EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANY

Consolidated Financial Statements

March 31, 2020

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANY

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 Company ("the Group"), which comprise the consolidated statement of financial position as at March 31, 2020, 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, 2020, 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 Company in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together 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 and the IESBA Code. 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 COMPANY

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 COMPANY

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.

KPMG

INDEPENDENT AUDITORS' REPORT, continued

To the Shareholders of
EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANY

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 29, 2020

St. John's, Antigua

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANY

Consolidated Statement of Financial Position

March 31, 2020

(Expressed in Eastern Caribbean Dollars)

	Notes		2020	2019
Assets				
Current Assets				
Cash and cash equivalents	7	$	58,397,387	36,443,446
Accounts receivable and other assets	8		1,020,245	600,968
Investments	9		8,599,780	6,038,118
Total Current Assets			68,017,412	43,082,532
Non-current Assets				
Property and equipment	10		91,495	203,060
Intangible assets	11		819,117	1,104,755
Right-of-use assets	12		575,898	-
Total Non-current Assets			1,486,510	1,307,815
Total Assets		$	69,503,922	44,390,347
Liabilities and Shareholders' Equity				
Current Liabilities				
Lease liability	12	$	103,955	-
Accounts payable and accruals	13		52,929,710	29,690,843
Gratuity payable	14		-	131,808
Preference shares	19		1,163,230	-
Due to Eastern Caribbean Central Bank	16		-	2,874,845
Total Current Liabilities			54,196,895	32,697,496
Non-current Liabilities				
Gratuity payable	14		15,069	-
Retirement saving fund	15		999,978	1,039,527
Lease liability	12		478,266	-
Total Non-current Liabilities			1,493,313	1,039,527
Total Liabilities			55,690,208	33,737,023
Shareholders' Equity				
Share capital	18		10,000,000	9,725,810
Accumulated surplus			3,813,714	927,514
Total Shareholders' Equity			13,813,714	10,653,324
Total Liabilities and Shareholders' Equity		$	69,503,922	44,390,347

Approved for issue by the Board of Directors on July 29, 2020 and signed on its behalf by:

Mr. Timothy N. J. Antoine
Chairman

Mr. Trevor E. Blake
Managing Director

The notes on pages 9 to 31 are an integral part of these consolidated financial statements.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANY

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended March 31, 2020

(Expressed in Eastern Caribbean Dollars)

	Notes		2020	2019
Income				
Listing and registry income		$	2,620,415	2,539,338
Primary market income			1,311,666	1,110,519
Membership and trading income			858,173	442,970
Interest income			324,269	282,876
Other income	22		1,457,423	215,700
			6,571,946	4,591,403
General and Administrative Expenses				
Compensation costs			1,634,428	1,712,291
Administrative expenses			472,636	672,361
Depreciation and amortisation	10, 11		428,395	442,120
Depreciation of right-of-use asset	12		82,271	-
Software maintenance			270,582	289,275
Staff training			2,511	3,333
Legal and professional costs			75,874	107,935
Promotional activities			98,422	53,701
Provision for (Recovery of) expected credit losses on financial assets	8, 9		71,470	(5,192)
Bad debt write-off	8		300	-
Interest expense			48,949	-
			3,185,838	3,275,824
Net Profit, being Total Comprehensive Income for the Year		$	3,386,108	1,315,579
Earnings per Share	20	$	3.41	1.35

The notes on pages 9 to 31 are an integral part of these consolidated financial statements.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANY

Consolidated Statement of Changes in Shareholders' Equity

Year ended March 31, 2020

(Expressed in Eastern Caribbean Dollars)

		Share Capital	Accumulated Surplus/(Deficit)	Total
Balance as at March 31, 2018	$	9,725,810	(371,176)	9,354,634
Impact of IFRS 9 implementation		-	(16,889)	(16,889)
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
Dividend payout		-	(499,908)	(499,908)
Issue of additional shares		274,190	-	274,190
Net profit, being total comprehensive income for the year		-	3,386,108	3,386,108
Balance as at March 31, 2020	$	10,000,000	3,813,714	13,813,714

The notes on pages 9 to 31 are an integral part of these consolidated financial statements.

EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED AND ITS SUBSIDIARY COMPANY

Consolidated Statement of Cash Flows

Year ended March 31, 2020

(Expressed in Eastern Caribbean Dollars)

	Notes		2020	2019
Cash flows from operating activities				
Net profit for the year		$	3,386,108	1,315,579
Adjustments for:				
Depreciation and amortisation			510,666	442,120
Interest income			(324,269)	(282,876)
Interest expense			48,949	-
Other income	22		(1,437,423)	-
Allowance for/(recovery of) expected credit losses on financial assets	8, 9		71,470	(5,192)
Bad debt	8		300	-
Operating profit before changes in working capital			2,255,801	1,469,631
Changes in:				
Accounts receivable and other assets			(473,535)	128,767
Accounts payable and accruals			23,238,867	(58,091,907)
Gratuity payable			(116,739)	59,096
Retirement saving fund			(39,549)	109,195
Net cash from/(used in) operating activities			24,864,845	(56,325,218)
Cash flows from investing activities				
Purchase of property and equipment	10		(31,193)	(7,260)
(Purchase)/Redemption of investments			(2,567,700)	1,907,745
Interest paid			(34,898)	-
Interest received			312,795	312,881
Net cash (used in)/from investing activities			(2,320,996)	2,213,366
Cash flows from financing activities				
Dividends paid			(499,908)	-
Interest paid on lease liability			(14,052)	-
Repayment of principal - lease liability			(75,948)	-
Net cash used in financing activities			(589,908)	-
Increase (decrease) in cash and cash equivalents during the year			21,953,941	(54,111,852)
Cash and cash equivalents at the beginning of the year			36,443,446	90,555,298
Cash and cash equivalents at the end of the year		$	58,397,387	36,443,446
Comprised as follows:				
Cash at bank		$	58,397,161	36,443,404
Cash on hand			226	42
		$	58,397,387	36,443,446

The notes on pages 9 to 31 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 for the year ended March 31, 2020 comprise the ECSE and its subsidiary, Eastern Caribbean Central Securities Depository Limited ("ECCSD") (together "the Group"). The activities of this subsidiary are as follows:

- *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. The ECCSD also 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.

The consolidated financial statements for the year ended March 31, 2019 comprise the ECSE and the ECCSD, along with the ECSE's other previously held subsidiary, Eastern Caribbean Central Securities Registry Limited (ECCSR).

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 was a wholly-owned subsidiary of Eastern Caribbean Securities Exchange Limited.

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 ECCSR and continue its securities registry operations under the Eastern Caribbean Central Depository Ltd. This process was completed during the year.

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.

The consolidated financial statements were authorised for issue by the Board of Directors on July 29, 2020.

(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, 2020. 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, 2020, the Group is expected to collect all of its accounts receivable.

(d) Property and Equipment:

Property 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 property and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property 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

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following are relevant to its operations:

IFRS 16, 'Leases', (effective for accounting periods beginning on or after 1 January 2019). In January 2016, the IASB published IFRS 16, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Further, an interest expense on the lease liability and depreciation on the right-of-use asset will be presented in the consolidated statement of profit or loss. There is an optional exemption for lessees for certain short-term leases and leases of low-value assets.

The Group has initially applied IFRS 16 *Leases* from April 1, 2019. A number of other new standards are also effective from January 1, 2019, but they do not have a material effect on the Group's consolidated financial statements. The adoption of IFRS 16 has resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the right-of-use assets are equivalent to the lease liabilities, thereby no adjustment was recognised in retained earnings at April 1, 2019. Accordingly, the comparative information presented for 2019 is not restated, that is, it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*, issued by IFRS Interpretations Committee (IFRIC). The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019.

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

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

(b) As a lessee

As a lessee, the Group leases office space for its operations. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for these leases, that is, these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property, the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

(c) As a lessor

The Group does not act as a lessor.

(d) Impact on transition

There was no impact on transition to IFRS 16.

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

(b) *New and amended standards and interpretations not yet effective*

At the date of approval of the consolidated financial statements, there were certain new and amended standards and interpretations to existing standards, which were in issue, but were not yet effective and had not been early adopted by the Group. Those which management considered may be relevant to the Group are as follows:

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides the following definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "*Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.*"

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognised and de-recognised in the consolidated financial statements.

  - New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
  - A liability will be recognised if a Group has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
  - A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

The Group is assessing the impact that these new and amended standards, and interpretations will have on its consolidated financial statements when they become effective.

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

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 (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

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;
- 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.

5. Financial Instruments *(cont'd)*

Non-derivative financial assets – Impairment (cont'd)

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 of Financial Liabilities:
The Group's financial liabilities include 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.

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

(ii) *Credit Risk Exposure (cont'd)*

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

	2020	2019
Financial Assets:		
Certificates of Deposit	4,673,769	3,082,918
Treasury Bills	3,926,011	2,955,200
Cash resources	58,397,161	36,443,404
Accounts receivable	894,344	317,413

(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.

(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, 2020			
Cash and cash equivalents	$	58,397,387	58,397,387
Investments		8,599,780	8,599,780
Accounts receivable and other assets		894,344	894,344
	$	67,891,511	67,891,511

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

(iv) Liquidity Risk (cont'd)

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

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, 2020					
Accounts payable and accruals	$	52,929,710	-	-	52,929,710
Preference shares		1,163,230	-	-	1,163,230
Retirement Saving Fund		-	999,978	-	999,978
Gratuity payable		-	15,069	-	15,069
	$	54,092,940	1,015,047	-	55,107,987
Year ended March 31, 2019			**1 Year to 5 Years**	**Over 5 Years**	**Total**
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

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

(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.

(vi) *COVID-19:*
The World Health Organisation declared COVID-19 to be a global pandemic on March 11, 2020. It has since spread rapidly around the globe and has impacted companies both directly and indirectly. While it is not possible to reliably estimate the duration and full consequences of this pandemic, at this stage, it can be determined that the ECSE will not be severely impacted financially and there are no current threats to our ability to provide services to our customers. Management will continuously be monitoring this assessment for any changes during this crisis. Specific attention will be focused on the impacts on the financial markets and the overall economies of the ECCU, all of which are highly uncertain and cannot be predicted.

Consequent on the State of Emergency declared in St. Kitts & Nevis and the resulting curfew, the ECSE went into telecommuting mode. This transition, having been previously tested, was made without any critical disruptions to our service delivery. In order to protect their health and safety, staff will continue to telecommute until further notice.

7. Cash and Cash Equivalents

	Notes		2020	2019
Cash with commercial banks	15	$	58,397,161	36,443,404
Cash on hand			226	42
Total		$	58,397,387	36,443,446

Cash with Commercial Banks mainly consist of:

(i) Unclaimed securities holders' dividends, interest and maturity payments in the amount of $48,719,774 (2019: $25,449,649).

(ii) Funds held in escrow in the amount of $3,662,551 (2019: $3,626,619) 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 $999,978 (2019: $1,039,527) which is set aside for the establishment of the ECSE Pension Fund. (See Note 15)

8. Accounts Receivable and Other Assets

		2020	2019
Trade receivables	$	836,201	270,744
Less: Provision for expected credit losses (ECL)		(65,432)	-
		770,769	270,744
Prepayments		191,333	283,555
Interest receivable		58,143	46,669
	$	1,020,245	600,968

During the year ended March 31, 2020, the Group wrote off receivables valued $300 (2019: Nil).

Provision for ECL

		2020	2019
Balance - beginning of the year	$	-	-
Increase in provision		65,432	-
Balance - end of the year	$	65,432	-

9. Investments

		2020	2019
Certificates of Deposit	$	4,673,769	3,082,918
Treasury Bill GDB161020 @ 1.96%		980,392	995,038
Treasury Bill LCB150420 @ 3.469%		991,349	986,438
Treasury Bill GDB250620 @ 3.470%		991,349	985,421
Treasury Bill LCB210720 @ 3.923%		980,656	-
Total Investments		8,617,515	6,049,815
Less: Expected credit loss allowance		(17,735)	(11,697)
	$	8,599,780	6,038,118

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 1.5% to 3.5% per annum (2019: 1.0% to 3.00%) per annum.

Treasury Bills:
The treasury bills represent investment in the Government of Grenada's 365-day Treasury bill: GDB161020 at 1.96% maturing on 16 October 2020, GDB250620 at 3.47% maturing on 25 June 2020 and Government of Saint Lucia's 180-day Treasury bill: LCB210720 at 3.923% maturing on 21 July 2020 and LCB150420 at 3.469% maturing on 15 April 2020.

The movement in expected credit loss allowance is as follows:

		2020	2019
Balance at beginning of year	$	11,697	-
Impact of IFRS 9		-	16,889
Balance at beginning of year (adjusted)		11,697	16,889
Allowance for/(Recovery of) expected credit losses		6,038	(5,192)
Balance at end of year	$	17,735	11,697

9. Investments *(cont'd)*

Treasury Bills (cont'd)
The Group's investment portfolio as at March 31, 2020 are in the following staging categories.

		2020			
		Stage 1	Stage 2	Stage 3	Total
Certificates of Deposit	$	4,673,769	-	-	4,673,769
Treasury Bills		3,943,746	-	-	3,943,746
Gross investments		8,617,515	-	-	8,617,515
Less: ECL allowance		(17,735)	-	-	(17,735)
	$	8,599,780	-	-	8,599,780

As at March 31, 2019, the Group's total investment portfolio was in the Stage 1 category also.

10. Property and Equipment

		Motor Vehicles	Computer Equipment	Furniture and Fixtures	Total
Cost:					
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
Additions		-	31,193		31,193
At March 31, 2020	$	245,000	692,048	53,408	990,456
Depreciation:					
At March 31, 2018		110,966	442,267	50,994	604,227
Charge for the year		49,000	102,318	659	151,977
Disposal		-	-	-	-
At March 31, 2019		159,966	544,585	51,653	756,204
Charge for the year		49,000	93,099	658	142,757
At March 31, 2020	$	208,966	637,684	52,311	898,961
Net Book Value:					
At March 31, 2020	$	36,034	54,364	1,097	91,495
At March 31, 2019	$	85,034	116,270	1,756	203,060

11. Intangible Assets

		2020	2019
Computer Software:			
Cost at beginning of year	$	1,915,895	1,915,895
Additions during the year		-	-
Disposal		-	-
Cost at end of year		1,915,895	1,915,895
Accumulated amortisation – beginning of the year		811,140	520,996
Charge for the year		285,638	290,144
Disposal		-	-
Accumulated amortisation – end of the year		1,096,778	811,140
Net Book Value	$	819,117	1,104,755

12. Leases

The ECSE leases office space from the Eastern Caribbean Central Bank. The lease term is 3 years with an option to renew for the same time period after the end of the stated lease term. The ECSE is expected to exercise this option.

Information about the lease for which the ECSE is a lessee is presented below:

(a) Amounts recognised in the statement of financial position:

(i) Right-of-use asset

	Buildings
As at April 1, 2019 upon application of IFRS 16	-
Additions	658,169
Depreciation	(82,271)
Balance at March 31, 2020	575,898

12. Leases *(cont'd)*

(ii) Lease liabilities

As at April 1, 2019 upon application of IFRS 16	-
Additions	658,169
Interest expense	14,052
Lease payments	(90,000)
Balance at March 31, 2020	582,221

Maturity analysis – contractual undiscounted cash flows:

Less than one year	103,955
One to five years	478,266
Total undiscounted lease liabilities at March 31, 2020`	582,221

(b) Amounts recognised in profit or loss

Depreciation charge on right-of-use assets	82,271
Interest expense on lease liabilities	14,052
Balance at March 31, 2020	96,323

13. Accounts Payable and Accruals

	Notes		2020	2019
Unclaimed dividends, interest and maturity payments	7 (i)	$	48,719,774	25,449,649
Escrow liability	7 (ii)		3,662,551	3,626,619
Deferred income			248,318	271,474
Holiday pay accrual			134,952	207,372
Accruals			125,475	109,867
Accounts payable			38,640	25,862
		$	52,929,710	29,690,843

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

14. Gratuity payable

Gratuity payable relates to amounts payable to employees on completion of their contract of service to the Group. The non-current amount of $15,069 (2019: current - $131,808) has been provided to date.

15. Retirement Saving Fund

Included in the cash balance of $58,397,161 (2019: $36,443,404) is an amount of $999,978 (2019: $1,039,527) (See Note 7). This amount is held pending the establishment of the ECSE Pension Fund at which time the amount will be transferred.

16. Related Party Balances and Transactions

(a) *Due to Eastern Caribbean Central Bank*

The amount at the end of 2019 of $2,874,845 represented advances made by the Eastern Caribbean Central Bank to finance the establishment costs of the Group (See Note 17).

In April 2019, the ECSE arrived at an agreement with the Eastern Caribbean Central Bank (ECCB) regarding this long outstanding payable (See Note 22).

(b) *Key Management Personnel Compensation*

The salaries, fees and benefits paid to key management personnel of the Group during the year amounted to $786,048 (2019: $773,080). The following is an analysis of these amounts:

		2020	**2019**
Salaries and other short-term employee benefits	$	694,828	683,818
Post-employment benefits		91,220	89,262
	$	786,048	773,080

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

17. 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, 2021, but not to exceed $2,000,000.

The above undertaking and guarantee will be reviewed at March 31, 2021 and is irrevocable before this date.

18. Share Capital

		2020	2019
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, 2019	Shares Issued During the Year	No. of Shares Issued at March 31, 2020	Nominal Value 2020	Nominal Value 2019
Class A	300,000	27,419	327,419	3,274,190	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	27,419	1,000,000	10,000,000	9,725,810

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. (See note 22)

18. Share Capital *(cont'd)*

Dividends
The ECSE is cognizant of the importance of providing to shareholders a return on their capital Invested. It is equally cognizant, however, of the need to retain a sufficient portion of earnings, to ensure the availability of adequate resources for future growth and development. The Board, therefore, has established a policy that stipulates that the dividend pay-out should not exceed 50% of net income in a given year.

Consistent with this policy, the Board unanimously approved Management's recommendation that $500,000 be distributed as dividend pay-outs for the year ended 31 March 2019. At the 18th Annual General Meeting held on 4 October 2019, shareholders approved the payment of the proposed dividend, which translated to 51.4 cents per share. The dividend paid out on October 9, 2019, totaled $499,908.

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.

<u>Class Rights</u>

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.

19. Preference Shares

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.

20. Earnings Per Share

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

		2020	2019
Earnings			
Net profit for the year	$	3,386,108	1,315,579
Number of Shares			
Weighted average number of ordinary shares		993,632	972,581
Earnings per Share	$	3.41	1.35

21. Contingent Liabilities and Capital Commitments

The Group had no capital commitments as at March 31, 2020 (2019: nil).

22. Other Income

		2020	2019
Due to Eastern Caribbean Central Bank - write off	$	1,437,423	-
Seminars and workshops		20,000	215,700
	$	1,457,423	215,700

In April 2019, the ECSE arrived at an agreement with the Eastern Caribbean Central Bank (ECCB) regarding a long outstanding payable (see Note 16). Under this agreement, the ECCB agreed to write-off 50 per cent of the total amount due, which amounted to $1,437,423. This has been treated as other income.

The ECSE then agreed to issue 27,419 additional ordinary shares with a stated value of $274,190, together with 116,323 redeemable cumulative preference shares with a stated value of $1,163,230 to the ECCB in consideration of the remaining balance due. (Note 18 – *Share Capital* and Note 19 – *Preference Shares*).

23. Subsequent Event

In April 2020, the ECSE paid the ECCB in full settlement of the redeemable cumulative preference shares issued. (See Note 19)