



Eastern Caribbean Securities Exchange Limited and its Subsidiaries

P.O. Box 94, Bird Rock, Basseterre, St. Kitts

Tel: (869) 466-7192 Fax: (869) 465-3798

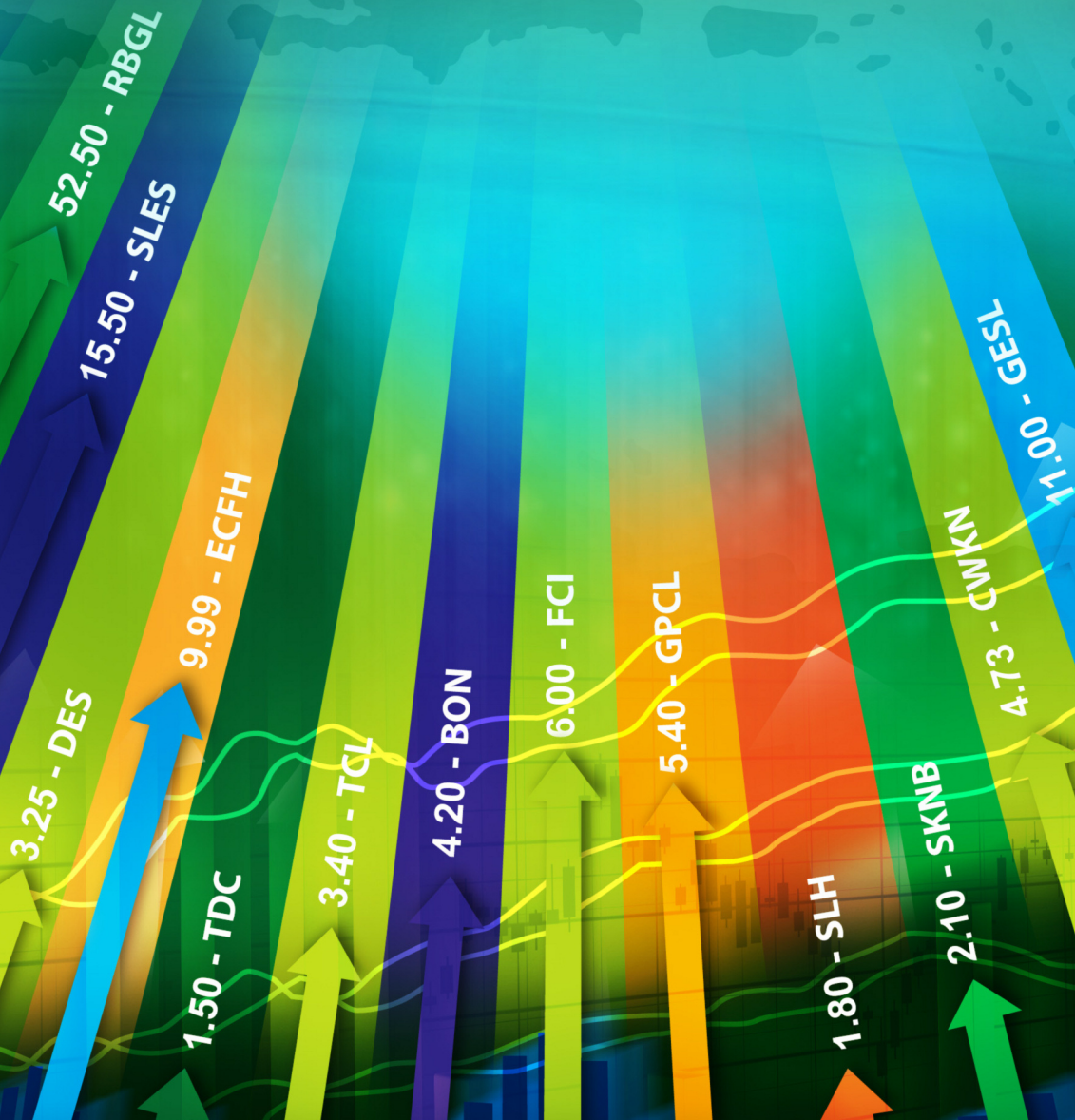
Email: info@ecseonline.com

Website: www.ecseonline.com

Eastern Caribbean Securities Exchange
Limited and its Subsidiaries



Annual Report 2013



INVESTING IN THE FUTURE

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Board of Directors



The Hon Sir K Dwight Venner - **Chairman**
Governor
Eastern Caribbean Central Bank



Mr D Michael Morton - **Deputy Chairman**
Chairman/Managing Director
TDC Group of Companies



Mr Peter Blanchard
Managing Director
General Insurance Company Ltd



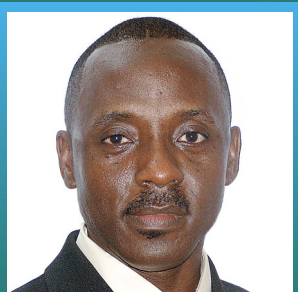
Mr George S Goodluck
Managing Director
St Vincent Insurances Ltd



Mrs Sephlin Lawrence
Director
St Christopher & Nevis Social Security Board



Mrs Jennifer Nero
Managing Director
Eastern Caribbean Central Bank



Mr Reginald Thomas
Executive Director
National Insurance Services
St Vincent and the Grenadines



Company Secretary
Ms Maria Barthelmy
Adviser - Governor's Office
Eastern Caribbean Central Bank

Management



Mr Trevor E Blake
General Manager/CEO



Mr Tarlie Francis
Senior Manager
Market Operations Division



Mrs Denise Parris-Mertins
Manager
Administration Division

Registered Office

P O Box 94, Bird Rock, Basseterre, St Kitts

Subsidiary Companies

Eastern Caribbean Central Securities Registry Limited (100%)
Eastern Caribbean Central Securities Depository Limited (100%)

Auditors

Pannell Kerr Forster
North Independence Square, Basseterre, St Kitts

Solicitors

Kelsick, Wilkin & Ferdinand
South Independence Square Street, Basseterre, St Kitts

Bankers

St. Kitts-Nevis-Anguilla National Bank Ltd, Central Street, Basseterre, St Kitts
FirstCaribbean International Bank (Barbados) Ltd, The Circus, Basseterre, St Kitts

STATEMENT OF CORPORATE GOVERNANCE PRINCIPLES

The Eastern Caribbean Securities Exchange Limited (ECSE), the Eastern Caribbean Central Securities Registry Limited (ECCSR) and the Eastern Caribbean Central Securities Depository Limited (ECCSD) continue to promote high standards and principles of corporate governance throughout the Group. This statement of corporate governance practices provides a brief description of the Group's approach to governance.

LEGAL FRAMEWORK

The ECSE was incorporated in the Federation of St Christopher and Nevis under the Companies Act of 1996 as a public limited liability company. It is licensed under the Securities Act of 2001, a uniform regional body of legislation in Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St Christopher and Nevis, Saint Lucia, and St Vincent and the Grenadines. The Act provides for the protection of the investing public by creating the Eastern Caribbean Securities Regulatory Commission (ECSRC) that regulates the securities market, securities exchanges, persons engaged in securities business and the public issue of securities. The ECSE facilitates the trading of a range of financial products, including equities, corporate bonds, and government securities.

The ECCSR and ECCSD, both wholly owned subsidiaries of the ECSE, were also incorporated in St Christopher and Nevis in 2001 as public limited liability companies, under the 1996 Companies Act. The ECCSR and ECCSD are also both licensed and regulated by the ECSRC, under the Securities Act of 2001.

BOARD OF DIRECTORS

The Board of Directors of the ECSE is responsible for the strategic guidance of the Company, and is focused on both protecting the interests of all stakeholders and optimizing shareholder value.

The Board of Directors consists of seven members elected in accordance with Article 81 of the Articles of Association of the ECSE. The Directors include regional business leaders and professionals, who bring considerable expertise and experience to the decision-making processes. The Board of Directors typically meets on a bi-monthly basis and regularly reviews the Group's financial and operational performance.

In accordance with the Articles, all of the Directors retire at each Annual General Meeting of the company. Directors are eligible for nomination by their respective classes for re-election to the Board.

BOARD COMMITTEES

Committees of the Board have been established, in accordance with Article 80 of the ECSE's Articles, to enhance the Board's effectiveness in the proper governance of the Group.

The composition of the Committees is as follows:

Executive Committee

The Hon Sir K Dwight Venner – Chairman
Mr D Michael Morton
Mrs Sephlin Lawrence
Mr Trevor E Blake

Audit Committee

Mrs Jennifer Nero – Chairperson
Mrs Sephlin Lawrence
Mr Reginald Thomas

Budget, Finance and Administration Committee

Mr Reginald Thomas – Chairman
Mr Peter Blanchard
Mr George S Goodluck

Listings and Registry Services Committee

Mr D Michael Morton – Chairman
Mr Peter Blanchard
Mr George S Goodluck

Intermediary Development and Market Structure Committee

Mr Peter Blanchard – Chairman
Mr George S Goodluck
Mrs Jennifer Nero

The Company Secretary and the General Manager facilitate the functioning of the Committees.

ECCSR AND ECCSD

The Boards of Directors of the ECCSR and the ECCSD each comprised five members, drawn from the ECSE's Board of Directors. The composition of both Boards is as follows:

The Hon Sir K Dwight Venner - Chairman
Mr D Michael Morton - Deputy Chairman
Mr Peter Blanchard
Mr George S Goodluck
Mrs Jennifer Nero

Company Secretary

Ms Maria Barthelmy

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors of the Eastern Caribbean Securities Exchange Limited (ECSE), I am pleased to present the Annual Report of the ECSE with the audited financial statements for the year ended 31 March 2013.

Over the period 2012 - 2013, the economies of the Eastern Caribbean Currency Union (ECCU) experienced their fourth consecutive year of economic contraction, as indicated by the preliminary data. Real

GDP is estimated to have declined by 0.2 per cent in 2012 compared with a 0.5 per cent contraction in 2011. Value added in the construction industry, a major contributor to economic output in the ECCU, contracted by 5.3 per cent in 2012, compared with a 7.1 per cent decline in the previous year.

The impact of the crisis has been exacerbated by its origins in the advanced countries, to which the economies of the ECCU countries are closely linked through trade, foreign investment and immigration channels. Although the risks of further contraction have eased slightly, threats of a possible downturn have not fully dissipated. The projections are for the international environment to remain depressed and uncertain in the near term. Growth in the Currency Union is expected to be marginal at 1.5 per cent in 2013 and 2.2 per cent in 2014.

The member countries of the ECCU are now at a crossroad as the global crisis has exposed and exacerbated the structural deficiencies of our economies. The structural issues which characterise these economies are size, openness and vulnerability. The ECCU countries are micro states with very limited land space and populations. Openness is characterised by a very high ratio of trade (exports and imports) to gross domestic product. Vulnerability translates to the impact of external shocks such as global recessions, increases in commodity prices of imports, increased interest rates, and natural disasters on the economies of these countries.

The responses to both the global crisis and the fundamental

structural characteristics of these economies are concretely expressed in three instruments:

1. The Economic Union Treaty;
2. The ECCU Eight Point Stabilisation and Growth Programme; and
3. A Work Programme Coordination Initiative at the national, currency union, and international levels.

The Economic Union has given the region the political, constitutional and economic framework and the theatre, the single space, for achieving its goals, namely:

1. Growth and Competitiveness;
2. Reduction of Unemployment;
3. Reduction of Poverty;
4. Maintenance of the United Nations Human Development Indices; and
5. Socioeconomic Transformation of the Countries.

The critical issue at this time would be to reverse the secular decline in growth to arrive at a new output trajectory.

The adverse impact of crisis on the ECCU has demonstrated the need for a more dynamic and resilient financial system. This system will provide the requisite support to the region's underdeveloped private sector to ignite the level of business activity needed to achieve the targeted growth identified by Member Governments.

The continued development of the region's money and capital markets into a Finance, Investment and Development Architecture will facilitate more effective mobilisation of financial resources across the region, efficient allocation of liquidity within the financial system and to provide support for private sector activity for sustained growth and development across the region.

As a key institution in this architecture, the Eastern Caribbean Securities Exchange Limited continued to perform well over the year 2012 - 2013 and continues to play a vital role in the money and capital market development programme by supporting private sector development, influencing improvements in corporate governance standards and strengthening commercial and financial practices.

On 19 October 2012, the ECSE Group celebrated the 11th anniversary of the launch of the Exchange and the Eastern Caribbean Securities Market (ECSM).

At 31 March 2013, there were 84 securities listed on the Exchange, this represented a 20% increase over the year.

These comprised 63 sovereign debt instruments, 13 equities and 8 corporate bonds. This increase was largely attributable to the resilience of the Regional Government Securities Market (RGSM), which experienced a 32% increase in auctions.

Activity on the RGSM continued to contribute significantly to the ECSE's operations. Five Central Governments, Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Saint Lucia and St Vincent and the Grenadines, and one local Government, the Nevis Island Administration, facilitated by the Government of St Kitts and Nevis, together auctioned a total of 54 sovereign debt instruments which grossed \$1.1 billion, which was \$349.1 million or 46.6% above the amount raised in the previous year, surpassing an unprecedented \$1.0 billion in a single financial year.

Since inception, member governments have raised over \$6.3 billion on the market realising significant cost savings.

It is noteworthy that the Eastern Caribbean Central Securities Registry (ECCSR) continued to perform well and contributed significantly to the ECSE Group's overall performance. At 31 March 2013, there were 93 securities on the ECCSR's register, reflecting a 16.3% increase in the number of registered securities over the year. These securities comprised 18 equities and 10 corporate bonds, maintained on behalf of 19 corporate issuers, and 41 sovereign bonds, 16 Treasury bills, and eight Treasury notes issued by seven sovereign clients. At year-end, 37,852 investors held accounts at the Registry, representing an increase of 7.3% over the year. There was a 10.7% increase in corporate actions performed on behalf of sovereign and corporate clients, and retail registry services transactions grew by 3.1% during the year.

I am pleased to report that the ECSE continued to support and promote the development of good standards of corporate governance throughout the region in 2012 - 2013 particularly through the Directors' Education and Accreditation Programme (DEAP) workshops which were conducted in collaboration with the Institute of Chartered Secretaries and Administrators/Chartered Secretaries Canada (ICSA/CSC). For the 2012-2013 financial year two sessions were held, in Saint Lucia in November 2012 and in Trinidad in March 2013, with a total of 50 participants from across the Caribbean.

Finally, I am particularly pleased to report that for the sixth consecutive year, the Group declared a profit, which though small, is encouraging.

Looking ahead, the ECSE will look towards expanding its role in

the ECCU Finance, Investment and Development Architecture by identifying new strategies, institutional arrangements and products which will have an increasing influence on the development of money and capital markets in the Currency Union.

Efforts will also continue to attract existing public companies to list on the Exchange as well as identifying mechanisms to ignite activity on the secondary market.

As we move into another year of operations, I would like to thank the shareholders for their support which enabled the ECSE to achieve its success. I also thank the Board of Directors, management and staff for their efforts during the course of the year.



The Honourable Sir K Dwight Venner
Chairman

REVIEW OF OPERATIONS

Growth in the global economy decelerated in 2012, as economic activity in most of the major world economies, with the exception of the US and Japan, which recorded moderate increases in real GDP, continued to weaken. This sluggish performance continued to impact developing economies, including those in the Eastern Caribbean Currency Union (ECCU).

Economic activity in the ECCU is estimated to have contracted in 2012, for the fourth consecutive year. Declines were recorded in six of the eight ECCU member countries; moderate expansions were registered in Antigua and Barbuda and St Vincent and the Grenadines. It is estimated that real GDP fell by 0.2% in 2012, due to continued weakness in global demand for the ECCU's exports and a reduction in public sector investment. Declines in value added were recorded in most of the leading sectors, including construction, hotels and restaurants, wholesale and retail trade and transportation, storage and communication.

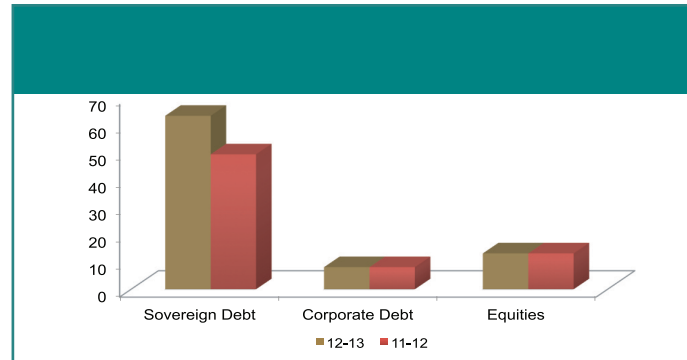
Encouragingly, the rate of decline slowed considerably, reflecting ongoing improvement in the economies. This improvement is expected to accelerate and the ECCU economy is forecasted to recover in 2013, driven by a turnaround in almost every sector. This, however, is contingent on the recovery in the global economy.

Against this backdrop, the ECSE Group performed quite creditably during the financial year ended 31 March 2013. The number of listed securities grew by 20% during the year, fed by the buoyancy in the Regional Government Securities Market, which saw a 32% increase in auctions. The activity in the secondary market, however, continued to trend downward, as trades in both equities and debt securities lagged the previous year's volumes. The index of domestic equities prices fell 1.7% over the year, whereas overall market capitalization expanded by 7.4%.

The Group's net income for the year ended 31 March 2013, amounted to \$0.7 million, up 79.7% from the profits recorded at the previous year end.

LISTINGS

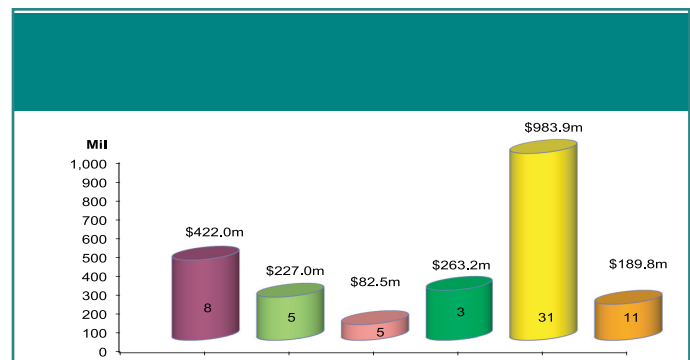
At 31 March 2013, there were 84 securities listed on the Exchange, which represented a 20% increase over the year. These comprised 63 sovereign debt instruments, 13 equities and 8 corporate bonds.



During the year, 29 new fixed income securities, eight fewer than in 2011-2012, were listed on the market. This comprised 16 Treasury bills, 12 bonds and one Treasury note. In the same period, 12 Treasury bills, one bond and one Treasury note were redeemed on maturity, and one bond was delisted, resulting in a net gain of 14 securities on the listing board. There was no change in the number of listed equities.

Sovereign Debt Securities

Sovereign debt instruments accounted for the full increment of securities listed on the ECSE during the year. The number of listings in this market segment increased by 14, or 28.6%, to stand at 63 at 31 March 2013, and represented 75% of overall listings. The Government of Saint Lucia, with 31 listed instruments or 49.2% of the listed sovereign debt securities maintained its position as the lead sovereign issuer in the market.

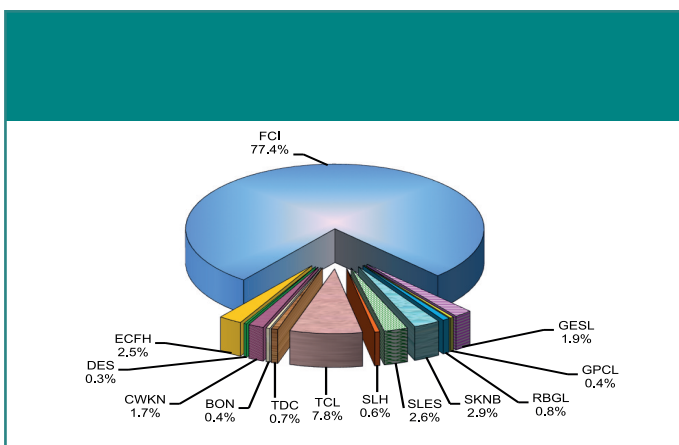


Corporate Securities

As at the previous year-end, there were 21 corporate securities listed on the ECSE at 31 March 2013. The listed equities, which comprised 11 domestic listings, and two cross-lists, were unchanged over the year. The number of listed corporate debt was also constant at 8 instruments, although there were some changes in the composition.

MARKET CAPITALIZATION

At 31 March 2013, the aggregate market capitalization of the 13 listed equities amounted to \$11.6 billion, expanding \$0.8 billion or 7.4% during the year. This increment resulted from increases in the prices of one cross-listed and two domestic equities, which together represent 82.7% of total market capitalization.

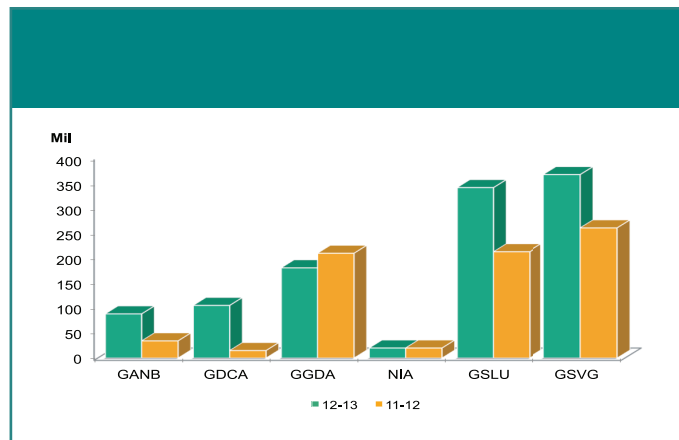


PRIMARY MARKET ACTIVITY

RGSM

The expansion in activity on the Regional Government Securities Market (RGSM) continued during 2012-2013, when a 32.1% increase in number of primary market auctions was recorded. During the year, the Governments of Antigua and Barbuda and of The Commonwealth of Dominica rolled out their annual calendar of issues, following their recent re-entry and entry, respectively, to the market. The Governments of Saint Lucia and St Vincent and the Grenadines also generated additional activity, increasing both the number and size of their market issues. The Government of Grenada and the Nevis Island Administration, facilitated by the Government of St Kitts and Nevis, were also active in the market.

Together these six issuers auctioned a total of 54 sovereign debt instruments, comprising thirty-three 91-day Treasury-bills; six 180-day Treasury-bills; six 365-day Treasury-bills; one 4-year note; one 5-year bond, one 6-year bond, two 7-year bonds, and four 10-year bonds. These issues grossed \$1.1 billion, which was \$349.1 million or 46.6% above the amount raised in the previous year, surpassing the \$1.0 billion mark in a single financial year for the first time.



The Government of St Vincent and the Grenadines continued to lead activity on the RGSM during the year, raising \$365.9 million in 14 issues, which comprised twelve 91-day Treasury bills and two 10-year bonds, and accounted for 33.3% of total RGSM auction proceeds. The Government of Saint Lucia was the next most active, raising \$340.0 million or approximately 30.9% of aggregate RGSM proceeds for the financial year.

Since its inception in November 2002, Governments have collectively raised over \$6.3 billion on the RGSM.

ECSM

During the year ended 31 March 2013, as in the previous year, the Eastern Caribbean Home Mortgage Bank (ECHMB) was the sole corporate issuer of new securities on the primary market of the Eastern Caribbean Securities Market (ECSM). The ECHMB issued two 4-year bonds that raised, in aggregate, \$40.3 million, which was \$71.9 million or 64.1% below the proceeds of its previous year's auctions.

SECONDARY MARKET ACTIVITY

During the year a total of 2.3 million units of securities traded on the secondary market at an aggregate value of \$3.1 million in 211 transactions. Compared with the previous financial year, this represented declines of 64.4% in volume, 82.8% in value and 34.7% in the number of transactions, reflective of a reduction in market activity across all asset classes.

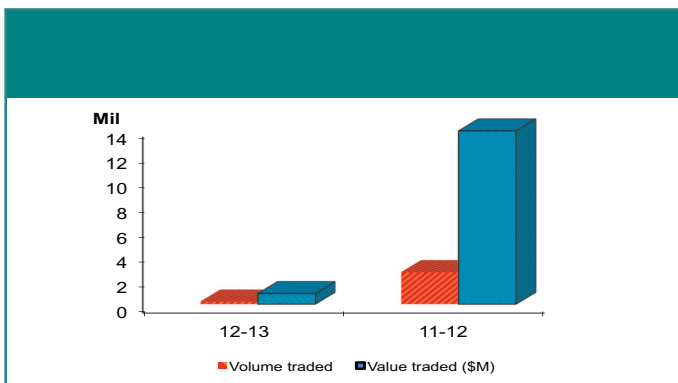
Sovereigns

Trades of sovereign debt securities, which in previous years, led overall secondary market activity, fell sharply during the year to 107,246 units and a traded value of \$264,020, and accounted for a mere 4.6% of total secondary market activity. This level of activity, compared to the previous year, represented an over 90% decline in both volume and value.

Corporate Securities

Secondary market activity in corporate securities also declined significantly during the year. Compared to the previous financial year, the volume traded fell by 50% to 2.2 million units and the trade value decreased 80.0% to \$2.8 million, resulting from a marked decline in equities trading.

During the year, 0.2 million units of equities traded at a value of \$0.8 million, which was 91.3% and 93.8%, respectively, below the activity recorded in the previous year. The number of transactions also fell 33.2% in the financial year. This completely offset the increment recorded in the trades of corporate debt securities.



The St Kitts-Nevis-Anguilla National Bank Ltd's stock - SKNB, and the Eastern Caribbean Financial Holdings Ltd's common shares - ECFH, were again the most actively traded in the financial year, accounting for 24.2% and 21.3%, respectively, of all equities transactions. Shares of the St Kitts Nevis & Anguilla Trading and Development Co Ltd - TDC were also quite actively traded, contributing 16.4% to overall equities trading.

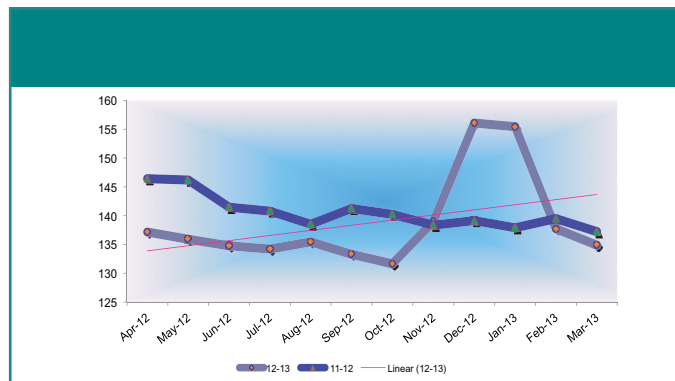
The corporate debt segment of the secondary market continued to attract very little activity, although the volume of securities traded in 2012-2013 was a significant improvement on that of the previous year. During the year, 2.0 million units of a corporate bond were traded in a single transaction at a value of \$2.02 million, compared to the prior year's trade of 0.2 million units.

EC-SHARE INDEX

At 31 March 2013, the EC Share Index, which tracks the prices of the domestic equities, stood at 134.90, a fall of 2.34 points or 1.7% from the previous financial year. In December, a temporary escalation in the price of one domestic equity resulted in a spike in the index, which was corrected in February. Declines in the trading prices of just over half of the

listed domestic equities led to this retreat in the index value, which was more moderate than the preceding year's 6.4%.

The graph below illustrates the movement of the index during the period 1 April 2012 to 31 March 2013.



REGISTRY ACTIVITY

The Eastern Caribbean Central Securities Registry (ECCSR) continued to contribute significantly to the ECSE Group's overall performance. At 31 March 2013, there were 93 securities on the ECCSR's register, reflecting a 16.3% increase in the number of registered securities over the year. These securities comprised 18 equities and 10 corporate bonds, maintained on behalf of 19 corporate issuers, and 41 sovereign bonds, 16 Treasury bills, and eight Treasury notes issued by seven sovereign clients.

The ECCSR experienced growth in all areas of its operations during the year. At year-end, 37,852 investors held accounts at the Registry, representing an increase of 7.3% over the year. There was a 10.7% increase in corporate actions performed on behalf of sovereign and corporate clients, and retail registry services transactions grew by 3.1% during the year.

New Registrations

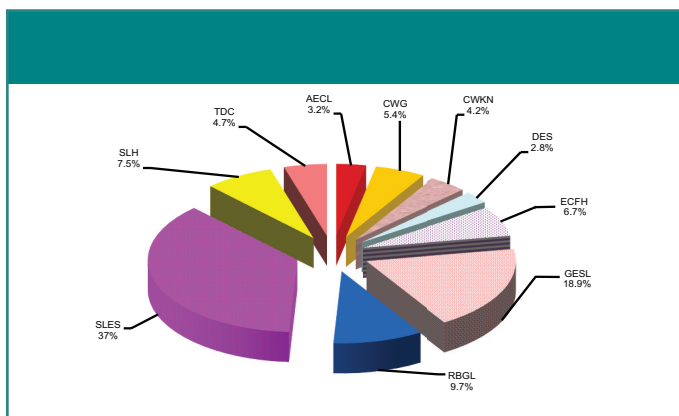
During the year, the ECCSR registered 63 new securities, which comprised 60 sovereign debt instruments, two corporate bonds and one equity. Of these new registrations, 56 were auctioned on the ECSE's primary market platform. Contemporaneously, 49 securities matured and were redeemed and another was exchanged, closing out these registers. Accordingly, there was a net gain of 13 securities registered at the ECCSR at 31 March 2013 compared to the previous financial year-end.

The Registry continued to manage corporate action events on

behalf of its clients, and experienced an appreciable growth in these activities during the year. The aggregate value of the payments of dividends and interest and principal redemptions processed on behalf of 11 corporate and seven sovereign clients in 2012 - 2013 amounted to \$983.8 million, which was 10.7% above the previous year's level.

Dividends

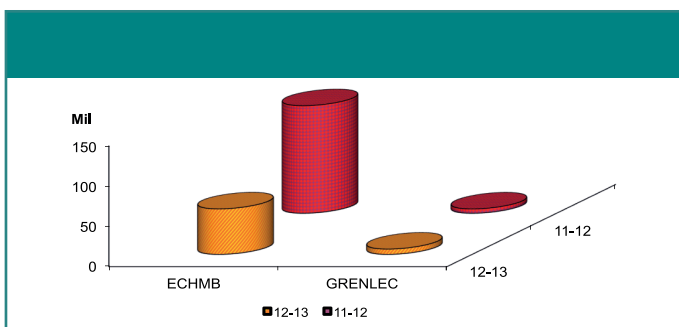
Dividends paid and/or processed on behalf of 10 client companies during the year, amounted to \$36.3 million. This was 6.2% below the previous financial year's level, as in 2012-2013, several companies reduced their dividend payout, and one did not pay a dividend.



Interest, Redemption and Amortisation Payments Corporates

During the year, the ECCSR made payments totalling \$63.0 million to bondholders, on behalf of the ECHMB and GRENLEC. These payments comprised interest of \$18.0 million on 12 bonds, and principal repayments of \$45.0 million on one amortising, and three maturing, bonds.

The aggregate payment in 2012 - 2013 was \$77.4 million or 55.1% below the sum paid out in the previous year, as three bonds were redeemed on maturity, compared to seven in the earlier year.



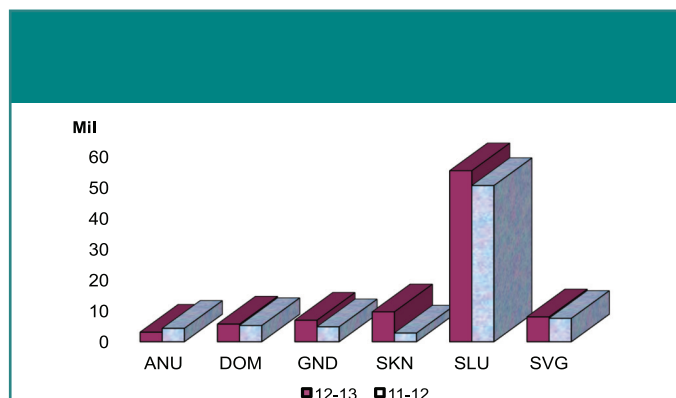
Sovereigns

On behalf of its seven sovereign clients, the ECCSR paid a total of \$884.5 million to the holders of their securities during the year. This was \$169.7 million or 23.7% above the sum paid in the previous year, consistent with the increase in the number of maturing Treasury bills redeemed in 2012 - 2013. The holders of securities issued by the Governments of St Vincent and the Grenadines, Saint Lucia and Grenada were the main recipients, accounting for 36.5%, 21.0% and 18.5%, respectively, of the total.

Interest

During 2012 - 2013, interest paid on sovereign debt securities amounted to \$87.9 million, an increase of \$13.3 million or 17.8% from the sum paid in the previous year.

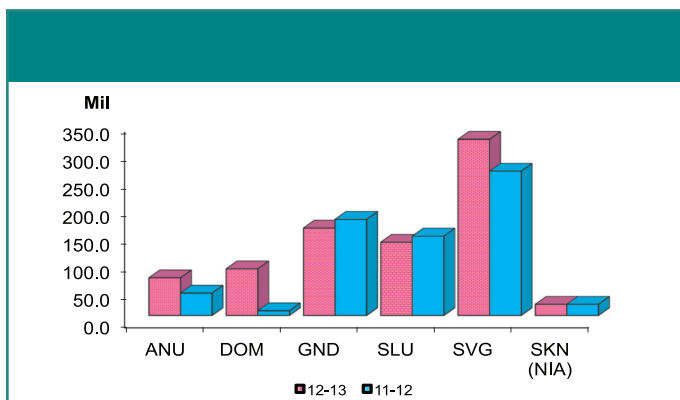
The Government of Saint Lucia, as the issuer of the largest stock of medium to long-term securities on the market, accounted for 62.2% of the aggregate interest payment. The Governments of St Kitts and Nevis and, St Vincent and the Grenadines accounted for 10.9% and 9.1%, respectively.



Principal Repayments

Principal redemptions on maturing and amortising sovereign debt securities during 2012 - 2013, amounted to \$781.4 million. This represented an increase of \$141.1 million or 22.0% over the principal repaid in the previous year, as more securities matured in the current year due mainly to the growth in 91-day Treasury bill issues.

The Government of St Vincent and the Grenadines, with Treasury bills maturing on a monthly basis, accounted for 39.6% of aggregate redemptions. Redemption payments made on behalf of the Governments of Grenada, Saint Lucia and the Commonwealth of Dominica accounted for 19.6%, 16.5% and 10.5%, respectively.



Other Transactions

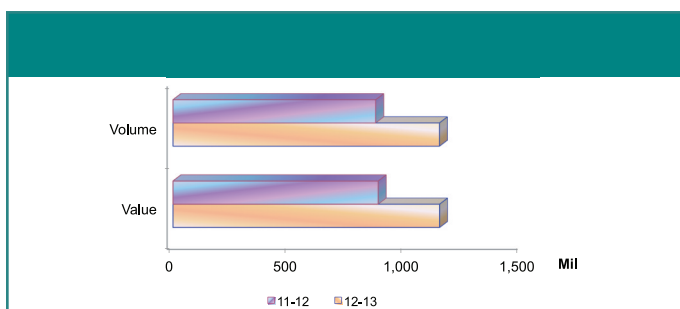
In 2012-2013, the ECCSR processed 1,795 account maintenance and asset service transactions on behalf of securities holders, which represented a 3.1% increase in the level of activity compared to the previous financial year. These transactions consisted mainly of changes of addresses, names and payment options; registrations and releases of charges; registrations of transfers and the re-issuance of dividend and debt service payment cheques.

DEPOSITORY ACTIVITY

During the year ended 31 March 2013, the Eastern Caribbean Central Securities Depository Ltd (ECCSD), cleared and settled a total of 1.14 billion units of securities valued marginally above par, in 982 transactions on both the primary and secondary markets. The volume settled was 31.4% above that in the previous year, due mainly to the expansion in RGSM activity.

On the primary markets, the ECCSD cleared and settled 1.10 billion units of Government securities in 748 transactions, and 40.3 million units of corporate bonds in 23 transactions, at par.

In relation to secondary market activity, the ECCSD processed 2.2 million units of corporate securities at a value of \$2.8 million, in 208 transactions, and 0.1 million units of sovereign debt securities at a value of \$0.2 million, in 3 transactions.



At 31 March 2013, there were 41.2 million units of securities held in custody at the ECCSD. This comprised 6.1 million units of equities, 4.0 million of corporate bonds, 12.3 million units of Treasury bills and 18.8 million units of sovereign notes and bonds.

INTERMEDIARY SERVICES

During the year, the ECSE's intermediary network faced some contraction, as three member broker dealers, Financial Investment and Consultancy Services Ltd (FICS) in Saint Lucia, the National Mortgage Finance Company of Dominica (NMFC), and the Antigua Commercial Bank Ltd (ACB) withdrew from securities business. FICS and NMFC voluntarily surrendered their licences, due to corporate changes. Consequently, at 31 March 2013, there were seven licensed intermediaries with offices in five ECCU member countries.

Intermediary Working Group

Within the framework of the Intermediary Working Group (IWG), ECSE member broker dealers continued to collaborate on the ongoing development of the securities market, continuing professional development and other industry-related matters. Chaired by ECFH Global Investment Solutions Limited, the grouping held two meetings during the year, which focused, inter alia, on exploring the feasibility of standardizing retail brokerage fees. This work will continue in the ensuing year.

ECSM Certification Workshop

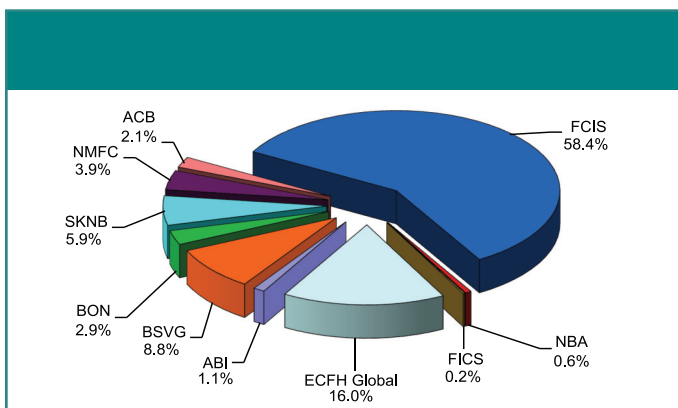
During the year, the scheduled ECSM Certification Workshops, which prepare candidates for licensing as Principal and Registered Representatives of intermediaries, had to be cancelled due to low registrations. Based on feedback from the intermediary community, a major factor leading to the low response rate was the cost of participation. In response, together with the other joint organisers, the ECSE has moved to address this matter by employing a web-based delivery mode for 60% of the course tutorials, significantly reducing the cost of participation. Future workshops will therefore be conducted using this format.

Intermediary Market Activity

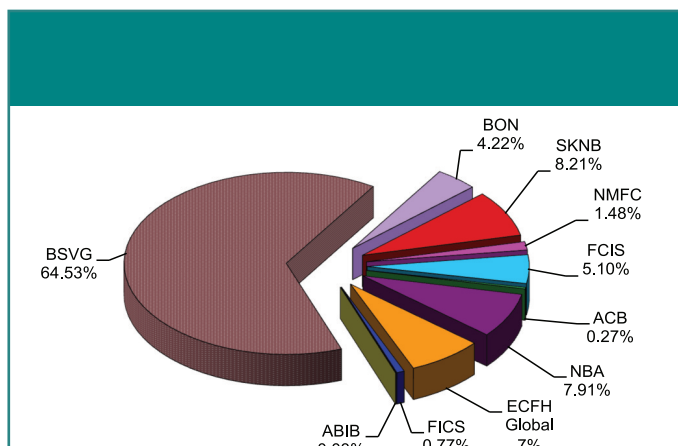
In the year ended 31 March 2013, intermediary activity, as measured by transactions on both primary and secondary markets, amounted to \$1.1 billion, which was a \$262.1 million or 29.8% increase on the previous year's activity. This increase is attributable entirely to primary markets, and in particular to the expansion in RGSM auctions.

All of the member broker dealers were active on the buy side of transactions in the secondary market, and eight of the 10

participated in the primary markets. First Citizens Investment Services outpaced the other intermediaries, with transaction values of \$668.6 million, representing 58.4% of the market. ECFH Global Investment Solutions and Bank of St Vincent and the Grenadines (BSVG) followed, with transaction values of \$185.5 million and \$98.6 million respectively, representing 16.0% and 8.8% of the aggregate.



All 10 member broker dealers also participated in sell-side transactions during the financial year. The aggregate value of brokers' sales amounted to \$3.1 million, a \$15.1 million or 82.9% decrease from the value recorded in the previous year, consistent with the decline in secondary market activity.



The BSVG, with an exponential increase in activity, was the market leader with \$2.2 million or 64.5% of the total traded value. The St Kitts-Nevis-Anguilla National Bank, the previous year's market leader, recorded the next highest activity with 8.2% of the market. The National Bank of Anguilla and ECFH Global followed with 7.9% and 7%, respectively.

MARKETING, EDUCATION AND AWARENESS

In 2012-2013, the thrust of the ECSE's marketing, education and awareness programs continued to be the enhancement of the general level of overall financial literacy, the creation of a heightened public awareness of the securities markets and the promotion of investments in the ECSE-traded products. In this regard, the ECSE engaged in a number of activities using the available media, both on its own and in conjunction with other entities, and the participation in local, regional and international fora, in pursuit of these objectives.

Information Dissemination

Daily trade and activity reports along with financial tips were distributed for radio and television broadcast and for publication in the print media, throughout the region. Press releases on primary market auction results and other market related matters were disseminated regularly to the media in the region, and internationally via Bloomberg.

All of the distributed information material, including statutory filings and material disclosures by listed companies and issuing Governments, was also published on the ECSE's website, www.ecseonline.com.

Financial Information Month

In October 2012, the ECSE undertook several activities in conjunction with other financial institutions within the framework of the OECS Financial Information Month (FIM) programme co-ordinated by the ECCB. Among the events in which the ECSE participated, were an interview during a television evening news programme, a Business Symposium and Innovative Forum, a children's library hour session for primary school children, the FIM 10-kilometer walk and publication of an article on "Investment for Wealth Creation" in regional newspapers. Members of staff also made monetary donations to charitable causes identified by the FIM Committee.

11th Anniversary Events

Concurrent with the FIM activities, the ECSE commemorated the 11th anniversary of its launch in October. Members of the Board of Directors and staff participated in a special service at the Catholic Co-Cathedral, in Basseterre, St Kitts, along with management and staff of the Eastern Caribbean Central Bank (ECCB), who were also observing an anniversary.

On the Anniversary Day, 19th October 2012, the second ECSE Financial Quiz was held via call-in programmes on radio stations throughout the ECCU. Successful quiz participants won gift certificates to purchase securities listed on the ECSE.

Shareholder Events

The ECSE continued its outreach to shareholders of listed companies, and of non-listed companies whose share registers are maintained by the ECCSR, through the operation and facilitation of shareholder services desks. In 2012 - 2013, shareholder desks were operated at the Annual General Meetings of five companies, one more than in the previous year.

In addition, the General Manager delivered the feature presentation at the Antigua Commercial Bank's Shareholder Business Luncheon held in February 2013.

Youth Outreach Programmes

The ECSE continued to support the Junior Achievement Programme in St. Kitts and Nevis, which, under the auspices of the St Kitts-Nevis Chamber of Industry and Commerce, seeks to develop entrepreneurship amongst secondary school students. The Manager, Administration Division, served as chairperson of the Advisory Committee up to February 2013.

In July 2012, the ECSE made a presentation on the functions and benefits of the ECSM, to the school leavers participating in the Annual Young Employee Socialization (YES) Training Workshop facilitated by the East Caribbean Institute of Banking and Finance.

During the year, the ECSE hosted economics students from the Clarence Fitzroy Bryant College in St Kitts and Nevis and faculty from the University of the Virgin Islands, to what has now become an annual educational visit.

Risk Management Workshop

The promotion and facilitation of ongoing development of professionals in the financial sector also continued during the year. In March 2013, the ECSE again collaborated with CariCRIS to host another Intensive Credit Risk Training Workshop. Twenty-one senior and mid-level professionals from financial institutions across the Caribbean participated in this workshop that was held in Grenada over a two-day period.

CORPORATE GOVERNANCE INITIATIVES

The ECSE's support of and commitment to promoting and developing good standards of corporate governance throughout the region continued in 2012 - 2013. This was demonstrated through its involvement in a number of governance initiatives and activities during the year.

DEAP

Two Directors' Education and Accreditation Programme (DEAP) workshops were conducted in collaboration with the Institute of Chartered Secretaries and Administrators/Chartered Secretaries Canada (ICSA/CSC). The sessions, held in Saint Lucia in November 2012 and in Trinidad in March 2013, attracted a total of 50 participants from throughout the Caribbean.

Risk Management & Governance Training

The ECSE collaborated with the ECCB and the International Finance Corporation (IFC) on a Risk Management and Corporate Governance training program held in Antigua in July. The General Manager presented an "Overview of ECCU Corporate Governance Initiatives" at the event.

CAACM

The ECSE continued to support the work being done by the Caribbean Association of Audit Committee Members (CAACM) and maintained membership of this organization. In July 2012, two Members of the ECSE Board's Audit Committee participated in the 6th Annual General Meeting and Conference, which was held in Saint Lucia.

ADMINISTRATION

Internal Audit

The two-year period of engagement of the firm of Maloney, Maitland and Associates as Internal Auditors of the ECSE Group expired in October 2012. The firm submitted its final report on the assignment in December 2012.

Although the performance of the firm was deemed satisfactory by both the Audit Committee of the Board and the Management, renewal of the engagement (provided for in the original agreement) was not an option, due to the dissolution of the firm. The ECSE has therefore invited new proposals for provision of internal audit services.

Personnel

During the year, two members of staff, Ms Alecia Pemberton - Operations Officer in the Market Operations Division, and Ms Denise Lynch-Wade - Administrative Assistant in the General Manager's Office, completed five years of service with the ECSE Group. Congratulations are extended to these two officers on this achievement. The Directors and Management record their appreciation for the contribution of these employees to the Group.

There were no personnel changes during the year.

Staff Development



The ECSE's human resource development efforts continued to focus on the continuous improvement of the staff's skills sets, and the development of new competencies. Emphasis was placed on enhanced service delivery and customer satisfaction. To this end, in 2012 - 2013, all staff members were exposed to training at various in-house and externally-facilitated events. The programmes attended are shown below.

Training Events

Date	Program	Location
Apr 12	Administrative Professionals Leadership Training	St Kitts
May 12	SWIFT Alliance Lite	In-house
Jul 12	Customer Service Training	St Kitts
Sept 12	ACSDA Workshop on Implementation of the CPSS/IOSCO FMI Principles	USA
Nov 12	AML/CTF/FATCA Seminar	St Kitts
	Train the Trainer's	St Kitts

In addition to these programs, the Operation Officers in the Market Operations Division were again rotated between the various operational units during the year. This process of staff rotation enables cross-training in the different functional areas and promotes employee satisfaction.

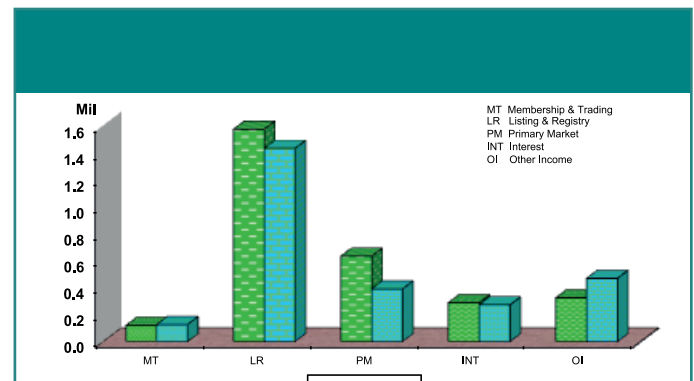
FINANCIAL PERFORMANCE

For the financial year ended 31 March 2013, the ECSE Group realized a profit of \$0.7 million. This was \$0.3 million or 79.7% above the profit recorded in the previous financial year, due to growth in the major income categories, and the containment of expenses at below the prior year's level.

Revenues

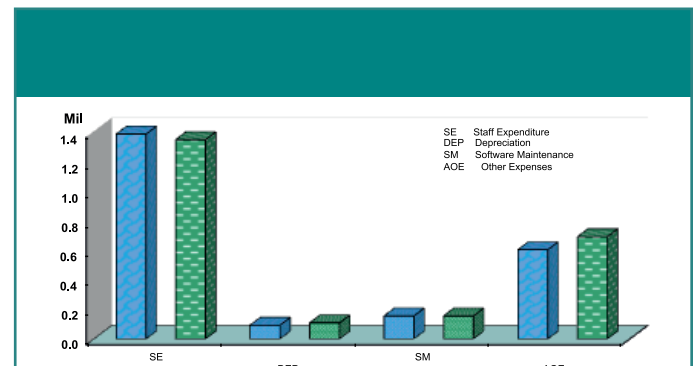
In 2012 - 2013, the ECSE Group's total revenue amounted to \$2.9 million, an increase of \$0.2 million or 9.3%, when compared to the results of 2011 - 2012. The major sources of this increment were Primary Market Income, which increased 62.1% and Listing and Registry Income which grew by 9.9% over the previous year's figures.

Listing and Registry Income remained the main contributor to revenue, at 53.4% of total income.



Expenses

During the year, the ECSE Group's expenses totaled \$2.2 million, 2.8% below 2011 -2012 expenditure levels. The reduction in expenses resulted mainly from a 10.0% decrease in Administrative Expenses, a fall of 52.6% in Legal and Professional Costs, and of 14.4% in Depreciation & Amortization.



DIRECTORS' REPORT

The Directors are pleased to submit their Report for the Financial Year ended 31 March 2013.

Principal Activities

The ECSE Group's principal activities consist of facilitating the primary issuance and secondary trading of corporate and sovereign securities, facilitating the clearance and settlement of issues and trades, maintaining securities holders' records, and providing custodial, registration, transfer agency and paying agency services in respect of listed and non-listed securities. There were no significant changes in the nature of the Group's activities during the year.

The ECSE and its subsidiaries are licensed by the Eastern Caribbean Securities Regulatory Commission, under the provisions of the Securities Act, to carry out these activities.

Directors

In accordance with the Articles of Association, all of the Directors retire by rotation at the Annual General Meeting.

The retiring Directors are eligible to be nominated by their respective shareholder classes for re-election.

Directors' Interests

As at 31 March 2013, no Director held a beneficial or other interest in the issued capital of the Company.

At no time during, or at the end of the financial year, did any Director have a material interest in any contract or arrangement in relation to the business of the Company or its subsidiaries.

Financial Results

The Company recorded a net profit of \$0.70 million on a consolidated basis for the year ended 31 March 2013.

Share Capital

The issued and outstanding capital of the Company is comprised entirely of 972,581 common shares. At 31 March 2013, 27,419 shares remained available from the initial offering of 1,000,000 shares.

At 31 March 2013, the following shareholders held 5% or more of the issued capital of the company:

		%
Eastern Caribbean Central Bank	-	30.85
National Insurance Services, St Vincent and the Grenadines	-	15.42
Antigua Commercial Bank Ltd	-	7.97
Bank of St Vincent and the Grenadines Ltd	-	5.14

Auditors

The auditors, Pannell Kerr Forster, Chartered Accountants, retire at the Annual General Meeting (AGM) of the Company. Messrs Pannell Kerr Forster (PKF) has served as auditors of the ECSE and its subsidiaries from the commencement of operations in 2001. Therefore, based on the policy adopted by the Directors and agreed at the last AGM of the Company in July 2012, to appoint auditors on a ten (10) year rotational basis, commencing from the financial year ending 31 March 2014, PKF are ineligible for re-appointment.

In accordance with the process agreed at the last AGM of the Company in July 2012, tenders were invited for the provision of audit services to the Company. Three proposals were received and evaluated.

Based on this, the Directors propose the appointment of KPMG Eastern Caribbean, Chartered Accountants, as auditors for the financial year ending 31 March 2014.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED

We have audited the accompanying consolidated financial statements of Eastern Caribbean Securities Exchange Limited and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 March 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



PKF

Chartered Accountants:

BASSETERRE - ST KITTS

14 August 2013

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013 (EXPRESSED IN EASTERN CARIBBEAN DOLLARS)**

ASSETS	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Non-Current Assets			
Plant and Equipment	3	142,853	148,125
Intangible Assets	4	<u>64,551</u>	<u>106,141</u>
		<u>207,404</u>	<u>254,266</u>
Current Assets			
Cash and Short Term Funds	5	19,581,544	13,205,721
Accounts Receivable	6	422,698	334,592
Held-to-Maturity Investments	7	<u>2,193,341</u>	<u>1,210,478</u>
		<u>22,197,583</u>	<u>14,750,791</u>
Total Assets		<u>\$22,404,987</u>	<u>\$15,005,057</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital (Page 19)	8	9,725,810	9,725,810
Accumulated Deficit (Page 19)		<u>(5,852,481)</u>	<u>(6,565,556)</u>
		<u>3,873,329</u>	<u>3,160,254</u>
Non-Current Liabilities			
Pension Fund	9	551,935	445,904
Provisions	10	-	42,685
Due to Eastern Caribbean Central Bank	11	<u>2,874,845</u>	<u>2,874,845</u>
		<u>3,426,780</u>	<u>3,363,434</u>
Current Liabilities			
Accounts Payable and Accruals	5 & 12	15,033,855	8,481,369
Provisions	10	<u>71,023</u>	-
		<u>15,104,878</u>	<u>8,481,369</u>
Total Liabilities		<u>18,531,658</u>	<u>11,844,803</u>
Total Equity and Liabilities		<u>\$22,404,987</u>	<u>\$15,005,057</u>

The attached Notes form an integral part of these Consolidated Financial Statements.

Approved by the Board of Directors on 14 August 2013.



Mr D Michael Morton
Deputy Chairman



Mr Peter Blanchard
Director

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013**
(EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

	<u>2013</u>	<u>2012</u>
INCOME		
Membership and Trading Income	120,689	127,364
Listing and Registry Income	1,573,507	1,431,743
Primary Market Income	634,210	391,134
Interest Income	289,814	273,420
Other Income	326,032	427,465
Profit on disposal of Plant and Equipment	<u> -</u>	<u>42,256</u>
	<u>2,944,252</u>	<u>2,693,382</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Compensation Costs	1,365,645	1,343,530
Staff Training	15,758	175
Depreciation and Amortisation	92,779	108,437
Legal and Professional Costs	37,157	78,410
Promotional Activities	58,167	47,844
Software Maintenance	155,077	155,089
Administrative Expenses	<u>506,594</u>	<u>563,030</u>
	<u>2,231,177</u>	<u>2,296,515</u>
Net Income being Total Comprehensive Income for the Year (Page 19)	<u>\$713,075</u>	<u>\$396,867</u>
Earnings per share (Basic)	<u>\$0.73</u>	<u>\$0.41</u>
(Note 13)		

The attached Notes form an integral part of these Consolidated Financial Statements.

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013**
(EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

	Share Capital	Accumulated Deficit	Total
Balance at 1 April 2011	9,725,810	(6,962,423)	2,763,387
Total Comprehensive Income for the Year (Page 18)	_____ -	<u>396,867</u>	<u>396,867</u>
Balance at 31 March 2012 (Page 17)	9,725,810	(6,565,556)	3,160,254
Total Comprehensive Income for the Year (Page 18)	_____ -	<u>713,075</u>	<u>713,075</u>
Balance at 31 March 2013 (Page 17)	<u>\$9,725,810</u>	<u>\$(5,852,481)</u>	<u>\$3,873,329</u>

The attached Notes form an integral part of these Consolidated Financial Statements.

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013**
(EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2013</u>	<u>2012</u>
Profit for the Year (Page 18)	713,075	396,867
Adjustments to reconcile profit to net cash from operating activities:		
Profit on disposal of Plant and Equipment	-	(42,256)
Depreciation and Amortisation (Page 18)	92,779	108,437
Accounts Receivable	(27,256)	(73,863)
Accounts Payable	6,552,486	2,785,753
Provisions	71,023	-
Adjustment for Interest	(289,814)	(273,420)
Pension Fund	<u>106,031</u>	<u>103,883</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>7,218,324</u>	<u>3,005,401</u>
CASH (OUTFLOW) / INFLOW FROM INVESTING ACTIVITIES		
Interest Received	228,964	330,261
Purchase of Intangible Assets	-	(975)
Investment in Securities	(982,863)	582,251
Purchase of Plant and Equipment	(45,917)	(13,258)
Proceeds on disposal of Plant and Equipment	<u>-</u>	<u>42,256</u>
	<u>(799,816)</u>	<u>940,535</u>
CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES		
Provisions	<u>(42,685)</u>	<u>37,180</u>
CASH INCREASE FOR THE YEAR	6,375,823	3,983,116
CASH AND SHORT TERM FUNDS AT THE BEGINNING OF THE YEAR	<u>13,205,721</u>	<u>9,222,605</u>
CASH AND SHORT TERM FUNDS AT THE END OF THE YEAR (Page 17)	<u>\$19,581,544</u>	<u>\$13,205,721</u>
Cash in Hand (Note 5 - Page 26)	307	292
Cash at Bank (Note 5 - Page 26)	16,581,237	11,405,429
Short term Deposits (Note 5 - Page 26)	<u>3,000,000</u>	<u>1,800,000</u>
	<u>\$19,581,544</u>	<u>\$13,205,721</u>

The attached Notes form an integral part of these Consolidated Financial Statements.

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**
(EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

1 INCORPORATION AND PRINCIPAL ACTIVITY

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

The company carries on business as a regional securities exchange and facilitates the buying and selling of financial products, including corporate and government securities for the member territories of the Eastern Caribbean Currency Union.

The registered office is situated at Bird Rock, Basseterre, St Kitts.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting:

These financial statements are prepared on the historical cost basis and in accordance with International Financial Reporting Standards (IFRS).

The accounting policies adopted are consistent with those of the previous financial year including the adoption of the new and amended IAS, IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations effective on or after the dates indicated;

New and amended Standards and interpretations in effect and applicable

IFRS 7 - Financial Instruments Disclosures - effective 1 July 2011

Adoption of this standard did not have any effect on the performance of the Group.

New and amended standards and interpretations in issue but not effective and not early adopted

IAS 1 - Presentation of Financial Statements - effective 1 July 2012

IAS 19 - Employee Benefits - effective 1 January 2013

IAS 27 - Separate Financial Statements - effective 1 January 2013

IAS 28 - Investment in Associates and Joint Ventures - effective 1 January 2013

IAS 32 - Financial Instruments: Offsetting Financial Assets and Financial Liabilities - effective 1 January 2014

IFRS 1 - First time Adoption of International Financial Reporting Standards - effective 1 January 2013

IFRS 7 - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - effective 1 January 2013

IFRS 9 - Financial Instruments - effective 1 January 2015

IFRS 10 - Consolidated Financial Statements - effective 1 January 2013

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**
(EXPRESSED IN EASTERN CARIBBEAN DOLLARS) (CONT'D)

2

SIGNIFICANT ACCOUNTING POLICIES (cont'd)

a) Basis of Accounting (cont'd):

New and amended standards and interpretations in issue but not effective and not early adopted (cont'd)

IFRS 11 - Joint arrangements - effective 1 January 2013

IFRS 12 - Disclosure of Interests in Other Entities - effective 1 January 2013

IFRS 13 - Fair Value Measurement - effective 1 January 2013

Annual Improvements 2009 - 2011 Cycle for IFRS 1, IAS 1, IAS 16, IAS 32, and IAS 34 - effective 1 January 2013

Consolidated Financial Statements, Joint Arrangements and Disclosure Interests in Other Entities: Transition Guidance - Amends IFRS 10, IFRS 11 and IFRS 12 - effective 1 January 2013

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) - effective 1 January 2014

Recoverable Amount disclosures for Non Financial Assets (Amendments to IAS 36) - effective 1 January 2014

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine - effective 1 January 2013

IFRIC 21 - Levies - effective 1 January 2014

b) Basis of Consolidation:

The subsidiary companies are Eastern Caribbean Central Securities Depository Limited and Eastern Caribbean Central Securities Registry Limited.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

c) Revenue Recognition:

The Group principally derives its revenue from the rendering of services and interest income. Revenue is recognised when the amount of revenue can be measured reliably and is probable that the economic benefits associated with the transaction will flow to the Group. Interest income is recognised using the effective interest rate method.

Revenue is recognised on an accrual basis when the services have been provided.

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**
(EXPRESSED IN EASTERN CARIBBEAN DOLLARS) (CONT'D)

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) Taxation:

By letter dated 27 May 2003, the Eastern Caribbean Securities Exchange (ECSE) and its subsidiary companies (the Group) was granted a ten (10) year tax holiday (Corporation and other taxes).

On 24 May 2012, the Parent Company made application for a further ten (10) year tax holiday. The matter is under discussion with the Government of St Kitts and Nevis.

e) Plant and Equipment:

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

Furniture and Fixtures	25%
Computer Equipment – Hardware	20%
Motor Vehicles	20%

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within the statement of income.

f) Intangible Assets:

Intangible assets are identifiable non-monetary assets without physical substance. Computer software meets this description.

Acquired computer software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives at rates ranging from 15% to 20% per annum.

g) Foreign Currencies:

All amounts are expressed in Eastern Caribbean Dollars.

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

h) Investments:

Investments are recognised on a trade-date basis and are initially recorded at cost plus any related transaction costs. At subsequent reporting dates, held-to-maturity debt securities which the Group has the expressed intention and ability to hold to maturity, are measured at amortised cost less any impairment loss recognised.

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**
(EXPRESSED IN EASTERN CARIBBEAN DOLLARS) (CONT'D)

2

SIGNIFICANT ACCOUNTING POLICIES (cont'd)

i) Accounts Payable and Accruals:

Liabilities 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.

j) 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.

k) Use of Estimates:

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

l) Trade Receivables:

Trade receivables are recognised at fair value less provision made for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the ECSE Group will not be able to collect all amounts due according to the original term of receivables. Significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy are considered indicators that the receivables are impaired. As at 31 March 2013, the Group was expected to collect all of its trade receivables.

3

PLANT AND EQUIPMENT

	<u>2013</u>	<u>2012</u>
Furniture and Fixtures		
Cost at Beginning of Year	107,532	97,072
Additions during the Year	-	10,460
Disposal during the Year	<u>(39,688)</u>	-
Cost at End of Year	<u>67,844</u>	<u>107,532</u>
Accumulated Depreciation – Beginning of Year	93,139	86,586
Charge for the Year	6,492	6,553
Disposal during the Year	<u>(39,688)</u>	-
Accumulated Depreciation – End of Year	<u>59,943</u>	<u>93,139</u>
Net Book Value	<u>7,901</u>	<u>14,393</u>

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**
(EXPRESSED IN EASTERN CARIBBEAN DOLLARS) (CONT'D)

3

PLANT AND EQUIPMENT (cont'd)

Computer Equipment	<u>2013</u>	<u>2012</u>
Cost at Beginning of Year	405,783	402,985
Additions during the Year	45,917	2,798
Disposals during the Year	<u>(7,075)</u>	-
Cost at End of Year	<u>444,625</u>	<u>405,783</u>
Accumulated Depreciation – Beginning of Year	395,784	374,196
Charge for the Year	9,497	21,588
Disposals during the Year	<u>(7,075)</u>	-
Accumulated Depreciation – End of Year	<u>398,206</u>	<u>395,784</u>
Net Book Value	<u>46,419</u>	<u>9,999</u>
Motor Vehicles		
Cost at Beginning of Year	176,000	262,000
Additions during the Year	-	-
Disposals during the Year	-	<u>(86,000)</u>
Cost at End of Year	<u>176,000</u>	<u>176,000</u>
Accumulated Depreciation – Beginning of Year	52,267	103,067
Charge for the Year	35,200	35,200
Disposals during the Year	-	<u>(86,000)</u>
Accumulated Depreciation – End of Year	<u>87,467</u>	<u>52,267</u>
Net Book Value	<u>88,533</u>	<u>123,733</u>
TOTAL NET BOOK VALUE (Page 17)	<u>\$142,853</u>	<u>\$148,125</u>

4

INTANGIBLE ASSETS

Computer Software	<u>2013</u>	<u>2012</u>
Cost at Beginning of Year	2,467,937	2,466,962
Additions during the Year	-	<u>975</u>
Cost at End of Year	<u>2,467,937</u>	<u>2,467,937</u>
Accumulated Amortisation – Beginning of Year	2,361,796	2,316,699
Charge for the Year	<u>41,590</u>	<u>45,097</u>
Accumulated Amortisation – End of the Year	<u>2,403,386</u>	<u>2,361,796</u>
NET BOOK VALUE (Page 17)	<u>\$64,551</u>	<u>\$106,141</u>

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5 CASH AND SHORT TERM FUNDS

	<u>2013</u>	<u>2012</u>
Certificates of Deposit	3,000,000	1,800,000
Cash with Commercial Banks	16,581,237	11,405,429
Cash on Hand	<u>307</u>	<u>292</u>
TOTAL (Page 17)	<u>\$19,581,544</u>	<u>\$13,205,721</u>

Certificates of Deposits

The certificates of deposits are held with various banks in the Organisation of Eastern Caribbean States and earn interest at rates varying from 4.25% to 5.25% per annum (2012 = 5.00% to 5.25%).

Cash with Commercial Banks - \$16,581,237

This figure principally represents amounts deposited with a subsidiary company (Eastern Caribbean Central Securities Registry) by clients for their securities holders' dividends, interest and maturity payments at 31 March 2013 in the amount of \$8,449,611 (See Note 12).

6 ACCOUNTS RECEIVABLE

	<u>2013</u>	<u>2012</u>
Trade Receivables	220,608	210,309
Interest Receivable	71,913	11,063
Prepayments	<u>130,177</u>	<u>113,220</u>
TOTAL (Page 17)	<u>\$422,698</u>	<u>\$334,592</u>

As at 31 March 2013, the aging of trade receivables is as follows:

	<u>Total</u>	<u>Neither Past Due nor Impaired</u>	<u>Past Due but not Impaired 30 to 90 days</u>	<u>over 90 days</u>
2013	<u>\$220,608</u>	<u>\$164,268</u>	<u>\$39,900</u>	<u>\$16,440</u>
2012	<u>\$210,309</u>	<u>\$75,192</u>	<u>\$38,360</u>	<u>\$96,757</u>

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7 INVESTMENTS

Held-to-Maturity Investments	<u>2013</u>	<u>2012</u>
- Government of St Lucia Fixed-Rate Bonds	230,709	222,943
- Treasury Bill DMB280512 @ 5%	-	987,535
- Treasury Bill VCB180413@ 3.12%	992,221	-
- Treasury Bill LCB170713 @ 6.00%	<u>970,411</u>	-
TOTAL (Page 17)	<u>\$2,193,341</u>	<u>\$1,210,478</u>

The Government of St Lucia Fixed - Rate bond is a sale and repurchase agreement with repurchase set at 13 April 2013. The underlying interest rate is 3.00% (2012 = 4.25%) and the Company intends to hold this investment to its date of maturity.

The Treasury Bills represent investments in the Government of Saint Vincent and the Grenadines' 91 day Bill VCB180413 at 3.12% maturing on 18 April 2013, and the Government of Saint Lucia's 180 - day Bill, LCB170713, at 6.00% maturing on 17 July 2013.

8 SHARE CAPITAL

Authorised:
5,000,000 Shares of \$10 each \$50,000,000

Subscribed Capital:

Class	No of Shares issued at 1 April 2012	Shares Issued during the Year	No of Shares issued at 31 March 2013	Nominal Value	
				<u>2013</u>	<u>2012</u>
A	300,000	-	300,000	3,000,000	3,000,000
B	287,500	-	287,500	2,875,000	2,875,000
C	370,081	-	370,081	3,700,810	3,700,810
D	<u>15,000</u>	-	<u>15,000</u>	<u>150,000</u>	<u>150,000</u>
	<u>972,581</u>	-	<u>972,581</u>	<u>\$9,725,810</u>	<u>\$9,725,810</u>

(Page 17)

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.

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8

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 company.
- b)
 - i Classes holding 50% or more of the issued capital are allowed to nominate 3 directors.
 - ii Classes holding between 20% and 49% of the issued capital are allowed to nominate 2 directors.
 - iii Classes holding less than 20% of the issued capital are allowed to nominate 1 director.

9

PENSION FUND - \$551,935 (2012 = \$445,904)

This amount is held pending the establishment of the ECSE Pension Fund at which time the amount will be transferred to the Fund. Included in the cash balance of \$16,581,237 (2012 = \$11,405,429) is an amount of \$551,935 which is earmarked for the pension fund liability (See Note 5).

10

PROVISIONS

Gratuities

Provision has been made for gratuities payable to employees on completion of their contract of service to the Group. The amount of \$71,023 (current) (2012 = \$42,685) (non current) provided to date has been included in provisions.

11

DUE TO EASTERN CARIBBEAN CENTRAL BANK

The amount of \$2,874,845 (2012 = \$2,874,845) represents advances made by the Eastern Caribbean Central Bank on behalf of the Company and its wholly-owned subsidiary companies to finance establishment and compensation costs of the Group.

Additional Financial Support

Subsequent to 31 March 2013 the Eastern Caribbean Central Bank has given the following undertaking and guarantee in respect of the Eastern Caribbean Securities Exchange Limited and its wholly-owned subsidiary companies:

- 1 An undertaking to postpone all claims in respect of present and future funds advanced to the Eastern Caribbean Securities Exchange Limited and its wholly-owned subsidiary companies by the Eastern Caribbean Central Bank up to year ending 31 March 2014 (balance at 31 March 2013, EC\$2,874,845);
- 2 Guarantee cover in the event of a budgeted shortfall in respect of Eastern Caribbean Securities Exchange Limited and its wholly-owned subsidiary companies for the fiscal year ending 31 March 2014, but not to exceed EC\$2,000,000.

The above undertaking and guarantee will be reviewed at 31 March 2014 and are irrevocable before this date.

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12	ACCOUNTS PAYABLE AND ACCRUALS	<u>2013</u>	<u>2012</u>
	Unclaimed company dividends payable (See Note 5)	8,449,611	5,901,415
	Deferred Income	124,464	123,655
	Holiday Pay Accrual	96,786	129,262
	Accruals	16,218	17,567
	Escrow Liability	6,237,809	2,282,063
	Accounts Payable	72,601	27,407
	Credit Card	<u>36,366</u>	<u>-</u>
	TOTAL (Page 17)	<u>\$15,033,855</u>	<u>\$8,481,369</u>

Advance payments – Fees was reclassified as Deferred Income.

13 **EARNINGS PER SHARE**

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

Earnings	<u>2013</u>	<u>2012</u>
Net Profit for the Year (Page 18)	<u>\$713,075</u>	<u>\$396,867</u>
Number of Shares		
Weighted average number of Ordinary Shares	<u>972,581</u>	<u>972,581</u>
Earnings Per Share	<u>\$0.73</u>	<u>\$0.41</u>

14 **RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

A number of transactions were entered into with related parties in the normal course of business. These include loans and other transactions (see Note 11).

Key Management Compensation

The salaries, fees and benefits paid to key management personnel of the Group during the year amounted to \$656,577 (2012 = \$641,532). The following is an analysis of these amounts:

	<u>2013</u>	<u>2012</u>
Salaries and other short-term employee benefits	580,034	571,962
Post-employment benefits	<u>76,543</u>	<u>69,570</u>
Total Key Management Compensation	<u>\$656,577</u>	<u>\$641,532</u>

Eastern Caribbean Central Bank

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

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15

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the end of the year, there were no Contingent Liabilities or Capital Commitments (2012 = Same).

16

FINANCIAL INSTRUMENTS

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

Interest rate risk exposure:

The Group does not have any significant exposure to interest rate risk. Credit risk exposure:

Credit risk arises from the possibility that counterparties may default in their obligations to the Group. The maximum credit risk exposure of financial assets recognised in the 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. Management does not believe that the concentration is unusual or provides undue risks.

Fair Value:

Fair value amounts represent the approximate values at which financial instruments could be exchanged in current transactions between willing parties. However, many of the financial instruments lack an available trading market and therefore, it is not possible to determine independently the estimated fair values. The fair values of financial instruments are considered to approximate their book values.

All non-financial instruments are excluded from fair value disclosure and accordingly, the total fair value amounts cannot be aggregated to determine the underlying value of the Group.

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.

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16

FINANCIAL INSTRUMENTS (cont'd)

Liquidity Risk (cont'd):

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:

	Due within 1 Year	Over 5 Years	Total
Financial Assets			
Year ended 31 March 2013			
Cash and Short Term Funds	19,581,544	-	19,581,544
Accounts Receivable	422,698	-	422,698
Held to Maturity Investments	<u>2,193,341</u>	-	<u>2,193,341</u>
	<u>\$22,197,583</u>	-	<u>\$22,197,583</u>

Year ended 31 March 2012

Cash and Short Term Funds	13,205,721	-	13,205,721
Accounts Receivable	334,592	-	334,592
Held to Maturity Investments	<u>1,210,478</u>	-	<u>1,210,478</u>
	<u>\$14,750,791</u>	-	<u>\$14,750,791</u>

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.

	Due within 1 Year	>1 Year to 5 Years	Over 5 Years	Total
Financial Liabilities				
Year ended 31 March 2013				
Pension	-	551,935	-	551,935
Due to Eastern Caribbean Central Bank	-	-	2,874,845	2,874,845
Provisions	71,023	-	-	71,023
Accounts Payable and Accruals	<u>15,033,855</u>	-	-	<u>15,033,855</u>
	<u>\$15,104,878</u>	<u>\$551,935</u>	<u>\$2,874,845</u>	<u>\$18,531,658</u>

Year ended 31 March 2012

Pension	-	445,904	-	445,904
Due to Eastern Caribbean Central Bank	-	-	2,874,845	2,874,845
Provisions	-	42,685	-	42,685
Accounts Payable and Accruals	<u>8,481,369</u>	-	-	<u>8,481,369</u>
	<u>\$8,481,369</u>	<u>\$488,589</u>	<u>\$2,874,845</u>	<u>\$11,844,803</u>

LISTED SECURITIES AT 31 MARCH 2013

ISSUER

TRADING SYMBOL

EQUITIES

 CABLE & WIRELESS	Cable & Wireless St Kitts & Nevis Limited	CWKN
	CIBC FirstCaribbean International Bank (Barbados) Limited	FCI
	Dominica Electricity Services Limited	DES
 East Caribbean Financial Holding Company	East Caribbean Financial Holding Company Limited	ECFH
	Grenada Electricity Services Limited	GESL
	Grenreal Property Corporation Limited	GPCL
	Republic Bank (Grenada) Limited	RBGL
	S L Horsford and Company Limited	SLH
	St Kitts-Nevis-Anguilla National Bank Limited	SKNB
	St Kitts Nevis Anguilla Trading and Development Company Limited	TDC
	St Lucia Electricity Services Limited	SLES
	The Bank of Nevis Limited	BON
	Trinidad Cement Limited	TCL

LISTED SECURITIES AT 31 MARCH 2013 CONT'D

ISSUER

TRADING SYMBOL

Corporate Debt



Eastern Caribbean Home Mortgage Bank

HMB010713; HMB0713AC;
HMB250314; HMB010714;
HMB260814; HMB300116;
HMB280916



Grenada Electricity Company Limited

GES191217

Sovereign Debt



Antigua and Barbuda

AGB131113; AGB031213;
FAG070713; AGN280716;
AGG100721; FAG150626;
AGG300740; AGB100913;



Commonwealth of Dominica

DMB060613; DMG051117;
DMG100614; DMG200624;
DMG300634



Grenada

GDB200513; GDB190713;
GDB121013; GDB301113;
GDB180413



Federation of St Kitts and Nevis
(Incl Nevis Island Administration)

FKG200432; KNG450457;
NVB220613



Saint Lucia

LCB230413; LCB290413;
LCB170713; LCN090713;
LCN151013; LCN210814;
LCG101114; LCG100714;
LCG060715; LCG101015;
LCG291115; LCG100116;
LCG100816; LCN291016;
LCG101017; LCG101117;
LCG080718; LCG100118;
LCG0318AA; LCG100718;
LCG060219; LCG071019;
LCG080320; LCG100322;
LCG101222; LCG100223;
FLN151013; FLN291115;
FLG061215; FLG060216;
FLG101017



St Vincent and the Grenadines

VCB180413; VCB150513;
VCB120613; VCG100814;
VCG070316; VCG0316AA;
VCG0316AB; VCG100816;
VCG100917; VCG100422;
VCG100323

MEMBER INTERMEDIARIES AT 31 MARCH 2013

INTERMEDIARY		PLACE OF BUSINESS
ABI Bank Limited	 ABI Bank Ltd.	Antigua and Barbuda
Bank of St Vincent and the Grenadines Limited	 Bank of St Vincent & the Grenadines <small>The Bank That Cares About You</small>	St Vincent and the Grenadines
ECFH Global Investment Solutions Limited	 GLOBAL INVESTMENTS <small>ECFH Global Investment Solutions Limited</small>	Saint Lucia
First Citizens Investment Services Limited	 First Citizens Investment Services	Saint Lucia Trinidad and Tobago
National Bank of Anguilla Limited	 NBA	Anguilla
St Kitts-Nevis-Anguilla National Bank Limited	 WORKING HARDER TODAY FOR A BRIGHTER TOMORROW	St Kitts and Nevis
The Bank of Nevis Limited		St Kitts and Nevis