

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

PANNELL KERR FORSTER  
Chartered Accountants

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2004

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**REPORT OF THE AUDITORS TO**

**THE SHAREHOLDERS OF**

**EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED**

We have audited the balance sheet of **Eastern Caribbean Central Securities Depository Limited** at 31 March 2004 and the related statements of income, changes in equity and cash flows for the year then ended. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform an audit to obtain reasonable assurance that the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of the Company as at 31 March 2004 and the results of its operations, changes in equity and cash flows for the year then ended in accordance with International Accounting Standards.

PANNELL KERR FORSTER

Chartered Accountants:

BASSETERRE - ST KITTS

20 April 2004:

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITEDBALANCE SHEET AS AT 31 MARCH 2004

(Expressed in Eastern Caribbean Dollars)

| <b>ASSETS</b>                       | <u>Notes</u> | <u>2004</u>        | <u>2003</u>      |
|-------------------------------------|--------------|--------------------|------------------|
| Non-Current Assets                  |              |                    |                  |
| Fixed Assets                        | 4            | 219,374            | 272,024          |
| Due from Parent Company             | 7            | <u>803,328</u>     | <u>-</u>         |
|                                     |              | <u>1,022,702</u>   | <u>272,024</u>   |
| Current Assets                      |              |                    |                  |
| Cash and Short Term Funds           | 5            | <u>1,125</u>       | <u>1,310</u>     |
| <b>TOTAL ASSETS</b>                 |              | <u>\$1,023,827</u> | <u>\$273,334</u> |
| <b>EQUITY AND LIABILITIES</b>       |              |                    |                  |
| Capital and Reserves                |              |                    |                  |
| Share Capital                       | 6            | 1,820,000          | 10               |
| Accumulated Deficit (Page 4)        |              | <u>(797,335)</u>   | <u>(520,418)</u> |
|                                     |              | <u>1,022,665</u>   | <u>(520,408)</u> |
| Non-Current Liabilities             |              |                    |                  |
| Due to Parent Company               | 7            | <u>-</u>           | <u>793,742</u>   |
| Current Liabilities                 |              |                    |                  |
| Payment on Account                  |              | <u>1,162</u>       | <u>-</u>         |
| <b>TOTAL EQUITY AND LIABILITIES</b> |              | <u>\$1,023,827</u> | <u>\$273,334</u> |

The attached Notes form part of these Financial Statements.

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 Sir K Dwight Venner  
 Chairman

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 Mr Duleep K Cheddie  
 Director

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 MARCH 2004  
 (Expressed in Eastern Caribbean Dollars)

|                                            | <u>2004</u>        | <u>2003</u>        |
|--------------------------------------------|--------------------|--------------------|
| <b>INCOME</b>                              |                    |                    |
| Membership and Trading Income              | <u>24,398</u>      | <u>14,362</u>      |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b> |                    |                    |
| Compensation Costs                         | 155,656            | 141,784            |
| Staff Training                             | 5,224              | 2,179              |
| Depreciation                               | 52,650             | 52,651             |
| Legal and Professional Costs               | 3,880              | 1,500              |
| Travel and Accommodation                   | 3,733              | 4,548              |
| Promotional Activities                     | 4,038              | 4,438              |
| Software Maintenance                       | 55,631             | 56,232             |
| Administrative Expenses                    | <u>20,503</u>      | <u>12,330</u>      |
| <b>TOTAL EXPENDITURE</b>                   | <u>301,315</u>     | <u>275,662</u>     |
| <b>LOSS FOR THE YEAR</b> (Page 4)          | <u>\$(276,917)</u> | <u>\$(261,300)</u> |

The attached Notes form part of these Financial Statements.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITEDSTATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2004

(Expressed in Eastern Caribbean Dollars)

|                                   | Share Capital<br>\$ | Accumulated Deficit<br>\$ | Total<br>\$        |
|-----------------------------------|---------------------|---------------------------|--------------------|
|                                   | <hr/>               |                           |                    |
| Balance at 1 April 2002           | 10                  | (259,118)                 | (259,108)          |
| Loss for the Year (Page 3)        | <u>-</u>            | <u>(261,300)</u>          | <u>(261,300)</u>   |
| Balance at 1 April 2003           | 10                  | (520,418)                 | (520,408)          |
| Issue of Share Capital            | 1,819,990           | -                         | 1,819,990          |
| Loss for the Year (Page 3)        | <u>-</u>            | <u>(276,917)</u>          | <u>(276,917)</u>   |
| Balance at 31 March 2004 (Page 2) | <u>\$1,820,000</u>  | <u>\$(797,335)</u>        | <u>\$1,022,665</u> |

The attached Notes form part of these Financial Statements.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2004  
(Expressed in Eastern Caribbean Dollars)

|                                                                     | <u>2004</u>    | <u>2003</u>      |
|---------------------------------------------------------------------|----------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                |                  |
| Loss for the Year (Page 3)                                          | (276,917)      | (261,300)        |
| Adjustments to reconcile loss to net cash from operating activities |                |                  |
| Depreciation                                                        | 52,650         | 52,651           |
| Accounts Receivable                                                 | -              | 1,334            |
| Payment on Account<br>Parent Company                                | 1,162          | -                |
|                                                                     | <u>222,920</u> | -                |
| <b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>                   | <u>(185)</u>   | <u>(207,315)</u> |
| <b>CASH INFLOW FROM FINANCING ACTIVITIES</b>                        |                |                  |
| Amount due to Parent Company                                        | <u>-</u>       | <u>207,195</u>   |
| <b>CASH DECREASE FOR THE YEAR</b>                                   | (185)          | (120)            |
| <b>CASH AT BEGINNING OF THE YEAR</b>                                | <u>1,310</u>   | <u>1,430</u>     |
| <b>CASH AND SHORT TERM FUNDS AT THE END OF THE YEAR</b>             | <u>\$1,125</u> | <u>\$1,310</u>   |

The attached Notes form part of these Financial Statements.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2004

(Expressed in Eastern Caribbean Dollars)

**1 INCORPORATION**

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

**2 PRINCIPAL ACTIVITY**

The principal activity of the company is to perform all services incidental or conducive to the establishment and functioning of a central securities depository.

**3 STATEMENT OF ACCOUNTING POLICIES**

a) Income and Expenditure:

Income and Expenditure items are accounted for in the Financial Statements on the accrual basis of accounting.

b) Taxation:

The government of St Kitts and Nevis has granted the company waivers of corporation and other taxes for a period of ten years, commencing 19 October 2001 the date the company began its trading activities.

c) Fixed Assets:

Fixed Assets are stated at historical cost. Depreciation is provided on the straight line basis at rates estimated to write off the cost of the assets over their expected useful lives as follows:

|                   |           |
|-------------------|-----------|
| Computer Software | 15% - 20% |
|-------------------|-----------|

d) Foreign Currencies:

All amounts are expressed in Eastern Caribbean Dollars.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at year-end exchange rates.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2004

(Expressed in Eastern Caribbean Dollars)  
(Continued)

|   |                                              |                     |                     |
|---|----------------------------------------------|---------------------|---------------------|
| 4 | <b>FIXED ASSETS</b>                          | <u>2004</u>         | <u>2003</u>         |
|   | Computer Software                            |                     |                     |
|   | Cost Brought Forward                         | <u>351,000</u>      | <u>351,000</u>      |
|   | Accumulated Depreciation – Beginning of Year | 78,976              | 26,325              |
|   | Charge for the Year                          | <u>52,650</u>       | <u>52,651</u>       |
|   | Accumulated Depreciation – End of the Year   | <u>131,626</u>      | <u>78,976</u>       |
|   | NET BOOK VALUE (Page 2)                      | <u>\$219,374</u>    | <u>\$272,024</u>    |
| 5 | <b>CASH AND SHORT TERMS FUNDS</b>            | <u>2004</u>         | <u>2003</u>         |
|   | Cash with Banks (Page 2)                     | <u>\$1,125</u>      | <u>\$1,310</u>      |
| 6 | <b>SHARE CAPITAL</b>                         | <u>2004</u>         | <u>2003</u>         |
|   | Authorised:                                  |                     |                     |
|   | 2,000,000 Shares of \$10 each                | <u>\$20,000,000</u> | <u>\$20,000,000</u> |
|   | Issued                                       |                     |                     |
|   | 182,000 (2003 = 1 Share) Shares of \$10 each | <u>\$1,820,000</u>  | <u>\$10</u>         |
| 7 | <b>DUE TO PARENT COMPANY</b>                 |                     |                     |

The amount due to the parent company represents expenditure incurred by the Eastern Caribbean Securities Exchange Limited on behalf of the Eastern Caribbean Central Securities Depository Limited. The amount due is unsecured, bears no interest and has no fixed repayment terms.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2004

(Expressed in Eastern Caribbean Dollars)

(Continued)

**8 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

At the year end there were no Contingent Liabilities or Capital Commitments.

**9 ADDITIONAL FINANCIAL SUPPORT**

Subsequent to 31 March 2004, the Eastern Caribbean Central Bank has given the following undertaking and guarantee in respect of the Eastern Caribbean Securities Exchange Limited and its wholly-owned subsidiary companies:

- 1 An undertaking to postpone all claims in respect of funds advanced to the Eastern Caribbean Securities Exchange Limited and its wholly-owned subsidiary companies by the Eastern Caribbean Central Bank in the amount of EC\$2,417,179 at 31 March 2004;
- 2 Guarantee cover of payment of liabilities arising from the results of the operations of the Eastern Caribbean Securities Exchange Limited and its wholly-owned subsidiary companies for the fiscal year ending 31 March 2005.

The above undertaking and guarantee will be reviewed at 31 March 2005 and are irrevocable before this date.

**10 RELATED PARTY TRANSACTIONS**

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

**11 FINANCIAL INSTRUMENTS**

Financial instruments consist of cash at bank and on hand, short term investments, accounts receivable and accounts payable. The Company and its subsidiaries do not engage in any significant transactions which are speculative in nature.

Interest rate risk exposure:

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

Credit risk exposure:

Credit risk arises from the possibility that counterparties may default in their obligations to the Company. The maximum credit risk exposure of financial assets recognised in the balance sheet 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 Company's performance to developments affecting a particular industry or geographical location. Management does not believe that the concentration is unusual or provides undue risks.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2004

(Expressed in Eastern Caribbean Dollars)  
(Continued)

11 **FINANCIAL INSTRUMENTS** (Cont'd)

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 Company.

12 **RECLASSIFICATIONS**

Certain items in the Income Statement and Balance Sheet have been reclassified during the financial year to improve the financial statement presentation. The previous year's figures have been reclassified to be consistent with this year's presentation. The reclassifications have no impact on the results reported for the current or prior year.