ 183,033	279,641	235	462,909
At March 31, 2016	\$ 232,035	377,668	1,856	611,559

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

10. Intangible Assets

	2017	2016
Computer Software:		
Cost at beginning of year	\$ 4,030,576	3,486,367
Additions during the year	315,000	544,209
Cost at end of year	4,345,576	4,030,576
Accumulated amortisation – beginning of the year	2,522,234	2,475,791
Charge for the year	148,411	46,443
Accumulated amortisation – end of the year	2,670,645	2,522,234
Net Book Value	\$ 1,674,931	1,508,342

11. Accounts Payable and Accruals

	<u>Notes</u>	2017	2016
Unclaimed dividends, interest and maturity payments	6 (i)	\$ 20,427,356	30,770,782
Escrow liability	6 (ii)	3,555,810	5,834,563
Deferred income		287,399	299,954
Holiday pay accrual		192,836	159,847
Accruals		56,199	56,586
Accounts payable		12,454	7,546
Due to software supplier		-	225,000
		\$ 24,532,054	37,354,278

Deferred income represents advanced payments from customers in relation to listing, registry and membership fees received but not yet earned.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

12. Provisions

Provision has been made for gratuities payable to employees on completion of their contract of service to the Group. The amount of \$14,063 (non-current) (2016: \$90,064 (current)) has been provided to date.

13. Pension Fund

Included in the cash balance of \$26,400,764 (2016: \$38,884,602) is an amount of \$824,022 (2016: \$719,261), (See Note 6). This amount is held pending the establishment of the ECSE Pension Fund at which time the amount will be transferred.

14. Related Party Balances and Transactions

(a) *Due to Eastern Caribbean Central Bank*

The amount of \$2,874,845 (2016: \$2,874,845) represent advances made by the Eastern Caribbean Central Bank to finance the establishment costs of the Group (See Note 15).

(b) *Key Management Compensation*

The salaries, fees and benefits paid to key management personnel of the Group during the year amounted to \$757,494 (2016: \$821,824). The following is an analysis of these amounts:

	2017	2016
Salaries and other short-term employee benefits	\$ 656,532	719,952
Post-employment benefits	100,962	101,872
	<u>\$ 757,494</u>	<u>821,824</u>

During the year under review, the Eastern Caribbean Central Bank provided certain professional and other services at no cost to the Group.

15. Additional Financial Support

Subsequent to March 31, 2017, the Eastern Caribbean Central Bank gave the following undertaking and guarantee in respect of the Group:

1. An undertaking to postpone all claims in respect of present and future funds advanced to the Group by the Eastern Caribbean Central Bank up to year ended March 31, 2017 (balance at March 31, 2017, EC\$2,874,845);
2. Guarantee cover in the event of a budgeted shortfall in respect of the Group for the fiscal year ending March 31, 2018, but not to exceed EC\$2,000,000.

The above undertaking and guarantee will be reviewed at March 31, 2018 and are irrevocable before this date.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements *(cont'd)*

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

16. Share Capital

	2017	2016
Authorised:		
5,000,000 Ordinary Shares of \$10 each	\$ 50,000,000	50,000,000

Subscribed Capital:

<u>Class</u>	No. of Shares Issued at	Shares Issued During the Year	No. of Shares Issued at	Nominal Value	
	March 31, 2016		March 31, 2017	2017	2016
Class A	300,000	-	300,000	3,000,000	3,000,000
Class B	287,500	-	287,500	2,875,000	2,875,000
Class C	370,081	-	370,081	3,700,810	3,700,810
Class D	15,000	-	15,000	150,000	150,000
	<u>972,581</u>	<u>-</u>	<u>972,581</u>	<u>9,725,810</u>	<u>9,725,810</u>

The classes are divided as follows:

Class A	Eastern Caribbean Central Bank;
Class B	Social Security Schemes, National Insurance Boards, Government owned or controlled institutions other than Government owned or controlled financial intermediaries;
Class C	Financial institutions;
Class D	Persons or institutions not covered in classes A to C.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

16. Share Capital (*cont'd*)

Class Rights

- a) Other than the Eastern Caribbean Central Bank (Class A) no single shareholder shall hold, whether beneficially or otherwise, more than 20% of the issued share capital of the Group.
- b)
 - i Classes holding 50% or more of the issued capital are allowed to nominate three (3) directors.
 - ii Classes holding between 20% and 49% of the issued capital are allowed to nominate two (2) directors.
 - iii Classes holding less than 20% of the issued capital are allowed to nominate one (1) director.

17. Earnings Per Share

The calculation of basic earnings per share is based on the following data:

	2017	2016
Earnings		
Net profit for the year	\$ 790,673	1,482,884
Number of Shares		
Weighted average number of Ordinary shares	972,581	972,581
Earnings per Share	\$ 0.81	1.52

18. Contingent Liabilities and Capital Commitments

The Group had no capital commitments as at March 31, 2017. At the end of 2016, there was a commitment in the amount of \$540,000 in respect of the license agreement between the Group and software suppliers, entered on February 24, 2014, for the development of a new Central Securities Depository (CSD) and trading applications.

The future payments are as follows:

	2017	2016
Not later than 1 year	\$ -	540,000

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements (*cont'd*)

March 31, 2017

(Expressed in Eastern Caribbean Dollars)

19. Other Income

	2017	2016
Seminar and workshops	\$ 225,563	255,150
Gain on disposal of plant and equipment	-	175,000
Other services	7,000	6,850
	<u>\$ 232,563</u>	<u>437,000</u>