

Schedule 1
FORM ECSRC – K
ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended 31 March 2017

Issuer Registration number
KN-SE-0001-04

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED

(Exact name of reporting issuer as specified in its charter)

ST KITTS

(Territory of incorporation)

BIRD ROCK, BASSETERRE, ST KITTS

(Address of principal office)

REPORTING ISSUER'S:

Telephone number (including area code): (869) 466-7192

Fax number: (869) 465-3798

Email address: info@ecseonline.com

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes

No

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
CLASS A	300,000
CLASS B	287,500
CLASS C	370,081
CLASS D	15,000

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

TREVOR E BLAKE

SIGNED AND CERTIFIED

25/08/17

Date

Name of Director:

D MICHAEL MORTON

SIGNED AND CERTIFIED

29/8/17

Date

Name of Chief Financial Officer:

LOSANA LAWS

SIGNED AND CERTIFIED

Signature

25/AUG/17

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

LISTINGS

The number of securities listed on the Exchange totaled 129 at 31 March 2017, comprising 109 sovereign debt instruments, 13 equities and seven corporate bonds. The number of listings increased by 10 securities or 8.4%, due mainly to the growth in listed sovereign debt securities. During the year, 72 new securities - 71 debt instruments, comprising 50 Treasury bills, 15 bonds and six notes, and one equity - was listed on the market. Over the same period, 62 securities, 48 Treasury bills, 10 bonds and four Notes, were redeemed on maturity, resulting in the increment of 10 in the number of listed securities.

Sovereign Debt Securities

During the year, the number of sovereign debt instruments listed on the ECSE increased by nine, or 9.0%, to stand at 109 at year-end. This asset class now represents 84.5% of total market listings.

Corporate Securities

The number of listed corporate securities increased by one to 20, as a result of the listing of the Bank of St Vincent and the Grenadines Ltd in June 2016. The number of equities listed on the ECSE, therefore, increased to 13, comprising 12 domestic listings and one cross-list.

While, the number of listed corporate debt securities was unchanged at seven, these comprised all new listings. During the year the Grenada Electricity Services Ltd invoked the pre-payment clause and redeemed its 10-year bond. The Eastern Caribbean Home Mortgage Bank (ECHMB), meanwhile, redeemed six debt instruments on maturity, and auctioned and listed seven new issues of corporate paper.

MARKET CAPITALIZATION

The market capitalization at 31 March 2017 stood at \$8.3 billion. This represented an increase of \$175.3 million or 2.2% compared to the previous year-end. The growth resulted primarily from the listing of the Bank of St Vincent and the Grenadines Ltd (BOSV) in June 2016, a rights issue by Republic Bank Grenada Ltd (RBGL) in February 2017, and a one-for-one bonus issue by S L Horsford & Co Ltd (SLH) in May 2016.

PRIMARY MARKET ACTIVITY

During the year, 49 sovereign issues and seven corporate instruments were auctioned using the primary market platform. Auctions of sovereign debt securities on the Regional Government Securities Market (RGSM), as in previous years, continued to lead primary market activity, accounting for 87.5% of overall activity.

The 56 securities auctioned during in the year ended 31 March 2017 was one less than in the previous year. The aggregate amount raised in these auctions, however, increased \$42.3 million or 3.6% from the previous year.

RGSM

Sovereign issuers raised a total of \$1.0 billion on the RGSM in the financial year ended 31 March 2017. This represents a \$54.2 million or 4.9% decrease from the amount raised in the previous year. The number of auctions also declined by 5, or 9.3%, to 49. While two Governments increase their activity in the market, this was offset by larger reductions by two other Governments.

Five sovereign issuers, the Governments of Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Saint Lucia and St Vincent and the Grenadines, continued to be active in the market, collectively issuing 49 instruments during the year. Six, the abovementioned and the Government of St Kitts and Nevis, have utilised the RGSM in the 15 years since its inception, to raise \$10.2 billion.

2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

NONE.

3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

NONE.

4. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

On 7 November 2016, the 15th Annual General Meeting of the ECSE was held.

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

Elected Directors:
Sir K Dwight Venner
Mr D Michael Morton
Mrs Jennifer Nero
Mr George Goodluck
Mr Peter Blanchard
Mrs Janice Jean Jacques-Thomas
Mr Matthew Mathurin

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

None.

- (d) A description of the terms of any settlement between the registrant and any other participant.

None.

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

None.

5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

Not applicable.

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

For the most recent financial year

- (i) Auditor's report; and
- (ii) Statement of Financial Position;

For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed

- (iii) Statement of Profit or Loss and other Comprehensive Income;
- (iv) Statement of Cash Flows;
- (v) Statement of Changes in Equity; and
- (vi) Notes to the Financial Statements.

7. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

The overall sustainability of the ECSE Group is predicated on its ability to generate sufficient fee income from the ECSE's core activities of facilitating primary issues auctioned on its two platforms, the RGSM and the ECSM, and the secondary trading of securities; and very positive returns from related core activities of its subsidiaries, the ECCSR and the ECCSD.

The ECSE relies on sovereign issues for the generation of the larger portion of its income. Sovereign debt securities account for 84.0% of total ECSE listings and for 80.0% of securities held in the ECCSR's register. It is therefore important that the RGSM continues to be buoyant. However, it is to be noted that in recent years, several ECCU member Governments have faced debt sustainability challenges, leading to two having restructured their debt, one as recently as 2015 and the other in 2012.

Should debt restructurings become prevalent and involve substantial haircuts, RGSM activity could be adversely affected. Any significant reduction in RGSM activity would negatively affect the ECSE's Group's results.

8. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

Not applicable.

- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

Not applicable.

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

Not applicable.

- Name and address of underwriter(s)

Not applicable.

- Amount of expenses incurred in connection with the offer Not applicable.

- Net proceeds of the issue and a schedule of its use

Not applicable.

- Payments to associated persons and the purpose for such payments

Not applicable.

- (c) **Report any working capital restrictions and other limitations upon the payment of dividends.**

The ECSE's accumulated deficit of \$1,568,161 at 31 March 2017 continues to restrict the payment of dividends.

9. Defaults upon Senior Securities.

- (a) **If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.**

Not applicable.

- (b) **If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.**

Not applicable.

10. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

The ECSE Group continues to fund its operations from revenues from the services it offers and interest earned on investments.

At 31 March 2017, Total Assets stood at \$36,402,633, a reduction of \$12,002,791 or 24.80% over the same period in 2016. This was mainly due to the decrease in Cash held in the registry bank accounts.

Total Liabilities totaled \$28,244,984, a reduction of \$12,793,464 or 31.17% when compared to the previous year. The decrease in liabilities is mainly due to reduction in Shareholders payable. Shareholders payable comprises of unclaimed dividends, interest and maturity payments and amounts withheld for charged/pledged accounts and/or at the request of the Court.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

The ECSE Group's cash position at 31 March 2017 was \$26.40 million, a decrease of \$12.48 million or 24.8% from the previous year. The decrease in cash is primarily due to the reduction of cash held for future corporate action payments and unclaimed dividends, interest and maturity payments.

Total current assets of \$34.26 million exceeds current liabilities by \$9.73 million at 31 March 2017. With a current ratio of 1.39, the Group is well-positioned to cover its current or short-term liabilities.

At 31 March 2017, the Group had capital and reserves of \$8.16 million compared to \$7.37 million in the previous year. There is no anticipated material commitments for capital expenditure.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

The ECSE does not have off-balance sheet financing.

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls,

Overview of Results of Operations

Financial Performance

The ECSE Group recorded a profit of \$0.79 million. Compared to the previous year, the profit decreased by \$0.69 million or 46.5% as Revenues fell by \$0.36 million or 8.5% and General and Administrative Expenses increased by \$0.33 million or 12.1%.

Revenues

The main revenue earner remained Listing and Registry Income with \$2.29 million or 59.3% of total income. Primary Market Income at \$0.74 million, represented 19.1% of revenues and Membership and Trading Income was \$0.37 million or 10.1%. Interest Income was \$0.21 million or 5.5% and Other Income, consisting of Seminar Income, accounted for \$0.23 million or 6.1%.

Compared to the previous financial year, Listing and Registry Income decreased by \$0.09 million or 3.7%, reflecting a fall in the listings and registrations of new sovereign issues. Primary Market Income decreased by \$0.06 million or 7.7%, due to the decline in primary issues of Treasury notes and Bonds. Other Income decreased by \$0.02 million or 46.8% as the prior year's outturn reflected a gain from the disposal fixed assets that was not present in the current year.

Interest Income declined by \$0.02 million or 9.5%, due to the lower interest rates prevailing in the market. However, Membership and Trading Income grew by \$0.02 million or 4.8% due to the increase in intermediary base and in market activity.

Expenses

Compensation Costs and Administrative Expenses remained the major expense categories, accounting for \$1.81 million or 58.8% and \$0.78 million or 25.3% respectively.

The growth in General and Administrative Expenses in 2017 was due to the increase in depreciation and amortization stemming from the implementation of the new Montran CSD application and the increase in rental expense.

11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

KPMG Eastern Caribbean was reappointed as external auditors of the ECSE Group at the 15th Annual General Meeting of Shareholders held in November. At the end of the financial year, on 31 March 2017, however, there was a reorganization of the KPMG's Eastern Caribbean operations. Several of the former partners joined the international BDO network and commence operations as BDO Eastern Caribbean on 1 April 2017. KPMG, however, continued to offer its services in the Eastern Caribbean, led by the remaining St Vincent and the Grenadines-based partner and a Director based in Antigua and Barbuda.

Based on the reiteration of its commitment to continue to serve the Eastern Caribbean, its status as one of the "Big 4" accounting firms, with the depth and breadth of expertise, and on its comprehensive understanding of the Group's operations, KPMG was engaged to undertake the statutory audit of the ECSE Group for the year ended 31 March 2017.

12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer*)

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

13. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information.

None.

14. List of Exhibits

List all exhibits, financial statements, and all other documents filed with this report.

Appendix 1: Biographies of the ECSE Board of Directors and Executive Officers.

Appendix 2: Audited Financial Statements for the years ended 31 March 2017 and 31 March 2016.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: _____ Position: _____

Mailing Address: _____

Telephone No.:

List jobs held during past five years (include names of employers and dates of employment).
Give brief description of **current** responsibilities

Education (degrees or other academic qualifications, schools attended, and dates):

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: _____ Position: _____

Mailing Address: _____

Telephone No.: _____

List jobs held during past five years (including names of employers and dates of employment).
Give brief description of **current** responsibilities.

Education (degrees or other academic qualifications, schools attended, and dates):

Also a Director of the company Yes No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.