

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

For the financial year ended 31 March 2020

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.

<b>CLASS</b>	<b>NUMBER</b>
CLASS A	327,419
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 BLAKE

Name of Director:

D MICHAEL MORTON

SIGNED AND CERTIFIED

25-SEPTEMBER-2020

Date

SIGNED AND CERTIFIED

25-SEPTEMBER-2020

Date

Name of Chief Financial Officer:

CHERYL MOSES

SIGNED AND CERTIFIED

Signature

25-SEPTEMBER-2020

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.

The ECSE has concluded another successful and productive year. Progress was made on strategic priorities that emanated from the strategic visioning process started in the final quarter of the last financial year. However, this continues to be work in progress. Much of this progress to date was focused on the organizational restructuring, which lead to internal operational efficiency gains, and on the marketing and outreach activities that provided a heightened awareness of the Group and its products and services.

During the year, the Group experienced steady growth in its activities. The number of market listings increased by six to 154, led by the increase in listed sovereign debt securities. The Regional Government Securities Market (RGSM) remained vibrant, fueling the growth in activity. This market continued to return significant benefits to participating Governments, enabling them to raise \$1.4 billion during the year, almost 10% above the sum raised in the previous year, and to lower their borrowing cost, as the average rates on all Treasury bill tenors declined. Secondary market activity, however, remained subdued.

The Group's financial performance in the year was strong and encouraging. The profit recorded for the year amounted to \$3.4 million, more than 2.5 times the profit in the previous year. While, the results included \$1.4 million in income not directly related to the current year's operations, even adjusting for this, the profits generated from operations for the financial year at just under \$2.0 million was more than 48% above the prior year's performance.

This strong performance augurs well for the future of the Group and signals the ability of the Group to return an improved dividend to shareholders this year.

Fortunately, the ongoing COVID-19 pandemic begun to affect our region near the end of the financial year, and therefore had no appreciable impact of the operations of the Group in this year. However, as the pandemic continues to deepen, and the effect on the region's economies increases in severity, we could anticipate some impact in the future.

**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 4th October 2019, the 18th 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:  
Mr. Timothy Antoine  
Mr D Michael Morton  
Mrs Jennifer Nero  
Mr Dexter Ducreay  
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.

On June 21, 2019, the ECSE issued 27,419 additional ordinary shares with a stated value of \$274,190 to the ECCB as part consideration in settlement of a balance due to the ECCB of EC\$1,437,423.

On June 25, 2019, the ECSE issued 116,323 redeemable \$10 3% preference shares with a stated value of \$1,163,230 to the ECCB as part consideration in settlement of a balance due to the ECCB of EC\$1,437,423. These preference shares, which were redeemable within a period of 10 years, were redeemed in full in April 2020.

**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 86.5% of total ECSE listings and for 85.2% 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 (This particular government has made strong progress in ameliorating its fiscal management practices and condition) and even more recent the COVID 19 pandemic.

Fortunately, the ongoing COVID-19 pandemic begun to affect our region near the end of the financial year, and therefore had no appreciable impact of the operations of the Group in this year. However, as the pandemic continues to deepen, and the effect on the region's economies increases in severity, we could anticipate some impact in the future.

**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.

NONE
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- (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

- 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.

There are no working capital restrictions or other limitations on the payment of dividends. \$500,000 will be paid out to our shareholders.

**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.

The Total Assets of the ECSE at 31 March 2020 stood at \$69.5 million, a decrease of \$25.1 million or 56.5% over the position at the previous year-end. This decrease was mainly due to the decline in Cash and Cash Equivalents of \$22.0 million. Of these balances, which amounted to \$58.4 million at year-end, \$52.4 million or 89.7% represented securities-holders' payables, including transitory funds for the payment of interest and principal on securities currently being redeemed. The ECSE's asset base, if adjusted for these third-party funds, would stand at \$17.1 million.

The Group's Liabilities totaled \$55.7 million, an increase of \$22.0 million or 65.1% over the previous year. The increase in liabilities is due mainly to the increase in securitiesholders' funds, which stood at \$52.4 million. Securities-holders' funds comprises of unclaimed dividends, interest and maturity payments and amounts withheld for charged/pledged accounts and/or at the request of the Court. Adjusting for these third-party funds, total liabilities would amount to \$3.3 million.

During the year, the ECSE and the ECCB reached an agreement to resolve the long outstanding liability to the ECCB of \$2.87 million. The settlement resulted on 50% of payable written off by the ECCB and the balance was settled by the issue of common and preference shares.

On June 21, 2019, the ECSE issued 27,419 additional ordinary shares with a stated value of \$274,190 to the ECCB as part consideration in settlement of a remaining balance due to the ECCB of EC\$1,437,423.

On June 25, 2019, the ECSE issued 116,323 redeemable \$10 3% preference shares with a stated value of \$1,163,230 to the ECCB as part consideration in settlement of a remaining balance due to the ECCB of EC\$1,437,423. These preference shares, which were redeemable within a period of 10 years, were redeemed in full in April 2020.

## **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 Total Assets of the ECSE at 31 March 2020 stood at \$69.5 million, a reduction of \$25.1 million or 56.5% over the position at the previous year-end. This decrease was mainly due to the decline in Cash and Cash Equivalents of \$22.0 million. Of these balances, which amounted to \$58.4 million at year-end, \$52.4 million or 89.7% represented securities-holders' payables, including transitory funds for the payment of interest and principal on securities currently being redeemed. The ECSE's asset base, if adjusted for these third-party funds, would stand at \$17.1 million.

Over the period ending 31 March 2020 the Group's Liabilities totaled \$55.7 million, an increase of \$22.0 million or 65.1% over the previous year. The increase in liabilities is due mainly to the increase in securitiesholders' funds, which stood at \$52.4 million. Adjusting for these third-party funds, total liabilities would amount to \$3.3 million.

The Group's current assets for the period ending 31 March 2020 amounted to \$68 million compared to prior year \$43 million. While current liabilities amounted to \$54.2 million in 2019/2020 compare to \$32.7 million 2018/2019. These increase in current assets and current liability resulted current ration of 1.26 (2019/2020) and 1.32 (2018/2019) a slight decrease however the company liquidity position remains intact.

The asset turnover ratio resulted in a favorable increase 3.92 (2019/2020) compared to previous year 3.07 demonstrating increase efficiency in management using the company's assets to generate revenue.

At 31 March 2020, the ECSE's capital base stood at \$13.8 million at year end, comprising shareholders' subscribed capital of \$10.0 million and an accumulated surplus of \$3.8 million. Shareholders' equity increased by \$3.1 million. The performance of the Group in the past several years has continued to build shareholder value. The profits generated over this period, have completely erased the significant deficit that had accumulated from the early operations, restoring shareholders' equity position and adding value. The strong return on equity of 25% in the 2019 – 2020 financial year, more than double the 12% achieved in the previous year, provided a significant boost to the capital base.

### 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*

The Group's financial performance in the year 2019/2020 was strong and encouraging. The group recorded a profit of \$3.4 million, more than 2.5 times the profit in the previous year. This increase in profit was a result of increase in revenue of just under \$2.0 million, of which \$1.4 million relating to a long outstanding payable to the ECCB (50% written off to Other Income). The recorded favorable decrease in expenses and increase in revenue from activities over the period also contributed to the increase in profit.

The Group's total expenditure amounted to \$3.2 million, 3.0% below the prior year's expenditure. Four expense categories accounted for approximately 88% of total expenditure in the financial year ended 31 March 2020. Of the four expense categories, the top three, Compensation Costs, which accounted for \$1.6 million or 51% of the aggregate; Administrative Expenses - \$0.5 million or 15%; and Depreciation and Amortisation - \$0.4 million or 13%, have typically led Group expenditure. The fourth, Software Maintenance, totaled \$0.3 million or 8% of aggregate expenses. In comparison to expenditure in 2018-2019 Compensation Cost decreased by \$0.1 million or 4.5% due to a reduction in the staff head count and Holiday Pay Provision. Administrative Expenses also decreased by \$0.2 million or 29.7% mainly due to a decrease in Seminar Costs, AGM Expenses and Registry, Stationery and Postage.

Fortunately, the ongoing COVID-19 pandemic begun to affect our region near the end of the financial year, and therefore had no appreciable impact of the operations of the Group in this year. However, as the pandemic continues to deepen, and the effect on the region's economics increases in severity, we could anticipate some impact in the future.

**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.

NONE

**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 2020 and 31 March 2019