

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2004

PANNELL KERR FORSTER
Chartered Accountants

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

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REPORT OF THE AUDITORS TO

THE SHAREHOLDERS OF

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED

We have audited the balance sheet of **Eastern Caribbean Securities Exchange 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
25 April 2004

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED

BALANCE SHEET AS AT 31 MARCH 2004

(Expressed in Eastern Caribbean Dollars)

ASSETS	<u>Notes</u>	<u>2004</u>	<u>2003</u>
Non-Current Assets			
Intangible Asset	3	1,024,255	1,536,391
Fixed Assets	4	886,198	1,101,883
Investment in wholly-owned Subsidiaries	5	3,240,000	20
Due from Subsidiary Companies	6	<u>-</u>	<u>2,111,427</u>
		<u>5,150,453</u>	<u>4,749,721</u>
Current Assets			
Cash and Short Term Funds	7	4,668,328	4,638,175
Accounts Receivable	8	<u>75,556</u>	<u>461,535</u>
		<u>4,743,884</u>	<u>5,099,710</u>
TOTAL ASSETS		<u>\$9,894,337</u>	<u>\$9,849,431</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital (Page 4)	9	9,293,310	9,130,810
Accumulated Deficit (Page 4)		<u>(2,871,684)</u>	<u>(1,689,766)</u>
		<u>6,421,626</u>	<u>7,441,044</u>
Non-Current Liabilities			
Due to Eastern Caribbean Central Bank	10	2,417,179	2,202,706
Due to Subsidiary Companies	6	<u>754,930</u>	<u>-</u>
		<u>3,172,109</u>	<u>2,202,706</u>
Current Liabilities			
Accounts Payable and Accruals		<u>300,602</u>	<u>205,681</u>
Total Liabilities		<u>3,472,711</u>	<u>2,408,387</u>
TOTAL EQUITY AND LIABILITIES		<u>\$9,894,337</u>	<u>\$9,849,431</u>

The attached Notes form part of these Financial Statements.

Sir Dwight Venner
Chairman

Mr Duleep Cheddie
Director

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED

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

	<u>2004</u>	<u>2003</u>
INCOME		
Membership and Trading Income	51,102	38,250
Listing Income	41,165	17,917
Primary Market Income	94,250	35,750
Interest and Other Income	<u>334,287</u>	<u>240,972</u>
	<u>520,804</u>	<u>332,889</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Compensation Costs	674,511	614,395
Staff Training	22,636	1,211
Amortisation of Intangible Asset (Note 3)	512,136	512,135
Depreciation	228,660	227,092
Legal and Professional Costs	16,811	6,500
Travel and Accommodation	16,180	20,686
Promotional Activities	17,501	18,949
Software Maintenance	149,367	105,676
Administrative Expenses	<u>64,920</u>	<u>64,984</u>
	<u>1,702,722</u>	<u>1,571,628</u>
Loss for the Year Before Extraordinary Item	(1,181,918)	(1,238,739)
Subvention by Eastern Caribbean Central Bank (Note 10)	<u>-</u>	<u>581,236</u>
Loss for the year after Extraordinary Item (Page 4)	<u>\$(1,181,918)</u>	<u>\$(657,503)</u>

The attached Notes form part of these Financial Statements.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED

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

	Share Capital \$	Accumulated Deficit \$	Total \$
Balance at 1 April 2002	4,045,810	(1,032,263)	3,013,547
Issue of Share Capital	5,085,000	-	5,085,000
Loss for the Year	<u>-</u>	<u>(657,503)</u>	<u>(657,503)</u>
Balance at 1 April 2003	9,130,810	(1,689,766)	7,441,044
Issue of Share Capital	162,500	-	162,500
Loss for the Year	<u>-</u>	<u>(1,181,918)</u>	<u>(1,181,918)</u>
Balance at 31 March 2004	<u>\$9,293,310</u>	<u>\$(2,871,684)</u>	<u>\$6,421,626</u>

The attached Notes form part of these Financial Statements.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED

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

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the Year	(1,181,918)	(657,503)
Adjustments to reconcile Loss to Net Cash from Operating Activities		
Depreciation	228,660	227,092
Amortisation of Intangible Asset	512,136	512,135
Adjustment for Interest	(283,217)	(211,262)
Accounts Receivable	387,079	(128,260)
Accounts Payable	94,921	71,935
Due from Subsidiaries	(373,623)	(504,933)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(615,962)	(690,796)
CASH INFLOWS FROM INVESTING ACTIVITIES		
Interest Received	282,117	180,462
Purchase of Fixed Assets	(12,975)	—
	<u>269,142</u>	<u>180,462</u>
CASH INFLOWS FROM FINANCING ACTIVITIES		
Share Capital	162,500	5,085,000
Amounts due to Eastern Caribbean Central Bank	<u>214,473</u>	<u>(3,864,675)</u>
	<u>376,973</u>	<u>1,220,325</u>
CASH INCREASE FOR THE YEAR	30,153	709,991
CASH AND SHORT TERM FUNDS AT BEGINNING OF THE YEAR	<u>4,638,175</u>	<u>3,928,184</u>
CASH AND SHORT TERM FUNDS AT THE END OF THE YEAR	<u>\$4,668,328</u>	<u>\$4,638,175</u>
COMPRISED AS FOLLOWS:		
Cash in Hand	61	473
Cash at Bank	668,267	637,702
Short term Deposits	<u>4,000,000</u>	<u>4,000,000</u>
	<u>\$4,668,328</u>	<u>\$4,638,175</u>

The attached Notes form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004
(Expressed in Eastern Caribbean Dollars)

1 INCORPORATION AND PRINCIPAL ACTIVITY

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

The company 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.

2 STATEMENT OF ACCOUNTING POLICIES

1) Income and Expenditure:

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

2) Taxation:

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

3) 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 useful lives as follows:

Furniture	25%
Computer Equipment - Software	15% - 20%
Computer Equipment - Hardware	20%

1) Amortisation of Intangible Asset: (See Note 3)

Intangible asset which represents costs incurred on consulting, training, start-up and general development of the Securities Exchange, is being amortised equally over five accounting periods which commenced in the financial period 8 May 2001 to 31 March 2002 and ending 31 March 2006.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED

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

(Continued)

(Expressed in Eastern Caribbean Dollars)

3 INTANGIBLE ASSET

Intangible asset represents cost incurred on consulting, training, start-up and general development of the Securities Exchange from which future income benefits that are attributable to the asset will flow to the Securities Exchange. These costs are being amortised equally over five accounting periods which commenced in the financial period 8 May 2001 to 31 March 2002 and ending 31 March 2006.

	<u>2004</u>	<u>2003</u>
Balance - Brought Forward	1,536,391	2,048,526
Amortisation for the Year (Page 3)	<u>(512,136)</u>	<u>(512,135)</u>
Net Balance at the end of Year (Page 2)	<u>\$1,024,255</u>	<u>\$1,536,391</u>

4 FIXED ASSETS

	<u>2004</u>	<u>2003</u>
Computer Equipment		
Cost at Beginning of Year	168,672	168,672
Additions during the Year	<u>7,290</u>	<u>-</u>
Cost at End of Year	<u>175,962</u>	<u>168,672</u>
Accumulated Depreciation - Beginning of Year	50,601	16,867
Charge for the Year	<u>34,831</u>	<u>33,734</u>
Accumulated Depreciation - End of the Year	<u>85,432</u>	<u>50,601</u>
Net Book Value	<u>90,530</u>	<u>118,071</u>
Computer Software		
Cost at End of Year	<u>1,203,757</u>	<u>1,203,757</u>
Accumulated Depreciation - Beginning of Year	250,065	68,442
Charge for the Year	<u>181,626</u>	<u>181,623</u>
Accumulated Depreciation - End of the Year	<u>431,691</u>	<u>250,065</u>
Net Book Value	<u>772,066</u>	<u>953,692</u>

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED

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

(Continued)

(Expressed in Eastern Caribbean Dollars)

4	FIXED ASSETS (Cont'd)	<u>2004</u>	<u>2003</u>
	Furniture and Fittings		
	Cost at Beginning of Year	46,926	46,926
	Additions during the Year	<u>5,685</u>	-
	Cost at End of Year	<u>52,611</u>	<u>46,926</u>
	Accumulated Depreciation - Beginning of Year	16,806	5,071
	Charge for the Year	<u>12,203</u>	<u>11,735</u>
	Accumulated Depreciation - End of the Year	<u>29,009</u>	<u>16,806</u>
	Net Book Value	<u>23,602</u>	<u>30,120</u>
	TOTAL NET BOOK VALUE (Page 2)	<u>\$886,198</u>	<u>\$1,101,883</u>

5 INVESTMENT IN SUBSIDIARY COMPANIES

Eastern Caribbean Securities Exchange Limited has two wholly-owned subsidiaries listed below:

	<u>2004</u>	<u>2003</u>
Eastern Caribbean Central Securities Registry Limited		
142,000 Shares (2003 = 1 Share) @ \$10.00 per share	1,420,000	10
Eastern Caribbean Central Securities Depository Limited		
182,000 Shares (2003 = 1 Share) @ \$10.00 per share	<u>1,820,000</u>	<u>10</u>
TOTAL (Page 2)	<u>\$3,240,000</u>	<u>\$20</u>

6	DUE (TO)/FROM SUBSIDIARY COMPANIES	<u>2004</u>	<u>2003</u>
	Due from Eastern Caribbean Central Securities Registry Limited		48,398
		1,317,685	
	Due (to)/from Eastern Caribbean Central Securities Depository Limited (803,328)		
		<u>793,742</u>	
	TOTAL (Page 2)	<u>\$(754,930)</u>	<u>\$2,111,427</u>

The above represents claims on the respective companies for expenditure incurred by the Eastern Caribbean Securities Exchange Limited. The amount due is unsecured and repayment terms have not yet been determined.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITEDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

(Continued)

(Expressed in Eastern Caribbean Dollars)

7	CASH AND SHORT TERM FUNDS	<u>2004</u>	<u>2003</u>
	Cash with Banks	61	473
	Cash with Commercial Banks	668,267	637,702
	Certificates of Deposit	<u>4,000,000</u>	<u>4,000,000</u>
	TOTAL (Page 2)	<u>\$4,668,328</u>	<u>\$4,638,175</u>
8	ACCOUNTS RECEIVABLE	<u>2004</u>	<u>2003</u>
	Interest Received	31,900	30,800
	Prepayments	27,400	118,409
	Sundry Debtors	16,256	18,956
	Due from Eastern Caribbean Securities Regulatory Commission	<u>-</u>	<u>293,370</u>
	TOTAL (Page 2)	<u>\$75,556</u>	<u>\$461,535</u>
9	SHARE CAPITAL	<u>2004</u>	<u>2003</u>
	Authorised:		
	5,000,000 Shares of \$10 each	<u>\$50,000,000</u>	<u>\$50,000,000</u>
	Subscribed Capital:		
		Nominal	Value
	<u>CLASS</u>	<u>No of Shares Called</u>	
		<u>2004</u>	<u>2003</u>
	Class A	300,000	3,000,000
	Class B	287,500	2,875,000
	Class C	320,581	3,030,810
	Class D	<u>30,000</u>	<u>300,000</u>
		<u>938,081</u>	9,205,810
	<u>Less:</u> Calls in arrears	(75,000)	(75,000)
	Calls not yet due	<u>(12,500)</u>	<u>-</u>
	TOTAL (Page 2)	<u>\$9,293,310</u>	<u>\$9,130,810</u>

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED

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

(Continued)

(Expressed in Eastern Caribbean Dollars)

9 SHARE CAPITAL (cont'd)

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.

Class Rights

- 1) 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 company.
- 2)
 - i Classes holding 50% or more of the issued capital are allowed to nominate three directors.
 - ii Classes holding between 20% and 49% of the issued capital are allowed to nominate two directors.
 - iii Classes holding less than 20% of the issued capital are allowed to nominate one director.

10 DUE TO EASTERN CARIBBEAN CENTRAL BANK (ECCB) \$2,417,179

The amount of \$2,417,179 (2003 = \$2,202,706) represents advances made by the Eastern Caribbean Central Bank on behalf of the Company and its wholly-owned subsidiary companies to finance establishment and compensation costs of the Group.

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 Limited and its wholly-owned subsidiary companies:

- 1 An undertaking to postpone all claims in respect of present and future funds advanced to the Eastern Caribbean Securities Exchange Limited and its wholly-owned subsidiary companies by the Eastern Caribbean Central Bank up to year ending 31 March 2005 (balance at 31 March 2004, EC\$2,417,179); and
- 2 Guarantee cover of the budgeted shortfall projected in respect of Eastern Caribbean Securities Exchange Limited and its wholly-owned subsidiary companies for the fiscal year ending 31 March 2005, in the amount of EC\$1,663,429, but not to exceed EC\$2,000,000.

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

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED

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

(Continued)

(Expressed in Eastern Caribbean Dollars)

11 RELATED PARTY TRANSACTIONS

During the year under review, the Eastern Caribbean Central Bank provided certain professional and other services at no cost to the Eastern Caribbean Securities Exchange Limited and its subsidiary companies.

12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the year end, there were no capital commitments or contingent liabilities.

13 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 counter parties may default in their obligations to the Exchange. 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 Exchange's performance to developments affecting a particular industry or geographical location. Management does not believe that the concentration is unusual or provides undue risks.

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 Exchange.

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

(Continued)

(Expressed in Eastern Caribbean Dollars)

14 RECLASSIFICATIONS

Certain items in the Income Statement and Balance Sheet have been reclassified during the current 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.