



Eastern Caribbean Securities Exchange
Limited and its Subsidiaries



ANNUAL REPORT 2011



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CORPORATE INFORMATION

Board of Directors



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 (from 15 June 2010)
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 Tarlie Francis
**Senior Manager,
Market Operations Division**



Mr Trevor E Blake
General Manager/CEO



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
The Bank of Nova Scotia • Fort Street, Basseterre, St Kitts • Halifax Street, St George's, Grenada'

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 bimonthly 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 reelection 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

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

Audit Committee

Mrs Sephlin Lawrence – Chairperson
Mrs Jennifer Nero
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 George S Goodluck
Mrs Sephlin Lawrence

Intermediary Development and Market Structure Committee

Mr Peter Blanchard – Chairman
Mr D Michael Morton
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:

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



The Annual Report of the Eastern Caribbean Securities Exchange Limited (ECSE) and its subsidiaries, and the Audited Financial Statements for the year ended 31 March 2011, are being presented at a critical juncture in the development path of the countries of the Eastern Caribbean Currency Union (ECCU).

During 2010 the ECCU continued to be challenged by the negative effects of the global economic and financial crisis. The global economy, and in particular, the US economy, has not experienced a robust recovery. As a result, tourist arrivals and expenditures, direct foreign investment and remittances in the ECCU continued to be weak. This has been compounded by the sharp rise in oil, food and other commodity prices over the last few months. Global oil prices, for example, averaged \$102.00 per barrel in March 2011, 26.0 per cent above the level recorded one year earlier.

The ECCU recorded an unprecedented second consecutive year of negative growth in 2010, with real output contracting by 2.7 per cent, following a decline of 5.6 per cent in 2009. In particular, tourist arrivals and exports of goods and services are projected to remain below pre-crisis levels in the short-term. Real growth of 2.1 per cent is projected for 2011, accelerating to 3.0 per cent in 2012.

The member countries of the ECCU continue to forge ahead with a strategic response to these challenges. Regionally, the economic integration arrangements have been upgraded to Economic Union status. The Revised Treaty of Basseterre, establishing the OECS Economic Union, which was signed on 18 June 2010, was ratified on 21 January 2011.

The Eight Point Stabilisation and Growth Programme, which was launched in December 2009, to stabilize and transform the ECCU economies, is being implemented. The various constituent programmes, aimed at achieving macroeconomic stability, financial sector stability, and sustainable growth and socio-economic development and transformation, are being rolled out sequentially.

The emergence of a robust and viable private sector is seen as an integral complement to the 8-point programme, in order to achieve economic competitiveness. In this regard, a task force on debt, growth and development has been established with the objective of examining the prospects for economic growth in the ECCU and recommending a path for stimulating and sustaining growth and transforming the economies in the context of the OECS Economic Union. The work of the task force is ongoing.

The ECSE, as a regional institution, seeks to contribute to the economic and commercial development within the region by influencing improvements in corporate governance, financial and accounting practices, the deployment of technology, and the promotion of best practices. These are critical to facilitating a seamless interface with an increasingly integrated global economy.

The ECSE has made significant strides since its inception.

1. At 31 March 2011, 59 securities were listed on the ECSE, consisting of 13 equities and four corporate bonds and 42 Government securities;
2. There have been regular issues of debt instruments on the Regional Government Securities Market (RGSM), where Governments have raised in excess of \$4.5 billion at rates which provide significant cost savings to governments.
3. Companies have also raised \$362.0 million in new capital on the primary market of the ECSE; the ECCSR maintains 25,310 accounts for 30,167 shareholders.

The RGSM, which was launched in November 2002, continues to be quite robust, providing the major part of overall market activity. Over the 2010/2011 financial year, three central Governments, 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, auctioned 30 instruments, raising an aggregate of \$628.0 million.

The significant oversubscription of RGSM auctions over the year, 61.4% in aggregate, is indicative of the increasing demand for sovereign securities.

Going forward, the importance of the secondary market to the overall success of the securities market must be emphasized. Accordingly, we implore the broker dealers to play their part in the further development of the intermediary function, including engaging in market making, to catalyze the further development of the secondary market.

As it approaches 10 years of operation, the ECSE continues to reflect upon the future of the institution in a rapidly changing world and to develop strategies for its success. The vision for the ECSE has always included tapping into international pools of capital to attract investment flows to the region.

There is an extensive regional Diaspora in major world capitals that may be interested in investment opportunities in the region. The ECSE will develop strategies to target these ECCU nationals in these major cities.

There remains considerable scope for the development of the corporate debt market, and the potential for IPOs remain largely untapped.

The recently established Eastern Caribbean Enterprise Fund (ECEEF), when fully operational, will be one mechanism for generating IPOs. In its venture capital/private equity provider function, the ECEF will be taking equity stakes in enterprises at all stages of development. The ECSE could play a meaningful role in this arrangement.

Governments are being encouraged to implement a privatisation programme to divest state-run commercial enterprises. The privatisation of public sector entities is a potential source of IPOs.

The expansion of a market for corporate debt will boost primary market activity. Public companies are encouraged to issue debt securities as a means of diversifying their financing options.

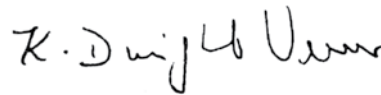
The low trading volumes on the secondary market stem mainly from the strong 'buy and hold' culture in the region. This requires a paradigm shift by individual investors. The ECSE's ongoing marketing, education

and awareness programme will assist in changing this culture over time.

For the financial year, the ECSE Group realized a profit of \$0.34 million, a decrease of \$0.08 million or 18.6% when compared to the 2009/2010 results. This performance was the result of a \$0.07 million or 2.8% reduction in Revenues and a \$0.01 million or 0.4% increase in Expenses.

Despite the obvious accomplishments, the ECSE will continue to strive to achieve greater financial success, while pursuing the objective of developing a market with depth, breadth and resilience, necessary to make support the ongoing development of the region.

I take this opportunity to thank you, the Shareholders, as well as the members of the Board of Directors, Management and Staff, for your unwavering support throughout the year.



Sir K Dwight Venner
Chairman



REVIEW OF OPERATIONS

During the financial year ended 31 March 2011, the economies of the member states of the Eastern Caribbean Currency Union (ECCU) continued to be adversely impacted by the forces of the global financial and economic crisis. Contraction in economic activity continued in 2010, albeit it at a slower rate, 1.8%, than in 2009. This resulted, as sectors, such as construction and transportation and communication, experienced further declines, due to weak external demand and a fall off in investment.

The ECSE, and the markets it hosts, were not insulated from the continuing deterioration in the economic environment. Activity in both the primary and secondary markets slowed considerably, and declines were experienced in overall market capitalization and in the EC share index. Notwithstanding, there was marginal growth in the number of market listings, and the registry recorded an expansion in activity.

The Group's performance for the year reflects the prevailing climate. The return of \$0.34 million for the year ended 31 March 2011 represents a decline of 18.6% from the results of the previous year.

LISTINGS

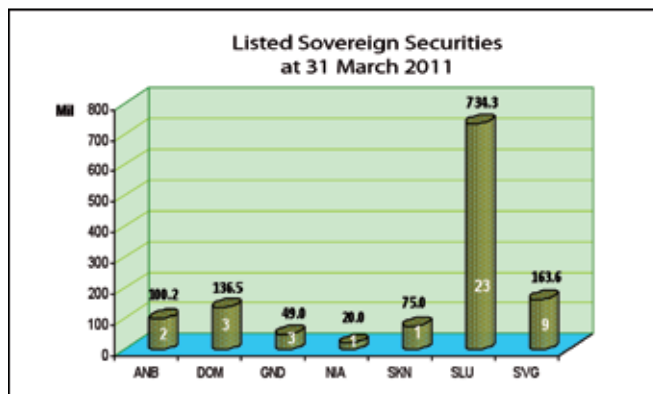
At 31 March 2011, there were 59 securities listed on the Exchange, two more than at the previous financial year-end. These comprised 42 sovereign debt instruments, 13 equities and four corporate bonds.



During the year, 28 new securities were listed on the ECSE, three fewer than in 2009/2010. This comprised 22 Treasury bills, four Treasury notes and two bonds. Over the same period, 25 listed debt instruments, comprising 23 Treasury bills, one bond and one note, matured and were redeemed.

Sovereign Debt Securities

At 31 March 2011, there were 42 sovereign debt securities listed on the ECSE, an increase of three or 7.7% over the previous year.



The Government of Saint Lucia, which remained the market leader with a total of 23 securities, accounted for the increment in listings.

Corporate Securities

There were 17 corporate securities listed on the ECSE at 31 March 2011, one fewer than at the previous year-end. This comprised 13 equities and four bonds. Of the 13 equities, 11 are domestic (ECCU area) companies and two are cross-listed securities from regional exchanges.

During the year the number of listed equities fell by one, as GraceKennedy Ltd (GKC) de-listed its shares in June 2010. There was no change in the number or composition of domestic equities listings. The number of listed corporate debts remained at four, as the two maturing bonds were replaced by two new listings.

MARKET CAPITALISATION

At 31 March 2011, the aggregate market capitalization of the 13 listed equities was \$10.9 billion, a decrease of \$1.4 billion or 11.4% compared to the previous year-end. This decrease could be attributed mainly to the withdrawal of GKC, which, at time of delisting, accounted for 8.3% of overall market capitalization.



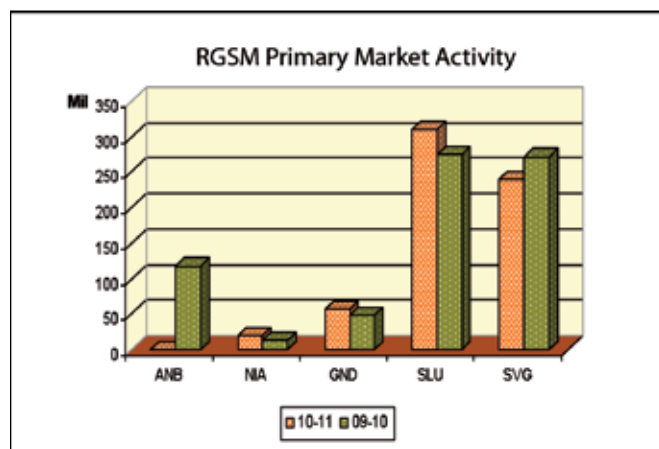
The cross listed companies continued to dominate the market, accounting for 84.5% of overall market capitalization. FirstCaribbean International Bank (Barbados) Ltd (FCI) led the market with 76.7% and Trinidad Cement Ltd (TCL), contributed 7.8%.

Only three of the 11 domestic listed companies, St Kitts-Nevis-Anguilla National Bank (SKNB) with 3.1%, East Caribbean Financial Holdings Ltd (ECFH) with 3% and St Lucia Electricity Services Ltd (SLES) with 2.6%, contributed more than 2% to the overall market capitalisation.

PRIMARY MARKET ACTIVITY

RGSM

During 2010/2011, activity on the Regional Government Securities Market (RGSM) declined by 28.6%, as there were 12 fewer auctions than in the previous year. This is attributable to the cessation of the Government of Antigua and Barbuda's monthly issues of Treasury bills on the market.



Three central Governments, Grenada, Saint Lucia and St Vincent and the Grenadines, and one local Government, the Nevis Island Administration, collectively auctioned 30 instruments, comprising 25 Treasury bills, four notes and one bond. These four issuers raised a total of \$628.0 million from these auctions, \$98.6 million below the amount raised in the previous financial year.

The Governments of Saint Lucia and St Vincent and the Grenadines were the more active issuers in 2010/2011, accounting for 49.5% and 38.1% respectively, of the aggregate RGSM proceeds. During the year, Saint Lucia auctioned 14 instruments raising \$310.6 million, which was \$36.2 million or 13.2% above the amount raised in the previous year. St Vincent and the Grenadines raised \$239.3 million in 12 Treasury bill auctions, a decrease of \$32.4 million or 11.9% compared to the previous year when, in addition to the monthly T-bills, two medium term bonds were issued.

The Government of Grenada issued three securities during the financial year, raising \$58.1 million. This was \$8.7 million or 17.7% above the amount raised in the previous year, and represented 9.3% of the total RGSM activity. The Nevis Island Administration, facilitated by the Government of the Federation of St. Kitts and Nevis, issued its second 365-day Treasury bill in June 2010, raising \$20 million.

Since inception in November 2002, Governments have raised over \$4.5 billion on the RGSM.

ECSM

During the financial year ended 31 March 2011, primary market activity on the Eastern Caribbean Securities Market (ECSM) comprised the auction of two 3-year bonds, issued by the Eastern Caribbean Home Mortgage Bank (ECHMB). These issues raised, in aggregate, \$86.2 million, an increase of 73.8% or \$36.6 million over the amount raised by ECHMB in the previous year.

The ECSE's primary issuance infrastructure was also used to issue 2.5 million ordinary shares in an Additional Public Offer by the Grenada Co-operative Bank Ltd to Grenadian nationals.

SECONDARY MARKET ACTIVITY

Activity on the secondary market slowed considerably in the financial year ended 31 March 2011. During the year, 4.9 million units of securities traded, representing a sharp decline of 47.8% from the 9.4 million units traded the previous year. This largely reflects a decrease in trades in debt securities during 2010/2011.

Sovereigns

During the year, 3.5 million units of government securities traded at a value of \$6.5 million. This reflected a significant fall off from the previous year, when 7.5 million units traded at \$9.4 million. Despite this decline, sovereign debt continued to lead overall secondary market activity, accounting for 71.6% of the total traded volume.

Of the 11 domestic listed companies, only three, St Kitts-Nevis-Anguilla National Bank (SKNB) with 3.1%, East Caribbean Financial Holdings Ltd (ECFH) with 3% and St Lucia Electricity Services Ltd (SLES) with 2.6%, contributed more than 2% to the overall market capitalisation.

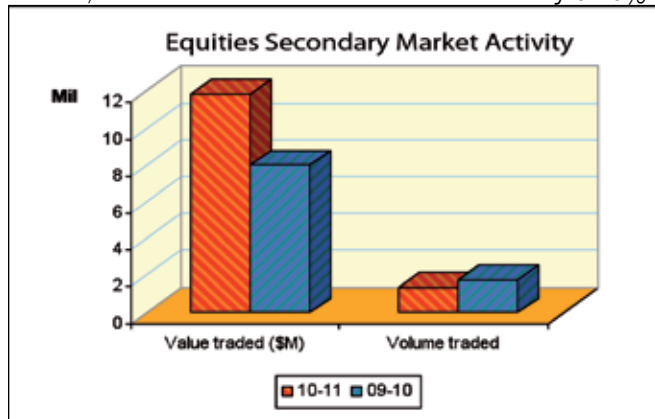
Corporate Securities

During the year 3.8 million units of corporate securities traded on the ECSM, recording an increase of 0.4 million units or 11.8%, over the volume in the previous year. Of this, 2.5 million units were put through the Exchange in cross trades, a marked 56.3% increase from the 1.6 million units put through in 2009/2010.

Trades executed on the market in 2010/2011 amounted to 1.3 million units at a value of \$11.9 million. In comparison,

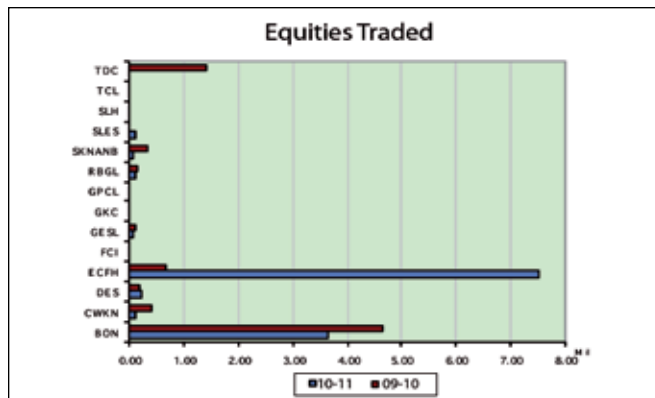


market trades in the previous year amounted to 1.8 million units at a value of \$8.0 million, reflecting a 27.8% decline in volume, while the transactions values increased by 37.5%.



There was no corporate debt activity on the secondary market during the financial year, continuing the decline of the previous year.

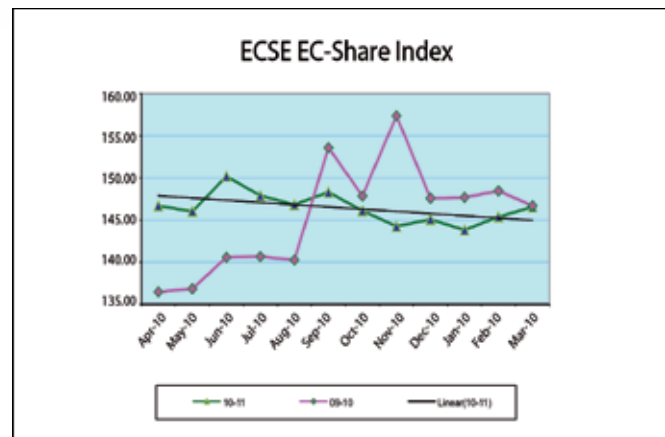
During the financial year 2010/2011, ECFH and The Bank of Nevis (BON) were the market leaders, contributing 63.1% and 30.5%, respectively, in equities trading volume. With the exception of ECFH and SLES, there was a decrease in trading in other equities, when compared to the previous year.



EC-SHARE INDEX

At 31 March 2011, the ECSE's EC-Share Index, which tracks the prices of the 11 domestic listed equities, stood at 146.56, a decline of 0.14 points or 0.1% from the value recorded at the start of the year. The index peaked at 150.86 in June 2010, but trended downwards throughout the rest of the year, with marked fluctuations during the fourth quarter.

Five equities, with price declines ranging from 0.4% to 15.6%, contributed to the fall in the index.



REGISTRY ACTIVITY

The operations of the Eastern Caribbean Central Securities Registry Ltd (ECCSR) expanded during the financial year ended 31 March 2011. The number of securities maintained increased by 4.1% to 76 at year-end; and the number of investor accounts, maintained on behalf of 30,167 securities holders, increased by 3.7% to 25,310; and retail transaction activities expanded by 39.3%. Corporate actions processed, however, declined during the year.

The 76 securities at the Registry at year-end comprised 27 Government bonds, 16 equities, 15 corporate bonds, 10 Treasury bills and eight Treasury notes. These were maintained on behalf of 15 corporate and six sovereign clients.

New Registrations

During the year 33 new securities, all issued on the ECSE's primary market platform, were registered at the ECCSR. This comprised 30 sovereign securities (25 Treasury bills, four notes and one bond) and three corporate bonds.

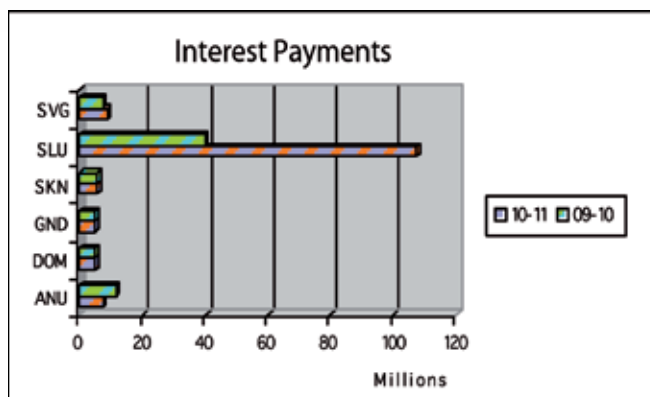
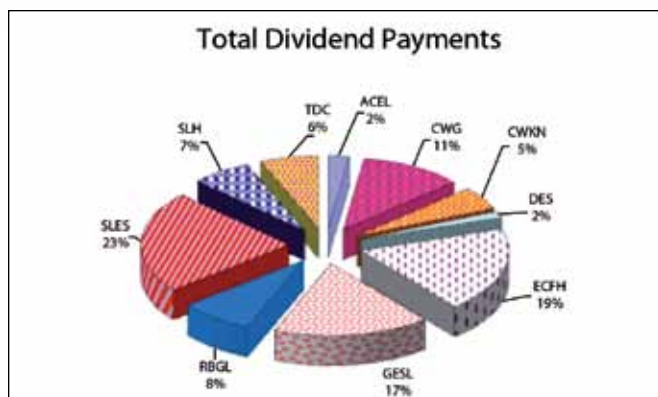
In the same period 30 securities' registers were closed, as 29 debt securities were redeemed at maturity and one equity delisted. This resulted in three net new registrations, representing a 4.1% growth, in 2010/2011, compared to 9.0% in the previous year.

Corporate Actions

The Registry processed payments of \$789.9 million in corporate actions on behalf of 12 companies and six sovereign clients during 2010/2011. This represented a decrease of 2.3% compared to the previous year.

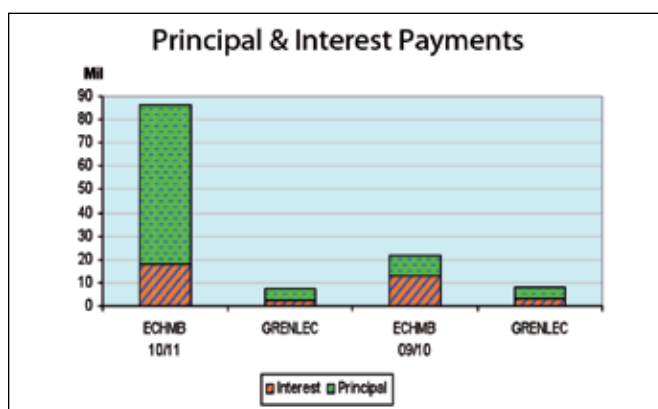
Dividends

In 2010/2011, dividends paid and/or processed on behalf of 10 client companies, amounted to \$50.9 million. This was 10.2% lower than the amount paid out in the previous financial year, as a number of companies reduced their dividends in 2010/2011.



Interest, Redemption and Amortisation Payments Corporates

The ECCSR made payments totalling \$93.7 million dollars to bondholders on behalf of ECHMB and Grenada Electricity Services Ltd (GRENLEC).



These payments, which were \$64.1 million or 216.6% above the sum paid in the previous year, comprised interest of \$20.4 million on one GRENLEC and 11 ECHMB bonds, and redemptions of principal, amounting to \$73.3 million, on GRENLEC's 10-year amortising bond and ECHMB's 12th and 18th bonds.

Sovereigns

During the year, the ECCSR paid out \$645.3 million to holders of securities issued by its six sovereign clients. This was 10.8% below the sum paid in the previous year, reflecting a reduction in principal repayments. The holders of securities issued by the Governments of Saint Lucia and St Vincent and the Grenadines were the main recipients, accounting for 41.6% and 40.5%, respectively, of the total payout.

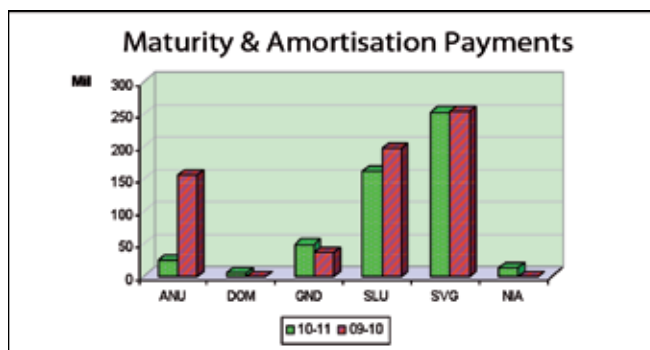
Interest

Interest paid out on sovereign debt securities during 2010/2011 amounted to \$138.5 million, 87.2% or \$64.5 million above the sum paid in the previous year.

The Government of Saint Lucia, as issuer of the largest volume of sovereign securities registered, accounted for 77.2% of the aggregate interest payment. The Governments of St Vincent and the Grenadines and Antigua and Barbuda accounted for 6.2% and 5.6%, respectively.

Principal Repayments

In 2010/2011, principal redemptions of \$506.2 million were paid out on maturing and amortised sovereign debt securities. This was 21.8% or \$141.6 million below the sum redeemed in the previous year, mainly reflecting the Government of Antigua and Barbuda's cessation of its monthly Treasury bills auctions, and the consequent contraction in the number of registered and maturing bills.



The Government of St Vincent and the Grenadines, with monthly maturing Treasury bills, and the Government of Saint Lucia, with the largest volume of registered securities, accounted for 49.9% and 31.8%, respectively, of total principal redemptions.

Other Transactions

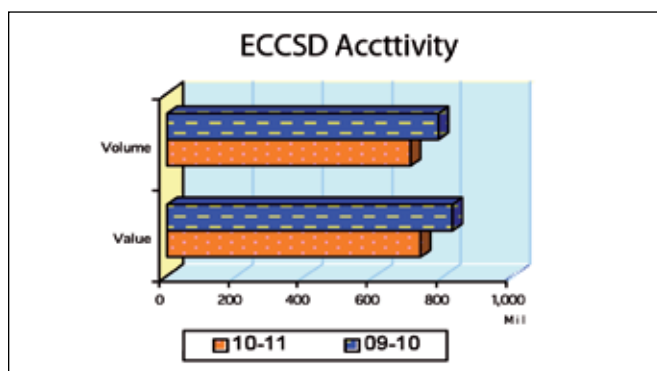
During the year, the ECCSR processed 1,821 account maintenance transactions on behalf of securities holders, an increase of 514 or 39.3% over the number processed in the previous financial year. These involved, in the main, changes of addresses, names and payment options, registration and release of charges, registration of transfers and the reissue of dividend cheques.



DEPOSITORY ACTIVITY

The Eastern Caribbean Central Securities Depository Ltd (ECCSD), during the year ended 31 March 2011, cleared and settled 807 transactions involving 727.7 million units of securities at a value of \$739.1 million.

On the primary markets, a total of 722.8 million units of securities were processed. Of this, sovereign securities issued on the RGSM amounted to 636.6 million units in 369 transactions at a total value of \$617.9 million. Corporate bonds that settled at par in five transactions accounted for the remaining 86.2 million units.



On the secondary market, 1.4 million units of equities were processed in 411 transactions at a value of \$18.4 million. Additionally, 3.5 million units of sovereign securities were cleared and settled in 22 transactions at a value of \$6.5 million.

At 31 March 2011, the ECCSD held 16.7 million units of securities in custody on behalf of member intermediaries and other account holders. This comprised 6.2 million units of corporate bonds, 4.9 million units of sovereign bonds and notes, 4.5 million units of equities and 1.1 million units of Treasury bills.

Settlement Arrangements

During the year, the ECCSD signed new agreements with clearing banks in order to enhance the mitigation of principal risk in the settlement of securities traded on the ECSE. The new arrangements facilitate the delivery of traded securities simultaneous with the corresponding final payments, ensuring full delivery versus payment (DVP). This brings the ECSE fully in line with international standards on securities settlement.

INTERMEDIARY SERVICES

During the year, the number of ECSE-member intermediaries decreased by one, as in September 2010, the Republic Finance and Merchant Bank Ltd (FINCOR) withdrew from

the market. Accordingly, at the end of the year there were nine ECSE-Member Broker dealers, one located in Anguilla, two in Antigua and Barbuda, one in Dominica, two in St Kitts and Nevis, two in Saint Lucia and one in St Vincent and the Grenadines.

Intermediary Working Group

The ECSE continued to serve as secretariat, co-ordinating the activities of the Intermediary Working Group (IWG).

The IWG met on three occasions during the year, two of which were by teleconference. The third was annual physical meeting in February, which was held in Saint Lucia. At the annual meeting, in accordance with its rotation policy, chairmanship of the IWG passed to First Citizens Investment Services Limited (formally CMMB), and ECFH Global Investment Solutions Ltd assumed the deputy chairmanship, both for a period of one year.

ECSM Certification Workshop

The 14th in the series of ECSM Certification Workshops, which are held to prepare persons for licensing as registered representatives and principals in brokerage firms, was held in November 2010. Fourteen persons participated in this workshop, drawn from across ECCU Member Countries, Barbados, and Trinidad and Tobago.

Continuing Education Workshop

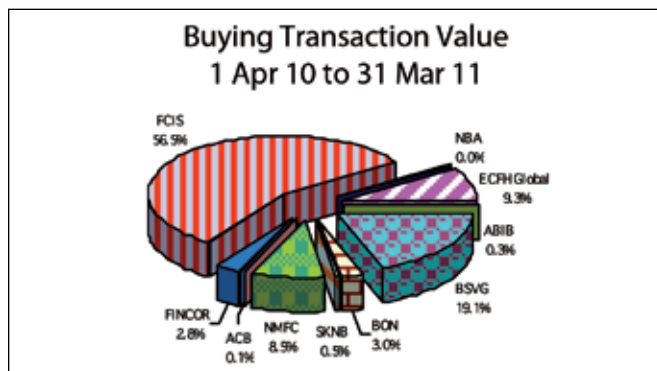
In February, coinciding with the annual meeting of the IWG in Saint Lucia, the ECSE held the second annual Continuing Education Workshop for Securities Professionals in the ECSM. The Workshop, which is aimed at meeting the ongoing developmental needs of alumni of the ECSM Certification Workshop, attracted 16 participants. Sessions focused on topical market operations and business development issues, such as the preparation of research reports, and the role of market makers.

Intermediary Corporate Changes

Two ECSE Member brokers recorded corporate name changes during the year. Firstly, consequent on its acquisition by First Citizens Bank Limited, the name of Caribbean Money Market Brokers Limited was changed to First Citizens Investment Services Ltd. In the second case, following the divestment by the Government of St Vincent and the Grenadines of a majority of its shares in the National Commercial Bank (SVG) Ltd, the name of the bank was changed to Bank of St. Vincent and the Grenadines Limited (BSVG).

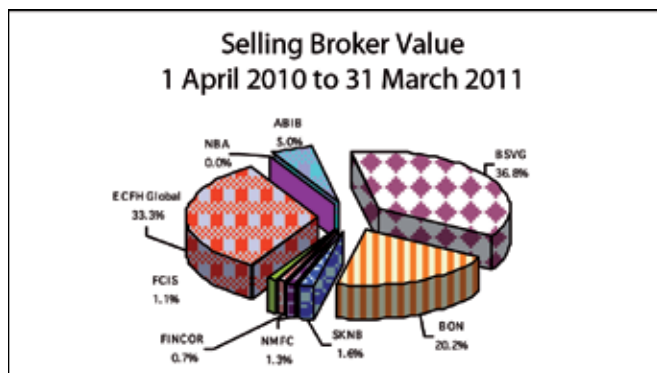
Intermediary Market Activity

In the 2010/2011 financial year, broker dealers purchased securities valued at \$732.6 million on the primary and secondary markets of the ECSE. This represented a decrease of \$91.9 million or 11.2% when compared with broker activity in 2009/2010. As in the previous year, these transactions were heavily concentrated in the primary market.



All of the brokerage firms contributed to the buy side of transactions in the primary and secondary markets in 2010/2011. FCIS was market leader on the buy side, with transactions valued at \$413.6 million, representing 56.5% of aggregate transactions. The next most active broker was BSVG, with transactions valued at \$139.7 million or 19.1% of the total.

In 2010/2011, aggregate brokers' sell-side transactions amounted to \$18.4 million, which was 5.7% or \$1.0 million above the sales recorded in 2009/2010.



Of the eight brokers that were active on the sell side of the market during the year, BSVG, Global Investment, and BON were the lead sellers.

MARKETING, EDUCATION AND AWARENESS

The ECSE's marketing and education and awareness programme promotes overall financial literacy, and highlights the role of securities markets and their inherent investment opportunities. In 2010/2011, media reports, radio and television broadcasts and public outreach activities were the cornerstones of the programme.

Media Reports

Press releases on market events, daily reports on trading activity, market results and financial tips continue to be

published daily. These are distributed in audio format to radio and television stations for broadcast, and in print to newspapers. The reports and releases are also placed on the ECSE's website, www.ecseonline.com, for public access. Statutory filings, material and other disclosures by listed companies and issuing Governments are also published on the ECSE's website as a means of ensuring that key activities and disclosures by listed companies and issuing Governments are available in the public domain.

Junior Achievement Programme

The ECSE continues to support Junior Achievement 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 continues to provide leadership, as chairperson of the Advisory Committee.

9th Anniversary/Financial Information Month

The ECSE celebrated its 9th anniversary in October, the month which is also designated Financial Information Month in the ECCU. Special celebratory events and activities were undertaken to support and improve financial literacy across the ECCU, in recognition of these two special events.

During the month, Directors and staff worshipped with the congregation at the Bethesda Moravian Church in St Kitts to commemorate the Anniversary. To celebrate Financial Information Month, which is co-ordinated by the ECCB, Management and staff made presentations on finance and investment to churches, schools and other community groups in St Kitts, participated in panel discussions on local radio stations, and published articles in newspapers throughout the ECCU.

Across the ECCU, ECSE member intermediaries also participated in their respective countries to underscore the role of finance and investing with public presentations, media events and other outreach activities.

Other

Management and staff continued to make presentations on the ECSE's operations during organized visits to its offices and at various fora. During the year, the ECSE hosted visits by a senior IMF official, and economics students from the University of the Virgin Islands, and the Clarence Fitzroy Bryant College in St Kitts and Nevis.

A number of public presentations were made to the Grenadian public in May, leading up to an Investor Awareness Forum held in conjunction with client companies in Grenada, and ECFH Global Investment Solutions. These included radio and television appearances and a public panel discussion.

In July, a presentation was made at the Young Employee Socialisation program's annual training workshop in St Kitts. In September, the General Manager addressed the



opening ceremony of the CAACM's 4th Annual Meeting and Training Conference, and in November, made a presentation at the Caribbean Association of Indigenous Banks (CAIB) 37th Annual General Meeting and Conference.

In March, during Consumer Awareness Week in St Kitts and Nevis, the ECSE participated in live call-in radio programmes, and operated an information desk at the Consumer Awareness Fair.

CORPORATE GOVERNANCE

The ECSE remained committed to promoting good standards of corporate governance throughout the region. This was demonstrated in a number of initiatives undertaken during the year.

DEAP

In January, a Directors' Education and Accreditation Programme (DEAP) was held, in collaboration with the Institute of Chartered Secretaries and Administrators/Chartered Secretaries Canada (ICSA/CSC), in Saint Lucia. The DEAP, which targets directors and senior managers from the private and public sectors in the Caribbean, attracted 23 participants from across the region.

To date, approximately 240 persons have participated in the DEAP, most of whom have been awarded the designation of Accredited Director (Acc. Dir.) by the ICSA/CSC.

CAACM

The ECSE continued to demonstrate its commitment to, and support of the work of, the Caribbean Association of Audit Committee Members (CAACM) during the year. This year the ECSE's support extended to assisting in the hosting of the 4th Annual Meeting and Training Conference held in St Kitts in September 2010.

OTHER ACTIVITIES

Risk Management Workshop

The ECSE partnered the Caribbean Credit Ratings Agency (CariCRIS) to host two 2-day workshops on Intensive Credit Risk Analysis for senior and mid-level professionals. The workshops, which were held in June 2010 in St Kitts and in September 2010 in Saint Lucia, attracted a total of 32 persons from throughout the region.



ADMINISTRATION

Personnel

There were no changes in the staff complement or in personnel during the year.

During the year, two members of staff, Mrs Denise Parris-Mertins – Manager, Administration Division and Ms Teesea Nero – Operations Officer in the Market Operations Division, 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.

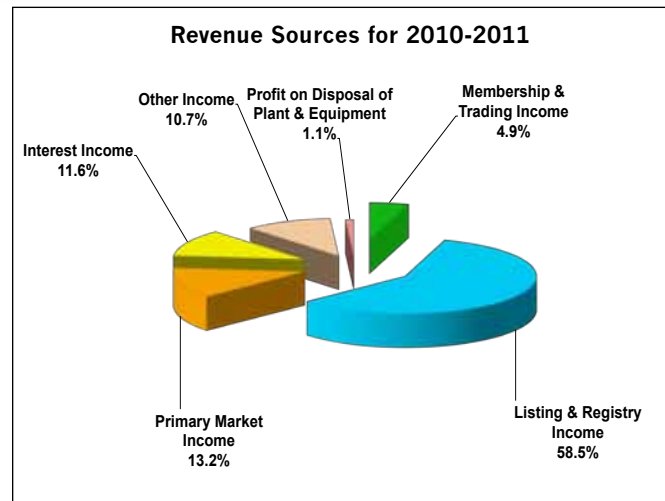
In December, the ECSE held its first Staff Awards Dinner, on which occasion, directors, management and staff recognized the contribution of four members of staff who had completed 5 years of employment at the ECSE during 2010.

Training and Staff Development

In 2010/2011 staff training and development activities were undertaken in several areas. The programmes attended are shown below.

Programme	Institution
Securities Market Development	SEC 2010 International Institute
Development of Securities Markets	World Bank
'Administration Professionals: Equipped for the Task, Ready to Achieve' Seminar	National Association of Administrative Professionals
Seminar on VAT	St Kitts-Nevis Chamber of Industry and Commerce

ACSDA Annual Conference and General Assembly	Association of Central Securities Depositories of the Americas
Annual Meeting and Conference	CAACM
Caribbean Group of Securities Regulators (CGSR) Annual Conference	Caribbean Group of Securities Regulators
IFRS	Pannell Kerr Forster
IOSCO SROCC Training Seminar	World Bank
Regional Government Securities Market Regulation	Eastern Caribbean Central Bank / CARTAC
SWIFT Alliance Lite Training	Eastern Caribbean Central Bank
St Kitts Economic Growth Forum	Government of St Kitts and Nevis
Regional Consultation on the Integration of Capital Markets in the CARICOM	CARICOM
Information Security	Eastern Caribbean Central Bank
Training of Trainers on Financial Literacy	Eastern Caribbean Central Bank



Expenses

The ECSE Group's expenses in 2010/2011 totaled \$2.02 million. Compensation Costs accounted for \$1.18 million or 58.4% of total expenditure; Administrative Expenses, \$0.48 million or 23.5%; Software Maintenance expenses, \$0.15 million or 7.7%; and Depreciation and Amortisation, \$0.10 million or 5.2%.

Most of these major expenditure lines experienced decreases compared to the previous year. Increases were recorded in Staff Training, Legal and Professional Fees and Promotional Activities.

FINANCIAL PERFORMANCE

For the financial year ended 31 March 2011, the ECSE Group recorded a profit of \$0.34 million, a decrease of \$0.08 million or 18.6% from the 2009/2010 results. This fall in net income resulted from a \$0.07 million or 2.8% decline in Revenues and a \$0.01 million or 0.4% increase in Expenses.

Revenue

In 2010/2011, the Group's revenues amounted to \$2.36 million. Listing and Registry Income, the main revenue generator, amounted to \$1.38 million or 58.5% of total earnings. Income from this source increased by \$0.09 million or 7.4% over the year.

Declines were recorded in most of the other revenue lines. Primary Market Income, which amounted to \$0.31 million, decreased \$0.10 million or 25%; Other Income of \$0.25 million fell by \$0.09 million or 25.4%; and revenues from Membership and Trading declined by \$0.01 million or 6% to \$0.11 million. Interest Income, however, which totaled \$0.27 million, registered a \$0.01 million or 2.4% increment.



DIRECTORS' REPORT

The Directors are pleased to submit their Report for the Financial Year ended 31 March 2011.

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

Pursuant to Article 82 of the Articles of Association, effective 15 June, the Directors appointed Mrs Jennifer Nero to fill the vacancy on the Board of Directors created by the departure of Dr Garth Nicholls. Mrs Nero was subsequently elected to the Board at the General Meeting of Shareholders held on 23 July.

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

The retiring Directors are eligible for nomination for re-election by their respective shareholder classes.

Directors' Interests

As at 31 March 2011, no director held a beneficial or other interest in the issued capital of the Company.

Financial Results

The Company recorded a net profit of \$0.34 million on a consolidated basis for the year ended 31 March 2011.

Share Capital

The issued and outstanding capital of the Company is comprised entirely of 972,581 common shares. At 31 March 2011, 27,419 shares remained available from the initial offering of 1,000,000 shares.

At 31 March 2011, the following shareholders held 5% or more of the issued capital of the company:

Eastern Caribbean Central Bank	- 30.85%
National Insurance Corporation, St Vincent & 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 of the Company. Messrs Pannell Kerr Forster, being eligible, offer themselves for re-appointment. The Directors, being satisfied with their performance, propose the reappointment of Pannell Kerr Forster as Auditors for the financial year ending 31 March 2012.



Eastern Caribbean Securities Exchange
www.ecse.org

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 2011, 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 2011, 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
6 July 2011



**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011 (Expressed in Eastern Caribbean Dollars)**

ASSETS	Notes	2011	2010
Non-Current Assets			
Property, Plant and Equipment	3	198,208	76,157
Intangible Assets	4	<u>150,263</u>	<u>195,492</u>
		<u>348,471</u>	<u>271,649</u>
Current Assets			
Cash and Short Term Funds	5	9,222,605	13,151,811
Accounts Receivable	6	317,569	403,450
Held-to-maturity Investments	7	<u>1,792,729</u>	<u>182,933</u>
		<u>11,332,903</u>	<u>13,738,194</u>
Total Assets		<u>\$11,681,374</u>	<u>\$14,009,843</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital (Page 21)	8	9,725,810	9,725,810
Accumulated Deficit (Page 21)		<u>(6,962,423)</u>	<u>(7,302,064)</u>
		<u>2,763,387</u>	<u>2,423,746</u>
Non-Current Liabilities			
Pension Fund	9	342,021	262,376
Provisions	10	5,505	-
Due to Eastern Caribbean Central Bank	11	<u>2,874,845</u>	<u>2,874,845</u>
		<u>3,222,371</u>	<u>3,137,221</u>
Current Liabilities			
Provisions	10	-	49,627
Accounts Payable and Accruals	5 & 12	<u>5,695,616</u>	<u>8,399,249</u>
		<u>5,695,616</u>	<u>8,448,876</u>
Total Liabilities		<u>8,917,987</u>	<u>11,586,097</u>
Total Equity and Liabilities		<u>\$11,681,374</u>	<u>\$14,009,843</u>

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

Approved by the Board of Directors on 6 July 2011.



 Sir K Dwight Venner
 Chairman


 Mrs Sephlin Lawrence
 Director

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
 AND ITS SUBSIDIARY COMPANIES
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2011
 (Expressed in Eastern Caribbean Dollars)**

	<u>2011</u>	<u>2010</u>
INCOME		
Membership and Trading Income	114,806	121,678
Listing and Registry Income	1,382,352	1,287,150
Primary Market Income	312,923	414,719
Interest Income	274,151	267,807
Other Income	253,625	340,129
Profit on disposal of Plant and Equipment	<u>25,000</u>	<u>-</u>
	<u>2,362,857</u>	<u>2,431,483</u>
 GENERAL AND ADMINISTRATIVE EXPENSES		
Compensation Costs	1,181,303	1,205,291
Staff Training	22,183	3,720
Depreciation and Amortisation (Page 22)	105,348	109,983
Legal and Professional Costs	23,241	13,497
Promotional Activities	59,751	42,383
Software Maintenance	155,217	155,177
Administrative Expenses	<u>476,173</u>	<u>484,273</u>
	<u>2,023,216</u>	<u>2,014,324</u>
 Net Income being Total Comprehensive Income for the Year (Page 21)	 <u>\$339,641</u>	 <u>\$417,159</u>
 Earnings per share (Basic) (Note 13)	 <u>\$0.35</u>	 <u>\$0.43</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 CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011
(Expressed in Eastern Caribbean Dollars)**


	Share Capital \$	Accumulated Deficit \$	Total \$
Balance at 1 April 2009 (Page 19)	9,725,810	(7,719,223)	2,006,587
Total Comprehensive Income for the Year (Page 20)	_____	<u>417,159</u>	<u>417,159</u>
Balance at 31 March 2010 (Page 19)	9,725,810	(7,302,064)	2,423,746
Total Comprehensive Income for the Year (Page 20)	_____	<u>339,641</u>	<u>339,641</u>
Balance at 31 March 2011 (Page 19)	<u>\$9,725,810</u>	<u>\$(6,962,423)</u>	<u>\$2,763,387</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 2011
(Expressed in Eastern Caribbean Dollars)**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the Year (Page 20)	339,641	417,159
Adjustments to reconcile loss to net cash from operating activities		
Profit on disposal of Plant and Equipment	(25,000)	-
Depreciation and Amortisation (Page 20)	105,348	109,983
Accounts Receivable	136,025	(148,188)
Accounts Payable	(2,703,633)	6,597,777
Provisions	(49,627)	22,397
Adjustment for Interest	(274,151)	(267,807)
Pension Fund	<u>79,645</u>	<u>79,891</u>
NET CASH (OUTFLOW)/ INFLOW FROM OPERATING ACTIVITIES	<u>(2,391,752)</u>	<u>6,811,212</u>
CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		
Interest Received	224,007	273,661
Purchase of Intangible Assets	-	(98,147)
Investment in Securities	(1,609,796)	(8,628)
Purchase of Plant and Equipment	(182,170)	(9,140)
Proceeds on disposal of Plant and Equipment	<u>25,000</u>	<u>-</u>
	<u>(1,542,959)</u>	<u>157,746</u>
CASH INFLOW FROM FINANCING ACTIVITIES		
Provisions	5,505	<u>-</u>
CASH (DECREASE)/INCREASE FOR THE YEAR	(3,929,206)	6,968,958
CASH AND SHORT TERM FUNDS AT THE BEGINNING OF THE YEAR	<u>13,151,811</u>	<u>6,182,853</u>
CASH AND SHORT TERM FUNDS AT THE END OF THE YEAR (Page 19)	<u>\$9,222,605</u>	<u>\$13,151,811</u>
COMPRISED AS FOLLOWS:		
Cash in Hand (Note 5 - Page 27)	419	115
Cash at Bank (Note 5 - Page 27)	6,422,186	9,329,381
Short term Deposits (Note 5 - Page 27)	<u>2,800,000</u>	<u>3,822,315</u>
	<u>\$9,222,605</u>	<u>\$13,151,811</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 2011 (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:

The consolidated 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 followed in the previous years including the adoption of the new and amended IAS, IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

New and amended standards and interpretations adopted in the current period

IAS 1	Presentation of Financial Statements	- effective 1 January 2010
IAS 7	Statement of Cash Flows	- effective 1 January 2010
IAS 27	Consolidated and Separate Financial Statements	- effective 1 July 2010
IAS 32	Financial Instruments: Presentation	- effective 1 February 2010
IAS 36	Impairment of Assets	- effective 1 January 2010
IAS 38	Intangible Assets	- effective 1 July 2009
IAS 39	Financial Instruments: Recognition	- effective 1 July 2009
IFRS 3	Business combinations and Measurement	- effective 1 January 2010

New and amended standards and interpretations in issue and effective but not applicable

IAS 17	Leases	- effective 1 January 2010
IAS 28	Investment in Associates	- effective 1 July 2009
IAS 31	Interest in Joint Ventures – Consequential	- effective 1 July 2009
IFRS 1	Amendment relating to oil and gas assets and determining whether an arrangement contains a lease	- effective 1 January 2010
IFRS 2	Share-based Payment – Amendments relating to group cash-settled share-based transactions	- effective 1 January 2010
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	- effective 1 January 2010
IFRS 8	Operating segments	- effective 1 January 2010
IFRIC 9	Reassessment of Embedded Derivatives	- effective 1 July 2009
IFRIC 16	Hedges of a Net Investment in a Foreign operations	effective 1 July 2009
IFRIC 17	Distribution of Non-cash Assets to Owners	- effective 1 July 2009
IFRIC 18	Transfer of Assets from Customers	- effective 1 July 2009

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 CONT'D.
(Expressed in Eastern Caribbean Dollars)**

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New and amended standards and interpretations in issue but not yet effective

IAS 12	Income Taxes	- effective 1 January 2012
IAS 24	Related Party Disclosures	- effective 1 January 2011
IAS 34	Interim financial reporting	- effective 1 January 2011
IFRS 7	Financial Instruments: Disclosures	- effective 1 January 2011
IFRS 9	Financial Instruments: Classification and Measurement	- effective 1 January 2013
IFRIC 13	Customer Loyalty Programmes	- effective 1 January 2011
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	- effective 1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	- effective 1 July 2010

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.

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.

d) Taxation:

The government of St Kitts and Nevis has granted the Group waivers of Corporation and other taxes for a period of ten years, which commenced 19 October 2001, the date the Group began its trading activities.

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%



**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 CONT'D.
(Expressed in Eastern Caribbean Dollars)**

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

f) Intangible Assets:

Intangible assets are identifiable non-monetary assets without physical substance. Computer software meets this description and has been removed from Plant and Equipment in order to comply with International Financial Reporting Standards (No. 38).

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 being what the Group has the expressed intention and ability to hold to maturity are measured at amortised cost less any impairment loss recognised.

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.

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 CONT'D.
(Expressed in Eastern Caribbean Dollars)**

3 PLANT AND EQUIPMENT	<u>2011</u>	<u>2010</u>
Furniture and Fixtures		
Cost at Beginning of Year	90,902	84,757
Additions during the Year	<u>6,170</u>	<u>6,145</u>
Cost at End of Year	<u>97,072</u>	<u>90,902</u>
Accumulated Depreciation – Beginning of Year	77,669	69,762
Charge for the Year	<u>8,917</u>	<u>7,907</u>
Accumulated Depreciation – End of Year	<u>86,586</u>	<u>77,669</u>
Net Book Value	<u>10,486</u>	<u>13,233</u>
Computer Equipment		
Cost at Beginning of Year	402,985	399,990
Additions during the Year	<u>-</u>	<u>2,995</u>
Cost at End of Year	<u>402,985</u>	<u>402,985</u>
Accumulated Depreciation – Beginning of Year	340,061	297,832
Charge for the Year	<u>34,135</u>	<u>42,229</u>
Accumulated Depreciation – End of Year	<u>374,196</u>	<u>340,061</u>
Net Book Value	<u>28,789</u>	<u>62,924</u>
Motor Vehicles		
Cost at Beginning of Year	122,000	122,000
Additions during the Year	176,000	-
Disposals during the Year	<u>(36,000)</u>	<u>-</u>
Cost at End of Year	<u>262,000</u>	<u>122,000</u>
Accumulated Depreciation – Beginning of Year	122,000	98,200
Charge for the Year	17,067	23,800
Disposals for the Year	<u>(36,000)</u>	<u>-</u>
Accumulated Depreciation – End of Year	<u>103,067</u>	<u>122,000</u>
Net Book Value	<u>158,933</u>	<u>-</u>
TOTAL NET BOOK VALUE (Page 19)	<u>\$198,208</u>	<u>\$76,157</u>



**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 CONT'D.
(Expressed in Eastern Caribbean Dollars)**

4	INTANGIBLE ASSETS	<u>2011</u>	<u>2010</u>
	Computer Software		
	Cost at Beginning of Year	2,466,962	2,368,815
	Additions during the Year	<u> -</u>	<u>98,147</u>
	Cost at End of Year	<u>2,466,962</u>	<u>2,466,962</u>
	Accumulated Amortisation – Beginning of Year	2,271,470	2,235,422
	Charge for the Year	<u>45,229</u>	<u>36,048</u>
	Accumulated Amortisation – End of the Year	<u>2,316,699</u>	<u>2,271,470</u>
	Net Book Value (Page 19)	<u>\$150,263</u>	<u>\$195,492</u>
5	CASH AND SHORT TERM FUNDS	<u>2011</u>	<u>2010</u>
	Certificates of Deposit	2,800,000	3,822,315
	Cash with Commercial Banks	6,422,186	9,329,381
	Cash on Hand	<u>419</u>	<u>115</u>
	TOTAL (Page 19)	<u>\$9,222,605</u>	<u>\$13,151,811</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 3.00% to 6.25% per annum (2010 = 3.00% to 6.25%).

Cash with Commercial Banks - \$6,422,186

This figure principally represents amounts deposited with a subsidiary company (the Registry) by clients for their securities holders' dividends, interest and maturity payments at 31 March 2011 in the amount of \$4,480,860 (See Note 12).

Subsequent to the year end, an amount of \$851,013 was paid out as interest payments to clients' bondholders. Amounts deposited by clients to satisfy securities holders' dividends, interest and maturity payments are payable on demand.

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 CONT'D.
(Expressed in Eastern Caribbean Dollars)**

6	ACCOUNTS RECEIVABLE	<u>2011</u>	<u>2010</u>
	Interest Receivable	67,904	17,760
	Prepayments	138,848	130,896
	Sundry Debtors	<u>110,817</u>	<u>254,794</u>
	TOTAL (Page 19)	<u>\$317,569</u>	<u>\$403,450</u>
7	INVESTMENTS	<u>2011</u>	<u>2010</u>
	Held-to-Maturity Investments		
	- Government of St Lucia Fixed-Rate Bonds	792,729	182,933
	- Bank of St Lucia Fixed-Rate Bonds	<u>1,000,000</u>	-
	TOTAL (Page 19)	<u>\$1,792,729</u>	<u>\$182,933</u>

There are two sale and repurchase agreements with the investment in Government of St Lucia fixed-rate bonds. Repurchase is set at 5 April 2011 and 15 April 2011. The underlying interest rate is 4.50% and 2.5% (2010 = 4.75%) and the Company intends to hold this investment to the date of maturity.

The investment represents Bank of St Lucia fixed-rate bonds which matures on 13 April 2011 and attracts interest at the rate of 6.25%.

8 SHARE CAPITAL

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

Subscribed Capital:

Class	No of Shares issued at	Shares Issued during	No of Shares issued at	Nominal Value	
	<u>1 April 2010</u>	<u>the Year</u>	<u>31 March 2011</u>	<u>2011</u>	<u>2010</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 19)

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.



**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 CONT'D.
(Expressed in Eastern Caribbean Dollars)**

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 - \$342,021 (2010 = \$262,376)

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 \$6,422,186 (2010 = \$9,329,381) is an amount of \$318,697 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 \$5,505 (2010 = \$49,627) provided to date has been included in provisions.

11 DUE TO EASTERN CARIBBEAN CENTRAL BANK

The amount of \$2,874,845 (2010 = \$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 2011 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 2012 (balance at 31 March 2011, 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 2012, but not to exceed EC\$2,000,000.

The above undertaking and guarantee will be reviewed at 31 March 2012 and are irrevocable before this date.

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
 AND ITS SUBSIDIARY COMPANIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2011 CONT'D.
 (Expressed in Eastern Caribbean Dollars)**

12	ACCOUNTS PAYABLE AND ACCRUALS	<u>2011</u>	<u>2010</u>
	Unclaimed company dividends payable (See Note 5)	4,480,860	8,161,543
	Advance Payments-Fees	126,607	84,661
	Holiday Pay Accrual	135,730	132,386
	Accruals	17,582	20,659
	Escrow Liability	934,837	-
	TOTAL (Page 19)	<u>\$5,695,616</u>	<u>\$8,399,249</u>

13 EARNINGS PER SHARE

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

	Earnings	<u>2011</u>	<u>2010</u>
	Net Profit for the Year (Page 20)	<u>\$339,641</u>	<u>\$417,159</u>
	Number of Shares		
	Weighted average number of Ordinary Shares	<u>972,581</u>	<u>972,581</u>
	Earnings Per Share	<u>\$0.35</u>	<u>\$0.43</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 \$575,455 (2010 = \$569,246). The following is an analysis of these amounts:

		<u>2011</u>	Restated	<u>2010</u>
	Salaries and other short-term employee benefits	501,220		499,150
	Post-employment benefits	<u>74,235</u>	73,695	<u>78,903</u>
	Total Key Management Compensation	<u>\$575,455</u>	<u>\$569,246</u>	<u>\$578,053</u>



**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 CONT'D.
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14 RELATED PARTY TRANSACTIONS (Cont'd)

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.

15 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the end of the year, there were no Contingent Liabilities or Capital Commitments (2010 = 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.

**EASTERN CARIBBEAN SECURITIES EXCHANGE LIMITED
AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 CONT'D.
(Expressed in Eastern Caribbean Dollars)**

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 balance sheet to the contractual maturity date:

Financial Assets	Due within 1 Year	Over 5 Years	Total
Year ended 31 March 2011			
Cash and Short Term Funds	9,222,605	-	9,222,605
Accounts Receivable	317,569	-	317,569
Held to Maturity Investments	<u>1,792,729</u>	-	<u>1,792,729</u>
	<u>\$11,332,903</u>	-	<u>\$11,332,903</u>
Year ended 31 March 2010			
Cash and Short Term Funds	13,151,811	-	13,151,811
Accounts Receivable	403,450	-	403,450
Held to Maturity Investments	<u>182,933</u>	-	<u>182,933</u>
	<u>\$13,738,194</u>	-	<u>\$13,738,194</u>

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.














Financial Liabilities	Due within 1 Year	>1 Year to 5 Years	Over 5 Years	Total
Year ended 31 March 2011				
Pension	342,021	-	-	342,021
Due to Eastern Caribbean Central Bank	-	-	2,874,845	2,874,845
Provisions	-	5,505	-	5,505
Accounts Payable and Accruals	<u>5,695,616</u>	-	-	<u>5,695,616</u>
	<u>\$6,037,637</u>	<u>\$5,505</u>	<u>\$2,874,845</u>	<u>\$8,917,987</u>
Year ended 31 March 2010				
Pension	262,376	-	-	262,376
Due to Eastern Caribbean Central Bank	-	-	2,874,845	2,874,845
Provisions	49,627	-	-	49,627
Accounts Payable and Accruals	<u>8,399,249</u>	-	-	<u>8,399,249</u>
	<u>\$8,711,252</u>	-	<u>\$2,874,845</u>	<u>\$11,586,097</u>

LISTED SECURITIES AT 31 MARCH 2011

ISSUER

TRADING SYMBOL

EQUITIES

	Cable & Wireless St Kitts & Nevis Limited	CWKN
	Dominica Electricity Services Limited	DES
	East Caribbean Financial Holding Company Limited	ECFH
	FirstCaribbean International Bank Limited	FCI
	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 2011 CONT'D.

ISSUER

TRADING SYMBOL

CORPORATE DEBT



Eastern Caribbean Home Mortgage Bank

HMB300912

HMB020711

HMB0711AA



Grenada Electricity Company Limited

GESL191217

SOVEREIGN DEBT



Government of Antigua and Barbuda

AGB270410; AGB280610

AGN280711; FAG070713



Government of Dominica

DMG100614; DMG200624

DMG300634



Government of Grenada

GDB200710; GDB131010

GDB011210; GDN041012



Government of St Kitts and Nevis

KNG101112

Nevis Island Administration

NVB240610



Government of Saint Lucia

LCB180610; LCB300610

LCB210710; LCN141010

LCG061110; LCN090713

LCG100714; LCN210814

LCG101114; LCG060715

LCG101015; LCG100116

FLG060216; LCG100816

FLG101017; LCG101017

LCG101117; LCG100118

LCG0318AA; LCG100718



Government of St Vincent and the Grenadines










VCG100814; VCG070316

VCG100816; VCG0316AA

VCG0316AB; VCG100917



MEMBER INTERMEDIARIES AT 31 MARCH 2011

INTERMEDIARY	Logo	PLACE OF BUSINESS
ABI Bank Limited		Antigua and Barbuda
Antigua Commercial Bank Limited		Antigua and Barbuda
Bank of St Vincent and the Grenadines Limited		St Vincent and the Grenadines
ECFH Global Investment Solutions Limited		Saint Lucia
First Citizens Investment Services		Saint Lucia and Trinidad and Tobago
National Bank of Anguilla Limited		Anguilla
National Mortgage Finance Company of Dominica Limited		Dominica
St Kitts-Nevis-Anguilla National Bank Limited		St Kitts and Nevis
The Bank of Nevis Limited		Nevis



Eastern Caribbean Securities Exchange
Limited and its Subsidiaries

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