EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Consolidated Financial Statements

March 31, 2019

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, 2019, 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, 2019, 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 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
July 24, 2019

St. John's, Antigua

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANIES

Consolidated Statement of Financial Position

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

	Notes		2019	2018
Assets				
Current Assets				
Cash and cash equivalents	7	$	36,443,446	90,555,298
Accounts receivable and other assets	8		600,968	759,740
Investments	9		6,038,118	7,957,560
Total Current Assets			43,082,532	99,272,598
Non-current Assets				
Plant and equipment	10		203,060	347,776
Intangible assets	11		1,104,755	1,394,899
Total Non-current Assets			1,307,815	1,742,675
Total Assets		$	44,390,347	101,015,273
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accruals	12	$	29,690,843	87,782,750
Gratuity payable	13		131,808	-
Due to Eastern Caribbean Central Bank	15		2,874,845	-
Total Current Liabilities			32,697,496	87,782,750
Non-current Liabilities				
Gratuity payable	13		-	72,712
Retirement Saving Fund	14		1,039,527	930,332
Due to Eastern Caribbean Central Bank	15		-	2,874,845
Total Non-current Liabilities			1,039,527	3,877,889
Total Liabilities			33,737,023	91,660,639
Shareholders' Equity				
Share capital	17		9,725,810	9,725,810
Accumulated Surplus/(Deficit)			927,514	(371,176)
Total Shareholders' Equity			10,653,324	9,354,634
Total Liabilities and Shareholders' Equity		$	44,390,347	101,015,273

Approved for issue by the Board of Directors on July 24, 2019 and signed on its behalf by:

Mr. Timothy N. J. Antoine
Chairman

Mr. Trevor E. Blake
Managing Director

The notes on pages 9 to 33 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, 2019

(Expressed in Eastern Caribbean Dollars)

	Notes		2019	2018
Income				
Listing and registry income		$	2,539,338	2,594,151
Primary market income			1,110,519	1,104,802
Membership and trading income			442,970	601,528
Interest income			282,876	218,244
Other income	20		215,700	74,796
			4,591,403	4,593,521
General and Administrative Expenses				
Compensation costs			1,712,291	1,810,277
Administrative expenses			672,361	632,630
Depreciation and amortisation	10,11		442,120	433,676
Software maintenance			289,275	343,006
Staff training			3,333	12,436
Legal and professional costs			107,935	49,731
Promotional activities			53,701	72,817
Recovery of expected credit losses on financial assets	9		(5,192)	-
Bad debt	8		-	41,963
			3,275,824	3,396,536
Net Profit, being Total Comprehensive Income for the Year		$	1,315,579	1,196,985
Earnings per Share	18	$	1.35	1.23

The notes on pages 9 to 33 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, 2019

(Expressed in Eastern Caribbean Dollars)

		Share Capital	Accumulated Surplus/(Deficit)	Total
Balance as at March 31, 2017	$	9,725,810	(1,568,161)	8,157,649
Net profit, being total comprehensive income for the year		-	1,196,985	1,196,985
Balance as at March 31, 2018		9,725,810	(371,176)	9,354,634
Impact of IFRS 9 implementation		-	(16,889)	(16,889)
Revised balance as at April 1, 2018		9,725,810	(388,065)	9,337,745
Net profit, being total comprehensive income for the year		-	1,315,579	1,315,579
Balance as at March 31, 2019	$	9,725,810	927,514	10,653,324

The notes on pages 9 to 33 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2019

(Expressed in Eastern Caribbean Dollars)

	Notes		2019	2018
Cash flows from operating activities				
Net profit for the year		$	1,315,579	1,196,985
Adjustments for:				
Depreciation and amortisation	10,11		442,120	433,676
Interest income			(282,876)	(218,244)
Recovery of allowance for credit losses on financial assets	9		(5,192)	-
Bad debt	8		-	41,963
Operating profit before changes in working capital			1,469,631	1,454,380
Changes in:				
Accounts receivable and other assets			128,767	103,222
Accounts payable and accruals			(58,091,907)	63,250,696
Gratuity payable			59,096	58,649
Retirement saving fund			109,195	106,310
Net cash (used in)/from operating activities			(56,325,218)	64,973,257
Cash flows from investing activities				
Purchase of plant and equipment	10		(7,260)	(38,511)
Maturity/(Purchase) of investments			1,907,745	(1,002,227)
Interest received			312,881	222,015
Net cash from/(used in) investing activities			2,213,366	(818,723)
(Decrease) increase in cash and cash equivalents during the year			(54,111,852)	64,154,534
Cash and cash equivalents at the beginning of the year			90,555,298	26,400,764
Cash and cash equivalents at the end of the year		$	36,443,446	90,555,298
Comprised as follows:				
Cash at bank		$	36,443,404	90,555,274
Cash on hand			42	24
		$	36,443,446	90,555,298

The notes on pages 9 to 33 are an integral part of these consolidated financial statements.

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.

  In May 2019, the ECSE commenced the process of winding up the Eastern Caribbean Central Securities Registry Limited and continuing its securities registry operations under the Eastern Caribbean Central Securities Depository Limited.

- *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 provision of central securities depository services, including the post-trade clearing and settling of securities market transactions and other ancillary securities market activities.

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 except as otherwise stated and are set out below.

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

(a) Statement of Compliance (cont'd):

The financial statements of the ECCSR as included in these consolidated financial statements have been prepared on a current value basis given that the Company intends to liquidate within the next twelve months. The change in the basis of accounting for this entity did not result in different measurements from those under a going concern basis of accounting.

The consolidated financial statements were authorised for issue by the Board of Directors on July 24, 2019.

(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, 2019. 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 relevant activities of the subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. All subsidiaries have a reporting date of March 31 and follow consistent accounting policies.

On the loss of control, the Group derecognises the assets and liabilities of a subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

All intra-group transactions, balances, income and expenses, and any unrealised gains arising from those transactions are eliminated on consolidation.

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

(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. Cash and cash equivalents are carried at amortised cost.

(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. Loss allowance for trade receivables are always measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the credit losses that result from all possible default events over the expected life of the financial asset. As at March 31, 2019, 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 profit or loss.

Any gain or loss on disposal of an item of plant and equipment is recognised in profit or loss.

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 profit or loss.

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.

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 it is 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. The Group's revenue is recognised at a point in time.

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 matter is still before the Government of St. Christopher and Nevis.

4. Changes in accounting policies

(a) New standards, amendments and interpretations mandatory for the first time for the financial year

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning January 1, 2018 and have been applied in preparing these consolidated financial statements. None of these had a significant effect on the consolidated financial statements except IFRS 9 as disclosed below.

IFRS 9 *Financial Instruments*
In 2014, the IASB issued IFRS 9, *Financial Instruments* replacing IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets, a forward-looking 'expected credit loss' model ("ECL model") for assessing the impairment of financial assets and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and has therefore been applied by the Group from April 1, 2018.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Group has used the exemption not to restate comparative information for prior periods with respect to classification and measurement including impairment requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at April 1, 2018. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9, but rather those of IAS 39.

The main impact of IFRS 9 has been an increase in expected credit losses on the Group's investments and additional disclosures related to IFRS 9.

4. Changes in accounting policies *(cont'd)*

(a) New standards, amendments and interpretations mandatory for the first time for the financial year (cont'd)

The table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at April 1, 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets at April 1, 2018 relates solely to the new impairment requirements.

	Classification under IAS 39	**Classification under IFRS 9**	**Carrying Amount under IAS 39**	**Carrying Amount under IFRS 9**
Financial Assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	90,555,298	90,555,298
Accounts receivable	Loans and receivables	Amortised cost	550,322	550,322
Investments	Held to maturity	Amortised cost	7,957,560	7,940,671
Total Financial Assets			**99,063,180**	**99,046,291**
Financial Liabilities				
Gratuity payable	Amortised cost	Amortised cost	72,712	72,712
Accounts payable and accruals	Amortised cost	Amortised cost	87,782,750	87,782,750
Retirement saving fund	Amortised cost	Amortised cost	930,332	930,332
Due to Eastern Caribbean Central Bank	Amortised cost	Amortised cost	2,874,845	2,874,845
Total Financial Liabilities			**91,660,639**	**91,660,639**

As shown above the only impact is the reclassification of the financial assets from the loans and receivables and held to maturity categories to amortised cost.

4. Changes in accounting policies *(cont'd)*

(a) New standards, amendments and interpretations mandatory for the first time for the financial year, (cont'd)

The impact on the measurement of these financial assets under IAS 39 as at March 31, 2018 compared to the measurement under IFRS 9 as at April 1, 2018 is shown in the following table:

		IAS 39 carrying amount March 31, 2018	Re-classification	Re-measurement	IFRS 9 carrying amount April 1, 2018
Cash and cash equivalents	$	90,555,298	-	-	90,555,298
Accounts Receivable		550,322	-	-	550,322
Investments		7,957,560	-	(16,889)	7,940,671
	$	99,063,180	-	(16,889)	99,046,291

IFRS 15 *Revenue from Contracts with Customers*

On April 1, 2018, the Group adopted IFRS *15 Revenue from Contracts with Customers* as issued in May 2014. IFRS 15 defines principles for recognising revenue and is applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases continues to fall outside the scope of IFRS 15 and is regulated by the other applicable standards (e.g., IFRS 9 and IFRS 16 *Leases*).

Revenue under IFRS 15 must be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The adoption of IFRS 15 did not impact the timing or amount of income from contracts with customers and the related assets and liabilities recognised by the Group.

4. Changes in accounting policies *(cont'd)*

(b) Standards, amendments and interpretations issued but not yet effective

New standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group are as follows:

- IFRS 16 *Leases* – effective January 1, 2019
- IFRIC 23 *Uncertainty over Income Tax Treatments* – effective January 1, 2019
- Annual improvements to IFRS Standards 2015 – 2017 Cycle various standards – effective January 1, 2019
- Amendments to IFRS 9 – *Prepayment Features with Negative Compensation* – effective January 1, 2019
- Amendments to IAS 19 - *Plan Amendment, Curtailment or Settlement* – effective January 1, 2019
- Amendments to IFRS 3 - *Definition of a Business* – effective January1, 2020
- Amendments to References to Conceptual Framework in IFRS Standards – effective January 1, 2020
- Amendments to IAS 1 and IAS 8 - *Definition of Material* - effective January 1, 2020

None of these are expected to have a significant effect on the consolidated financial statements of the Group in the period of adoption. Further information on IFRS 16 is provided below.

IFRS 16 *Leases*

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group is assessing the expected impact of this standard on its 2020 financial statements.

5. Financial Instruments

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, for which transaction costs are recognised in profit or loss as incurred. 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.

Non-derivative financial assets – Classification and subsequent measurement - Policy applicable from April 1, 2018

The Group classifies its financial assets into the amortized cost category.

Financial assets measured at amortised cost

The Group's non-derivative financial assets measured at amortised cost comprise cash and cash equivalents, accounts receivable, term deposits, sovereign debt securities and due from related companies. The Group measures these assets at amortised cost as its business model is to hold them to collect contractual cash flows and the contractual terms give rise to the receipt of principal and interest on specified dates. These financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities are classified and measured at amortised cost. Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. These financial liabilities comprise of accounts payable and other liabilities.

5. Financial Instruments *(cont'd)*

Non-derivative financial assets – Classification and subsequent measurement - Policy applicable from April 1, 2018 (cont'd)

Business model assessment
The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed; and
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected).

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)
In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The objective of ECSE's business model is to hold financial assets to collect the contractual cash flows rather than sell the instrument prior to its contractual maturity to realise its fair value changes and the related cash flows meet the SPPI criterion. It can therefore be determined that financial assets will be measured at amortised cost (net of any write down for impairment).

5. **Financial Instruments** *(cont'd)*

Non-derivative financial assets – Impairment - Policy applicable from April 1, 2018

Effective April 1, 2018 and thereafter, the Group recognizes loss allowances for expected credit losses (ECL) on its financial assets measured at amortised cost. At each reporting date, the Group measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses, if the credit risk on the financial asset has increased significantly since initial recognition (Stage 2) or if there is objective evidence of impairment (Stage 3). If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses (Stage 1).

The ECL allowance associated with financial assets measured at amortised cost are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the assets.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and credit risk assessment. The ECL model applied to financial assets requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. Consideration of how changes in economic factors affect ECLs are determined on a probability weighted basis. The Group considers as a backstop that significant increase in credit risk occurs when a receivable is more than 30 days past due and that there is a significant increase in credit risk when the investment grade of sovereign/corporate debt has been downgraded to below investment grade or when there has been a downgrade of more than one notch outside of the current grade e.g. from CariAAA to CariB or CariC.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months.

Definition of default

The Group considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;

5. Financial Instruments *(cont'd)*

Non-derivative financial assets – Impairment - Policy applicable from April 1, 2018 (cont'd)

Definition of default (cont'd)

- high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- measurable decrease in the estimated future cash flows from the receivable or the underlying assets that secure the receivable; and
- The restructuring of a receivable or advance by the Group on terms that the Group would not consider otherwise.

Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. For CDs and investments, the Group considers that a default has occurred and classifies the financial asset as credit impaired when the counterparty fails to pay principal and/or interest when payment falls due.

In addition, a receivable that is overdue for 90 days or more is considered credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

The Group considers the following when assessing whether sovereign debt is credit-impaired:

- The market's assessment of credit worthiness as reflected in the yields;
- The rating agencies' assessment of creditworthiness;
- The country's ability to access the capital markets for new debt issuance; and
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

Classification and Subsequent Measurement and Impairment of Financial Assets - Policy applicable before April 1, 2018

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

- Loans and receivables
- Held-to-maturity investments

5. **Financial Instruments** *(cont'd)*

Classification and Subsequent Measurement and Impairment of Financial Assets - Policy applicable before April 1, 2018 (cont'd)

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.

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.

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.

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. These are measured at amortised cost.

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

6. 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 location.

Maximum exposure

Credit risk exposures relating to on-balance sheet assets are as follows:

	2019	2018
Financial Assets:		
Certificates of Deposit	3,082,918	3,015,000
Treasury Bills	2,955,200	4,942,560
Cash resources	36,443,404	90,555,274
Accounts receivable	317,413	550,322

(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.

6. Financial Risk Management *(cont'd):*

(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 statement of financial position date to the contractual maturity date:

Financial Assets		**Due within 1 Year**	**Total**
Year ended March 31, 2019			
Cash and cash equivalents	$	36,443,446	36,443,446
Investments		6,038,118	6,038,118
Accounts receivable and other assets		317,413	317,413
	$	42,798,977	42,798,977
Year ended March 31, 2018			
Cash and cash equivalents	$	90,555,298	90,555,298
Investments		7,957,560	7,957,560
Accounts receivable and other assets		550,322	550,322
	$	99,063,180	99,063,180

6. 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 statement of financial position date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

Financial Liabilities		Due within 1 Year	1 Year to 5 Years	Over 5 Years	Total
Year ended March 31, 2019					
Accounts payable and accruals	$	29,690,843	-	-	29,690,843
Due to Eastern Caribbean Central Bank		2,874,845	-	-	2,874,845
Retirement Saving Fund		-	1,039,527	-	1,039,527
Gratuity payable		131,808	-	-	131,808
	$	32,697,496	1,039,527	-	33,737,023

Year ended March 31, 2018			1 Year to 5 Years	Over 5 Years	Total
Accounts payable and accruals	$	87,782,750	-	-	87,782,750
Due to Eastern Caribbean Central Bank		-	-	2,874,845	2,874,845
Retirement Saving Fund		-	930,332	-	930,332
Gratuity payable		-	72,712	-	72,712
	$	87,782,750	1,003,044	2,874,845	91,660,639

(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.

7. Cash and Cash Equivalents

	Notes		2019	2018
Cash with commercial banks	14	$	36,443,404	90,555,274
Cash on hand			42	24
Total		$	36,443,446	90,555,298

Cash with Commercial Banks mainly consist of:

(i) Unclaimed securities holders' dividends, interest and maturity payments in the amount of $25,449,649 (2018: $83,715,144).

(ii) Funds held in escrow in the amount of $3,626,619 (2018: $3,591,040) representing securities holders' dividends, interest and maturity payments which are withheld for charged/pledged accounts and/or at the request of the Court.

(iii) Included in the cash balance is an amount of $1,039,527 (2018: $930,332) which is set aside for the establishment of the ECSE Pension Fund. (See Note 14).

8. Accounts Receivable and Other Assets

		2019	2018
Accounts receivable	$	270,744	473,648
Prepayments		283,555	209,418
Interest receivable		46,669	76,674
	$	600,968	759,740

During the year ended March 31, 2019, the Company wrote off receivables valued Nil (2018: $41,963).

As at March 31, 2019, the aging of accounts receivable was as follows:

		Total	Neither Past Due nor Impaired	Past Due but not Impaired 30 to 90 days	Over 90 days
2019	$	270,744	220,297	40,427	10,020
2018	$	473,648	173,472	228,901	71,275

9. Investments

		2019	2018
Certificates of Deposit	$	3,082,918	3,015,000
Treasury Bill DMB160519 @ 1.99%		995,038	985,262
Treasury Bill LCB150419 @ 2.750%		986,438	985,421
Treasury Bill LCB220719 @ 2.956%		985,421	983,033
Treasury Bill LCB140618 @ 2.48%		-	993,806
Treasury Bill VCB40618 @ 1.99%		-	995,038
Total Investments		6,049,815	7,957,560
Less: Expected credit loss allowance		(11,697)	-
	$	6,038,118	7,957,560

Certificates of Deposit:
The certificates of deposit are held with various licensed commercial banks within the Organisation of Eastern Caribbean States and earn interest at rates varying from 1.0% to 3.00% per annum (2018: 1.50% to 3.00%) per annum.

Treasury Bills:
The treasury bills represent investment in the Government of Dominica's 91-day Treasury bill, DMB160519 at 1.99% maturing on 16 May 2019 and Government of Saint Lucia's 180-day Treasury bill: LCB150419 at 2.75% maturing on 15 April 2019, LCB220719 at 2.956% maturing on 22 July 2019.

The movement in expected credit loss allowance is as follows:

		2019	2018
Balance at beginning of year	$	-	-
Impact of IFRS 9		16,889	-
Balance at beginning of year (adjusted)		16,889	-
Recovery of expected credit loss allowance		(5,192)	-
Balance at end of year	$	11,697	-

The reduction in the expected credit loss allowance was due to the maturity of two Treasury Bills LCB140618 and VCB40618 during the year.

9. Investments *(cont'd)*

The Group's investment portfolio as at March 31, 2019 are in the following staging categories.

		2019			
		Stage 1	Stage 2	Stage 3	Total
Certificates of Deposit	$	3,082,918	-	-	3,082,918
Treasury Bills		2,966,897	-	-	2,966,897
Gross investments		6,049,815	-	-	6,049,815
Less: ECL allowance		(11,697)	-	-	(11,697)
	$	6,038,118	-	-	6,038,118

10. Plant and Equipment

		Motor Vehicles	Computer Equipment	Furniture and Fixtures	Total
Cost:					
At March 31, 2017	$	245,000	913,315	74,344	1,232,659
Additions		-	35,877	2,634	38,511
Disposal		-	(295,597)	(23,570)	(319,167)
At March 31, 2018		245,000	653,595	53,408	952,003
Additions		-	7,260	-	7,260
At March 31, 2019	$	245,000	660,855	53,408	959,263
Depreciation:					
At March 31, 2017	$	61,967	633,674	74,109	769,750
Charge for the year		48,999	104,190	455	153,644
Disposal		-	(295,597)	(23,570)	(319,167)
At March 31, 2018		110,966	442,267	50,994	604,227
Charge for the year		49,000	102,318	658	151,976
At March 31, 2019	$	159,966	544,585	51,652	756,203
Net Book Value:					
At March 31, 2019	$	85,034	116,270	1,756	203,060
At March 31, 2018	$	134,034	211,328	2,414	347,776

11. Intangible Assets

		2019	2018
Computer Software:			
Cost at beginning of year	$	1,915,895	4,345,576
Additions during the year		-	-
Disposal		-	(2,429,681)
Cost at end of year		1,915,895	1,915,895
Accumulated amortisation – beginning of the year		520,996	2,670,645
Charge for the year		290,144	280,032
Disposal		-	(2,429,681)
Accumulated amortisation – end of the year		811,140	520,996
Net Book Value	$	1,104,755	1,394,899

12. Accounts Payable and Accruals

	Notes		2019	2018
Unclaimed dividends, interest and maturity payments	7 (i)	$	25,449,649	83,715,144
Escrow liability	7 (ii)		3,626,619	3,591,040
Deferred income			271,474	173,312
Holiday pay accrual			207,372	205,580
Accruals			109,867	79,143
Accounts payable			25,862	18,531
		$	29,690,843	87,782,750

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

13. Gratuity payable

Gratuity payable relate to amounts payable to employees on completion of their contract of service to the Group. The current amount of $131,808 (2018: non-current - $72,712) has been provided to date.

14. Retirement Saving Fund

Included in the cash balance of $36,443,404 (2018: $90,555,274) is an amount of $1,039,527 (2018: $930,332), (See Note 7). This amount is held pending the establishment of the ECSE Pension Fund at which time the amount will be transferred.

15. Related Party Balances and Transactions

(a) *Due to Eastern Caribbean Central Bank*
The amount of $2,874,845 (2018: $2,874,845) represent advances made by the Eastern Caribbean Central Bank to finance the establishment costs of the Group (See Note 16).

(b) *Key Management Personnel Compensation*
The salaries, fees and benefits paid to key management personnel of the Group during the year amounted to $773,080 (2018: $797,659). The following is an analysis of these amounts:

		2019	**2018**
Salaries and other short-term employee benefits	$	683,818	709,983
Post-employment benefits		89,262	87,676
	$	773,080	797,659

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

16. Additional Financial Support

The Eastern Caribbean Central Bank gave the following undertaking and guarantee in respect of the Group:

Guarantee cover in the event of a budgeted shortfall in respect of the Group for the fiscal year ending March 31, 2020, but not to exceed $2,000,000.

The above undertaking and guarantee will be reviewed at March 31, 2020 and is irrevocable before this date.

17. Share Capital

		2019	2018
Authorised:			
5,000,000 Ordinary Shares of $10 each	$	50,000,000	50,000,000

Subscribed Capital:

Class	No. of Shares Issued at March 31, 2018	Shares Issued During the Year	No. of Shares Issued at March 31, 2019	Nominal Value 2019	Nominal Value 2018
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
	972,581	-	972,581	9,725,810	9,725,810

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.

17. 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.

18. Earnings Per Share

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

		2019	2018
Earnings			
Net profit for the year	$	1,315,579	1,196,985
Number of Shares			
Weighted average number of Ordinary shares		972,581	972,581
Earnings per Share	$	1.35	1.23

19. Contingent Liabilities and Capital Commitments

The Group had no capital commitments as at March 31, 2019 (2018: nil).

20. Other Income

		2019	2018
Seminars and workshops	$	215,700	74,796

21. Subsequent Events

i. In April 2019, the ECSE arrived at an agreement with the Eastern Caribbean Central Bank (ECCB) regarding a long outstanding payable. Under this agreement, the ECCB agreed to write-off 50 per cent of the total amount due, which amounted to $1,437,423. The ECSE in turn agreed to issue 27,419 additional ordinary shares together with 116,323 redeemable cumulative preference shares to the ECCB in consideration of the remaining balance due to the ECCB. The additional ordinary and preference shares were issued on June 21 and June 25, 2019 respectively.

ii. On May 7, 2019, the Eastern Caribbean Securities Exchange Limited, in its capacity as sole shareholder passed a special resolution to summarily wind up the Eastern Caribbean Central Securities Registry Limited and continue its securities registry operations under the Eastern Caribbean Central Depository Ltd. The process of winding up has commenced.