ANNUAL REPORT

2012

ecco

Protecting Music Rights

Protecting Music Rights

EASTERN CARIBBEAN COLLECTIVE ORGANISATION FOR MUSIC RIGHTS (ECCO) INC

Julian Charles Road, Sans Soucis,
P. O. Box CP5380, Castries,
Saint. Lucia

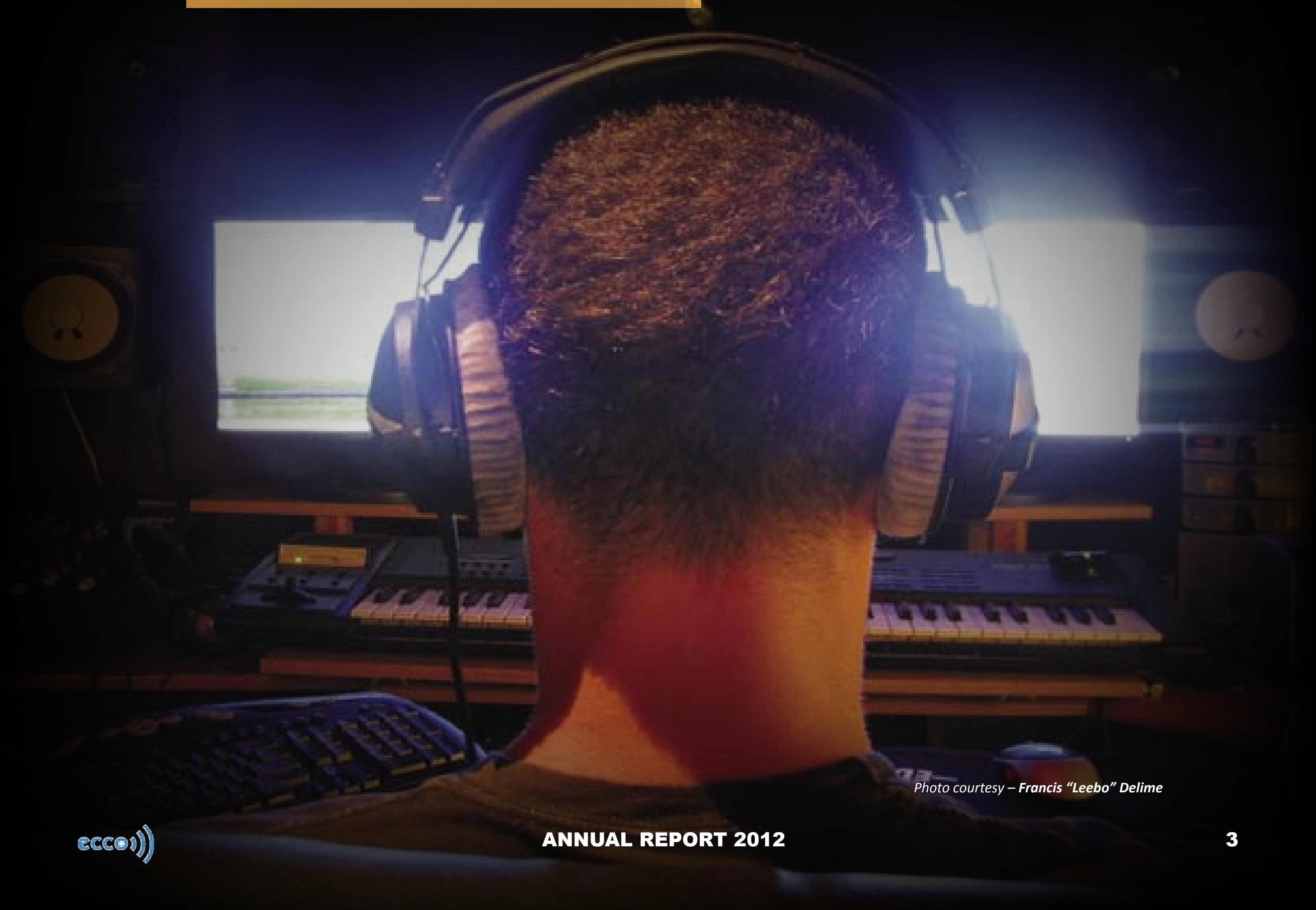


*Photo courtesy – **Francis "Leebo" Delime***

Mc Carthy Marie, *Chairman*

CHAIRMAN'S REPORT

Main activities carried out by ECCO in 2012:

a. Achieved a 18% growth in General Licensing in St. Lucia through increased activity maintaining this area of collection as the leading source of revenue

b. Produced and aired several advertisements aimed at increasing awareness of the need to obtain a copyright license and education to general public and members.

c. Commenced litigation action against several leading Audio-Visual companies including a Cinema Group, 2 Cable Companies (operating pan-regionally) and Television Companies in St. Lucia & Dominica. Several Injunctions were also successfully served on concert promoters in St. Lucia and Grenada.

d. Conducted several workshops for members aimed at educating them on the role of ECCO, how royalties are calculated, Digital Monitoring (how to benefit from this technology), Jingles (various rights involved & revenue streams) and the Role of Members in Getting More Royalties.

e. Signed MOU between the Association of Caribbean Copyright Societies (ACCS) and the Anglo-American Societies of ASCAP, BMI, PRS & SESAC in consultation with CISAC. Main components of the MOU includes:

- The definition of a technical tool for centralized or decentralized use, principally in the area of documentation and distribution, for which effect ACCS. CISAC – AA will collaborate in search of adequate technical solutions, exploring the diverse offers available, evaluating costs and sources of financing
- Repertoire Uses – Source of Information and tools
    - o Each ACCS society will carry out its distribution process, prioritizing the identification of the local repertoire, followed by that of the international repertoire.
    - o Agree a solution for the treatment of undistributed funds (pending identification) and securing these find in a special bank ac count ("safe funds")
- A cooperation program with specific actions to verify (and compensate) the use of the English Caribbean Societies' repertoire in territories of special interest to the Caribbean Societies, assisting Societies in the process of identification of uses and claims.
- An assistance program for quality control of information sources of repertoire use and availability of technological tools that facilitate the tracking of repertoire use (i.e. music tracking services).
- Bringing administrative levels down to 30%-35% by end of 2015

Royalty Collections - 2012

f.	Public Performance	EC$535,619
g.	Live events	EC$251,033
c.	Broadcast	EC$151,096
	Total	EC$937,748

Membership

Membership grew from 423 at end of 2011 to 487 at end of 2012 representing an overall growth of 15%, broken down as follows: -

	2012	2011
Antigua & Barbuda	16	9
Dominica	20	17
Grenada	23	18
St. Lucia	403	364
St Vincent & the Grenadines	17	8
Other OECS territories	8	7
Total	487	423

3 Year Business Plan

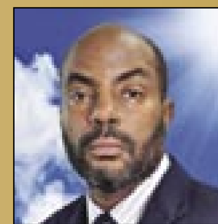
Coming out of the recommendations from the MOU, ECCO has developed a 3-year business plan which aim to raise revenue from its 2012 level of $937,748 to $2,513,285 for the 2015 financial year representing an increase of 168%. Expenditure on the other hand is expected to grow moderately from its 2012 level of $611,197 to $850,390 for 2015. The net result will be an increase in revenues of $1.6M for distribution to members & affiliates.

Governance

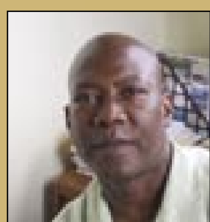
Board of Directors

Mc Carthy Marie,
Chairman

Crispin d'Auvergne'
Vice Chairman

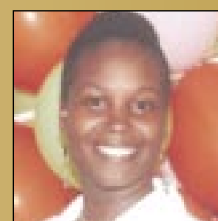


Llewleyn Gill, SLMM
Company Secretary

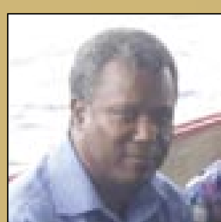


Gandolph St. Clair

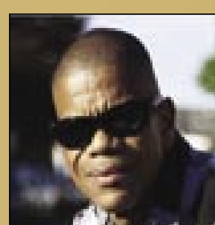
Ian Sanchez



Isha Antoine-Andrews



Joffre Venner



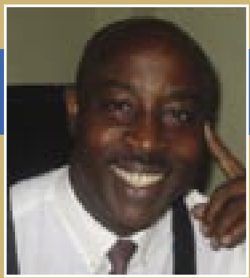
Linus Elcock

Francis De Lima

Martin James

Shayne Ross

Barbara Cadet



Steve Etienne, *General Manager*

Executive Summary

ECCO was established in response to representation from Creators in the Eastern Caribbean countries to address: (a) changing macro-economic environment, (b) changes in the regional music industry and (c) to ensure competitiveness and sustainability of the Association of Caribbean Copyright Societies (ACCS) formerly Caribbean Copyright Link (CCL), - To facilitate the process of establishing representation at the regional level, the Performing Right Society (PRS) was presented with a business case calling for the release of the Eastern Caribbean Territories to a single entity. PRS agreed to transfer the rights for the administration of the international repertoire within the Eastern Caribbean to the St. Lucia based Hewanorra Musical Society (HMS) the only established society existing in the Eastern Caribbean, with effect from 1st January 2009.

Following a series of consultation with creators throughout the region and with the agreement of HMS members in St. Lucia, the name of the society was changed to the Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc., reflecting its regional make-up. Similarly, the composition of the HMS Board was changed to ensure broader representation from Eastern Caribbean States.

ECCO collects fees by issuing licenses to music users granting them permission and authority to the restrictive acts as defined in the Copyright Acts of the region, including; public performances, broadcasting, communication to the public, reproduction etc. ECCO is a non-profit making organisation. Having recovered its running costs it pays the remaining money collected to the members identified on logs supplied by the radio stations and data collected from major events as royalties. ECCO also collects royalties from around the world for its members through reciprocal agreements with other CMO's overseas. Member states of ECCO consist of: Anguilla, Antigua & Barbuda, British Virgin Isles, Commonwealth of Dominica, Grenada, Montserrat, St Kitts & Nevis, Saint Lucia and St. Vincent and the Grenadines. The nine member countries of the Organization of the Eastern Caribbean States (OECS) sustains a population of approximately 610, 174 people, whom are of mixed ethnicity the vast majority being of African descent. The OECS region as a result of the origin of its people is rich in cultural expression namely music, culinary delights, fashion and language to name a few.

Whilst the electronic media internationally produces a rich vein of performance revenue, the electronic media in the Caribbean is not currently the leading generator of royalties. This is due in part as a result of unlicensed cable operators, the proliferation of hundreds of small radio stations and the small level of advertising revenue that these stations are able to generate. The prevailing economic conditions in the region means that advertising budgets are cut, and with so many stations fighting for the reducing advertising revenue it has become a sellers' market leading to the value of an adverting sport being at an all-time low.

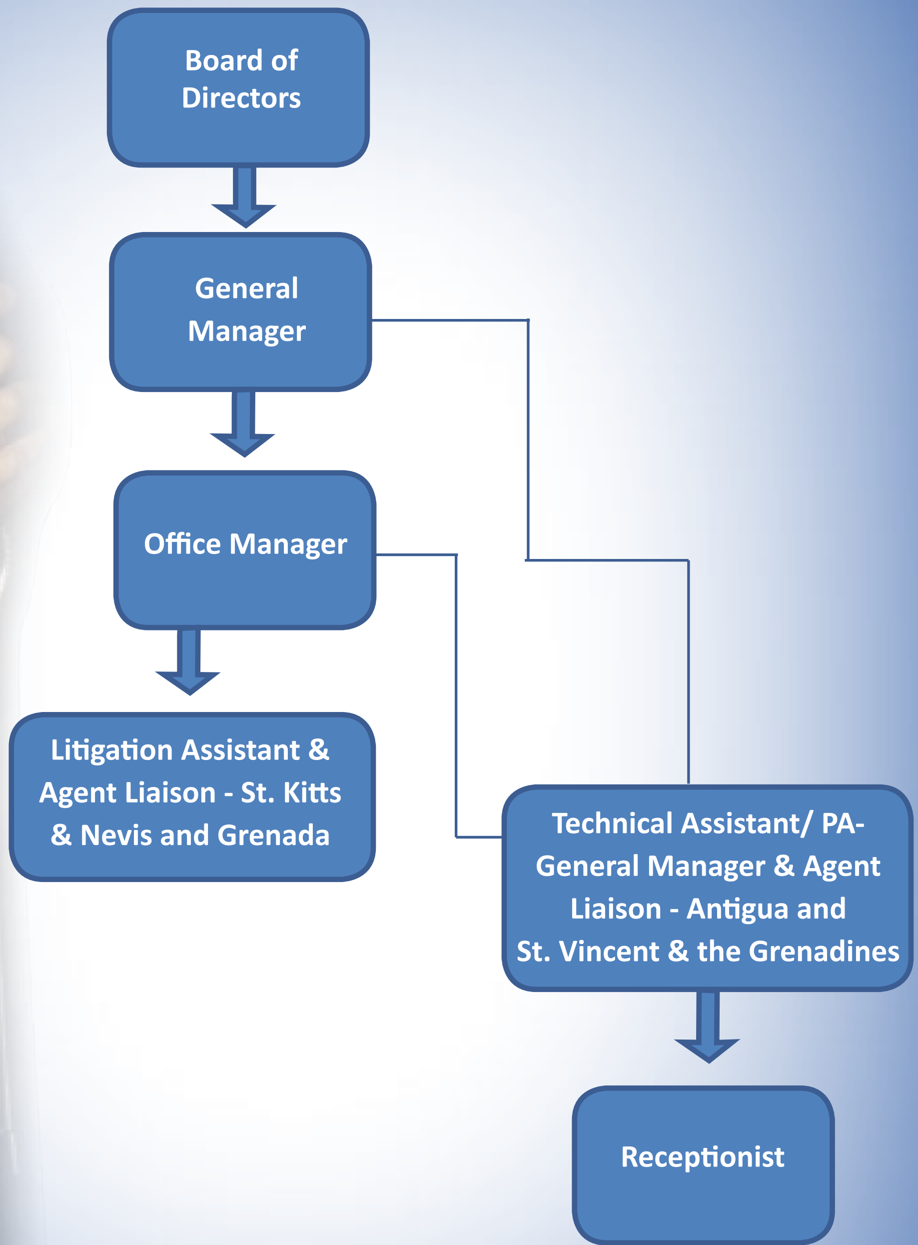
Copyright fees are expensive to collect in the ECCO territories due to the expensive operating environment (high cost of movement of persons and expensive telecommunications and other services), the high level of non-compliance as a result of small profit margins and the tendency by users not to make the payment of copyright fees a high priority. Therefore, ECCO's first objective is to widen its licensing base by licensing on a region wide basis and achieve a greater level of compliance in each territory. The second objective is the introduction of technical tools to improve efficiency and reduce operating costs.

To sustain local membership ECCO also aims to ensure that they are compensated for exploitation of their works internationally by working with international affiliates to improve the tracking of performances overseas.

General Manager
Steve Etienne

Organisational Chart

Claudia Edward



Staff

Steve Etienne,
General Manager

Steve Etienne has been with the organization since it began operating as the Hewanorra Music Society (HMS) in January 2000. During his tenure, the organization was incorporated as HMS INC on 17th January 2001 and as ECCO INC in January 2009. He has over 30 years' experience in the field of Collective Management of Music Rights at both Executive and Board levels.

Clava Denis-Doxerie,
Office Manager

Clava Denis-Doxeire has been with the organization since February 2004. She is responsible for the day-to-day management of the office, ensuring proper and accurate financial accounting of the activities of the organization and performs annual distributions and payouts to national & foreign members as schedule.

Vanesta Mortley,
Technical Assistant

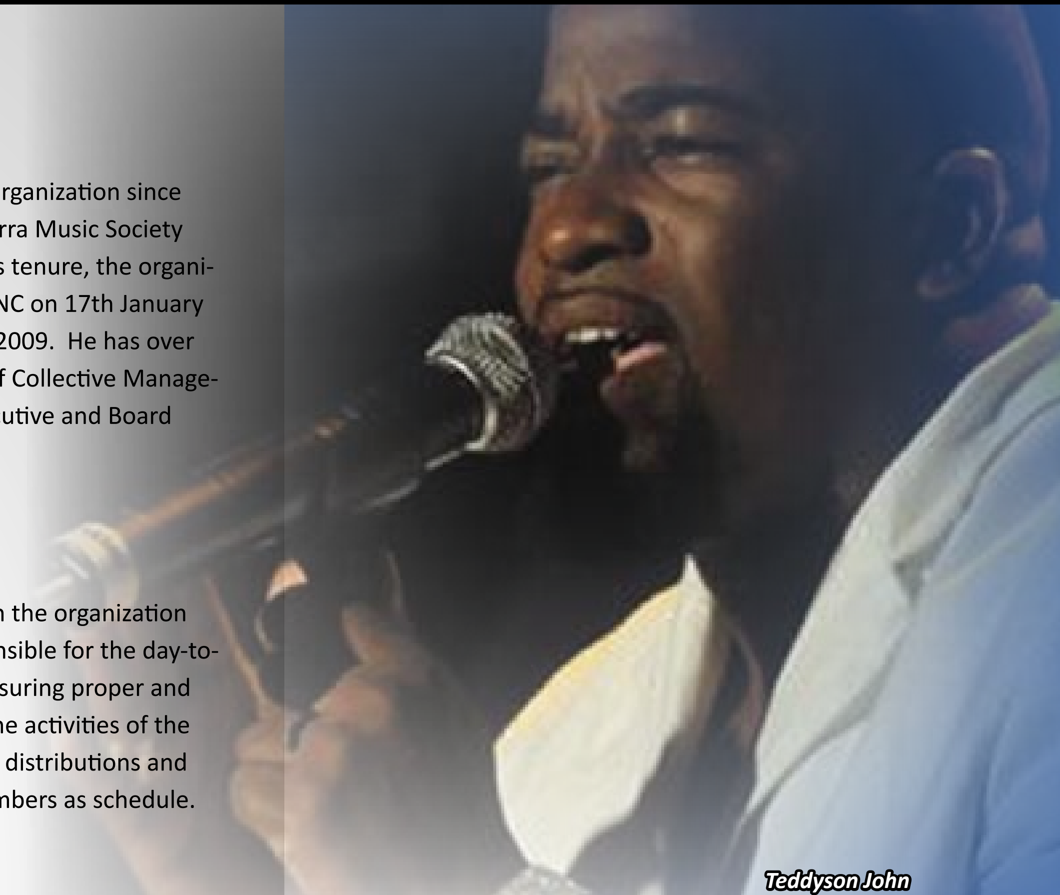
Vanesta Mortley joined the organization in August 2008. She is responsible for providing IT support; liaising with Agents in Antigua & Barbuda and St. Vincent & the Grenadines and assisting the Office Manager and General Manager perform their duties.

Keen Cotter,
Litigation Assistant

Keen Cotter is a new member of the team having joined the organization in March 2013, Keen is responsible for gathering evidence for litigation purposes, identifying licensing opportunities and assisting in PR drive. Keen also acts as liaison officer for ECCO Agents based in Grenada and St. Kitts & Nevis

Marion Walters,
Receptionist & Administrative Assistant

Marian Walter joined the organization in July 2011 and is responsible for front desk/reception activities and for providing general administrative assistance.

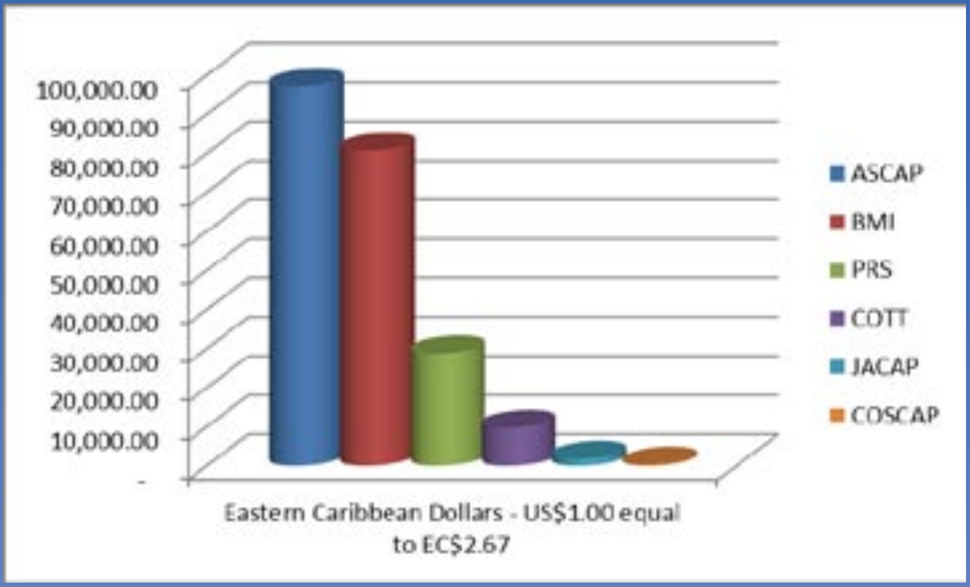


Teddyson John

Terry "Mr. Brown" Cadette

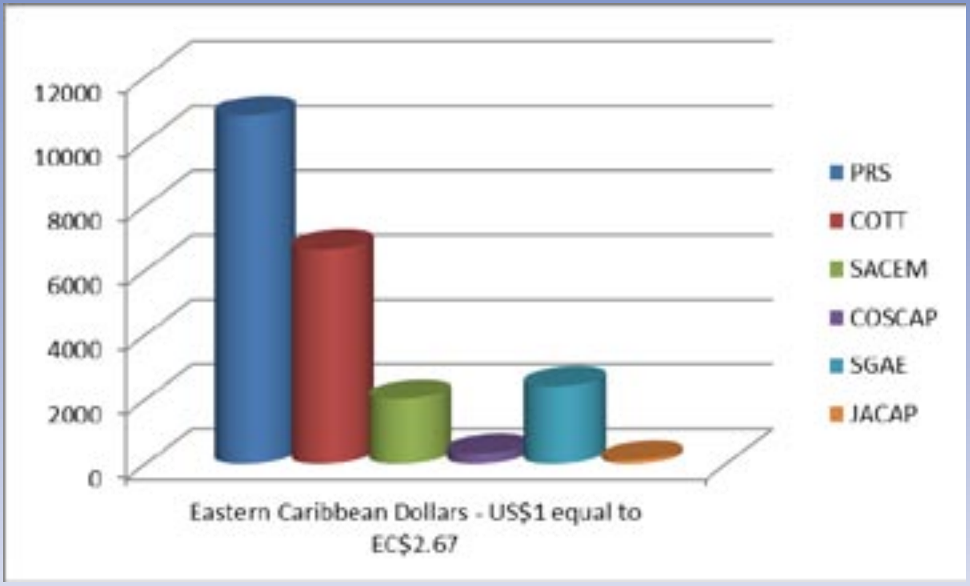
Royalty Payments

Distributions to Foreign Societies – 2012



A royalty disbursement totalling EC$105,497 was made to ECCO members.

Royalties from Foreign Societies - 2012



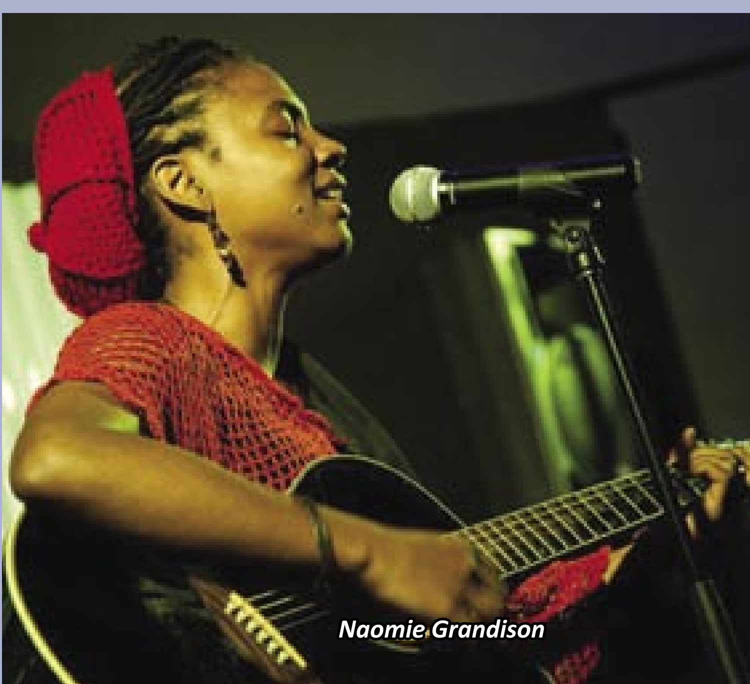
Reciprocal Agreements

ECCO holds direct reciprocal agreements with the following collective management organizations world-wide.

- **ACDAM, CUBA**
- **ASCAP, USA**
- **BMI, USA**
- **BUMA, The Netherlands**
- **BSCAP - Belize**
- **COTT, Trinidad & Tobago**
- **COSCAP - Barbados**

- **JACAP, Jamaica**
- **MCPS, United Kingdom**
- **PRS, United Kingdom**
- **SACEM, France**
- **SESAC, USA**
- **SGAE, Spain**
- **SOCAN, Canada**
- **SUISA, Switzerland**

Through the reciprocal agreement with PRS, ECCO have the reciprocal representation with virtually all other societies in the world administering authors' rights.



Naomie Grandison

Neijel Jno Baptiste

Shayne Ross

Orande “Bomani” Charles

Grant Thornton

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Financial Statements
December 31, 2012
(expressed in Eastern Caribbean dollars)

Grant Thornton

July 17, 2013

Independent Auditors' Report

Grant Thornton
Pointe Seraphine
P.O. Box 195
Castries, St Lucia
West Indies

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To the Members of
Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Report on the financial statements

We have audited the accompanying financial statements of **Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.** (the Company) which comprise the balance sheet as of December 31, 2012 and the statements of comprehensive income and expenditure, changes in equity and 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 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 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 the auditors' 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, the auditors 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.

GrantThornton

Independent Auditors' Report...*continued*
Page 2

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the **Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.** as of December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton
Chartered Accountants

Audit · Tax · Advisory
Member of Grant Thornton International Ltd

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Balance Sheet

As of December 31, 2012

(expressed in Eastern Caribbean dollars)

	2012 $	2011 $
Assets		
Current assets		
Cash (Note 5)	**713,008**	619,856
Receivables and prepayments (Note 7)	**207,323**	253,798
Due from related party (Note 8)	**15,501**	26,827
	935,832	900,481
Property and equipment (Note 9)	**450,035**	457,335
Total assets	**1,385,867**	1,357,816
Liabilities		
Current liabilities		
Borrowings (Note 10)	**15,510**	13,921
Accruals and other payables (Note 11)	**55,386**	94,317
Deferred revenue	**51,959**	5,935
Due to rights owners (Note 12)	**882,226**	862,994
	1,005,081	977,167
Borrowings (Note 10)	**251,335**	268,101
Total liabilities	**1,256,416**	1,245,268
Equity		
Reserve fund	**129,451**	112,548
Total liabilities and equity	**1,385,867**	1,357,816

Approved by the Board of Directors on July 17, 2013

Director
Llwellyn G. Gill

Director
Gandolph St. Clair

The notes on pages 1 to 15 are an integral part of these financial statements.

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Statement of Comprehensive Income and Expenditure

For the year ended December 31, 2012

(expressed in Eastern Caribbean dollars)

	2012 $	2011 $
Income		
Royalties (Note 13)	**937,748**	967,800
Registration fees	**5,419**	5,250
	943,167	973,050
Administrative and general expenses (Note 14)	**(611,197)**	(555,095)
Other income	**9,607**	3,405
Surplus before finance cost	**341,577**	421,360
Finance cost - net (Note 16)	**(3,516)**	(7,189)
Net distributable comprehensive income	**338,061**	414,171

The notes on pages 1 to 15 are an integral part of these financial statements.

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Statement of Changes in Equity

For the year ended December 31, 2012

(expressed in Eastern Caribbean dollars)

	2012 $	2011 $
Distributable reserve		
Net distributable comprehensive income for the year	**338,061**	414,171
Appropriations to reserve fund –		
5% of net distributable comprehensive income	**(16,903)**	(20,709)
Distributable income to rights owners (Note 12)	**(321,158)**	(393,462)
At end of year	**–**	–
Reserve fund		
At beginning of year	**112,548**	91,839
Appropriation from distributable reserve -		
5% of net distributable comprehensive income	**16,903**	20,709
At end of year	**129,451**	112,548
Equity, end of year	**129,451**	112,548

The notes on pages 1 to 15 are an integral part of these financial statements.

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Statement of Cash Flows

For the year ended December 31, 2012

(expressed in Eastern Caribbean dollars)

	2012 $	2011 $
Cash flows from operating activities		
Net distributable comprehensive income for the year	**338,061**	414,171
Adjustments for:		
Interest expense (Notes 10 and 16)	**26,320**	29,978
Depreciation (Notes 9 and 14)	**27,747**	27,152
Interest income (Note 16)	**(22,804)**	(22,789)
Provision for impairment of investment securities (Notes 6 and 14)	**6,859**	6,397
Operating profit before working capital changes	**376,183**	454,909
Decrease/(increase) in receivables and prepayments	**46,475**	(114,211)
Decrease in due from related party	**33,657**	17,241
(Decrease)/increase in accruals and other payables	**(38,931)**	11,704
Increase/(decrease) in deferred revenue	**46,024**	(14,782)
Net cash provided by operating activities	**463,408**	354,861
Cash flows from investing activities		
Interest received	**15,945**	16,392
Purchase of property and equipment (Note 9)	**(20,447)**	(36,126)
Net cash used in by investing activities	**(4,502)**	(19,734)
Cash flows from financing activities		
Distributions to rights owners (Note 12)	**(324,257)**	(193,236)
Interest paid	**(26,320)**	(29,978)
Repayment of borrowings	**(15,177)**	(11,519)
Net cash used in by financing activities	**(365,754)**	(234,733)
Net increase in cash	**93,152**	100,394
Cash, beginning of year	**619,856**	519,462
Cash, end of year (Note 5)	**713,008**	619,856

The notes on pages 1 to 15 are an integral part of these financial statements.

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Notes to Financial Statements

December 31, 2012

(expressed in Eastern Caribbean dollars)

1 General information

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc. ("formerly The Hewanorra Musical Society (HMS) Incorporated") (the Company) was incorporated in January 2001 under the Companies Act 1996, as a non-profit company without share capital. The Company is the successor to the Hewanorra Musical Society which was established as a Partnership in June 1999. That Partnership was dissolved in January 2001 and the net assets were transferred to the Company. All rights and privileges of the members of the Partnership were also assigned to the Company.

The Company is registered as a collective society under the Copyright (Amendment) Act of 2000 and is subject to the conditions of that legislation. The principal business activity of the Company is the exercise and enforcement, on behalf of rights owners and affiliates, of all rights and remedies under the law relating to copyright and intellectual property.

The registered office of the Company is located at Castries, Saint Lucia.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

Eastern Caribbean Collective Organisation (ECCO) for Music Rights Inc. financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

New standard issued and effective for the financial year beginning January 1, 2012:

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2012 that would be expected to have a material impact on the Company.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*...continued*

New standards, amendments and interpretations to published standards that are not yet effective and have not been early adopted:

The Company's assessment of the impact of these new standards and interpretations is set out below.

- ***IAS 1 (Amendment), 'Financial statement presentation'***, (effective for annual periods beginning on or after July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- ***IFRS 9, 'Financial instruments'***, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in the comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess the full impact of IFRS 9 and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2015

- ***IFRS 12: 'Disclosures of interests in other entities'*** includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of the standard and intends to adopt IFRS 12 no later than the accounting period beginning on or after January 1, 2013.

- ***IFRS 13, 'Fair value measurement'***, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after January 1, 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Notes to Financial Statements
December 31, 2012

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*...continued*

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits at call with banks.

Receivables
Receivables are carried at fair value and subsequently measured at amortised cost using effective interest method, less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of comprehensive income and expenditure.

Financial assets

(a) Classification
The Company classifies its cash in banks, investment securities, and trade and other receivables as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date in which case, these are classified as non-current assets.

(b) Initial recognition, derecognition and subsequent measurement
Regular way purchases and sales of loans and receivables are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Loans and receivables are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

(c) Fair value
The fair value of loans and receivables are established by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(d) Impairment
The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Individually significant loans and receivables are tested for impairment if there are indicators of impairment. Impairment loss is recognised in the statement of comprehensive income and expenditure and the carrying amount of the asset is reduced through the use of allowance.

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Notes to Financial Statements

December 31, 2012

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies ...*continued*

Property and equipment

Land is stated at cost. All other property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated on the straight-line method to allocate their cost to their residual values over the estimated useful lives as follows:

Building	2%
Computers	20%
Office furniture	20%
Office equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other income, in the statement of comprehensive income and expenditure.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Deferred revenue

Deferred revenue represents unamortised license fees received. Deferred revenue is amortised over the life of the license.

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Notes to Financial Statements

December 31, 2012

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income and expenditure over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions

Provisions are recognised when obligation (legal or constructive) is incurred as a result of past events and when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an 'Interest expense' in the statement of comprehensive income and expenditure.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale services in the ordinary course of the Company's activities.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

(a) Performing rights royalty income from Broadcasting and Special Events is recognised on an accrual basis, where the organisations involved have the proven capacity to pay the amounts invoiced by the Company.

(b) Registration fees are recognised on an accrual basis upon submission of a completed registration form.

(c) Interest income is recognised on a time proportion basis using the effective interest method.

Borrowing costs

Borrowing costs are expensed as incurred.

(5)

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Notes to Financial Statements
December 31, 2012

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Eastern Caribbean dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income and expenditure.

Contingencies
Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying the economic benefits is remote. Contingent assets are not recognised unless the realisation of the assets is virtually certain. They are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Subsequent events
Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the Company's financial statements. Post year-end events that are not adjusting events are disclosed when material to the financial statements, if any.

Comparatives
Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Notes to Financial Statements
December 31, 2012

(expressed in Eastern Caribbean dollars)

3 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (i.e., foreign exchange risk and interest rate risk), credit risk, and liquidity risk. These risks are being managed through a process of ongoing identification, analysis, measurement, monitoring, and timely reporting of its activities.

Market risk

a) Foreign exchange risk
The Company has no significant exposure to foreign exchange risk because most transactions in foreign currency are primarily in the US dollar. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollars (US$) has been formally pegged at EC$2.70 = US$1.00 since July 1976.

Management does not believe significant foreign exchange risk exists at December 31, 2012.

b) Interest rate risk
Differences in contractual repricing or maturity dates and changes in interest rates may expose the Company to interest rate risk. The Company's exposure and interest rates on its financial assets and liabilities are disclosed in Notes 6 and 10.

Management does not believe significant interest rate risk exists at December 31, 2012.

Credit risk
Credit risk arises from the possibility that counterparties may default on their obligations to the Company. The amount of the company's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

The Company operates primarily in music industry which potentially expose the Company to concentrations of credit risk consist primarily of cash, receivables, investment securities, and due from related party. The Company also performs periodic credit evaluations of its customers' financial condition.

Maximum exposure to credit risk:

	2012 $	2011 $
Cash	**713,008**	619,856
Receivables	**200,367**	246,692
Due from related party	**15,501**	26,827
At December 31	**928,876**	893,375

Management does not believe significant credit risk exists at December 31, 2012.

(7)

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Notes to Financial Statements
December 31, 2012

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

	1 year $	1-2 years $	2-5 years $	More than 5 years $	Total $
At December 31, 2012					
Borrowings	41,497	41,497	124,491	221,777	429,262
Accruals and other payables	55,386	–	–	–	55,386
Due to rights owners	882,226	–	–	–	882,226
	979,109	41,497	124,491	221,777	1,366,874
At December 31, 2011					
Borrowings	41,497	41,497	124,491	266,823	474,308
Accruals and other payables	94,317	–	–	–	94,317
Due to rights owners	862,994	–	–	–	862,994
	998,808	41,497	124,491	266,823	1,431,619

Management does not believe significant liquidity risk exists at December 31, 2012.

Fair value of financial assets and liabilities
Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. None of the Company's financial assets and liabilities are traded in a formal market.

The carrying amount of cash, investment securities, receivables, due from/to related parties, borrowings, accruals and other payables, and due to right owners are assumed to approximate their fair values because of the short-term maturity of such items.

(8)

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Notes to Financial Statements
December 31, 2012

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management does not consider that there are estimates and assumptions that will have a significant risk, causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 Cash

	2012 $	2011 $
Cash at bank and on hand	**713,008**	619,856

6 Investment securities

	2012 $	2011 $
Debt securities		
Unlisted investment securities	**155,427**	148,568
Less: provision for impairment of investment securities	**(155,427)**	(148,568)
	–	–

The weighted average effective interest rate on debt securities is 4.5% (2011 - 4.5%) per annum. This investment with CLICO International Life Insurance Limited matured on December 22, 2009.

(9)

(expressed in Eastern Caribbean dollars)

7 Receivables and prepayments

	2012 $	2011 $
Receivables	**200,367**	246,692
Prepayments	**6,956**	7,106
	207,323	253,798

The fair value of receivables approximates the carrying values at December 31, 2012 and 2011, since these receivables are expected to be realised on a short-term basis.

As at December 31, 2012, the Company has no trade receivables that are past due or impaired.

8 Related party balances and transactions

	2012 $	2011 $
Due from related party		
Performing Right Society Ltd.	**15,501**	26,827

Balances with related parties are unsecured, non-interest bearing and due and demandable.

Key management compensation
Key management comprises directors and senior management of the Company.

Compensation of key management personnel were as follows:

	2012 $	2011 $
Salaries and wages	**89,100**	89,100
Pension and medical benefits	**4,455**	4,875
Social security costs	**3,000**	3,000
Bonus and commissions	**2,270**	3,039
Other benefits	**–**	17,682
	98,825	117,696

(10)

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Notes to Financial Statements

December 31, 2012

(expressed in Eastern Caribbean dollars)

9 Property and equipment

	Land and Building $	Computers $	Office Furniture $	Office Equipment $	Total $
At December 31, 2010					
Cost	427,406	63,116	34,787	58,822	584,131
Accumulated depreciation	(19,250)	(48,062)	(29,869)	(38,589)	(135,770)
Net book value	408,156	15,054	4,918	20,233	448,361
Year ended December 31, 2011					
Opening net book amount	408,156	15,054	4,918	20,233	448,361
Additions	21,148	6,888	500	7,590	36,126
Depreciation charge (Note 14)	(7776)	(8,371)	(2,878)	(8,127)	(27,152)
Closing net book amount	421,528	13,571	2,540	19,696	457,335
At December 31, 2011					
Cost	448,554	70,004	35,287	66,412	620,257
Accumulated depreciation	(27,026)	(56,433)	(32,747)	(46,716)	(162,922)
Net book amount	421,528	13,571	2,540	19,696	457,335
Year ended December 31, 2012					
Opening net book amount	421,528	13,571	2,540	19,696	457,335
Additions	9,030	8,975	–	2,442	20,447
Depreciation charge (Note 14)	(7,956)	(8,423)	(2,540)	(8,828)	(27,747)
Closing net book amount	422,602	14,123	–	13,310	450,035
At December 31, 2012					
Cost	457,584	78,979	35,287	68,854	640,704
Accumulated depreciation	(34,982)	(64,856)	(35,287)	(55,544)	(190,669)
Net book amount	422,602	14,123	–	13,310	450,035

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Notes to Financial Statements
December 31, 2012

(expressed in Eastern Caribbean dollars)

10 Borrowings

	2012 $	2011 $
Current		
Bank borrowings	**15,510**	13,921
Non-current		
Bank borrowings	**251,335**	268,101
Total borrowings	**266,845**	282,022

Maturity of non-current borrowings:

	2012 $	2011 $
Between 1 and 2 years	**17,135**	15,379
Between 2 and 5 years	**62,941**	56,492
More than 5 years	**171,259**	196,230
	251,335	268,101

Bank borrowing is secured by a hypothecary obligation over the land and building of the Company which was stamped to cover $321,800 and assignment of insurance policy of the building for $311,365.

Finance cost incurred in 2012 amounted to $26,320 (2011 - $29,978). The weighted average effective interest rate at the balance sheet date was 10.0% in 2012 (2011 - 10.0%).

11 Accruals and other payables

	2012 $	2011 $
Accrued expenses	**32,386**	49,155
Other payables	**23,000**	45,162
	55,386	94,317

(12)

(expressed in Eastern Caribbean dollars)

12 Due to rights owners

	2012 $	2011 $
At beginning of year	**862,994**	653,342
Foreign distribution received for rights owners	**22,331**	9,426
Distributable income to rights owners	**321,158**	393,462
	1,206,483	1,056,230
Less: Distribution to rights owners	**(324,257)**	(193,236)
At end of year	**882,226**	862,994

The Company's Article of Incorporation and By-laws stated that the Company may appropriate 5% of its net distributable income at the end of each financial year as a reserve fund.

13 Royalties

	2012 $	2011 $
General	**535,619**	455,681
Live events	**251,033**	314,257
Broadcasting	**151,096**	197,862
	937,748	967,800

(13)

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Notes to Financial Statements
December 31, 2012

(expressed in Eastern Caribbean dollars)

14 Administrative and general expenses

	2012 $	2011 $
Employee benefit expense (Note 15)	**227,560**	255,051
Travel and entertainment	**53,748**	22,544
Utilities	**49,441**	36,415
Legal fees	**34,867**	33,962
Depreciation (Note 9)	**27,747**	27,152
BMAT licensing system fee	**25,550**	20,642
Audit fees	**23,000**	19,530
CCL subscription fees	**20,724**	6,852
Taxes and licenses	**20,292**	7,055
Expenses for meetings	**19,407**	3,794
CISAC/SUISA subscription fees	**16,362**	3,592
Insurance	**14,462**	9,487
Vehicle expenses	**13,039**	8,240
Promotion and advertising	**12,854**	38,170
Printing, postage and office supplies	**12,097**	16,887
Bank charges	**9,662**	3,860
Office repairs and maintenance	**7,573**	17,452
Impairment of investment securities	**6,859**	6,397
Directors fees	**2,025**	1,875
Training expenses	**695**	6,185
Other expenses	**13,233**	9,953
	611,197	555,095

15 Employee benefit expense

	2012 $	2011 $
Salaries and wages	**179,048**	177,887
Bonus and staff commissions	**36,387**	46,179
Social security cost	**7,670**	7,983
Pension and medical	**4,455**	5,320
Other benefits	**–**	17,682
	227,560	255,051

(14)

Eastern Caribbean Collective Organisation for Music Rights (ECCO) Inc.

Notes to Financial Statements

December 31, 2012

(expressed in Eastern Caribbean dollars)

16 Finance cost - net

	2012 $	2011 $
Interest expense (Note 10)	**(26,320)**	(29,978)
Interest income	**22,804**	22,789
	(3,516)	(7,189)

(15)

Protecting Music Rights