
TRINIDAD AND TOBAGO

SECURITIES & EXCHANGE COMMISSION

Annual Report 2002



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January 31, 2003

The Honourable Patrick Manning
Prime Minister and Minister of Finance
Whitehall
29 Maraval Road

PORT OF SPAIN

Dear Sir

In keeping with Section 20(1) of the Securities Industry Act 1995, I submit the Annual Report of the Trinidad and Tobago Securities and Exchange Commission for the financial year ended September 30, 2002.

I shall be grateful if you would advise me when the report is laid in Parliament, as the Act requires that copies of the Report be made available to the public after the Report is laid.

C.M. Robinson
Chairman

Trinidad and Tobago Securities and Exchange Commission

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OUR VISION

To be an effective regulator of the capital market
in which stakeholders have confidence

OUR MISSION

The Trinidad and Tobago Securities and Exchange Commission
is the regulatory agency for the Securities Industry.

We administer the Securities Industry Act to protect the investor,
promote integrity and transparency and foster the development
of the capital market through a committed and
competent team of professionals

MESSAGE FROM THE CHAIRMAN

The year under review was an eventful one for the Commission as we continued our efforts to deliver our legislative mandate against the backdrop of demanding international principles and standards outlined for securities market regulators. Despite the limitations encountered in administering our functions in the areas of registration and disclosure, market regulation and surveillance, enforcement and investor education we accomplished many of the targets agreed upon during the year.

One of the major areas of focus was the selection and contracting of consultants to undertake a revision of the Securities Industry Act 1995. From its very inception the Commission identified several gaps, inconsistencies and ambiguities in the regulatory framework which have severely constrained our ability to regulate the securities market effectively. The consultants are now on board and are expected to complete their assignment during the first half of 2003.

The need for urgent regulatory reform was further highlighted as the Commission sought to

intervene in the case of two attempted take-overs in the local market. A third take-over involved companies domiciled in another Caribbean country. During the second half of 2002, the Commission drew to the attention of the parties involved in the attempted takeover of Trinidad Cement Limited, the provisions of the Draft Take-over By-Laws. The draft by-laws, while not yet enshrined in law, contain many provisions considered appropriate to the needs of this market at this time, especially the need to disclose adequate information to shareholders on a timely basis, enabling them to make informed decisions concerning their investments. In light of these developments, the Commission is affording the highest priority during the months ahead to the finalisation of its Take-over By-Laws that would represent international best practice. I must emphasize that the Commission's role is to ensure that shareholders are protected from abuse and that corporate actions are always in the best interest of the shareholders of target companies, especially shareholders with minority interests.

Our surveillance of the securities market revealed several unusual and suspicious trades in the shares of certain listed companies. Some progress has been made in conducting enquiries about these trades in order to determine whether the Act was contravened and to identify the persons involved. I take this opportunity therefore to remind those persons who may be connected to issuers, such as directors, officers and employees who in the course of their duties have access to non-public information, that they are not permitted to allow themselves, their contacts or their relatives to profit from this information. The

Commission found it necessary to publish recently, a notice on insider trading with the aim of generating public awareness of the issue. Moreover, we encourage all professionals in the field, including investment advisers, lawyers, accountants and auditors, to give priority to familiarising themselves with the provisions of the Securities Industry Act and the relevant provisions of the Companies Act to ensure that they do not contravene the law.

In the early years of its operations, the Commission adopted a facilitatory approach in dealing with market actors, in order to allow them time to adjust fully to the new responsibilities placed upon them by the provisions of the Securities Industry Act. We believe, however, that the time has come for us to adopt a more aggressive approach in enforcing the law and will do this to the extent allowed by the existing framework. In short, those who are found to be in breach of the law will face the appropriate penalties.

In conducting our market oversight activities, we have also noted the need for market participants and professionals operating in the market place to be guided by codes of ethics that identify acceptable standards of behaviour. While it is evident that even in jurisdictions where these codes of ethics are in existence, they have failed to prevent unlawful or unfair practices, we believe that these can effectively complement the regulatory work of the Commission by ensuring that market professionals attain high standards of ethical behaviour. In the interest of market integrity, professionals for example, brokers, investment advisers, analysts, legal advisers should give primacy to the



establishment of associations and similar bodies to set, monitor and maintain the corporate practices and certification standards for their respective professions. This will support the oversight functions being performed by the regulator.

Our review of filings by reporting issuers suggests that there is considerable room for these entities to adopt and maintain higher standards of reporting and disclosure in preparing their accounts and in making timely and thorough disclosure on material events to their shareholders. In this regard, the Commission encourages reporting issuers to work towards higher standards of disclosure in communicating information on their affairs to investors. Recent developments in the United States leading to the passage of the Sarbanes-Oxley Act have identified several areas that can be addressed in the area of corporate disclosures to allow for greater transparency and accuracy in the affairs of issuers of securities. The proposals for reform of the Securities Industry Act will include provisions for enhanced continuous disclosure and increased disclosure for public offerings.

The Commission acknowledges its pivotal role in improving the integrity of our securities market and providing investor protection. In performing this role, we register market actors and reporting issuers, require adequate disclosure in prospectuses and other documents in the distribution of securities, and educate the public about securities. We also take enforcement action, where necessary. However, we expect that market participants and professionals operating in the

market place, including self-regulatory organizations, will recognize the benefits of encouraging fair and equitable practices and support the Commission in its efforts to ensure adequate regulation of the market. To this end, we encourage them to provide comments and feedback on by-laws and draft legislation, especially when they are put out for public comment. In this way our recommendations would be informed by the views and experiences of the market practitioners.

One area of concern to the Commission during the review period, was the failure of the Stock Exchange to meet the several target dates for commissioning the Central Depository. The Commission, through a process of dialogue, sought to influence the start up of the depository as this is seen to be one of the significant steps towards ensuring greater equity and efficiency in trading operations. However, the undertaking given by the brokers to operationalize the depository before the end of 2002, failed to materialize. At the time of writing, we had received the assurance of the brokerage community that the depository would be commissioned before the end of January 2003, and we hope that this undertaking will be honoured.

Even while the regulatory reform is in progress, the Commission is examining the structure of the securities market in Trinidad and Tobago with the aim of identifying issues that must be addressed if the market is to function at higher levels of transparency. The Commission has noted that there is a global trend towards demutualization of stock exchanges, allowing for greater independence of the Board of Directors of these institutions. We

believe that the Stock Exchange in Trinidad and Tobago should seriously consider moving swiftly in this direction. One advantage of such a move would be to remove the difficulties that may arise in an owner-managed structure in which members may appear to be reluctant to penalize their colleagues who fail to observe the rules.

In February 2002, the Commission had the privilege to host the Annual Meeting of the Council of the Securities Regulators of the Americas (COSRA). That meeting was the forum for discussing many of the critical issues being addressed by regulators in Latin America and the wider Caribbean including, inter alia, corporate governance, clearance and settlements, regulatory transparency and mutual cooperation and the exchange of information among regulators. I thank the membership of COSRA for accepting our offer to host the meeting. The Commission intends to continue its involvement in the work of COSRA and its related body the Inter-American Regional Committee of IOSCO.

I wish to thank my fellow Commissioners for their strong support over the past year and to reiterate our commitment to the development of a vibrant and efficient capital market in Trinidad and Tobago.



C. M. Robinson
Chairman

GENERAL MANAGER'S REMARKS

I am pleased to report on our activities for the period October 2001 to September 2002, a period in which our energies were directed towards charting new ground as we sought to keep abreast of the fast developing securities market environment.

As we entered our sixth year of operations, we conducted an in-depth review of all our internal systems and procedures to provide for greater efficiency within our organisational structure. To date, we have revised our human resource policy which is designed to fine-tune our recruitment, retention and training policies, thereby ensuring that we have a cadre of competent personnel appropriate to the needs of the organisation.

Considerable media attention was directed towards the Commission during attempted takeovers of listed companies early in 2002 and this brought the role and responsibilities of the Commission into the public forum. It also highlighted, to some extent, the constraints imposed on the Commission by the inappropriateness of the existing legal framework and emphasized



the urgency with which we must address these shortcomings. We are pleased therefore that a firm of consultants (Stikeman Elliot of Canada) was engaged as to prepare detailed recommendations for legislative reform. The consultants are expected to complete their work during the course of this fiscal year. I take this opportunity to thank the several individuals and corporate officials who responded to our invitation to meet with the consultants during the fact-finding phase of their work.

We made significant progress with finalizing our strategic business plan for the years 2003-2006. In this plan, we have identified the following strategic goals:

- Consumers will have the knowledge and skills to make informed investment choices
- All Registrants and other persons will comply fully with the requirements of the law
- The regulatory regime will facilitate effective regulation of the securities market.
- The establishment and maintenance of high standards of integrity and financial responsibility in the market place will be encouraged
- The Minister of Finance will be advised on matters related to the securities industry

We will therefore direct our efforts towards attaining these goals within the medium term with efficiency and effectiveness.

The Commission also continued to explore ways of providing market actors with tools to facilitate compliance with the law. To this

end, we published Prospectus Guidelines which stipulates the requirements for disclosure by issuers of securities in their prospectuses and other offer documents. These guidelines also reflect our attempts to adopt international best practice in the local securities market.

During the year, we approved a programme of investor education designed to enhance investors' understanding of the role of the Commission. This programme is intended to provide investors with the tools to protect themselves against fraud, including fraud facilitated through the internet, and to assess the risks associated with particular investments. In implementing the first phase of this programme we held workshops on the role and functions of the Commission for officials of Government departments. Our next phase will involve Sixth Formers in secondary schools and the public.

Finally, I wish to thank the staff of the Commission for their dedication and support during the year. I also express my deep gratitude to all stakeholders including the Ministry of Finance who through their comments and feedback provided us with valuable information that would assist us in responding more effectively to the needs of the market. We look forward to your continued support in the coming year.

A handwritten signature in black ink that reads "Monica J. Clement". The signature is written in a cursive, flowing style.

Monica J. Clement
General Manager

THE COMMISSIONERS



MR. IAN BERTRAND
Commissioner



MS. AMOY CHANG FONG
Commissioner



MR. CARLTON ROBINSON
Chairman



MS. SHELLEY COLLYMORE
Commissioner



MR. FYARD HOSEIN
Commissioner

FUNCTIONS OF THE COMMISSION

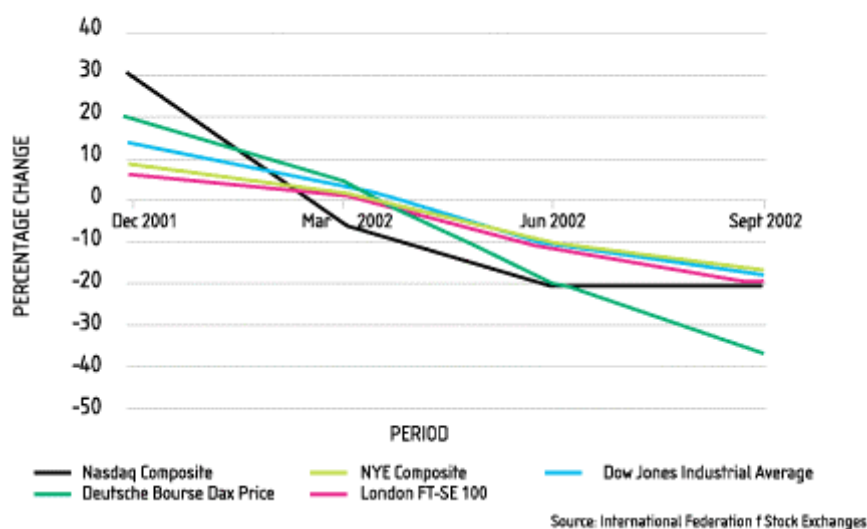
The Trinidad and Tobago Securities and Exchange Commission (TTSEC) was established by the Securities Industry Act, 1995 as an autonomous agency to provide for the regulation of the securities market in Trinidad and Tobago and for connected matters.

Its main functions as outlined in Section 5 of the Securities Industry Act 1995 are to:

- Advise the Minister of Finance on all matters relating to the securities industry;
- Maintain surveillance over the securities market and ensure orderly, fair and equitable dealings in securities;
- Register, authorize or regulate, in accordance with the Act, self-regulatory organizations, securities companies, brokers, dealers, traders, underwriters, issuers and investment advisers, and control and supervise their activities with a view to maintaining proper standards of conduct and professionalism in the securities business;
- Protect the integrity of the securities market against any abuses arising from the practice of insider trading;
- Create and promote such conditions in the securities market as may seem to it necessary, advisable or appropriate to ensure the orderly growth and development of the capital market.

THE GLOBAL ECONOMY¹

Figure 1
QUARTERLY PERFORMANCE OF MAJOR STOCK INDICES
 for the period December 2001 to September 2002



investor confidence in the equity markets as several large corporations were forced to restate their earnings resulting in huge losses by investors. The prices of technology, insurance and tourism stocks were the most severely affected by these events. By the end of September 2002, all major market indices including the Nasdaq Composite, the NYSE Composite, the Dow Jones Industrial Average, the Deutsche Bourse Dax and the London FT-SE 100 had fallen substantially below the levels of September 2001 by 21.2, 18.1, 14.2, 36.9 and 24.1 percent respectively (**Appendix 2 and Figure 1**).

Bond markets in the United States and Europe initially appeared to be unaffected by these developments. However, in the wake of downgrades of corporate debt by rating agencies and the fear of large defaults, issuance of corporate debt slowed, resulting in a widening of corporate spreads and a steep decline in the net issues of fixed rate securities. Moreover, macro-economic prospects in Japan and to some extent the United States added further uncertainty to the market.

Emerging equity markets also experienced some contagion effects from this crisis, although on a much more limited scale. However, those markets were affected by political tensions in India, Pakistan and financial market crises in Argentina, Brazil and Turkey resulting in a slump in equity prices. Bond markets also reacted to these developments with an overall slowing of bond issuance to sovereign and corporate borrowers in the emerging markets, although those entities with stronger credit ratings continued to enjoy access to financing.

World output is estimated to have increased on average by 2.8 percent in 2002, as the more developed economies appeared to recover from the slump experienced in the previous year, notwithstanding the threat of escalating taxes hostilities in the Middle East. This trend was evident in the United States in the months following the terrorist attacks in that country, as output rose by 2.2 percent compared with 0.3 percent in the previous year (**Appendix 1**). Canada showed strong growth at a rate of 3.4 percent in 2002, compared with 1.5 percent in the previous year. However, the pattern was reversed in Japan, as the economy contracted by 0.5 percent as that country continued to experience problems in its financial sector and poor performance in its manufacturing and trade sectors.

The developing countries, on average, experienced a growth rate of 4.2 percent in 2002, with rates ranging from 7.5 percent in China to -0.6 percent in the countries of the Western Hemisphere. The deteriorating performance in the Western Hemispheric group reflects the economic downturn in several

countries in Latin America, including Argentina, Uruguay and Brazil and to some extent Mexico. The countries in transition grew by 3.9 percent compared with 4.5 percent in the previous year.

Despite the expansion in output, unemployment rates in the United States and Canada climbed to 5.9 percent and 7.6 percent respectively due to widespread layoffs in the airline, technology and other services sectors. Japan also recorded higher unemployment (5.5 percent) in 2002. Employment in developing countries was also adversely affected by the weak demand in the more advanced economies.

GLOBAL CAPITAL MARKETS

In September 2001, global securities markets were temporarily disrupted following the terrorist attacks in the United States. By October 2001, however operations returned to be further affected when reports reached the market about the investigations by the US authorities into the financial affairs of Enron and World Com. This led to a loss of

¹ The analysis in this section uses statistics provided in the World Economic Outlook, International Monetary Fund, September 2002

THE TRINIDAD AND TOBAGO ECONOMY²

Despite many challenges in the internal and external environment, Trinidad and Tobago experienced positive real growth during the fiscal year 2001/2002. Inflation and unemployment were contained. Capital market activity was adversely affected by the political stalemate resulting from the hiatus in parliament, as the volume of activity in the primary and secondary markets slowed somewhat. However, the mutual fund industry benefited from the lower interest rates prevailing in the banking sector as more persons sought to diversify their investment portfolios and increase their returns.

Provisional estimates of Gross Domestic Product for the year 2002 show that the Trinidad and Tobago economy grew by 2.7 percent in real terms compared with 3.3 percent in the previous year. This growth was attributed mainly to the performance of the oil sector in which factors such as favourable world oil prices and a high level of activity in exploration and production had a positive influence.

The non-oil sector also expanded by 4.1 percent compared with 3.3 percent in 2001. The main contributors to this performance were the Agriculture sector, which grew by 11.1 percent and the Services sector in which output increased by 4.2 percent. In the case of the agriculture sector, the increased production of sugar by state-owned Caroni Limited, although falling below targeted levels, was a major contributor to growth. The Transport, Storage and Communications and Finance, Insurance and Real Estate sub-

sectors were the main growth areas within the services sub-sectors expanding by 10.6 percent and 5.9 percent respectively. The Hotels and Guest Houses sub-sector contracted by 1.3 percent reflecting the negative effects of the terrorist attacks in the USA on the global tourism industry.

The rate of inflation as measured by changes in the Index of Retail Prices was 4.4 percent for the period October 2001 to March 2002. This was due mainly to higher prices for Food, Drink and Tobacco. Inflation averaged 5.6 percent in the comparative period of 2001. The unemployment rate averaged 10.3 percent for the first nine months of 2002, comparing favourably with 10.8 percent rate that prevailed in 2001.

In fiscal year 2002, the country recorded a fiscal surplus of TT\$ 69 million, despite a fall of \$366 million in Government Revenue, as efforts were made to contain expenditure. Gross Official Reserves at the end of 2002 amounted to US\$ 1,931 million, representing 5.9 months of imports and an increase of US\$55 million above the previous year's level. Gross International Reserves stood at US\$2,531 at the end of 2002.

² Data sources for this section are the Review of the Economy 2002, Republic of Trinidad and Tobago, October 2002 and the Central Bank of Trinidad and Tobago

TRINIDAD AND TOBAGO CAPITAL MARKET

STOCK MARKET

The number of shares traded on the Trinidad and Tobago Stock Exchange during the year ending September 30th 2002 amounted to 111.1 million. This represented a 20 percent increase over the previous year's volume. **Figure 2** illustrates the volume of ordinary shares traded for the period October 1999 to September 2002.

However, activity in the market was relatively slow during the May to September period, as the market appeared to react to uncertainty in the political climate in the period leading up to the general elections.

Trading values of shares increased by 34 percent from TT\$843.9 million in 2001 to TT\$1,132.5 million in 2002. **Figure 3** shows the volume of shares traded over the period October 1999 to September 2002.

On average, share prices increased during the period, partly influenced by the sharp increases in the securities of companies which were the targets of takeover bids such as Trinidad Cement Limited and Life of Barbados.

The trends are reflected in **Figure 4**, which displays the monthly composite index for the period. This index reached an all time high at 488.61 in September 2002, increasing by 18 percent during the year.

Figure 2
VOLUME OF ORDINARY SHARES TRADED - October 1999 to September 2002

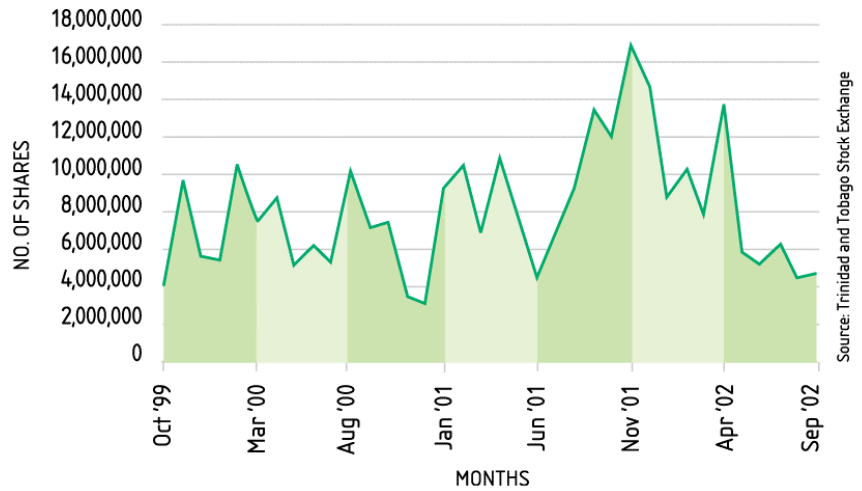


Figure 3
VALUE OF ORDINARY SHARES TRADED - October 1999 to September 2002

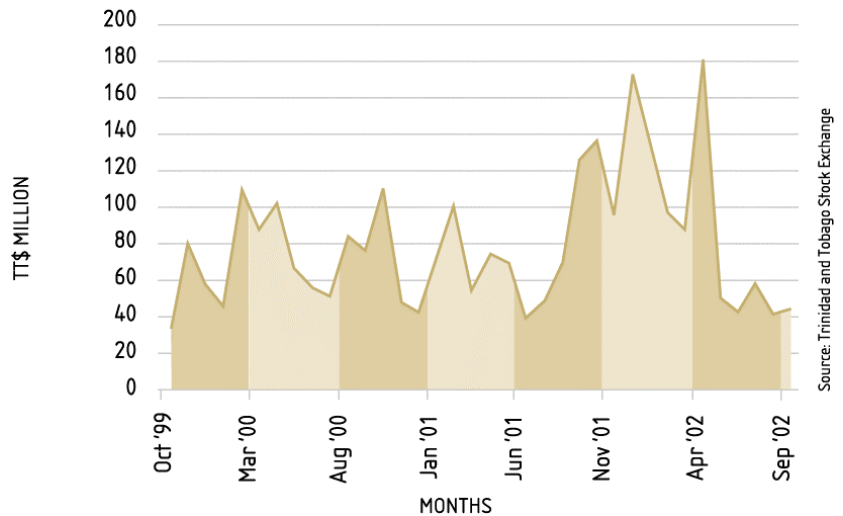
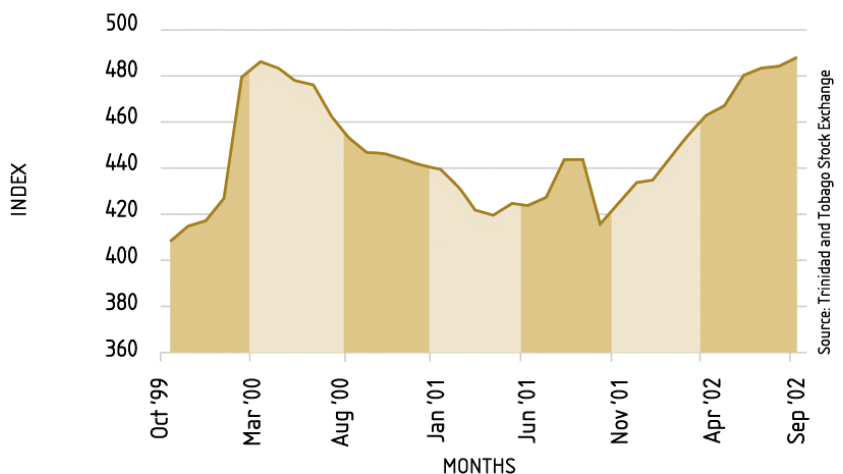


Figure 4
MONTHLY COMPOSITE INDEX - October 1999 to September 2002



Market capitalisation also saw a corresponding increase during the period as depicted in **Figure 5** and **Table 1** peaking at TT\$35,771 million, the highest for the past 3 years.

The number of companies trading on the second tier market increased to 2 with the listing of FNCU Venture Capital Company in October 2001. However, this market showed little trading activity, although the price of shares in Mora Ven Holdings increased in response to a takeover bid. In September 2002, market capitalisation on the second tier market was TT\$34.7 million.

DEBT SECURITIES MARKET

During the year, debt securities issued totalled TT\$ 6.1 billion representing a 28 percent increase over the amount of the previous year. Placement by regional issuers doubled in this period, primarily the Government of St. Lucia, Development Finance Corporation of Belize and the Government of St. Christopher and Nevis.

The largest issues were placed by Water and Sewerage Authority, the Government of Trinidad and Tobago and British Petroleum T&T Limited in the amounts of TT\$330 million, TT\$500 million and TT\$480 million respectively.

Figure 6 shows the pattern of borrowing by type of issuer for the period October 1999 to September 2002.

Figure 5
MARKET CAPITALISATION - October 1999 to September 2002

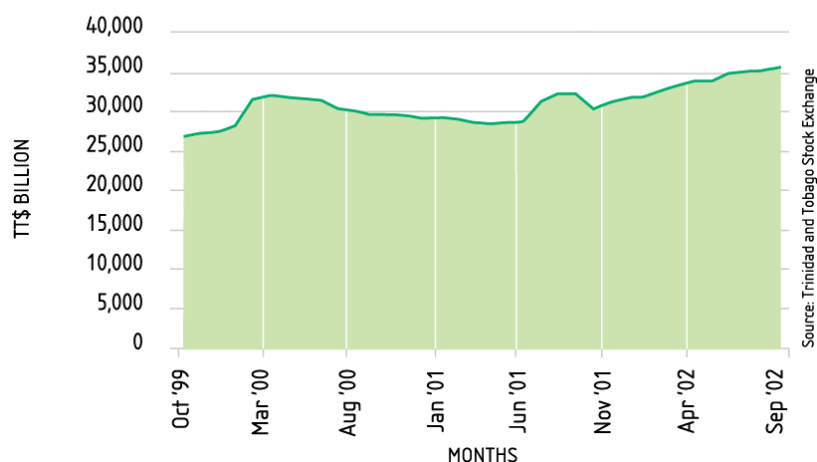


Figure 6
DISTRIBUTION OF DEBT ISSUES BY TYPE OF ISSUER

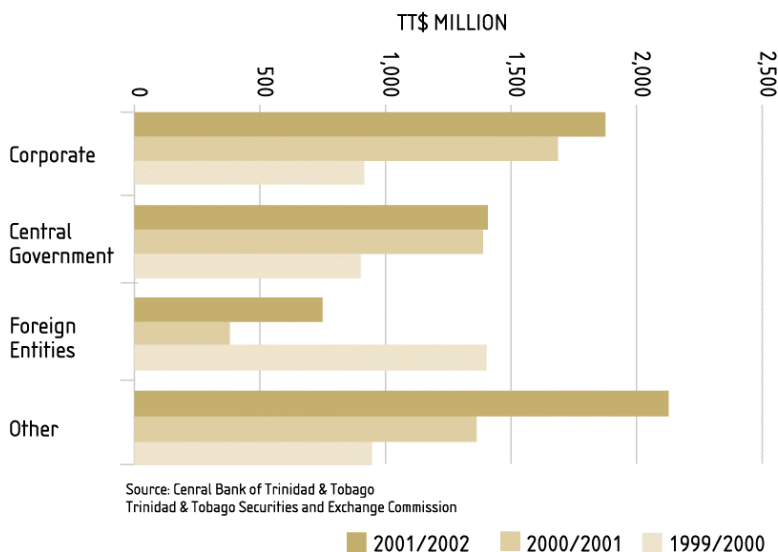


Table 1 SUMMARY OF STOCK MARKET DATA FOR TRINIDAD & TOBAGO
October 1999 to September 2002

| Description | 2002/2001 | 2000/2001 | 1999/2000 |
|-----------------------------------|-----------|-----------|-----------|
| Number of Ordinary Shares Issues | 33 | 33 | 33 |
| Volume of Shares (million) | 111.1 | 92.7 | 85.2 |
| Value of Shares (TT \$ million) | 1,132.5 | 843.9 | 839.5 |
| Market Capitalisation | | | |
| as at September 30 (TT\$ million) | 35,771.4 | 32,308.3 | 29,693.9 |
| Composite Index as at Sept. 30 | 488.6 | 444.1 | 447.3 |

REVIEW OF OPERATIONS

REGISTRATION AND DISCLOSURE

The Division of Disclosure, Registration & Corporate Finance performs basically three functions:

1. Registration of reporting issuers, market actors, securities issued in the local market and self-regulatory organisations
2. Review of prospectuses, offering circulars or other documents used to solicit or

advertise securities to the public, and issue receipts for these documents, as well as ensure continuous disclosure to existing and prospective investors of all material information concerning reporting issuers

3. Review of financial reports and monitoring of corporate finance activities, accounting policies and corporate governance activities of all registrants

Registered Persons

There was no significant change in the number of persons registered with the Commission during this period compared with the last financial year. A complete list of persons registered with the Commission as at September 30, 2002 is provided in **Appendix 3. Table 2** indicates the number of persons registered as reporting issuers, market actors and self-regulatory organizations.

Registered Securities

The equity issues registered with the Commission, for the most part were limited to bonus issues and stock/share options compared to the previous period when the equity activity included three (3) initial public offerings. CIBC West Indies Holdings Limited registered the issue of 925,745,276 common shares pursuant to the proposed business combination of CIBC West Indies Holdings Limited with the Caribbean operations of Barclays Bank Plc. This institution now operates under the name of First Caribbean International Bank Ltd.

Of the seven (7) mutual funds registered with the Commission during the year, two (2) are

Table 2
PERSONS REGISTERED WITH THE COMMISSION

| Class of Registration | October 1st to September 30th | | |
|-------------------------------|-------------------------------|------|------|
| | 2002 | 2001 | 2000 |
| Brokers | 10 | 10 | 10 |
| Dealers | 2 | 3 | 2 |
| Investment Advisers | 19 | 21 | 22 |
| Reporting Issuers | 72 | 69 | 56 |
| Securities Companies | 20 | 18 | 18 |
| Self Regulatory Organisations | 2 | 2 | 1 |
| Traders | 7 | 5 | 7 |
| Underwriters | 7 | 11 | 11 |
| TOTAL | 137 | 139 | 127 |

Table 3
CLASSES OF SECURITIES REGISTERED WITH THE COMMISSION

| Class of Securities | Oct 1, 2001 | Oct 1, 2000 | Oct 1, 1999 |
|-------------------------------|---------------------|---------------------|---------------------|
| | to Sept 30, 2002 | to Sept 30, 2001 | to Sept 30, 2000 |
| Equity Issues | 17 | 19 | 13 |
| Mutual Funds | 7 | 13 | 4 |
| Debt Issues | 21 | 29 | 17 |
| Derivatives (Debt) Securities | 21 | 11 | 8 |
| Other | 0 | 1 | 0 |
| TOTAL | 66 | 73 | 42 |

foreign funds. The number of registered closed-end funds increased to three (3) with introduction of Fortress Caribbean Property Fund to be distributed locally by West Indies Stockbrokers Limited and the Praetorian Property Mutual Fund sponsored by RBTT Bank Limited and Guardian Life of the Caribbean Limited.

Debt and debt related (derivatives) issues denominated in TT and US dollars accounted for approximately 64 percent of the securities registered with the Commission. The Government of Trinidad and Tobago, statutory organisations and state enterprises issued the majority of these securities. Regional governments and institutions also sourced funds locally by floating fixed rate bonds.

A summary of the securities registered with the Commission is provided in **Table 3**. **Appendix 4** provides a complete list of the securities registered with the Commission for the period October 2001 to September 2002.

Disclosure

In 2002, the Commission issued Prospectus Guidelines to inform issuers of securities and the general public, of the disclosure requirements for filing offer documents. Any disclosures relative to securities to be offered to the public are presented in a prospectus or offering circular. This document should contain all the necessary information that the investor together with his or her adviser would need to make a reasoned decision as to whether to invest in the security. To this end, the Division reviews all prospectuses and/or

disclosure documents submitted to ensure that the disclosures are:

- adequate
- unambiguous
- reliable
- consistent

During the period October 2001 to September 2002 the Commission issued receipts for eleven (11) prospectuses, seven (7) of which were related to mutual funds. Details of the prospectuses receipted are provided in **Appendix 5**.

MARKET REGULATION & SURVEILLANCE

The securities industry in Trinidad and Tobago has been evolving at an ever-increasing pace and the need for effective market regulation has become more pronounced. The Division of Market Regulation and Surveillance encountered many new and exciting challenges during the year ended September 30th 2002, and ventured frequently into uncharted territory in dealing with issues which had never before arisen in the history of the Commission.

In pursuance of the mandate granted to the Commission to ensure the orderly growth and development of the capital market, the Division, guided by the provisions of the Securities Industry Act and its By-Laws, focused on a number of issues pertaining to take-overs and illegal insider trading. In fulfilment of the Commission's responsibilities for monitoring the operations of registered Self-Regulatory Organisations (SROs), the operating guidelines of the Trinidad and Tobago Central Depository (TTCD) came under increased scrutiny by the Division in preparation for the

start-up of that clearing agency. Throughout the year, the Division's resources were also channelled towards dealing with suspected instances of illegal marketing and distribution of securities in Trinidad and Tobago.

Oversight of Self-Regulatory Organisations (SROs)

The TTCD, one of the two SROs registered with, and regulated by the Commission, was still non-operational during the year, despite having been registered with the Commission since November 2000. Subsequent to the Commission's approval, in February 2002, of a number of amendments to the TTCD Rules, the TTCD scheduled a number of start-up dates, but never did get off the ground. In order to ensure technological readiness of the TTCD at start-up, the Commission also recommended that an independent test of the TTCD system be conducted. The TTSE advised subsequently of completion of the test, that it was successful, and that the TTCD was ready for start-up. In January 2003, the Commission approved a number of amendments to the TTSE Rules, to facilitate its clearing of trades through the TTCD, and the TTCD is now scheduled to begin operations on January 21st 2003.

With respect to the TTSE, the Division continued to monitor the operations of that SRO to evaluate its ability to ensure that its members comply with the Rules of the Exchange, the Securities Industry Act (SIA), and the SIA By-Laws. The Commission continued to have a number of concerns in this area, particularly with application of SIA by-law 34, and found it necessary, in August 2002, to

instruct the TTSE to ensure that all its Member Companies implement the provisions of that by-law, with effect from August 19th 2002. The Commission determined that this was necessary to ensure greater equity and transparency in brokerages' dealings with clients and in share allocations.

By-Law 34 ("Separate supervision of accounts and of pooling") of the SIA By-Laws, 1997 states:

A registrant shall ensure that-

- (a) the account of each client is supervised separately and distinctly from the accounts of other clients; and*
- (b) except in the case of a mutual fund or pension fund, an order placed on behalf of one client is not pooled with that of another client.*

The Exchange conducted compliance exercises at all six brokerages to determine their compliance with the by-law. In its report on the first test, conducted over the period August/September 2002, the Exchange reported full compliance by only one of the six brokerages, and clear non-compliance by four. The Exchange's tests revealed a number of other areas of concern with respect to the adequacy of brokerages' "books and records", particularly brokerages' recording of orders received. The Exchange notified errant brokerages of its observations with respect to compliance with by-law 34. and all brokerages were required to upgrade their systems of recording customer orders.

The Division continued to monitor the financial position of brokerages, as reported in their Liquidity Returns and annual

audited financial statements. In this regard, the Division had cause to focus during the year, on the capital position of the Exchange's newest Member. That brokerage was required, subsequently, to cease operations at the Exchange, and after some restructuring, was replaced on the Exchange by a new sister company, adequately capitalized to ensure continued compliance with the Exchange's Member Company capital requirements.

Financial Filing Obligations of Registrants

An integral part of the Commission's operations during the year involved the review of registrants' statutory financial filings. The Securities Industry Act and By-Laws require that: each registrant (except individual brokers and traders) file audited financial statements with the Commission within 90 days of the end of its financial year; and each Reporting Issuer file interim financial statements within 60 days of its half year, and an Annual Report within four months of the end of its financial year.

Where registrants failed to comply with mandatory filing requirements, they were reminded, by letter, of their obligations under the Act, and in one instance, the Division had cause to remind a registrant of the severe penalties for contravention of by-law 28 (Filing of financial statements), viz: a fine of \$50,000 and imprisonment for one year. The Commission has not, to date, prosecuted any registrant for non-compliance with the SIA's financial filing provisions. The Division of Market Regulation and Surveillance proposes to, in due course, recommend to the

Commission, certain action meant to reduce the frequency of late filings.

Take-over Attempts

During the year ended September 30th 2002, three companies listed on the Stock Exchange were the subjects of take-over bids: Mora Ven Holdings Limited, Life of Barbados Limited and Trinidad Cement Limited (TCL). The Commission, however, is constrained in its efforts to regulate take-overs effectively as its draft "Take-over By-Laws", though considered to represent best practice, has not yet been enacted.

Mora Ven Holdings was the subject of at least two separate take-over attempts: the first, by Southwestern Oil Limited, in December 2001, and the second in March 2002, by George Nicholas. The bids for control of Mora Ven Holdings were the Commission's first dealings with hostile take-overs and its first attempts at applying the provisions of the Take-over by Laws. Despite meetings with the two parties, staff of the Commission was unable to persuade them to co-operate with the Commission. The Commission continued, however, to dialogue with the individual parties in an attempt primarily, to ensure some acceptable level of disclosure to investors, and also to re-establish some element of decorum in the market.

In May 2002, Barbados Mutual Life Assurance Society was successful in its bid to take-over Life of Barbados, defeating in the process a competing bid from Guardian Holdings Limited. Even though the primary

regulator in that matter was the Securities Commission of Barbados, all parties to that take-over co-operated fully with the TTSEC in terms of relevant and timely disclosures.

When, for the second time in 2002, the Mexican cement company Cemex, launched a take-over bid for TCL in June, the Commission met with both parties in order to highlight the existence of the Commission's draft Take-over By-Laws and to persuade both parties to comply voluntarily with its provisions. Both parties agreed to, and generally did, comply with the provisions of the by-laws.

Suspected Illegal Insider Trading

The Commission, in the course of surveillance of the securities market, detected patterns of unusual and suspicious trading in the shares of a number of companies listed on the Stock Exchange, and accordingly initiated inquiries into a number of instances of "suspected" illegal insider trading. Utilizing its powers under the Securities Industry Act, the Commission obtained certain information from the relevant brokerages, on trading in the shares of those companies which were the subject of its inquiries. The Commission, will, in due course, determine if an Investigation (in accordance with the provisions of section 138 of the SIA) is warranted in any instance. The Division of Market Regulation and Surveillance will continue to routinely monitor trading on the Stock Exchange to determine the necessity of further inquiry in this area.

Insider Reporting Obligations of Public Companies

The Commission continues to monitor public companies' fulfilment of their obligation to report to the Commission, in accordance with the Companies Act, all changes in their Registers of Directors' Holdings and Substantial Shareholdings. This information is useful to the Commission in its oversight of the market, particularly with respect to takeovers and insider trading.

Not all companies, however, provide the Commission with the required information, or within the prescribed timeframe. In July 2002, one registrant was reminded of its obligations to the Commission under the Companies Act, after it was determined from that company's Annual Report, that a number of changes in shareholdings of the company's Directors and Substantial Shareholders had not been reported to the Commission as required.

Surveillance Activities

In its surveillance of the securities market, staff of the Division became aware of the operations of the company, Incorporated Traders Limited, which was holding itself out, on its internet website and otherwise, as a provider of "discount brokerage services" and was describing itself as a "pioneer in the online brokerage industry". Incorporated Traders Limited, also identified as Technical Stock Traders Limited (TSTT), was also offering and selling to the public, from its offices in Chaguanas, the securities of an entity named Valdor Fiber Optics. Neither Incorporated Traders Limited

nor its principal was registered with the Commission to do the type of business being advertised, and neither Valdor Fiber Optics nor any of that entity's securities was registered with the Commission as would be required if those securities are to be offered for sale to the public.

The Commission was also made aware that Incorporated Traders Limited claimed an association, on its website, with the US online brokerage firm, Ameritrade Incorporated. Ameritrade Incorporated advised the Commission, however, that it was in no way associated or affiliated with Incorporated Traders Limited.

The Commission contacted the principal officer of Incorporated Traders Limited and advised that the activity identified was in contravention of the provisions of the Securities Industry Act. Subsequently Incorporated Traders Limited removed its website. The Commission determined it necessary nevertheless, to alert the public to the activities of the company, and in April/June 2002, published a Notice in the daily newspapers, advising the public that, inter alia, neither Incorporated Traders Limited nor any person employed by that company, was registered with the Commission, and the company was therefore, not authorized to carry on, in Trinidad and Tobago, any form of securities business for which registration under the SIA is required.

It should be mentioned that the principal officer eventually applied for registration of the company, but subsequently withdrew the application after it

was realized that the company could not conform to the registration requirement provisions of the Act.

The Commission has since received complaints from persons in Jamaica that Incorporated Traders Limited sold securities of Valdor Fiber Optics to persons there. The Commission has alerted its counterparts in Jamaica, Barbados and the Eastern Caribbean, of the activities of Incorporated Traders Limited.

The Division of Market Regulation and Surveillance has reason to believe that a number of other unregistered persons, companies and individuals resident in Trinidad and Tobago, are offering unregistered securities for sale to the public and continues to monitor the market to ensure that such illegal activity is eliminated in due course.

LEGAL ADVISORY AND ENFORCEMENT

The Division of Legal Advisory and Enforcement provides in-house legal advice to the Commission and the other operating divisions on statutory interpretation, regulatory and legislative matters, investigations, and disclosure and registration issues. It is also charged with the responsibility for taking enforcement action where the Commission has determined that the provisions of the Securities Industry Act, 1995 or the By-laws made thereunder have been breached, for formulating new rules and policies in response to developments in the securities market, administering securities legislation and for reviewing all

proposed laws and regulations governing securities.

During the review period, the Division was actively involved in reviewing the Securities Industry Act, 1995 and By-Laws. The Commission engaged the services of the Canadian business law firm of Stikeman Elliott to assist in reviewing the Securities Industry Act, 1995 and associated legislation. The review process consists of three phases, the first phase of which consisted of meetings held with the Commissioners, staff of the Commission and securities industry and market participants. The purpose of the preliminary discussions was to gather facts with respect to the legal framework, local securities and market conditions. Another objective of the meetings with the securities market participants was to obtain the views of the participants and obtain their involvement in the process of legislative review.

The Commission has received the Inception Report of the consultants and has circulated copies of the Report to market participants for their comments. It is expected that during the second phase of the project the preliminary legislative recommendations made in the Inception Report would be refined or amended based on the submissions of market participants. The consultants would also be meeting with participants to discuss in greater detail issues which would impact on the legislative amendments.

During the first half of 2002, a significant amount of the Division's time was engaged in providing advice on legal issues arising out of take-over attempts of three companies listed on the

Trinidad and Tobago Stock Exchange. The Division had the opportunity of testing the provisions of the draft Take-over By-laws and was able to identify a few shortcomings in the draft provisions. It was determined that with some minor amendments the Take-Over By-laws would provide a comprehensive framework for the regulation of take-over bids. The Take-Over By-laws will be incorporated in the revised securities legislation.

It is anticipated that at the end of the legislative review process, a detailed legislative drafting guideline aimed at developing a more modern, efficient and effective securities regulatory regime would be available.

The Division also collaborated with the Department of Market Regulation and Surveillance on cases of suspected illegal insider trading. Consideration is being given to the appropriate action to be taken in such cases.

In January 2002, the Division reviewed proposed amendments to the Rules of the Trinidad and Tobago Central Depository Limited (TTCD). The rules of the Trinidad and Tobago Stock Exchange have also been amended to provide that all securities deposited with the TTCD and traded through the facilities of the Exchange be transferred in accordance with the rules of the TTCD. The Division, in collaboration with the consultants engaged for the revision of the securities legislation, is in the process of reviewing Trinidad and Tobago's insolvency and securities laws to ensure that legal risks attendant upon depository transactions are reduced as far as possible. The Commission aims to align the

local legal environment for centralized depository transactions with the standards recommended by The International Organization of Securities Commissions for securities clearance and settlements.

The Division also reviewed documents pertaining to the registration of securitized products that were registered by the Commission during the year. The Commission is considering whether there should be some regulation of the legal form and structure of such derivative products. Structured finance products offered in this market are not rated. In the absence of rating information and any legislative provisions on the structure of and on proper disclosure for these transactions, even sophisticated investors in such products are exposed to considerable risk. The two basic options for the regulation of structured investment products are regulation of disclosure relative to distribution of these securities and regulation of the form and structure. Developed securities markets have generally opted for the former approach while some jurisdictions with emerging markets have chosen to regulate structure. The Commission proposes to deal with this issue as part of the review of the Securities Industry Act.

HIGHLIGHTS OF THE ANNUAL MEETING OF THE COUNCIL OF SECURITIES REGULATORS OF THE AMERICAS (COSRA)

Held in Port of Spain, Trinidad in February 2002



Opening Ceremony: L to R:

Senator the Honourable Conrad Enil, Minister in the Ministry of Finance; Mr. Carlton Robinson, Chairman of the Trinidad and Tobago Securities and Exchange Commission; Ms. Monica Clement, General Manager of the Trinidad and Tobago Securities and Exchange Commission; and Ms. Carmen Crépin, Chairman of COSRA.



Chairman Mr. Robinson addressed the meeting.



A cross section of the Delegates and Guests in attendance at the Opening Ceremony.



Delegates tried their hands at playing the national instrument of Trinidad and Tobago, the Steelpan.



An evening of entertainment held at the Pier 1 Chaguaramas in honour of delegates.

REGIONAL INSTITUTIONAL DEVELOPMENTS

ORGANISATION OF EASTERN CARIBBEAN STATES (OECS)

The OECS has embarked upon the establishment of the Regional Government Securities Market (RSGM). This market provides for the trading of government securities facilitating the financing requirements of the OECS governments.

The Eastern Caribbean Stock Exchange will serve as the trading platform and listing facility for government securities which is expected to lead to the expansion of trading on the Exchange. The RSGM deepens the harmonization and integration of the markets of the eight member countries encouraging capital and liquidity flows amongst them.

The RSGM opened on November 20, 2002 with the issue of an EC\$75 million, 10 year, 7.5 percent bond from the Government of St. Kitts and Nevis, the first bond traded on the market.

GUYANA

Though the Guyana Securities Council was established in 1999, the Securities Industry Act is not yet in force. The Guyana Securities Council will be responsible for the development of a fair, efficient, competitive and informed market. Its objectives include encouraging the development of the securities market and effecting compliance and enforcement programmes.

In the absence of the legislative framework, the Guyana Stock Exchange failed to meet its projected start-up date of June 2002.

CAYMAN ISLANDS

The Cayman Islands Stock Exchange was admitted into the European Securitisation Forum, the main objective of which is to promote liquidity, transparency and efficiency in primary and secondary European securitisation markets. This is to be achieved through the identification of the standards and practices governing the growth of these markets. The inclusion of the Cayman Islands Stock Exchange is seen as a move to regularise and further develop the fast-growing securitisation market.

The Exchange also became the sole CUSIP/ISIN³ numbering agent for securities and issuers on the island.

In January 2002, the Securities Investment Business Law, 2001 was passed by the Cayman Islands legislature. The law empowers the Cayman Islands Monetary Authority to regulate securities investment business and market actors through registration, on-site inspections and money-laundering regulation.

BAHAMAS

The Bahamas International Securities Exchange (BISX) began operations in May 2000 and its growth and development have

been stymied due to the weakening of the financial services industry resulting from the Financial Action Task Force (FATF) blacklisting and the adverse economic effects of the September 11 tragedy in the United States. There has been a call for collaborative efforts between the government and the private sector to revitalise the Exchange.

The government has embarked upon a review of the existing securities and mutual funds legislation with the aim of boosting the financial services industry. There are also plans to liberalise exchange control regulations to accommodate the flow of investment under more favourable conditions.

Consequent upon the country's removal from the FATF and OECD blacklists, in October 2002, Bahamas received an A3 foreign currency rating from Moody's Investors Service.

³ CUSIP is the standard, industry-recognised system developed by the Committee on Uniform Security Identification Procedures (CUSIP) that identifies specific securities with a specific number. The system was created for securities traded internationally which are underwritten or domiciled outside the USA and Canada.

ISIN (International Securities Identification Number) is an ISO-approved standard identifier for cross-border transactions.

REGIONAL CAPITAL MARKETS

BARBADOS

The performance of the Barbados stock market remained relatively unchanged as in the previous years with the exception of heavy trading in June 2002 (Figures 7 and 8 and Appendix 6). The spike in June 2002 was attributed to the purchase of over 31 million shares of Life of Barbados by Barbados Mutual Life Assurance Society pursuant to a takeover bid. Market capitalisation was the highest in the month of June peaking at 4,571.08; however, it fell to 3,604.28 by September 2002 (Figure 9).

During the 2001/2002 period, 38.16 million shares valued at BDS\$181.32 million were traded on the Stock Exchange. The number of companies listed on the Exchange increased to 27 with the listing of Insurance Corporation of Barbados Limited in November 2001 on the Local Market and Sunbeach Communications Inc. in August 2002 on the Junior Market.

The Junior Market index ended at 1,856.83 which was a 43 percent increase over the period under review; while the Local and Cross indices increased by 10 percent and 5 percent to 2,265.92 and 913.86 respectively. Figure 10 shows the movement of the monthly indices for the 2001/2002 period.

CAYMAN ISLANDS

The Cayman Islands Stock Exchange is an offshore exchange that provides a listing facility for specialist products, primarily offshore mutual funds, debt securities and derivative warrants. In January 2001, the market expanded to include eurobonds and preference shares issued by special purpose vehicles.

Figure 7
BARBADOS - VOLUME OF SHARES TRADED
October 1999 to September 2002

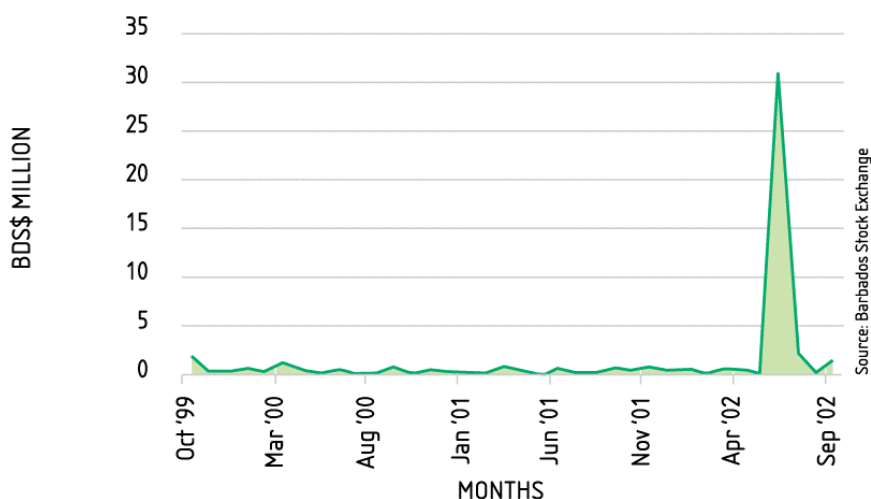


Figure 8
BARBADOS - VALUE OF SHARES TRADED
October 1999 to September 2002

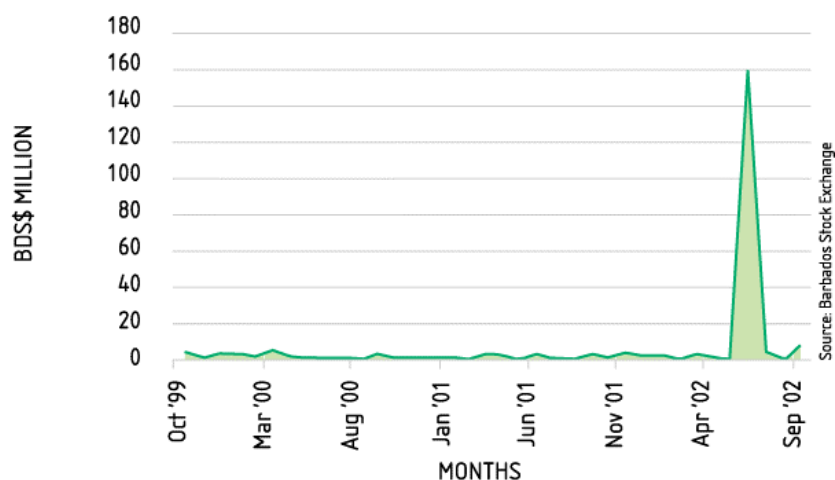
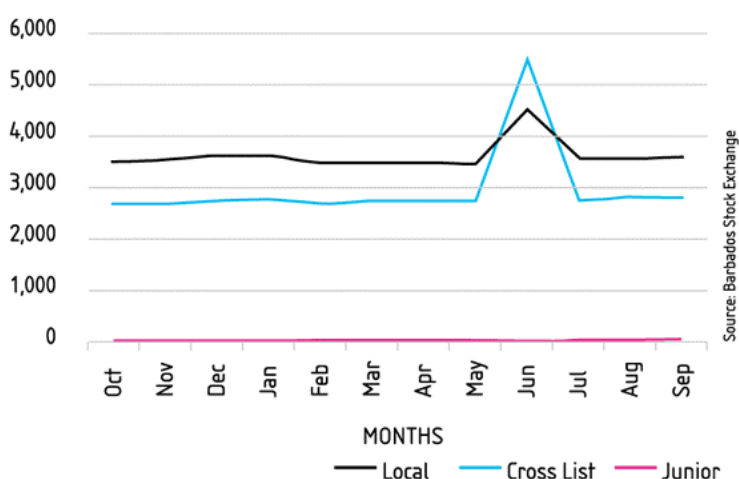


Figure 9
BARBADOS - MARKET CAPITALISATION
October 2001 to September 2002



In September 2002, there were 690 issues listed on the exchange with a market capitalization of US\$36.4 billion. This represents a 70 percent and 5 percent increase respectively compared with September 2001.

Mutual funds account for 81 percent of total securities traded on the exchange with a total market capitalization of US\$30.3 billion. As the performance of the world stock markets decline, investors appeared to be seeking alternative investment instruments where returns can be made even in a downward market. Hence trading in hybrid securities such as derivative warrants, specialist debt issues and hedge funds also increased in 2001/2002.

JAMAICA

The Jamaican Stock Market experienced tremendous growth in the period under review. **Figure 11** shows that the JSE Index in 2001/2002 increased steadily even surpassing the performance of the previous two years. In September 2002, the JSE Index ended at 39,219.55.

The Jamaica Stock Market reacted sharply to the September 11th terrorist attack in the USA, with the result that prices fell steeply in the days following the attack.

However, in October 2001, the market rebounded since investors seized the opportunity to purchase stocks at the lower prices. The dual impact of the decline in interest rates and the removal of dividend tax on listed companies, which came into effect in April 2002, have contributed to the increased buoyancy of the stock market during the period.

Figure 10
BARBADOS – MOVEMENTS IN MONTHLY INDICES
October 2001 to September 2002

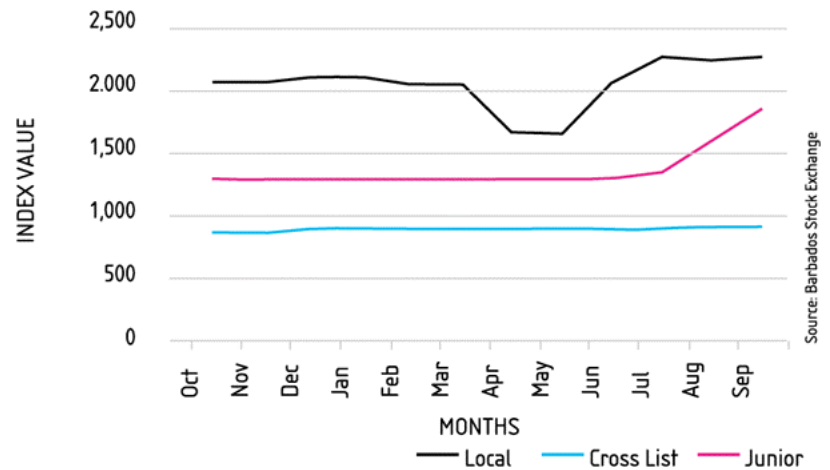


Figure 11
JAMAICA – MONTHLY COMPOSITE INDEX
October 1999 to September 2002

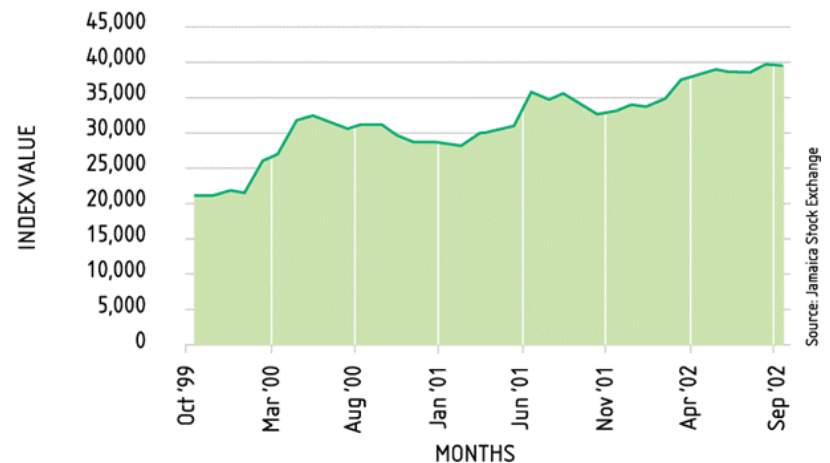
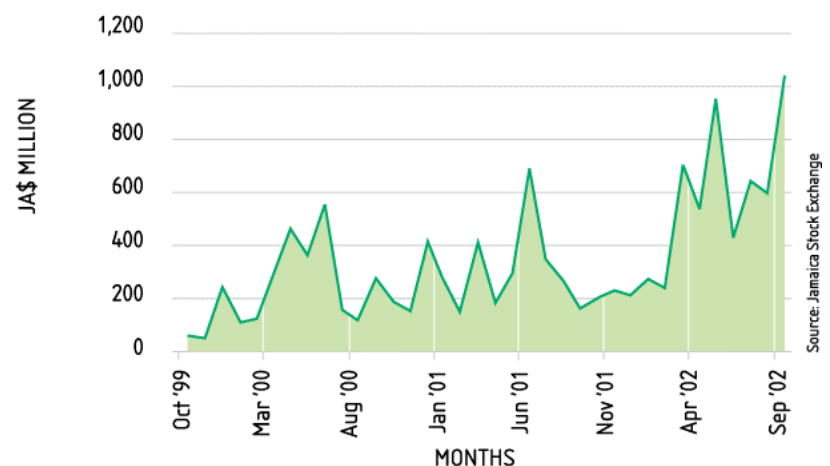


Figure 12
JAMAICA – VALUE OF SHARES TRADED
October 1999 to September 2002

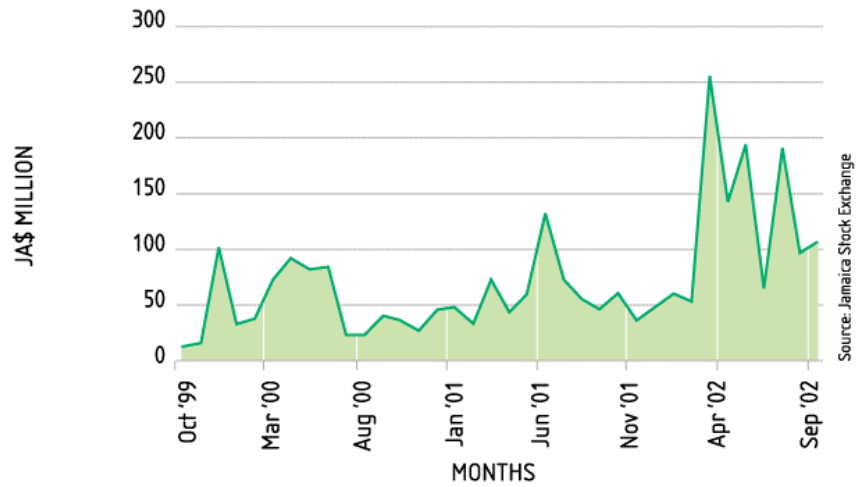


In September 2002, 107.6 million shares were traded at a value of JA\$1,046.9 million. Market capitalisation increased from JA\$185.4 billion in September 2001 to JA\$253.1 billion in September 2002. (Appendix 7). Figures 12 and 13 indicate stock market trends for October 1999 to September 2002.

The government's prudent macroeconomic fiscal measures especially the strong fiscal program to reduce public debt and improve the country's financial position bonds. This has helped to reinforce investors' confidence in the Jamaica market led to the Moody's Investor's rating of Baa3 on its medium and long term local currency-denominated.

In September 2002, the settlement period for trades on the Jamaica Stock Exchange (JSE) was reduced from T+5 to T+3. This move seeks to align the JSE with international standards.

Figure 13
JAMAICA - VOLUME OF SHARES TRADED
 October 1999 to September 2002



Source: Jamaica Stock Exchange

APPENDICES

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Appendix 1
OVERVIEW OF WORLD ECONOMIC OUTLOOK PROJECTIONS OF OUTPUT
Annual percent change

| | 1999 | 2000 | 2001 | 2002 | *2003 |
|--|------------|------------|------------|------------|------------|
| WORLD | 3.6 | 4.7 | 2.2 | 2.8 | 3.7 |
| Advanced Economies | 3.4 | 3.8 | 0.8 | 1.7 | 2.5 |
| United States | 4.1 | 3.8 | 0.3 | 2.2 | 2.6 |
| European Union | 2.8 | 3.5 | 1.6 | 1.1 | 2.3 |
| Japan | 0.8 | 2.4 | -0.3 | -0.5 | 1.1 |
| Other advanced economies | 5.9 | 6 | 1.3 | 3.6 | 3.9 |
| Developing countries | 4.0 | 5.7 | 3.9 | 4.2 | 5.2 |
| Regional Groups | | | | | |
| Africa | 2.8 | 3 | 3.5 | 3.1 | 4.2 |
| Developing Asia | 6.1 | 6.7 | 5.6 | 6.1 | 6.3 |
| Middle East and Turkey | 1.2 | 6.1 | 1.5 | 3.6 | 4.7 |
| Western Hemisphere | 0.2 | 4.0 | 0.6 | -0.6 | 3.0 |
| Countries in Transition | 3.7 | 6.6 | 5.0 | 3.9 | 4.5 |
| Central and Eastern Europe | 2.2 | 3.8 | 3.0 | 2.7 | 3.8 |
| Commonwealth of Independent State and Mongolia | 4.6 | 8.4 | 6.3 | 4.6 | 4.9 |
| Russia | 5.4 | 9.0 | 5.0 | 4.4 | 4.9 |
| Excluding Russia | 2.8 | 6.9 | 8.9 | 5.2 | 4.9 |

*Current Projections

Source: World Economic Outlook, World Economic and Financial Surveys International Monetary Fund
September 2002

Appendix 2
PERFORMANCE OF SELECTED STOCK INDICES
October 2001 to September 2002

| Name of Index | Quarter ending | | | | |
|------------------------------|----------------|-----------|-----------|-----------|-----------|
| | Sept. 2001 | Dec. 2001 | Mar. 2002 | June 2002 | Sept.2002 |
| Nasdaq Composite | 1498.80 | 1950.40 | 1845.35 | 1463.21 | 1172.07 |
| NYSE Composite | 543.84 | 589.80 | 600.43 | 538.10 | 445.44 |
| Dow Jones Industrial Average | 8847.56 | 10021.50 | 10403.94 | 9243.26 | 7591.93 |
| Deutsche Bourse Dax Price | 3245.65 | 3887.48 | 4059.42 | 3245.86 | 2050.26 |
| London FT-SE 100 | 4903.39 | 5217.40 | 5271.76 | 4656.36 | 3721.80 |

Source: International Federation of Stock Exchanges

Appendix 3
REGISTER OF THE TRINIDAD AND TOBAGO SECURITIES
AND EXCHANGE COMMISSION
as at September 2002

BROKER

Akan, Myrnelle
Balram, Kisraj
Clarke, Peter
Dhannyram, Kathleen
Johnson, Alvin
Mayers, Robert
Mohammed, Sita
Mullings, Donavan
Padmore, Winston
Ramkhelawan, Subhas

DEALER

RBTT Merchant Bank Limited
Trinidad and Tobago Unit Trust Corporation

TRADER

Bernard Judy
Fadahunsi, Osu Olayiwola
Ottley, Ronald
Pariagh, Edgar
Ramnath-Singh, Gail
Salvary, Brent
Savary, Hilary

SELF-REGULATORY ORGANISATION

The Trinidad and Tobago Stock Exchange Limited
The Trinidad and Tobago Central Depository
Limited

UNDERWRITER

Citibank (Trinidad and Tobago) Limited
Citicorp Merchant Bank Limited
First Citizens Bank Limited
RBTT Merchant Bank Limited
The Barbados Mutual Life Assurance Society
The Mercantile Banking & Financial Corporation
Limited
Trinidad and Tobago Unit Trust Corporation

INVESTMENT ADVISER

Bourse Securities Limited
Caribbean Stockbrokers Limited
Colonial Life Insurance Company (Trinidad)
Limited
Donaldson, Graham Duff
Dynamic Equity Limited
Enterprise Development Limited
Financial Concepts Limited
Funds International Limited
Global Financial Brokers Limited
Guardian Asset Management Limited
I.Q. Financial Services (Trinidad and Tobago)
Limited
Integra International Limited

International Investments Brokerage Services
(Trinidad) Limited
Reliance Stockbrokers Limited
The Barbados Mutual Life Assurance Society
The Mercantile Banking & Financial Corporation
Limited
Trinidad and Tobago Stocks & Shares Limited
Trinidad and Tobago Unit Trust Corporation
West Indies Stockbrokers Limited

SECURITIES COMPANY

(with classes of business indicated)

Ansa Finance & Merchant Bank Limited
(Dealer, Underwriter, Investment Adviser)
Bourse Securities Limited (Broker)
Caribbean Commercial Bank Limited
(Dealer, Underwriter, Investment Adviser)
Caribbean Money Market Brokers Limited
(Dealer, Underwriter, Investment Adviser)
Caribbean Stockbrokers Limited (Broker)
CLICO Investment Bank Limited
(Underwriter, Investment Adviser)
CMMB Securities Limited
(Broker, Dealer, Underwriter, Investment Adviser)
Development Finance Limited
(Dealer, Underwriter, Investment Adviser)
First Citizens Corporate Services Limited (Dealer,
Underwriter, Investment Adviser)
First Citizens Trust and Merchant Bank Limited
(Dealer, Underwriter, Investment Adviser)
General Finance Corporation Limited
(Dealer, Underwriter, Investment Adviser)
RBTT Merchant Bank Limited
RBTT Securities Limited
(Dealer, Underwriter, Investment Adviser)
Reliance Stockbrokers Limited (Broker)
Republic Bank Limited
(Dealer, Underwriter, Investment Adviser)
Republic Finance and Merchant Bank Limited
(Underwriter)
Scotiabank Trinidad and Tobago Limited
(Underwriter)
Scotiastrust and Merchant Bank Trinidad and Tobago
Limited
(Dealer, Underwriter, Investment Adviser)
Trinidad and Tobago Stocks & Shares Limited
(Broker)
West Indies Stockbrokers Limited (Broker)

REPORTING ISSUER

AddVenture Capital Fund Limited
Agostini's Limited
Airports Authority of Trinidad and Tobago
Alstons Limited
Angostura Holdings Limited

Appendix 3 (continued)

| | |
|--|--|
| Angostura Limited | Caribbean Communications Network Limited |
| Ansa Finance & Merchant Bank Limited | Caribbean Finance Company Limited |
| ANSA McAL Limited | Caroni (1975) Limited |
| Berger Paints Trinidad Limited | CIBC West Indies Holdings Limited** |
| BWIA West Indies Airways Limited | Citibank (Trinidad and Tobago) Limited |
| Caribbean Commercial Bank Limited | Citicorp Merchant Bank Limited |
| CLICO Investment Bank Limited | RBTT Bank Limited |
| Courts (Trinidad) Limited | RBTT Financial Holdings Limited |
| Development Finance Limited | RBTT Merchant Bank Limited |
| Dynamic Equity Venture Fund Limited | Readymix (West Indies) Limited |
| First Citizens Bank Limited | Republic Bank Limited |
| First Citizens Trust and Merchant Bank Limited | Royal Skandia Life Assurance Limited |
| Flavorite Foods Limited | Scotiabank Trinidad and Tobago Limited |
| FNCU Venture Capital Company Limited | St Christopher Air and Sea Ports Authority |
| Furness Trinidad Limited | St. Kitts Urban Development Corporation Limited |
| Grace, Kennedy & Company Limited | TCL Holdings Limited |
| Guardian Holdings Limited | TCL Leasing Limited |
| Hotels & Resorts Limited | TCL Service Limited |
| Intercommercial Bank Limited | Telecommunications Services of Trinidad and Tobago Limited |
| L. J. Williams Limited | The Barbados Shipping & Trading Company Limited |
| Lever Brothers West Indies Limited | The Home Mortgage Bank |
| Life of Barbados Limited | The National Football Stadium Company Limited |
| Mega Insurance Company Limited | The Vehicle Maintenance Corporation of Trinidad and Tobago Limited |
| Mora Ven Holdings Limited | The West Indian Tobacco Company Limited |
| National Enterprises Limited | Tourism and Industrial Development Company of Trinidad and Tobago Limited |
| National Flour Mills Limited | Trinidad and Tobago Unit Trust Corporation |
| National Maintenance Training and Security Company Limited | Trinidad Cement Limited |
| Neal & Massy Holdings Limited | Trinidad Publishing Company Limited |
| Nestle Trinidad and Tobago Limited | Urban Development Corporation of Trinidad and Tobago Limited |
| Phoenix Park Gas Processors Limited | Valpark Shopping Plaza Limited |
| Point Lisas Industrial Port Development Corporation Limited | Water and Sewerage Authority |
| Port Authority of Trinidad and Tobago | |
| Prestige Holdings Limited | |
| Public Transport Service Corporation | |

Appendix 4
SECURITIES REGISTERED BY THE COMMISSION
For the period October 1, 2001 to September 30, 2002

| No. | Issuer | Security registered | Amount/ Value of Security | Effective Date |
|-----|--|--|--|-------------------|
| 1 | Intercommercial Bank Limited | Certificates of Interest in Intercommercial Bank Limited Debt Receivables | TT\$40 million | 16/10/01 |
| 2 | The Government of Trinidad and Tobago | 10.75 % Fixed Rate Bonds due 2016 | TT\$250 Million | 18/10/01 |
| 3 | Fortress Caribbean Property Fund Limited | Class "A" Property Fund shares (Prospectus received) | Minimum of 6.75 Million and a Maximum of 12.5 Million Class "A" common property fund shares at Bds\$1.20 per share | 25/10/01 |
| 4 | Water and Sewerage Authority | 11.50% Government Guaranteed Fixed Rate Bonds due 2021 | TT\$330 Million | 25/10/01 |
| 5 | Intercommercial Bank Limited | Certificates of Interest in Intercommercial Bank Limited Commercial Debt Receivables | TT\$13.4 Million | 08/11/01 |
| 6 | National Maintenance Training and Security Company Limited | 10.15% Fixed Rate Bonds due 2021 | TT\$225 Million | 23/11/01 |
| 7 | Trinidad and Tobago Unit Trust Corporation | Chaconia Income and Growth Fund (Prospectus received) | Not Applicable | 23/11/01 |
| 8 | Caroni (1975) Limited | 9.65% Commercial Paper due October 2002 | TT\$95 Million | 23/11/01 |
| 9 | National Maintenance Training and Security Company Limited | 10.25% Fixed Rate Bonds due 2022 | TT\$175 Million | 06/12/01 |
| 10 | Republic Bank Limited | Republic Global Equity Fund (Prospectus received) | Not Applicable | 06/12/01 |
| 11 | The Airports Authority of Trinidad and Tobago | 9.80% Fixed Rate Bonds due 2021 | TT\$129,121,531.50 | 20/12/01 |
| 12 | Grace, Kennedy and Company Limited | Ordinary Shares (pursuant to a bonus issue) | 44,079,109 | 20/12/01 |
| 13 | Grace, Kennedy and Company Limited | Ordinary Shares (pursuant to a share option scheme) | 4,485,900 | 20/12/01 |
| 14 | Mora Ven Holdings Limited | Ordinary Shares (pursuant to a stock option plan) | 15,000 | 20/12/01 |
| 15 | RBTT Trust Limited | Roytrin Mutual US Dollar Income and Growth Fund | Not Applicable | 08/01/02 |
| 16 | Water and Sewerage Authority | Commercial Paper 2001-2002 | TT\$200 Million | 08/01/02 |

Appendix 4 (continued)

| No. | Issuer | Security registered | Amount/ Value of Security | Effective Date |
|-----|--|--|------------------------------|-------------------|
| 17 | Caroni (1975) Limited | 9.0% 12 month Commercial Paper | TT\$100 Million | 10/01/02 |
| 18 | Guardian Holdings Limited | 10.75% Fixed Rate Bonds due 2011 | TT\$500 Million | 10/01/02 |
| 19 | RBTT Merchant Bank Limited | Zero Coupon Certificates of Participation in TT\$500 Million Guardian Holdings Limited 10.75% Fixed Rate Bonds due 2011 | TT\$280,161,359.29 | 10/01/02 |
| 20 | RBTT Merchant Bank Limited | Certificates of Participation (Amortising Strips) in TT\$500 Million Guardian Holdings Limited 10.75% Fixed Rate Bonds due 2011 | TT\$286,594,610.72 | 10/01/02 |
| 21 | RBTT Merchant Bank Limited | Certificates of Participation in TT\$500 Million Trinidad and Tobago Electricity Commission 12.25% Fixed Rate Bonds due 2021 | TT\$724,360,244.65 | 24/01/02 |
| 22 | Citicorp Merchant Bank Limited | Certificates of Participation in TT\$100 Million Water and Sewerage Authority Government Guaranteed 11.75% Fixed Rate Bonds due 2021 | TT\$352,432,143.84 | 24/01/02 |
| 23 | The Barbados Shipping & Trading Limited | Ordinary Shares (pursuant to an Executive Stock Option Plan and Bonus Scheme) | 242,679 | 24/01/02 |
| 24 | RBTT Merchant Bank Limited | Certificates of Participation in TT\$786.50 Million Ansa Mc Al Limited 12.625% Fixed Rate Bonds due 2016 | TT\$996,912,175.60 | 24/01/02 |
| 25 | Clico Investment Bank Limited | 6% Fixed Rate Unsecured Bonds due 2012 | US\$80 Million | 24/01/02 |
| 26 | The Vehicle Maintenance Corporation of Trinidad and Tobago Limited | 8.9% Fixed Rate Bonds due 2006 | TT\$21.50 Million | 07/02/02 |
| 27 | Life of Barbados Limited | Ordinary Shares (pursuant to a Bonus Scheme) | 26,256 | 07/02/02 |
| 28 | Grace, Kennedy and Company Limited | Ordinary Shares (pursuant to an Employee Share Scheme) | 1,332,648 | 07/02/02 |
| 29 | Grace, Kennedy and Company Limited | Ordinary Shares (pursuant to a Bonus Issue) | 400,898 | 07/02/02 |
| 30 | National Enterprises Limited | Ordinary Shares | 100 Million | 07/02/02 |

Appendix 4 (continued)

| No. | Issuer | Security registered | Amount/ Value of Security | Effective Date |
|-----|--|---|------------------------------|-------------------|
| 31 | Government of St. Christopher and Nevis | 9% Fixed Rate Bonds due 2012 | US\$30 Million | 26/02/02 |
| 32 | Citicorp Merchant Bank Limited | Certificates of Participation in TT\$240 Million BP Trinidad and Tobago LLC 11.75% Guaranteed Fixed Rate bonds 2001-2021 | TT\$392.40 Million | 26/02/02 |
| 33 | Citicorp Merchant Bank Limited | Certificates of Interest in US\$13 Million Government of St. Christopher and Nevis 9% Fixed Rate Bonds 2012 (Prospectus received) | US\$19.435 Million | 07/03/02 |
| 34 | BWIA West Indies Airways Limited | Ordinary Shares (pursuant to exercise of options by Air West Indies Limited) | 400,000 | 21/03/02 |
| 35 | First Citizens Trust and Merchant Bank Limited | Certificates of Participation in US\$9,340,740.74 Government of St. Kitts and Nevis Fixed Rate Bonds due 2011 | US\$14,563,382.41 | 10/04/02 |
| 36 | RBTT Merchant Bank Limited | Certificates of Interest in US\$40 Million Development Finance Corporation of Belize Fixed Rate Asset backed Notes 2004 | US\$40,911,041.55 | 25/04/02 |
| 37 | Mora Ven Holdings Limited | Ordinary Shares (pursuant to Stock Option Plan) | 65,000 | 25/04/02 |
| 38 | Caribbean Commercial Bank Limited | Certificates of Participation in BDS\$10 Million Barbados Port Authority 8% Fixed Rate Bonds due 2012 | BDS\$11,231,302 | 23/05/02 |
| 39 | Citicorp Merchant Bank Limited | Certificates of Interest in National Maintenance Training and Security Company Limited 10.25% TT\$175 Million Fixed Rate Bonds due 2022 | TT\$76,583,754.64 | 23/05/02 |
| 40 | Citicorp Merchant Bank Limited | Certificates of Interest in the Government of Barbados 7.25% US\$5.2 Million Fixed Rate Bonds due 2021 | US\$12,740,000 | 06/06/02 |
| 41 | Grace, Kennedy and Company Limited | Ordinary Shares (pursuant to an Employee Share Scheme) | 3,153 | 04/07/02 |

Appendix 4 (continued)

| No. | Issuer | Security registered | Amount/ Value of Security | Effective Date |
|-----|---|--|------------------------------|-------------------|
| 42 | Grace, Kennedy and Company Limited | Ordinary Shares (pursuant to an Employee Share Scheme) | 39,392 | 04/07/02 |
| 43 | Franklin Templeton Investments | Franklin Templeton Investment Funds (Prospectus received) | Not Applicable | 04/07/02 |
| 44 | Government of Trinidad and Tobago | Fixed Rate Serial Bonds <i>Tenor</i> 2002-2007 7.0% 2002-2012 7.50% 2002-2017 7.75% | TT\$300 Million | 04/07/02 |
| 45 | Guardian Holdings Limited | Ordinary Shares (pursuant to exercise of stock options) | 909,168 | 18/07/02 |
| 46 | Republic Bank Limited | Zero Coupon Certificates in TT\$300 Million Government of Trinidad and Tobago Fixed Rate Serial Bonds | TT\$418,786,375.51 | 18/07/02 |
| 47 | Phoenix Park Gas Processors Limited | 7.50% Fixed Rate Bonds due 2015 | US\$41.30 Million | 18/07/02 |
| 48 | Citicorp Merchant Bank Limited | Certificates of Participation in Government of Turks and Caicos Islands US\$10 Million 9.75% Fixed Rate Bonds due 2017 | US\$18,896,874.96 | 30/07/02 |
| 49 | Grace, Kennedy and Company Limited | Ordinary Shares (pursuant to an Employee Share Scheme) | 1,390,429 | 30/07/02 |
| 50 | The Barbados Shipping & Trading Company Limited | Ordinary Shares (pursuant to a bonus scheme) | 150 | 15/08/02 |
| 51 | The Barbados Shipping & Trading Company Limited | Ordinary Shares (pursuant to an Executive Stock Option Plan) | 16,764 | 15/08/02 |
| 52 | Government of St. Lucia | 7.75% Fixed Rate Bonds due 2012 | US\$25 Million | 15/08/02 |
| 53 | Citicorp Merchant Bank Limited | Certificates of Interest in US\$25 Million 7.75% Government of St. Lucia Fixed Rate Bonds due 2012 (Prospectus received) | US\$37,109,375.04 | 15/08/02 |
| 54 | Government of St. Lucia | 7.25% Fixed Rate Bonds due 2017 | BDS\$10 Million | 15/08/02 |

Appendix 4 (continued)

| No. | Issuer | Security registered | Amount/ Value of Security | Effective Date |
|-----|---|--|--|-------------------|
| 55 | Citicorp Merchant Bank Limited | Certificates of Interest in BDS\$10 Million 7.25% Government of St. Lucia Fixed Rate Bonds due 2017 (Prospectus received) | BDS\$16,706,250.00 | 15/08/02 |
| 56 | CIBC West Indies Holdings Limited | Ordinary Shares (pursuant to proposed business combination) | 925,745,276 | 15/08/02 |
| 57 | Praetorian Property Fund | Class "A" units (Prospectus received) | Minimum of 20 Million and a Maximum of 40 Million Class "A" Units at \$5.00 per unit | 15/08/02 |
| 58 | RBTT Bank Limited | RBTT Bank TTD Group Futurecash RBTT Bank TTD Individual Futurecash RBTT Bank USD Group Futurecash RBTT Bank USD Individual Futurecash (Prospectus received) | | 15/08/02 |
| 59 | Citicorp Merchant Bank Limited | Certificates of Interest in US\$20 Million Phoenix Park Gas Processors Limited 7.50% Fixed Rate Bonds due 2015 | US\$30,566,667.67 | 29/08/02 |
| 60 | Government of Trinidad and Tobago | 7.15% Fixed Rate Bonds due 2022 | TT\$500 Million | 05/09/02 |
| 61 | The Tourism and Industrial Development Company of Trinidad and Tobago Limited | Floating Rate Bonds due 2009 | TT\$110 Million | 19/09/02 |
| 62 | Citicorp Merchant Bank Limited | Certificates of Interest in US\$5 Million Phoenix Park Gas Processors Limited 7.50% Fixed Rate Bonds due 2015 | US\$7,578,125.04 | 19/09/02 |
| 63 | Citibank (Trinidad and Tobago) Limited | Certificates of Interest in TT\$1,161,666,667.67 Government of Trinidad and Tobago Fixed Rate Bonds due 2016-2022 | TT\$2,333,920,119.85 | 26/09/02 |
| 64 | Government of Grenada | 9.25% Fixed Rate Bonds due 2012 | US\$10 Million | 26/09/02 |
| 65 | Public Transport Service Corporation | Floating Rate Bonds due 2007 | TT\$20 Million | 26/09/02 |
| 66 | First Citizens Bank Limited | 7.45% Fixed Rate Serial Bonds due 2013 | TT\$500 Million | 26/09/02 |

Appendix 5
LIST OF PROSPECTUSES RECEIPTED BY THE COMMISSION

For the period October 1, 2001 to September 30, 2002

| Issuer | Security Registered | Amount/ Value of Security |
|--|---|---|
| Fortress Caribbean Property Fund Limited | Fortress Caribbean Property Fund | Minimum of 6,750,000 and a maximum of 12,500,000 Class "A" Common Property Fund Shares at BDS\$1.20 per share |
| Trinidad & Tobago Unit Trust Corporation | Chaconia Income and Growth Fund | Not Applicable |
| Republic Bank Limited | Republic Global Equity Fund | Not Applicable |
| RBTT Trust Limited | Roytrin Mutual US\$ Dollar Income and Growth Fund | Not Applicable |
| Citicorp Merchant Bank Limited | Certificates of Interest in US\$13 Million Government of St Christopher & Nevis 9% Fixed rate Bonds due 2012. | US\$19,435,000 |
| Franklin Templeton Investments | Franklin Templeton Investments Funds 42 (sub-funds) | Not Applicable |
| Citicorp Merchant Bank Limited | Certificates of Interest in US\$25 Million 7.75% Government of St. Lucia Fixed rate Bonds due 2012 | US\$37,109,375,04 |
| Citicorp Merchant Bank Limited | Certificates of Interest in BDS\$10 Million 7.25% Government of St. Lucia Fixed Rate Bonds due 2017 | BDS\$16,706,250.00 |
| RBTT Bank Limited and Guardian Life of the Caribbean Limited | Praetorian Property Fund | Minimum of 20 Million and a Maximum of 40 Million Class "A" Units at \$5.00 per unit |
| RBTT Bank Limited | RBTT Bank TTD Group Futurecash | Not Applicable |
| | RBTT Bank TTD Individual Futurecash | |
| | RBTT Bank US\$ Group Futurecash | |
| | RBTT Bank US\$ Individual Futurecash | |
| National Enterprises Limited | Ordinary shares | Minimum of 50 Million and a Maximum of 75 Million shares at \$4.75 per share |

Appendix 6
BARBADOS - STOCK MARKET DATA
 October 1999 to September 2002

| | | | | | | |
|------------|-------------|--------------|-------------|--------------|--------------|---------------|
| Oct | 1.86 | 2.76 | 0.17 | 0.67 | 0.3 | 1.29 |
| Nov | 0.43 | 1.35 | 0.31 | 0.90 | 0.67 | 2.91 |
| Dec | 0.41 | 1.65 | 0.25 | 1.11 | 0.46 | 1.48 |
| Jan | 0.58 | 1.95 | 0.16 | 0.57 | 0.41 | 1.09 |
| Feb | 0.26 | 0.85 | 0.17 | 0.44 | 0.1 | 0.17 |
| Mar | 1.2 | 3.94 | 0.73 | 2.15 | 0.54 | 1.72 |
| Apr | 0.3 | 0.91 | 0.43 | 1.13 | 0.3 | 0.87 |
| May | 0.24 | 0.31 | 0.08 | 0.23 | 0.13 | 0.34 |
| Jun | 0.31 | 1.09 | 0.64 | 2.11 | 31.38 | 159.49 |
| Jul | 0.14 | 0.55 | 0.15 | 0.41 | 2.16 | 4.0 |
| Aug | 0.22 | 0.52 | 0.17 | 0.44 | 0.12 | 0.36 |
| Sep | 0.62 | 1.69 | 0.57 | 1.62 | 1.59 | 7.6 |
| | 6.57 | 17.57 | 3.83 | 11.78 | 38.16 | 181.32 |

Source: Barbados Stock Exchange

Appendix 7
JAMAICA - SUMMARY OF STOCK MARKET DATA
 October 1999 to September 2002

| | | | |
|---|-----------|-----------|-----------|
| Number of Ordinary Shares | 39 | 42 | 45 |
| Total Volume of Shares (million) | 1,316 | 678 | 623 |
| Total Value of Shares (JA\$ million) | 6,090.00 | 3,573.00 | 2,830.00 |
| Market Capitalisation as at September 30 (JA\$ billion) | 253.1 | 185.4 | 171.9 |
| Composite Index as at September 30 | 39,219.55 | 33,892.44 | 31,152.70 |

Source: Jamaica Stock Exchange

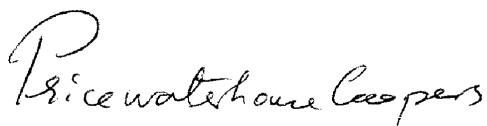
AUDITORS' REPORT

TO THE MEMBERS OF THE TRINIDAD & TOBAGO SECURITIES AND EXCHANGE COMMISSION

We have audited the accompanying balance sheet of The Trinidad & Tobago Securities and Exchange Commission as at 30 September 2002, and the related income and expenditure account, changes in government subvention and cash flow statement for the year then ended, as set out on pages 35 to 38. These financial statements are the responsibility of the Commission's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 September 2002 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.



Chartered Accountants

Port of Spain

Trinidad, West Indies


30 January, 2003

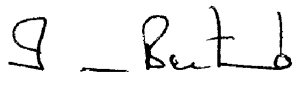
BALANCE SHEET

| | Notes | 30 September | |
|--|-------|-------------------------|-------------------------|
| | | 2002 | 2001 |
| | | \$ | \$ |
| ASSETS | | | |
| Non-Current Assets | | | |
| Equipment and fixtures | 2 | 1,833,730 | 2,233,305 |
| Deferred tax asset | | <u> --</u> | <u> 236,890</u> |
| | | <u>1,833,730</u> | <u>2,470,195</u> |
| Current Assets | | | |
| Cash at bank | | 4,598,026 | 1,607,549 |
| Fixed deposits | | 156,256 | 308,706 |
| Taxation receivable | | 1,515 | -- |
| Other assets | | <u> --</u> | <u> 5,027</u> |
| | | <u>4,755,797</u> | <u>1,921,282</u> |
| Total Assets | | <u><u>6,589,527</u></u> | <u><u>4,391,477</u></u> |
| GOVERNMENT SUBVENTION AND LIABILITIES | | | |
| Government subvention | | <u>5,853,130</u> | <u>3,542,304</u> |
| Current Liabilities | | | |
| Accrued charges and other liabilities | | 736,397 | 685,024 |
| MIS consultancy | 4 | <u> --</u> | <u> 164,149</u> |
| | | <u>736,397</u> | <u>849,173</u> |
| Total Government Subvention and Liabilities | | <u><u>6,589,527</u></u> | <u><u>4,391,477</u></u> |

The accounting policies on pages 40 to 41 and the notes on pages 42 to 45 form an integral part of these financial statements.

On 30 January 2003 the Commissioners of The Trinidad & Tobago Securities and Exchange Commission authorised these financial statements for issue.


 _____ Commissioner


 _____ Commissioner


 _____ Chairman

INCOME & EXPENDITURE ACCOUNT

| | | Year Ended 30 September | |
|--------------------------------|------|----------------------------|--------------------|
| | Note | 2002 \$ | 2001 \$ |
| Income | | | |
| Registration fees | | 791,865 | 722,580 |
| Interest | | 61,932 | 90,872 |
| Other income | | <u>120</u> | <u>280</u> |
| | | <u>853,917</u> | <u>813,732</u> |
| Expenses | | | |
| Administration | | (570,473) | (285,455) |
| Finance | | (1,921) | (3,348) |
| Operating | | <u>(5,830,870)</u> | <u>(5,774,918)</u> |
| | | <u>(6,403,264)</u> | <u>(6,063,721)</u> |
| Deficit Before Taxation | | (5,549,347) | (5,249,989) |
| Taxation | 5 | <u>(239,827)</u> | <u>105,972</u> |
| Net Deficit | | <u>(5,789,174)</u> | <u>(5,144,017)</u> |

The accounting policies on pages 40 to 41 and the notes on pages 42 to 45 form an integral part of these financial statements.

STATEMENT OF CHANGES IN GOVERNMENT SUBVENTION

| | Year Ended 30 September | |
|---|----------------------------|------------------|
| | 2002 | 2001 |
| | \$ | \$ |
| Balance at beginning of year | 3,542,304 | 3,186,321 |
| Net deficit for the year | (5,789,174) | (5,144,017) |
| Subvention receipts from Government of Trinidad & Tobago | <u>8,100,000</u> | <u>5,500,000</u> |
| Balance at end of year | <u>5,853,130</u> | <u>3,542,304</u> |

The accounting policies on pages 40 to 41 and the notes on pages 42 to 45 form an integral part of these financial statements.

CASH FLOW STATEMENT

| | Year Ended 30 September | |
|---|----------------------------|--------------------|
| | 2002 | 2001 |
| | \$ | \$ |
| Operating Activities | | |
| Deficit before taxation | (5,549,347) | (5,249,989) |
| Adjustment to reconcile deficit to net cash from operating activities: | | |
| Depreciation | 485,965 | 587,084 |
| Gain on disposal of office equipment | 574 | -- |
| Gain on foreign exchange | (724) | -- |
| Net change in operating assets and liabilities | <u>(108,378)</u> | <u>(524,392)</u> |
| | (5,171,910) | (5,187,297) |
| Taxation paid | <u>(3,099)</u> | <u>(1,353)</u> |
| Net Cash Outflow From Operating Activities | <u>(5,175,009)</u> | <u>(5,188,650)</u> |
| Investing Activities | | |
| Purchase of equipment and fixtures | (87,459) | (544,333) |
| Disposals of equipment and fixtures | <u>495</u> | <u>--</u> |
| Net Cash Outflow From Investing Activities | <u>(86,964)</u> | <u>(544,333)</u> |
| Financing Activity | | |
| Proceeds from Government subvention | <u>8,100,000</u> | <u>5,500,000</u> |
| Increase/(Decrease) In Cash And Cash Equivalents | <u>2,838,027</u> | <u>(232,983)</u> |
| Cash And Cash Equivalents | | |
| At beginning of year | 1,916,255 | 2,149,238 |
| Increase/(decrease) | <u>2,838,027</u> | <u>(232,983)</u> |
| End of year | <u>4,754,282</u> | <u>1,916,255</u> |
| Represented By: | | |
| Cash | 4,598,026 | 1,607,549 |
| Fixed deposits | <u>156,256</u> | <u>308,706</u> |
| | <u>4,754,282</u> | <u>1,916,255</u> |

The accounting policies on pages 40 to 41 and the notes on pages 42 to 45 form an integral part of these financial statements.

ACCOUNTING POLICIES

30 September 2002

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a Basis of preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards. These financial statements are prepared under the historical cost convention.

b Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date 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 income and expenditure account. Such balances are translated at year-end exchange rates.

c Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, other assets and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

d Equipment and fixtures

All equipment is stated at cost less depreciation. Depreciation is calculated on the reducing balance basis to write off the cost of each asset to their residual values over their estimated useful life as follows:

| | | |
|-----------------------|---|------------|
| Office equipment | - | 10 % - 25% |
| Computer equipment | - | 25% |
| Fixtures and fittings | - | 10% |

Gains and losses on disposal of equipment are determined by comparing proceeds with carrying amounts and are included in operating profit.

e Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and fixed deposits held at banks.

f Pension

The Commission does not operate a pension scheme and has no contractual obligation to pay pensions. However, payments are made to the government pension scheme for seconded officers of the Commission.

ACCOUNTING POLICIES

30 September 2002

g **Deferred income taxes**

Deferred income tax is provided in full using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from depreciation on equipment and tax losses carried forward. Deferred tax assets relating to the carryforward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

h **Revenue recognition**

Income is recognised upon receipt of fees. Interest income is recognised as it accrues to the Commission.

i **Provisions**

Provisions are recognised when the Commission has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2002

1 Incorporation And Principal Activity

The Trinidad and Tobago Securities and Exchange Commission is a body corporate and was established by an Act of Parliament known as the Securities Industries Act 1995. The Act provides for the regulation of the securities market and connected matters in Trinidad and Tobago. It also provides for the funds received from government, the fees earned and any other income earned from operations to be applied in defraying expenditure authorized by the Commission.

2 Equipment And Fixtures

| | Office Equipment \$ | Computer Equipment \$ | Fixtures and Fittings \$ | Total \$ |
|-------------------------------------|---------------------------|-----------------------------|-----------------------------------|--------------------|
| Year ended 30 September 2002 | | | | |
| Opening net book amount | 442,002 | 1,421,584 | 369,719 | 2,233,305 |
| Additions | 63,964 | 23,495 | -- | 87,459 |
| Disposals | -- | (1,069) | -- | (1,069) |
| Depreciation | <u>(86,526)</u> | <u>(356,615)</u> | <u>(42,824)</u> | <u>(485,965)</u> |
| Closing net book amount | <u>419,440</u> | <u>1,087,395</u> | <u>326,895</u> | <u>1,833,730</u> |
| At 30 September 2002 | | | | |
| Cost | 686,878 | 2,027,614 | 435,317 | 3,149,809 |
| Accumulated depreciation | <u>(267,438)</u> | <u>(940,219)</u> | <u>(108,422)</u> | <u>(1,316,079)</u> |
| Net book amount | <u>419,440</u> | <u>1,087,395</u> | <u>326,895</u> | <u>1,833,730</u> |

MIS Hardware/Software

The commission entered an agreement with Infotech Associates Limited for the supply, delivery and installation of computer Hardware, Software and Telecommunications Platform. This contract was successfully completed during the second quarter of the Commission's fiscal year 2000/2001.

In accordance with the MIS Contract, a provision for Warranty and Maintenance Support in respect of Hardware, Operating Software, Infrastructure and Software Development services was identified.

Funds were provided by the Government of Trinidad and Tobago to meet these contractual obligations for the acquisition and implementation of a new Management Information System as well as the Maintenance Support Services.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2002 (continued)

| | | |
|---|------------------|----------------|
| 3 Deferred Tax Asset | 2002 | 2001 |
| | \$ | \$ |
| Opening amount | 236,890 | 130,918 |
| Income statement (charge)/credit (Note 5) | <u>(236,890)</u> | <u>105,972</u> |
| Closing amount | <u>---</u> | <u>236,890</u> |

3 Deferred Tax Asset (Continued)

The movement in deferred tax assets and liabilities during the period is as follows:

| | Balance as at 01.10.01 \$ | Current Year (Charge)/Credit \$ | Balance as at 30.09.02 \$ |
|-------------------------------|---------------------------------|---------------------------------------|---------------------------------|
| Deferred tax liability | | | |
| Accelerated tax depreciation | (208,514) | 17,113 | (191,401) |
| Deferred tax asset | | | |
| Tax losses | <u>445,404</u> | <u>(254,003)</u> | <u>191,401</u> |
| | <u>236,890</u> | <u>(236,890)</u> | <u>---</u> |

Tax losses of approximately \$650,000 have not been recognised for the purposes of deferred taxation because of the uncertain future timing of their recoverability.

4 MIS and Training Consultancy

Funds were provided by the Government of Trinidad and Tobago to meet consulting services for the training and implementation of a new Management Information System.

| | | |
|------------------------------|------------------|------------------|
| MIS Consultancy | 2002 | 2001 |
| | \$ | \$ |
| Balance at beginning of year | 164,149 | 573,429 |
| Payments | <u>(164,149)</u> | <u>(409,280)</u> |
| Balance at end of year | <u>---</u> | <u>164,149</u> |

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2002 (continued)

| 5 Taxation | 2002 \$ | 2001 \$ |
|--|------------------|----------------|
| Deferred tax (charged)/credit (Note 3) | (236,890) | 105,972 |
| Prior year underprovision –Business levy | (1,353) | -- |
| Business levy | <u>(1,584)</u> | <u>--</u> |
| | <u>(239,827)</u> | <u>105,972</u> |

- a) The Commission's effective tax rate varies from the statutory rate as a result of the differences shown below:

| | | |
|--|--------------------|--------------------|
| Loss before taxation | <u>(5,549,347)</u> | <u>(5,249,989)</u> |
| Corporation tax at the statutory rate of 35% | (1,942,271) | (1,837,496) |
| Expenses not deductible for tax purposes | 644 | 285 |
| Expenses reimbursed by the government | 1,942,271 | 1,837,496 |
| Other allowances | 16,469 | 105,687 |
| Business levy | (1,584) | -- |
| Tax losses utilised | (42,083) | -- |
| Tax losses writeback | (211,920) | -- |
| Prior year underprovision | <u>(1,353)</u> | <u>--</u> |
| Current tax charge/(credit) | <u>(239,827)</u> | <u>105,972</u> |

- b) The Commission is required to pay Business Levy at 0.20% of total revenue if it exceeds \$200,000 in the year of income. Business Levy only takes effect when it exceeds the current corporation tax liability.
- c) The Commission has tax losses of approximately \$1,152,000 (2001 - \$1,273,000) available for set off against future taxable profits. These losses have not yet been approved by the Board of Inland Revenue.

6 Contingent Liabilities

The Commission is currently the defendant in a litigation claim made by a former employee, relating to wrongful dismissal. Special damages amounting to \$91,650 has been claimed by the plaintiff. In the opinion of the commissioners, the termination of employment was justified, therefore no provision is necessary.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 2002 (continued)

7 Financial Instruments

(i) Credit risk

The Commission has no significant concentration of credit risk.

(ii) Fair values

The carrying amount of the following financial assets and liabilities approximate to their fair value: cash at bank, fixed deposits, other assets and accrued charges and other liabilities.

| | 2002 | 2001 |
|--------------------------------|----------------|----------------|
| | \$ | \$ |
| Administrative Expenses | | |
| Audit fee | 36,254 | 30,000 |
| Commissioners' fee | 254,400 | 254,660 |
| Legal and professional fees | <u>279,819</u> | <u>795</u> |
| | <u>570,473</u> | <u>285,455</u> |
| Finance Expenses | | |
| Gain on foreign exchange | (724) | -- |
| Bank service charges | <u>2,645</u> | <u>3,348</u> |
| | <u>1,921</u> | <u>3,348</u> |

ADDITIONAL INFORMATION

Operating Expenses

| | | |
|---------------------------------|------------------|------------------|
| Advertising | 59,810 | 97,129 |
| Computer | 162,746 | 167,465 |
| COSRA | 260,592 | -- |
| Depreciation | 485,965 | 587,084 |
| Electricity | -- | 5,658 |
| Entertainment | 5,067 | 3,804 |
| Gratuity | 411,284 | 386,539 |
| Insurance | 25,603 | 17,754 |
| Investor educator | 2,059 | -- |
| Janitorial | 4,882 | 6,052 |
| Journals | 28,085 | 26,428 |
| Library | 66,545 | 60,266 |
| Meetings | 4,347 | -- |
| Sundries | 12,795 | 12,162 |
| Office repairs | 367 | 1,667 |
| Office supplies | 108,874 | 96,170 |
| Overseas travel | 71,765 | 82,473 |
| Pension contributions | 89,625 | 103,377 |
| Postage and delivery | 3,865 | 2,977 |
| Printing and reproduction | 45,430 | 64,964 |
| Recruiting | 3,163 | 19,096 |
| Rent | 635,436 | 635,496 |
| Repairs | 618 | 535 |
| Salaries and national insurance | 2,947,653 | 2,845,392 |
| Seminars | 52,220 | 151,907 |
| Staff retreat | -- | 5,825 |
| Loss on disposal | 574 | -- |
| Subscription | 42,518 | 42,518 |
| Telephone | 175,447 | 165,267 |
| Training | 123,535 | 184,688 |
| Website launch | -- | 2,225 |
| | <u>5,830,870</u> | <u>5,774,918</u> |

For Additional Copies of this report, write to:

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To enquire about or lodge a complaint on any matter concerning either a registrant, a security registered with the Commission, any other security or any person engaged in securities transactions, please contact the Commission's Division of Market Regulation and Surveillance by mail, facsimile or telephone at the addresses and numbers listed above.