

**EASTERN CARIBBEAN CENTRAL SECURITIES
DEPOSITORY LIMITED**

Financial Statements

March 31, 2016



EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

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KPMG Eastern Caribbean
Cnr. Factory Road & Carnival Gardens
P.O. Box 3109
St. John's
Antigua

Telephone 268 462 8868
268 462 8869
268 462 8992
Fax 268 462 8808
e-Mail kpmg@kpmg.ag

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

We have audited the accompanying financial statements of Eastern Caribbean Central Securities Depository Limited ("the Company"), which comprise the statement of financial position as of March 31, 2016, the statements of loss and other comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 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 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 financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
August 15, 2016

Antigua and Barbuda

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

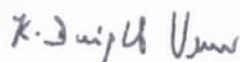
Statement of Financial Position

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

| | <u>Notes</u> | <u>2016</u> | <u>2015</u> |
|---|--------------|------------------|-------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and Short-term deposits | 6 | \$ 5,834,802 | 11,660,054 |
| Accounts Receivable and Other Assets | 7 | 48,735 | 16,506 |
| Total Current Assets | | 5,883,537 | 11,676,560 |
| Non-current Assets: | | | |
| Due from Parent Company | 8 | 110,424 | 179,772 |
| Intangible Asset | 9 | 326,250 | 191,250 |
| Total Non-current Assets | | 436,674 | 371,022 |
| Total Assets | \$ | 6,320,211 | 12,047,582 |
| Liabilities and Shareholder's Equity | | | |
| Current Liabilities: | | | |
| Accruals | | 56,250 | 56,250 |
| Deferred Income | 10 | 1,250 | 1,750 |
| Escrow Funds | 11 | 5,834,563 | 11,659,523 |
| Total Current Liabilities | | 5,892,063 | 11,717,523 |
| Non-current Liability | | | |
| Due to Related Party | 8 | 269,972 | 135,000 |
| Total Non-current Liabilities | | 269,972 | 135,000 |
| Total Liabilities | | 6,162,035 | 11,852,523 |
| Shareholder's Equity: | | | |
| Share Capital | 12 | 2,220,000 | 2,220,000 |
| Accumulated Deficit | | (2,061,824) | (2,024,941) |
| Total Shareholder's Equity | | 158,176 | 195,059 |
| Total Liabilities and Shareholder's Equity | \$ | 6,320,211 | 12,047,582 |

Approved for issue by Board of Directors on 15 August 2016 and signed on its behalf by:



Sir K. Dwight Venner
Chairman



Mr. D. Michael Morton
Director

The notes on pages 6 to 21 are an integral part of these financial statements.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Statement of Loss and other Comprehensive Income

Year ended March 31, 2016

(Expressed in Eastern Caribbean Dollars)

| | <u>Notes</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|-----------------|-----------------|
| Income: | | | |
| Transaction Fees | \$ | 167,556 | 155,371 |
| Membership Fees | | 15,000 | 16,333 |
| Total Income | | <u>182,556</u> | <u>171,704</u> |
| General and Administrative Expenses: | | | |
| Compensation Costs | | 176,829 | 151,268 |
| Administrative Expenses | | 32,010 | 41,563 |
| Legal and Professional Costs | | 6,069 | 5,704 |
| Promotional Activities | | 4,276 | 5,251 |
| Amortisation | 9 | - | 4,589 |
| Staff Training | | 255 | 1,956 |
| Total General and Administrative Expenses | | <u>219,439</u> | <u>210,331</u> |
| Net Loss, being Total Comprehensive Loss for the Year | \$ | <u>(36,883)</u> | <u>(38,627)</u> |

The notes on pages 6 to 21 are an integral part of these financial statements.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Statement of Changes in Shareholder's Equity

Year ended March 31, 2016

(Expressed in Eastern Caribbean Dollars)

| | <u>Share Capital</u> | <u>Accumulated Deficit</u> | <u>Total</u> |
|---|----------------------|--------------------------------|--------------|
| Balance as at March 31, 2014 | \$ 2,220,000 | (1,986,314) | 233,686 |
| Net loss, being total comprehensive loss for the year | - | (38,627) | (38,627) |
| Balance as at March 31, 2015 | \$ 2,220,000 | (2,024,941) | 195,059 |
| Net loss, being total comprehensive loss for the year | - | (36,883) | (36,883) |
| Balance as at March 31, 2016 | \$ 2,220,000 | (2,061,824) | 158,176 |

The notes on pages 6 to 21 are an integral part of these financial statements.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Statement of Cash Flows

Year ended March 31, 2016

(Expressed in Eastern Caribbean Dollars)

| | <u>Notes</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|-------------|-------------|
| Cash flows from operating activities | | | |
| Net Loss for the year | \$ | (36,883) | (38,627) |
| Adjustment for Amortisation | 9 | - | 4,589 |
| Operating loss before working capital changes | | (36,883) | (34,038) |
| Change in accounts receivable and other assets | | (32,229) | 77,981 |
| Change in accruals | | - | 56,250 |
| Change in deferred income | | (500) | - |
| Change in due from parent company | | 69,348 | (44,210) |
| Change in due to related party | | 134,972 | 135,000 |
| Change in escrow funds | | (5,824,960) | 2,313,568 |
| Net cash (used in)/provided by operating activities | | (5,690,252) | 2,504,551 |
| Cash flows used in investing activities | | | |
| Purchase of computer software being, net cash used in investing activities | 9 | (135,000) | (191,250) |
| (Decrease)/increase in cash and short-term deposits for the year | | (5,825,252) | 2,313,301 |
| Cash and short-term deposits at the beginning of the year | | 11,660,054 | 9,346,753 |
| Cash and short-term deposits at the end of the year | \$ | 5,834,802 | 11,660,054 |

The notes on pages 6 to 21 are an integral part of these financial statements.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

1. **Incorporation and Principal Activity:**

The Eastern Caribbean Central Securities Depository Limited (“the Company”) 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 St. Christopher and Nevis. The registered office is situated at Bird Rock, Basseterre, St. Kitts.

It is a wholly-owned subsidiary of Eastern Caribbean Securities Exchange Limited (“ECSE”).

The principal activity of the Company is the performance of all services incidental or conducive to the functioning of a central securities depository.

2. **Basis of Preparation**

(a) Statement of Compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies adopted in the preparation of these financial statements have been applied consistently to all periods presented in the financial statements and are set out below.

The financial statements were authorised for issue by the Board of Directors on August 15, 2016.

(b) Basis of Measurement:

These financial statements have been prepared on the historical cost basis.

(c) Functional and Presentation Currency:

The financial statements are presented in Eastern Caribbean Dollars, which is the Company’s functional currency, rounded to the nearest dollar.

(d) Use of Accounting Estimates and Judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of 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.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below.

(a) *Foreign Currencies:*

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency of the Company at the exchange rate in effect at the reporting date. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value is determined. Gains and losses resulting from the settlement of such transactions are recognised in the statement of loss and other comprehensive income.

(b) *Cash and Short-term Deposits:*

Cash and short-term deposits comprise funds held by third party financial institutions.

(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, 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 amortized cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Company 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 March 31, 2016, the Company is expected to collect all of its accounts receivable.

(d) *Intangible Assets:*

Intangible assets are identifiable non-monetary assets without physical substance. These are measured at cost less accumulated amortization 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 and, if necessary, adjusted.

The estimated useful lives of computer software range from five (5) to seven (7) years.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

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

(e) *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 Company.

(f) *Provisions:*

Provisions are recognised when the Company 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.

(g) *Revenue:*

The Company principally derives its revenue from the rendering of services. 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 Company. It is measured at the fair value of consideration received or receivable, excluding trade discounts.

(h) *Taxation:*

By letter dated May 27, 2003, the ECSE and its subsidiary companies (the Group) were 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 Group was granted an extension in respect of taxation relief applicable to the current period. However, the matter is still under discussion with the Government of St. Christopher and Nevis.

(i) *New and revised accounting standards and interpretations:*

Improvements to IFRS 2010-2012 and 2011-2013 cycles contain amendments to certain standards and interpretations. The main amendments applicable to the Company are as follows:

- IFRS 13, *Fair Value Measurement* is amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

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

(i) New and revised accounting standards and interpretations: (*cont'd*)

- IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets*. The standards have been amended to clarify that, at the date of revaluation:
 - (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses or;
 - (ii) the accumulated depreciation (amortisation) is eliminated against the gross carrying amount of the asset.
- IAS 24, *Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.
- Amendments to IAS 19, *Defined Benefit Plans: Employee Contributions*, clarify the requirements that relate to how contributions from employees or third parties that are linked to services should be attributed to periods of services. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of services. The adoption of these amendments did not result in any change to the presentation and disclosures in the financial statements.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

4. Standards, amendments and interpretations issued but not yet effective

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Company has not early-adopted. The Company has assessed the relevance of all such new standards, amendments and interpretations with respect to the Company's operations and has determined that the following are likely to have an effect on the financial statements.

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
 - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
 - the order of notes to the financial statements is not prescribed;
 - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
 - specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and
 - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

The Company is assessing the impact that this amendment will have on its 2017 financial statements.

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are effective for accounting periods beginning on or after January 1, 2016.
 - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
 - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

The Company is assessing the impact that this amendment will have on its 2017 financial statements.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

4. Standards, amendments and interpretations issued but not yet effective (*cont'd*)

- Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 41, *Biological Assets*, which are effective for annual reporting periods beginning on or after January 1, 2016, require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 instead of IAS 41. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41.

The Company is assessing the impact that this amendment will have on its 2017 financial statements.

- Amendments to IAS 27, *Equity Method in Separate Financial Statements*, effective for accounting periods beginning on or after January 1, 2016 allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.

The Company is assessing the impact that this amendment will have on its 2017 financial statements.

- Improvements to IFRS 2012-2014 cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the Company are as follows:
 - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e. reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.
 - IFRS 7, *Financial Instruments: Disclosures*, has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered ‘continuing involvement’.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

4. Standards, amendments and interpretations issued but not yet effective (*cont'd*)

IFRS 7 has also been amended to clarify that the additional disclosures required by Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendment to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, Interim Financial Reporting, require their inclusion.

- IAS 19, *Employee Benefits*, has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.
- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces *IAS 11, Construction Contracts*, *IAS 18, Revenue*, *IFRIC 13, Customer Loyalty Programmes*, *IFRIC 15, Agreements for the Construction of Real Estate*, *IFRIC 18, Transfer of Assets from Customers* and *SIC-31 Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The Company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company is assessing the impact that this amendment will have on its 2019 financial statements.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

4. Standards, amendments and interpretations issued but not yet effective (*cont'd*)

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

The Company is assessing the impact that this amendment will have on its 2019 financial statements.

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

The Company is assessing the impact that this amendment will have on its 2020 financial statements.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

5. Financial Instruments:

(a) *Recognition, initial measurement and derecognition:*

Financial assets and financial liabilities are recognised when the Company 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 which are measured at fair value. 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.

(b) *Classification and subsequent measurement of financial assets:*

Financial assets are classified as loans and receivables upon initial recognition.

All financial assets are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which is described below.

All income and expenses relating to financial assets are recognised in the statement of loss and other comprehensive income.

(c) *Loans and receivables:*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. The Company's cash and short-term deposits and accounts receivable, and other assets, fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific party will default.

(d) *Classification and subsequent measurement of financial liabilities:*

The Company's financial liabilities include escrow funds.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

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

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

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

(d) Classification and subsequent measurement of financial liabilities: (*cont'd*)

Financial Risk Management:

(i) Interest Rate Risk Exposure:

The Company 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 Company. 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 Company's performance to developments affecting a particular industry or geographical location. Management does not believe that the concentration is unusual or provides undue risks.

(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 Company.

(iv) Liquidity Risk:

In order to manage liquidity risk, 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 company's financial assets into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date:

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITEDNotes to Financial Statements (*cont'd*)

March 31, 2016

*(Expressed in Eastern Caribbean Dollars)***5. Financial Instruments: (*cont'd*)****Financial Risk Management:***(iv) Liquidity Risk: (*cont'd*)*

| | <u>Due within 1 Year</u> | <u>Over 5 Years</u> | <u>Total</u> |
|--------------------------------------|------------------------------|---------------------|-------------------|
| Financial Assets | | | |
| Year ended March 31, 2016 | | | |
| Cash and Short-term deposits | \$ 5,834,802 | - | 5,834,802 |
| Due from Parent Company | - | 110,424 | 110,424 |
| Accounts Receivable and Other Assets | <u>48,735</u> | <u>-</u> | <u>48,735</u> |
| | <u>\$ 5,883,537</u> | <u>110,424</u> | <u>5,993,961</u> |
| Year ended March 31, 2015 | | | |
| Cash and Short-term deposits | \$ 11,660,054 | - | 11,660,054 |
| Due from Parent Company | - | 179,772 | 179,772 |
| Accounts Receivable and Other Assets | <u>16,506</u> | <u>-</u> | <u>16,506</u> |
| | <u>\$ 11,676,560</u> | <u>179,772</u> | <u>11,856,332</u> |

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

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

(d) *Classification and subsequent measurement of financial liabilities:*

Financial Risk Management (*cont'd*)

(iv) *Liquidity Risk: (cont'd)*

The table below analyses the Company'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.

| | <u>Due within</u> <u>1 Year</u> | <u>Over 1 year</u> | <u>Total</u> |
|----------------------------------|------------------------------------|--------------------|-------------------|
| Financial Liabilities | | | |
| Year ended March 31, 2016 | | | |
| Escrow Funds | \$ 5,834,563 | - | 5,834,563 |
| Due to Related Party | - | 269,972 | 269,972 |
| Accruals | 56,250 | - | 56,250 |
| Deferred Income | 1,250 | - | 1,250 |
| | <u>\$ 5,892,063</u> | <u>269,972</u> | <u>6,162,035</u> |
| Year ended March 31, 2015 | | | |
| Escrow Funds | \$ 11,659,523 | - | 11,659,523 |
| Due to Related Party | - | 135,000 | 135,000 |
| Accruals | 56,250 | - | 56,250 |
| Deferred Income | 1,750 | - | 1,750 |
| | <u>\$ 11,717,523</u> | <u>135,000</u> | <u>11,852,523</u> |

(v) *Capital Management:*

The Company's policy is to maintain a strong capital base to encourage investor, creditor and market confidence, and to sustain future development of the business. There were no changes to the way in which the Company manages its capital during the year.

6. Cash and Short-term Deposits:

| | <u>Notes</u> | <u>2016</u> | <u>2015</u> |
|--------------|--------------|---------------------|-------------------|
| Escrow Funds | 11 | \$ 5,834,562 | 11,659,523 |
| Cash at Bank | | 240 | 531 |
| Total | | <u>\$ 5,834,802</u> | <u>11,660,054</u> |

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

7. Accounts Receivable and Other Assets:

| | 2016 | 2015 |
|---------------------|------------------|---------------|
| Accounts Receivable | \$ 47,806 | 15,578 |
| Prepayments | 929 | 928 |
| | <u>\$ 48,735</u> | <u>16,506</u> |

As at March 31, 2016, the aging of accounts receivable was as follows:

| | | Total | Neither Past Due nor Impaired | Past Due but not Impaired | |
|------|----|---------------|--|--------------------------------------|---------------------|
| | | | | 30 to 90 days | Over 90 days |
| 2016 | \$ | <u>47,806</u> | <u>31,369</u> | <u>16,437</u> | <u>-</u> |
| 2015 | \$ | <u>15,578</u> | <u>15,498</u> | <u>80</u> | <u>-</u> |

8. Related Party Balances and Transactions:

(a) Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - i) has control or joint control over the reporting entity;
 - ii) has significant influence over the reporting entity; or
 - iii) is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

8. Related Party Balances and Transactions: (*cont'd*)

(a) Related party: (*cont'd*)

- b) An entity is related to a reporting entity if any of the following conditions applies: (*cont'd*)
 - iii) Both entities are joint ventures of the same third party.
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control or joint control of, or significant influence over, the reporting entity; and
- b) another entity that is a related party because the same government has control or joint control of or significant influence over, both the reporting entity and the other entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(b) Due to Related Party

The amount of \$269,972 (2015: 135,000) due to the Eastern Caribbean Central Securities Registry represents advances made on behalf of the Eastern Caribbean Central Securities Depository to finance costs associated with the development of a new Central Securities Depository application. The amount is unsecured, interest free and has no fixed settlement dates.

(c) Due from Parent Company:

The amount due from the Eastern Caribbean Securities Exchange represents the net of, income collected and expenses paid on behalf of the Company. This amount is unsecured, interest free and has no fixed settlement date.

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

8. Related Party Balances and Transactions: (*cont'd*)

(d) Key Management Compensation:

The salaries, fees and benefits paid to key management personnel of the Company during the year amounted to \$82,182 (2015: \$66,534). The following is an analysis of these amounts:

| | 2016 | 2015 |
|---|------------------|---------------|
| Salaries and other short-term employee benefits | \$ 71,995 | 59,381 |
| Post-Employment benefits | 10,187 | 7,153 |
| Total Key Management Compensation | <u>\$ 82,182</u> | <u>66,534</u> |

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

9. Intangible Asset:

| | 2016 | 2015 |
|--|-------------------|----------------|
| Computer Software: | | |
| Cost at beginning of year | \$ 583,105 | 391,855 |
| Additions during the year | 135,000 | 191,250 |
| Cost at end of year | 718,105 | 583,105 |
| Accumulated amortisation – beginning of the year | 391,855 | 387,266 |
| Charge for the year | - | 4,589 |
| Accumulated amortisation – end of the year | 391,855 | 391,855 |
| Net Book Value | <u>\$ 326,250</u> | <u>191,250</u> |

10. Deferred Income:

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

11. Escrow Funds:

The Escrow Funds liability represents dividends, interest and maturity payments which are withheld for charged/pledged accounts and at the request of the Court and Judicial Managers. (See Note 6).

EASTERN CARIBBEAN CENTRAL SECURITIES DEPOSITORY LIMITED

Notes to Financial Statements (*cont'd*)

March 31, 2016

(Expressed in Eastern Caribbean Dollars)

12. Share Capital:

| | 2016 | 2015 |
|---|---------------|-------------|
| Authorised: | | |
| 2,000,000 Ordinary Shares of \$10 each | \$ 20,000,000 | 20,000,000 |
| Issued: | | |
| 222,000 (2015: 222,000) Shares of \$10 each | \$ 2,220,000 | 2,220,000 |

13. Additional Financial Support:

Subsequent to March 31, 2016, the Eastern Caribbean Central Bank gave the following undertaking and guarantee in respect of the Eastern Caribbean Securities Exchange Limited, a Public Limited Company registered under the Laws of Saint Christopher and Nevis, West Indies:

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 March 31, 2017.
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 March 31, 2017, but not to exceed EC\$2,000,000.

The above undertaking and guarantee will be reviewed at March 31, 2017 and are irrevocable before this date.

14. Contingent Liabilities and Capital Commitments:

The Company had capital commitments as at March 31, 2016 of \$135,000 (2015: \$270,000) in respect of the license agreement between the Eastern Caribbean Securities Exchange Limited and software suppliers, entered on February 24, 2014, for the development of a new Central Securities Depository application.

Amount due to suppliers as at March 31, 2016 is \$56,250.

The future payments are as follows:

| | 2016 | 2015 |
|--|----------------|----------------|
| Not later than 1 year | 135,000 | 135,000 |
| Later than 1 year and not later than 3 years | - | 135,000 |
| | <u>135,000</u> | <u>270,000</u> |