

TRINIDAD & TOBAGO SECURITIES & EXCHANGE COMMISSION



ANNUAL REPORT 2003

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Letter of Transmittal

January 30, 2004

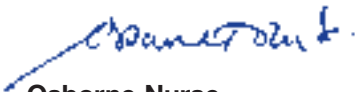
The Honourable Patrick Manning
Prime Minister and Minister of Finance
Whitehall
29 Maraval Road
PORT OF SPAIN

Dear Sir,

In accordance with the provisions of 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, 2003.

I will 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 so laid.

Yours faithfully,



Osborne Nurse
Chairman



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.

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 related matters.

The main functions of the Commission, 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 be necessary, advisable, or appropriate to ensure the orderly growth and development of the capital market.

The Chairman



Message from the Chairman

I take great pleasure in presenting the 2003 Annual Report of the Trinidad and Tobago Securities and Exchange Commission (SEC). I was appointed as Chairman of the Commission in April 2003, six months into the financial year of this Commission at a time when the appointments of the Chairman and two other Commissioners had expired. Consequently, this report accounts for the stewardship of two Boards of Commissioners over the financial year. I therefore wish to share with you some of our accomplishments during this past year, and the vision of the Commission for the coming year.

REGIONAL AND INTERNATIONAL DEVELOPMENTS

The past year held complex challenges for the international and regional economies and financial markets. Most major economies remained depressed, corporate scandals rocked the United States on account of accounting mis-statements and questionable corporate governance, and many securities markets continued to perform poorly, after years of excitement in the 1990s which Mr. Alan Greenspan, Chairman of the Federal Reserve Board of the US, characterized as a period of "infectious greed". As a result, investor confidence in securities markets was severely undermined, and this confidence has not yet regained sustained positive levels.

In 2003, international organizations, governments and regulators responded quickly and established additional laws and regulations and took measures designed to restore confidence in financial markets. In the USA, the Congress enacted the Sarbanes-Oxley Act, which focused on the credibility of financial statements and the accountability of senior executives of companies listed on American stock exchanges. In Europe, where corporate scandals were not so intense, regulations covered a wide range of issues, such as the application and monitoring of international accounting standards, the prevention of market abuse, and the need to increase corporate transparency and improve corporate governance.

In the last few years as well, the experiences of globalization and liberalization have changed the financial landscape worldwide. Whereas in the past, legislation and regulation focused on resident market participants and served to discourage the establishment of foreign intermediaries and the sale of foreign instruments, today globalization implies a borderless world. It implies the establishment of new institutions or instruments operating from other jurisdictions, seeking access to other markets, to promote the sale of products or financial instruments without a physical presence by the offerer. Indeed, the use of the internet and e-mail have allowed new entrants to enter into far-flung markets.

Additionally, within the Region, our negotiations and commitments with the CARICOM Single Market and Economy, and the Free Trade Area of the Americas also suggest that our markets will be open for other competitors. Indeed, in the last two years, we have witnessed an increase in persons applying to establish a physical presence in the financial system in Trinidad and Tobago and the cross listing on the Trinidad and Tobago Stock Exchange of securities of the issuers resident in other CARICOM countries.

As a result of this phenomenon of globalization, the Commission remains concerned about the regulation of securities issued in other jurisdictions and of the activities of visiting securities sales persons promoting the sale of such products including mutual funds and other forms of local and foreign collective investment schemes. These are among the issues that we are seeking to address in our revised legislative framework.

DOMESTIC DEVELOPMENTS

In Trinidad and Tobago, the year under review was characterized by new listings on the Stock Exchange and the start-up of the Trinidad and Tobago Central Depository (TTCD). In 2003, the Trinidad and Tobago stock market performed strongly in terms of volumes and values with volumes increasing by 170% and values increasing by over 50%. Three new companies

Message from the Chairman

were listed on the Stock Exchange, and the Commission approved amendments to the Stock Exchange rules in respect of the TTCD, which commenced operations in January 2003. The Commission also intensified its surveillance of the Securities market in an environment of increased sophistication in securities product offerings.

All of these developments have or are likely to have an impact on our domestic capital market and on our efforts to effectively regulate the market. Consequently, the Commission continues its efforts to reshape the legal and regulatory framework against the backdrop of international standards. We are mindful of our responsibility to promote growth and development in the market, and to ensure that investors have confidence in the operation of the securities market. We recognize therefore that major changes will be required in our regulatory framework, which was enacted in 1995.

We are also mindful of the fact that the regulatory environment must establish a fine balance between effectiveness of regulation and of the regulator and the need to ensure that the growth and dynamism of the market are not stifled. In order to achieve this, the legal framework must be designed to allow the regulator to respond to developments in the market in accordance with both the letter and the spirit of the law.

IMPROVING OUR REGULATORY FRAMEWORK

Time and again we have been constrained by the existing legislative framework within which we operate, thereby limiting effective action on the part of the Commission. Because of this inadequacy, we recently embarked on a major revision of the said securities legislation.

We have therefore expended considerable resources during the past year on the revision of the Securities

Industry Act, 1995 and the Takeover By-laws. We intend to seek the Minister of Finance's approval of the Takeover By-laws in early 2004. Similarly we expect that the rest of the legislative package, including By-laws for the regulation of mutual funds and other collective investment schemes will be tabled for legislative review by June 2004 after another round of consultations with market participants.

The proposed revised legislation will focus on improving the regulatory capacity of the Commission by, among other things, granting to the Commission (i) enhanced powers to ensure compliance with the provisions of the

Securities Industry Act, 1995 through on-site inspections and examinations – which may not necessarily be related to specific accusations or suspicions of default or wrong doing; (ii) greater authority to improve and enforce standards of disclosure; (iii) authority for ensuring adherence to internationally accepted accounting and auditing standards; and (iv) authority to share information with other local, regional and international securities and financial services market regulators.

Our current involvement with Institute of Chartered Accountants of Trinidad and Tobago (ICATT) on an Inter American Development Bank (IADB) sponsored project designed to bolster public confidence in financial reporting in Trinidad and Tobago is in keeping with our recognition that improvement in public confidence in the market requires both legislative reform and active involvement of the key actors in the market, including accountants and auditors.

FOCUS ON INVESTOR EDUCATION

The developments arising out of the corporate and financial scandals in the United States are a timely reminder of our responsibility to educate and inform the public on the rights of shareholders, the obligations and responsibilities of directors, the principles of good

“Consequently, the Commission continues its efforts to reshape the legal and regulatory framework against the backdrop of international standards.”

Message from the Chairman

corporate governance and the risks involved in investing. The Commission therefore proposes to accelerate its investor education programme, since this is critical in terms of providing information which investors may utilize in understanding the risks of investment.

CAPITAL MARKET DEVELOPMENTS

Since the establishment of the Securities and Exchange Commission in 1997, the capital market in Trinidad and Tobago has experienced substantial growth and expansion. As the market developed towards achieving the status of the primary financial centre in the region, we have already witnessed a number of regional companies listing in our jurisdiction and several regional borrowers accessing the local market. In the past year for example, of the new Reporting Issuers registered, three were Jamaican companies and regional governments and institutions have raised funding through a number of bond issues.

For the SEC as a regulator, the growth of the market and the increased potential for inappropriate activities represent significant challenges. In reviewing the Commission's role in the system, we believe that a full analysis and understanding of how the capital market has worked and performed over the past several years, are critical inputs into developing our strategies for effective regulation and market development. Consequently we have initiated a project to assess the state of development of our capital market, its changing architecture, and the impact of these on the functioning of the Commission.

The Commission also welcomed the formation of an independent credit rating agency, the first of its kind in the region, which will be established in the first quarter of 2004. We see this as also critical to the development of the local and regional capital market. The development and challenges that I have outlined, helps

to define the scope of the activities we shall be pursuing for the 2003/2004 financial year.

Before I conclude, let me recall the contribution of Mr. Carlton Robinson, my predecessor, who was Chairman from its inception in 1997 to April 2003. Mr. Robinson passed away shortly after relinquishing the Chairmanship of the Commission. He provided invaluable guidance to the Commission in its formative years. On behalf of other Commissioners past and present, and the staff of the Commission, I wish to pay public tribute to Mr. Carlton Robinson for his contribution to the development of the financial services industry in general and of the Trinidad and Tobago Securities and Exchange Commission in particular.

Finally, I wish to thank my fellow Commissioners and the staff of the Commission for their support and commitment during the year, and especially during the last six months. I look forward to their continued support, as we continue working on the objective of building a vigilant, proactive and effective Securities and Exchange Commission. This is essential to a growing capital market,

consistent with the Government's overall vision for the financial services industry which vision seeks to position Trinidad and Tobago as the leading financial centre in Latin America and the Caribbean.



Osborne Nurse
Chairman

The General Manager



General Manager's Remarks

The Securities market in Trinidad and Tobago is at a cross-roads. Our market has been evolving against the backdrop of a volatile international capital market and tremendous operational challenges. Through it all, the SEC has been revisiting and enhancing its operations.

The role played by the Trinidad and Tobago capital market in raising funds for enterprise re-financing and development, has been gaining momentum. We have observed trends towards the use of more sophisticated instruments for investment and the availability of foreign securities which are marketed and/or managed through local intermediaries. As a Commission, we duly note that for the capital market to effectively fulfill its development role on a long-term basis, it is imperative that stakeholders have trust and confidence in its integrity. Towards this end, transactions in the market must proceed with efficiency and fairness through intermediaries that provide quality services, and users of the market must have sufficient mechanisms to allow them to safeguard their interest.

One of the major focal points of the Commission in the last financial year was therefore the enhancement and reform of its legislative framework. We have been working assiduously with our consultants, Stikeman Elliott LLP of Canada, to bring about necessary changes in the legislation. In so doing, we are seeking to ensure the enactment of legislation that can adequately provide for the efficient regulation of the evolving capital market in Trinidad and Tobago. We are also looking at increasing the efficiency and fairness in trading, on the Floor of the Stock Exchange.

In 2003, the SEC initiated measures to effectively deal with a number of issues relating to transparency and fairness in the market including suspected cases of illegal insider trading and the incidence of selective disclosure of market sensitive information.

We have been examining certain transactions that took place in 2001 and 2002 to determine whether concerns about illegal insider trading were justified and to determine the course of action that may be taken in order to ensure that the appropriate sanctions were applied. We expect to bring these matters to the point of determination during the next financial year.

In 2003, the Commission issued a statement expressing its concern about listed companies disseminating price sensitive information to selected persons prior to the release of such information to the general public. Further, it has published policy guidelines to assist listed companies in their handling of price sensitive information. We are of the view that if companies adopt the recommended procedures, the potential for unfair trading will be significantly reduced.

During the last year, the Commission monitored the implementation of the Trinidad and Tobago Stock Exchange automated trading system, which is scheduled to begin operations in early 2004. With computerized trading and the operation of the Central Securities Depository, the level of transparency, fairness and equity in the market and the efficiency of trading are expected to improve markedly. This will contribute to increasing levels of confidence in the Stock Exchange

itself and in the market generally.

The Commission has intensified its corporate finance and market surveillance role. In keeping with its mandate under the Securities Industry Act 1995, the Commission continues to monitor significant transactions by reporting issuers in the securities market to ensure that the transactions are executed with full disclosure of information. In light of the increased incidence of mergers and acquisitions and attempts at take-overs within our local environment, the Commission thoroughly analyses company accounts

“As a Commission, we duly note that for the capital market to effectively fulfill its development role on a long-term basis, it is imperative that stakeholders have trust and confidence in its integrity.”

General Manager's Remarks

and reports to ensure adequate treatment of transparency issues, accuracy and follow-through in reporting and the adherence to international accounting standards. Efforts are currently being made also to enhance collaboration with the local chapter of ICATT.

Our investor education programme began during the year with workshops for staff of Government departments on the role and functions of the Commission. The programme was extended to Sixth Formers in Secondary schools. We also participated in the "World Consumer Rights Day" on the Brian Lara Promenade which gave us the opportunity to educate the public on the role and functions of the Commission.

On August 14, 2003, the Commission hosted a seminar for market participants on the Take-Over By-laws. The views and recommendations from the market were welcomed and will be included in the amended legislation. The Commission plans to continue to encourage the participation of market actors, to ensure that they understand the intention of the legislation and that their views are incorporated into the development of regulations for the capital market.

While measures are being implemented to achieve the main goal of long-term development of the capital market, the SEC at the same time remains duly committed to its routine task of reviewing and approving new securities to be issued on the market. In this regard, we have observed that during this financial year there was a 35% increase in equity issues and a 28% decline in derivative debt issues. This was perhaps as a result of the high levels of liquidity in the financial system and falling interest rates which led investors to move out of debt into equities which appeared to offer more attractive returns.

The Commission has also had to pay particular attention to its human resources. We have spent some time conducting an internal assessment of our resource needs, and in the coming months, we will be restructuring our internal systems to meet the demands of a modern securities market. We have been stymied over the last year by the departure of a number of our staff, partly due to compensation issues.

We propose to fill existing vacancies at the Commission and to create new positions that will allow us to better respond to the continuing changes and development in the securities market. In this regard, we have recently concluded a job evaluation and compensation review exercise as well as a revision of our Human Resource Policies and Procedure Manual. As well, we will shortly be implementing a new Performance Appraisal Management System as part of a major revamping of our HR system.

In closing, I wish to thank the staff of the Commission for their commitment during the year, and look forward to their continued support. I would like to acknowledge the contribution made by two Directors who left us in 2003. They were Mrs. Gloria Rolingson, the past Director of the Research Division, and Mrs. Marlene Murray, Director of Disclosure, Registration and Corporate Finance. Both Mrs. Rolingson and Mrs. Murray served the Commission untiringly and were instrumental in its formation and development.

My sincere gratitude also extends to the all stakeholders, including the Ministry of Finance and the Central Bank, for their assistance during the year, as we continue to work towards an effective and dynamic Commission. Your continuing support is welcomed.

I would like to assure all that the SEC is determined to continuously develop and supervise the local capital market in order to increase the market's efficiency and competitiveness. It is therefore hoped that all stakeholders who are directly and indirectly involved in the capital market will recognise the importance of the SEC's mission and efforts to bring about a capital market that offers the greatest benefit for investors and other participants.



Monica J. Clement
General Manager

The Commissioners



Ms. Amoy Chang Fong
Commissioner



Ms. Shelley Collymore
Commissioner



Mr. Osborne Nurse
Chairman



Ms. Bridgid Annisette-George
Commissioner



Ms. Alison Lewis
Commissioner

Tribute to Carlton Robinson

Carlton MacFarlane Robinson

December 11, 1931 – May 12, 2003.

Chairman of the Trinidad and Tobago Securities and Exchange Commission, 1997–2003.

Carlton Robinson was appointed Chairman of the Commission in April 1997 by the President of the Republic of Trinidad and Tobago after the proclamation of the Securities Industry Act, 1995. He also served as the Chief Executive Officer of the Commission from 1997 to 1999, and at the end of his first tenure as Chairman in April 2000, was re-appointed Chairman of the Commission, for a further period of three years.

Mr. Robinson established the Commission as an effective organization and sought to ensure, through its supervision of the securities markets, that there was equity, transparency and fairness in the market. More recently, this meant that he and the Commission focused on discouraging trading practices that had the potential to impair the fairness and transparency of the market.



In the discharge of his responsibilities and in his business relationships, Mr. Robinson was regarded by all, as a person committed to the highest standards of professional and personal conduct. Mr. Robinson was Managing Director of the Trinidad and Tobago Mortgage Finance Company (TTMF) over the period 1973 to 1996, following a period of service with the Commonwealth Development Corporation, a United Kingdom development agency with regional office in Barbados.

A Fellow of the Chartered Association of Certified Accountants of the United Kingdom and a member of the Institute of Chartered Accountants of Trinidad and Tobago, Carlton Robinson was also a Past President of the Rotary Club.

The Trinidad and Tobago Securities and Exchange Commission expresses its appreciation of Mr. Robinson's contribution to the development of the institution and remembers his commitment to realizing his vision for the development of the securities market in Trinidad and Tobago.

Management of the Commission



Ms. Denise Hackett
*Director, Legal Advisory and
Enforcement*



Mr. Kelvin Sergeant
Director, Research



Ms. Cicelyn Burrowes
*Director, Market Regulation and
Surveillance*

Staff of the Commission



- | | |
|---|--|
| (1) Rosalind Hinds – Financial Research Officer, Market Regulation & Surveillance | (13) Charmaine Howard – Information Technology Administrator |
| (2) Arnold Ramlogan – Accountant | (14) Arlene Francis – Clerical Assistant, Market Regulation & Surveillance |
| (3) Leslie Clarke – Service Attendant | (15) Lisa Ann Gobin – Clerical Assistant II |
| (4) Esmond Claxton – Cleaner/Messenger | (16) Hazel Persad – Assistant Administrator |
| (5) Amelia Samai – Clerical Assistant, Disclosure, Registration & Corporate Finance | (17) Sandra Smart – Executive Secretary |
| (6) Annette Borel – Legal Officer, Legal Advisory & Enforcement | (18) Cheryl Cameron – Documentation Officer |
| (7) Vanessa Henry – Financial Research Officer, Research | (19) David Jennings – Clerical Assistant, Library |
| (8) Ingmarie Ralph – Clerical Assistant, Research | (20) David Bazil – Senior Financial Research Officer, Disclosure, Registration & Corporate Finance |
| (9) Roxanne Downes – Financial Research Officer, Disclosure, Registration & Corporate Finance | (21) Bevan Gibson – Clerical Assistant, Information Technology |
| (10) Tracy Mills – Customer Service Assistant | (22) Craig Cumberbatch – Financial Research Officer, Disclosure, Registration & Corporate Finance |
| (11) Carol Noel – Information Technology Specialist | |
| (12) Ayoub Barcoo – Financial Research Officer, Market Regulation & Surveillance | Missing: Ria Badree – Executive Secretary |

Economic Review

THE GLOBAL ECONOMY¹

Many uncertainties affected the world economy in the first half of 2003, mostly on account of geopolitical tensions in the Middle East and the SARS outbreak in Asia. Nevertheless, optimism has emerged on account of signs of a recovery. The improved momentum already achieved in Asia, United States of America and the United Kingdom provides ample evidence of the renewed strength of the world economy. Although Europe still has lingering weaknesses, recovery also seems to be on the way.

According to the International Monetary Fund in its September World Economic Outlook, the global economy is estimated to have grown by 3.2% in 2003, underpinned by reduced geopolitical uncertainties, policy stimuli such as tax cuts, and a gradual diminution of the after-effects of the asset bubble. In the USA, the recovery was stronger than expected, as real GDP increased by approximately 3.3% year-on-year to June 2003. Among the factors driving growth was spending on home construction which grew at an annual rate of 6.6%. Consumer spending grew at a steady rate of 3.8%, and spending on durable goods was revised upwards to 24.3%. Spending on national defence, which increased rapidly during the war in Iraq, grew by over 45%. The economy is expected to receive a further boost in coming months from low interest rates and tax cuts proposals which were passed through Congress earlier in the year. Recent conditions in U.S. financial markets also suggest an improvement in growth, but evidence of business inventories remain doubtful, and therefore a more durable recovery remains uncertain at this time.

In Europe, the economic conditions remain mixed. After a protracted period of decline, The Euro area economy began to show some growth in early 2003, but the rate of growth declined to a marginal 0.5% in the second quarter of 2003. Germany, which accounts for 30% of the Euro Zone, remains in recession. Real

Gross Domestic Product (GDP) declined by an annual 0.2% in the second quarter of 2003. Italy and the Netherlands also continue to perform in slow mode. In the case of Japan, however, the economy appears to be strengthening, as real GDP grew by 2% in the year to June 2003, on account of higher private sector demand. In the United Kingdom, economic activity was relatively more buoyant than in Europe. However, in recent times, growth has slowed considerably, increasing by a mere 0.3% in the second quarter of 2003. In Britain, core inflation has been above the target of 2.5% set by the Bank of England. Interest rates remain at the lowest level in 48 years since the growth momentum remains encouraging but interest rates could increase in the UK soon, once the recovery seems sustainable.

Meanwhile, in Latin America, there seems to be a slow recovery on account of the nascent recovery in Argentina and a reduction of political disturbances in Venezuela. This political uncertainty in Venezuela contributed to an 18.5% decline in real GDP in the first half of 2003 and a 19% increase in inflation. Equity markets are however now showing signs of recovery and spreads on sovereign debt have declined. Economic activity remains slow in Brazil and Mexico, but growth has been more pronounced in Argentina and Chile.

In the Caribbean, the economies of Barbados and Jamaica reported increased output in the first half of 2003. However, the situation in the Eastern Caribbean remained precarious. Regional leaders remain committed to a Regional Stabilization Fund to help countries treat with short term balance of payments disequilibria, fiscal deficits, and to supplement resources provided by the multilateral financial institutions.

In the case of Barbados, the economy grew by 2.5% in the first half of 2003, fuelled by a recovery in the tourism industry and a moderate increase in external demand

¹ The analysis in this section uses statistics provided from the International Monetary Fund's world Economic Outlook, September 2003; Latin American Monitor and Annual reports of the Central Bank of Trinidad and Tobago, Barbados and Jamaica.

Economic Review

for the island's goods and services. Barbados retained its investment grade rating, and the fiscal situation appears to be easing, the result of an increase in tax collections and a cut in capital expenditure. The fiscal deficit is targeted at 3.4% of GDP in 2003.

Notwithstanding Central bank interventions to halt the depreciation of the exchange rate, the Jamaican dollar continued its slide towards the end of 2003. The picture is not all gloom and doom, as recent indicators show that the economy grew by 3.1% year-on-year. There are also signs that the fiscal accounts are becoming healthier, the result of both revenue increases and spending cuts. However, consumer prices continue to rise, and the annualized Consumer Price Index increased to 10.7% in June.

THE TRINIDAD AND TOBAGO ECONOMY²

The performance of the Trinidad and Tobago economy remained strong in 2003 against the backdrop of a global economy which was beginning to show signs of some recovery. The Trinidad and Tobago economy grew by 2.5 % in the first half of 2003. Both the petroleum and non-petroleum sectors exhibited encouraging growth trends. The inflation rate measured 4.2% in the twelve months to April 2003, compared with a rate of 4% in the previous year. On the external account, net international reserves amounted to US\$2.1 billion at the end of September, covering over 6 months of imports.

Real GDP increased by 2.6% in the twelve months to June 2003. Higher economic activity was evident in the energy sector following the commissioning of the third Liquefied Natural Gas plant. Output of both Liquefied Natural Gas and natural gas liquids also improved, as well as the production of crude oil. In the non-energy sectors, economic performance was mixed. Strong to moderate growth was recorded in Electricity and Water (5.2%), Distribution (4.1%), and Finance, Insurance and

Real Estate (3.0%). A contraction in excess of 16% took place in Agriculture on account of the weak performance of the sugar industry.

On the fiscal side, preliminary estimates suggest that the Central Government recorded a surplus of \$526 million (0.8% of GDP) for the fiscal year 2002/2003, compared with the original budgeted deficit of \$619 million or 1% of GDP that was projected in the budget.

² Data sources for this section are the Review of the Economy 2003 and the Central Bank of Trinidad and Tobago, Monetary Policy Report, August 2003.

Capital Markets

GLOBAL CAPITAL MARKETS³

Geopolitical developments, corporate governance scandals and a crash in equity markets tested the global financial architecture in 2002. These developments led to high levels of risk aversion, increased market volatility, a widening of credit spreads, and limited access to external financing for emerging market countries. Nevertheless, even in the face of these uncertainties, financial markets have shown resilience. In 2003, markets actually strengthened beyond expectations.

The United States stock market showed positive performance for the first three quarters of 2003. The Standard & Poor 500 index increased by 13.2 percent over the first nine months of 2003, beginning the year at 879.82 and closing at 995.97 in September 2003. The NASDAQ composite index gained 451.43 points, or 33.8 percent, increasing from 1,335.51 at the beginning of the year to 1,786.94 at the end of the period. The blue-chip Dow Jones Industrial Average gained 933.43 points, or 11.2 percent, closing at 9275.06 in September 2003. The market momentum could be attributed to good corporate earnings, low interest rates, tax cuts and improved macro-economic performance.

The news was similar in London and Tokyo where the London FT-SE100 increased by 579.04 points, from 3,567.41 points at the end of January 2003, to 4,091.30 at the end of September. Likewise, for the same period, the Tokyo TOPIX rose 197.62 points to close at 1,018.80 in September 2003.

Notwithstanding volatility in the capital market, global uncertainties are expected, and there is continued dependence on growth in the USA as a stimulus for growth in the rest of the world. There is therefore the need for accelerated structural reforms in many countries.

The corporate bond market offered favourable borrowing terms in late 2002 and early 2003. There

was little in the way of issuance of new bonds due to the reluctance on the part of firms to increase their debt in the face of uncertain economic prospects. This market continued to produce exceptionally low nominal yields for the period, and investors sought other alternatives to garner higher returns. Heavily indebted emerging markets such as Brazil and Turkey, which had found themselves shut out of international capital markets in July 2002, regained access to loans on relatively favourable terms.

Fund-raising activity in international markets by European financial institutions surged in the first quarter of 2003. As a result, aggregate net issuance of international debt securities reached \$352 billion, almost double the previous quarter's amount.

There was continued strength in fund-raising through the international debt securities market in 2003. Aggregate net issuance was \$346 billion in the second quarter, a marginal reduction from the previous quarter. This brought net issuance for the first half of the year to \$701 billion. Borrowers continued to take advantage of historically low long-term interest rates to lengthen the maturity of their debt for the remainder of the period.

TRINIDAD AND TOBAGO CAPITAL MARKET

Stock Market

Table 1 provides a summary of the stock market data for Trinidad and Tobago. The performance of the stock market was quite encouraging for the fiscal year October 2002 to September 2003, despite a number of international and local events that could have impacted negatively on the market. The Trinidad and Tobago stock market showed resilience and growth for the period under review.

The Trinidad and Tobago Composite Index increased from 488.61 points at the beginning of October 2002 to 545.56 points at the end of December 2002, an increase of 11.66%. There was also a strong rebound in stock prices partly due to the presentation of the

³ The analysis for this section used statistics provided by the Bank for International Settlements Quarterly, March, June, September 2003 and the World Federation of Exchanges.

Capital Markets

national budget in October 2002. Some factors that may have influenced the value of public listed equity were the reduction in corporation tax, the reduction in the marginal rate of income tax in the upper and lower income bands, which resulted in increased disposable income; and the commencement of the Centralized Securities Depository (TTCD).

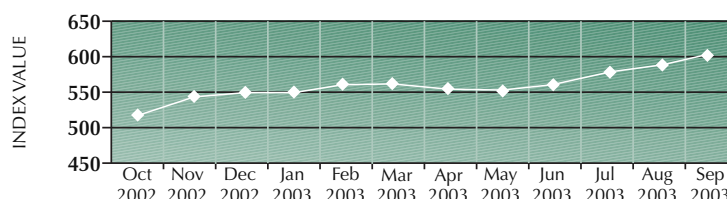
This optimism continued into 2003 with the market displaying growth for the first nine months of 2003. **Figure 1** shows that for the period January to September 2003, the TTSE Composite Index increased by 54.5 points or 9.98%, closing at 600 points on September 30, 2003.

Market capitalization also increased during the period as depicted in **Figure 2**. At the beginning of January 2003, market capitalization was \$48.3 billion. This increased by approximately 11% to close at \$53.8 billion on September 30, 2003.

The average monthly volume of shares traded for the period under review was 24 million. September 2003 recorded the second highest volume of 36.9 million shares traded. The total number of shares traded in the period January to September 2003 amounted to 292.9 million.

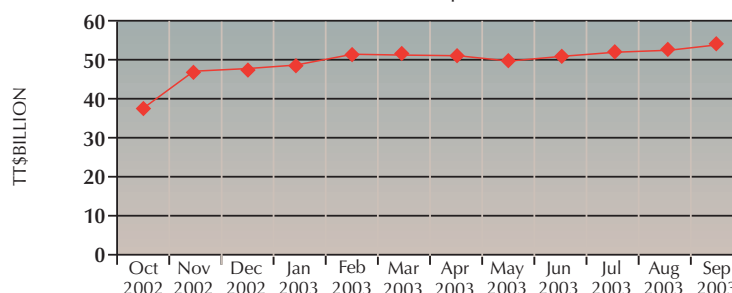
There were three new listings and one de-listing on the Trinidad and Tobago Stock Exchange. The newly listed

Fig 1. TTSE - COMPOSITE INDEX
October 2002 - September 2003



Source: Trinidad and Tobago Stock Exchange

Fig 2. TRINIDAD - MARKET CAPITALIZATION
October 2002 - September 2003



Source: Trinidad and Tobago Stock Exchange

companies had issued capital of \$1,478 million, \$40 million and \$1,463 million. A property mutual fund, was the only company to have an Initial Public Offering (IPO) prior to listing, which consisted of 40 million shares at a par value of \$1 per share. Property mutual funds have become new avenues for investment in the local market.

Table 1
SUMMARY OF STOCK MARKET DATA FOR TRINIDAD AND TOBAGO
October 1999 to September 2003

Description	2003/2002	2002/2001	2001/2000	2000/1999
Number of Issues of Ordinary Shares	33	33	33	33
Volume of Shares (million)	292.9	111.1	92.7	85.2
Value of Shares (TT\$million)	1,727.8	1,132.5	843.9	839.5
Market capitalization as at September 30 (TT\$ million)	53,807.8	35,,771.4	32,308.3	29,693.9
Composite Index as at September 30	600	488.6	444.1	447.3

Source: Trinidad and Tobago Stock Exchange

Capital Markets

Debt Securities Market

During the year, there was comparatively less activity in the secondary bond market than in the primary market which was far more intense. For the period under review, domestic currency issues were in excess of \$4,000 million while US dollar denominated issues exceeded US\$350 million and Eastern Caribbean issues approximated EC\$98 million.

Some of the larger issues on the local market included Caroni (1975) Limited, which successfully raised a total of \$1,056 million to cover operating expenses. In June, the Water and Sewage Authority raised \$413 million to finance operating expenses, through a ten-year private placement bond with a fixed coupon rate of 6.75%. In addition, there were two placements of \$500 million each by the Central Government for refinancing purposes. Both bonds were issued in two series and had fixed coupon rate of 6% (10 year maturity) and 6.45% (15 year maturity).

REGIONAL CAPITAL MARKETS

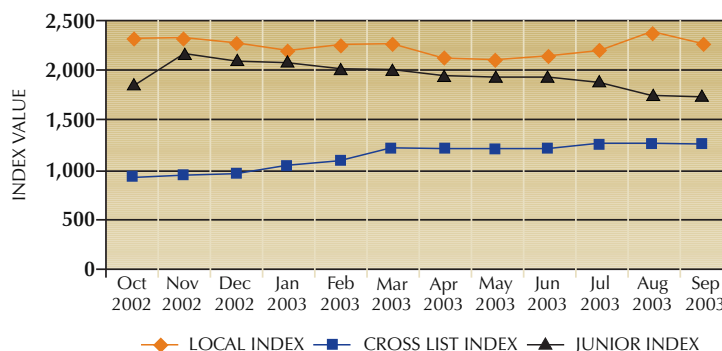
Barbados

In the last quarter of 2002, the Barbados Stock Exchange recorded a large increase in the volume of shares traded; the regular market traded over 500 million shares in 2002, compared with 3 million in 2001. A total of nine companies registered an increase in share price, ten showed decline and four remained unchanged. Notwithstanding the increase in volume, the number of transactions declined from 544 in 2001 to 428 in 2002.

In the first half of 2003, trading activity demonstrated a decrease in total volume when compared to 2002. Total volume fell from 32,680,583 in 2002 to 23,884,579 in 2003, a decrease of 27%.

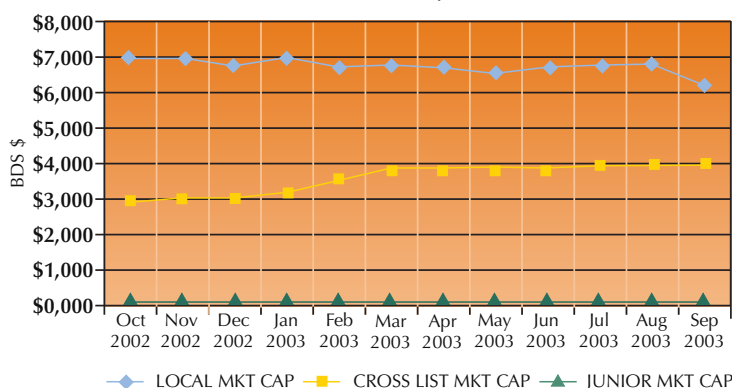
Over the period January to June 2003, of the twenty-four listed companies, twelve recorded an increase in the price of their shares, six declined, including Goddard Enterprises Ltd, which had a two-for-one share split in April 2003. The price of two securities

Fig 3. BARBADOS - MOVEMENTS IN MONTHLY INDICES
October 2002 - September 2003



Source: Barbados Stock Exchange

Fig 4. BARBADOS - MARKET CAPITALISATION
October 2002 - September 2003



Source: Barbados Stock Exchange

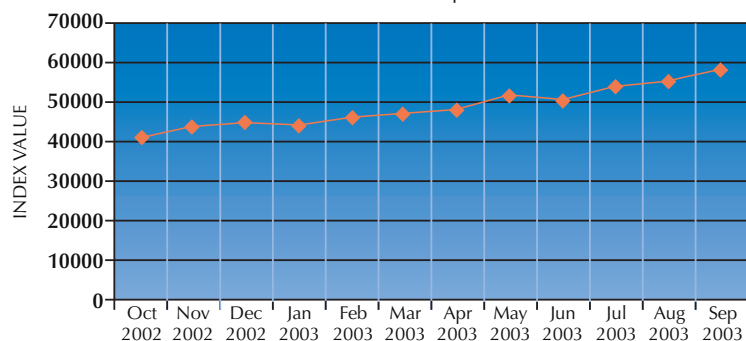
remained unchanged and there was no trading in four securities during the period.

Figure 3 shows that the Barbados Composite Index at June 30, 2003 was 2,144.86 points in comparison to 2,276.12 points as at December 30, 2002. The decline over the period was due in part to a share split and the fall in price of two securities, which weighed heavily in the price based index. In the third quarter, the index continued to rise closing at 2,267.39 at September 30, 2003.

Market Capitalisation at June 2003 was \$6,623.6 million compared to \$6,882.5 million at the end of December 2002 as seen in **Figure 4**. This decline was

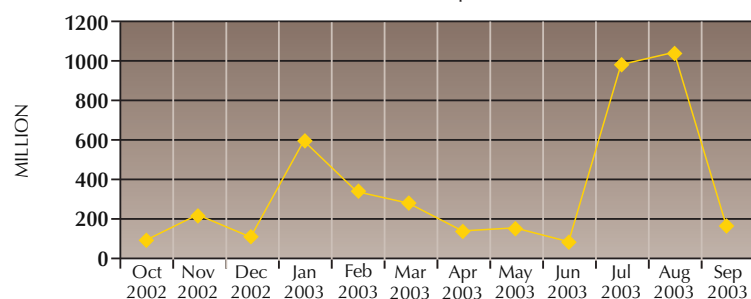
Capital Markets

Fig 5. JAMAICA - MONTHLY COMPOSITE INDEX
October 2002 - September 2003



Source: Jamaica Stock Exchange

Fig 6. JAMAICA - VOLUME OF SHARES TRADED
October 2002 - September 2003



Source: Jamaica Stock Exchange

as a result of lower stock prices of First Caribbean International Bank which had over 1.5 billion shares listed on the BSE, as well as the delisting of shares of Life of Barbados. However, when Sunbeach Communications Inc was added to the Junior Market and Fortress Caribbean Property Fund had its secondary offering, the index increased from 1,297.41 in June 30, 2002 to 1,951.24 in 2003 and market capitalisation increased from \$22,133,850 in June 2002 to \$89,778,047 in June 2003.

Jamaica

The Jamaica Stock Market experienced significant growth during the period under review. The market closed on a positive note in 2002, posting a series of record-breaking results in the latter part of the year. This performance occurred against a background of mixed conditions in the macroeconomic environment. Though

monetary developments were generally favourable for the first half of the year, with declines in real domestic interest rates, strong liquidity in the money market and relatively stable foreign exchange rate, in the latter part of the year, the macroeconomic environment presented a number of constraints to investments in equity. This period was marked by instability in the foreign exchange market which led to an increase in domestic interest rates. This resulted in a shifting towards holdings of domestic fixed income securities and foreign currency financial instruments. The performance of the stock market during the year was also influenced by improvements within the institutional framework. The reduction in the settlement time for equity transactions from five to three trading days served to enhance the efficiency of trading.

At the beginning of 2003, the contraction in liquidity reduced the availability of funds for stock market investment. In addition, there were portfolio shifts away from equity, as investors sought to capitalize on attractively priced Government securities and BOJ open market instruments. Nevertheless, the stock market posted a nominal gain. The average monthly value of securities traded was \$1.4 billion during the first quarter of 2003 and the main JSE Index registered 46,981.96 points for the same period, while market capitalisation was approximately \$355 billion, representing a 21.6 % increase over December 31, 2002.

The stock market continued to be quite active for the remainder of the period to September 30, 2003. **Figure 6** shows that there was a slight slowdown in the second quarter 2003, approximately 300 million ordinary shares valued at \$1.8 billion, were traded. At the end of the June, the main Jamaica Stock Exchange index recorded 50,478.94 points, a 7.4 % increase over the 46,981.96 points recorded at the end of March 2003. The composite index closed at 57,769.13 at the end of September, 2003 as seen in **Figure 5**.

Review of Operations

REGISTRATION, DISCLOSURE & CORPORATE FINANCE

As at September 30, 2003, there were sixty-five registered Market Actors conducting business in the securities markets of Trinidad and Tobago, as compared to sixty-seven for the corresponding period ended September 30, 2002. One Broker and one Investment Adviser were de-registered during the period. **Table 2** provides a summary of persons including (Market Actors and Reporting Issuers) registered with the Commission. A list of persons registered in each category as at September 30, 2003 is provided in **Appendix 2**.

The names of seventy-four registered Issuers were entered on the Commission's Register at September 30, 2003. During the period October 2002 to September 2003, five new Reporting Issuers were registered. Of these, three registrants were Jamaican enterprises whose equity issues were already listed on the Jamaica Stock Exchange – Jamaica Money Market Brokers (December 2002), National Commercial Bank, (May 2003) and Capital and Credit Merchant Bank (October 2003).

Registered Securities

Section 65 (1) of the Securities Industry Act, 1995 stipulates that "no security shall be offered to the public or listed with any self-regulatory organization unless it is registered with the Commission". A summary of the securities registered with the Commission is provided in **Table 3**.

During the period October 2002 to September 2003, twenty-three equity issues were registered with the Commission. Categorized broadly, these equity issues may be described as follows: Issues of Shares pursuant to Employee and Executive Stock Ownership Plans (15); Cross-listings (4); Bonus Issues (2) Demutualization (1); Rights Issues (1) and Preference Shares (1). There were no Initial Public Offerings of equity securities during the period under consideration.

Of the eight Collective Investment Schemes registered during the period, three were foreign funds - the Grace Caribbean Fixed Income Fund, DB&G Premium Growth Fund and DB&G Money Market Fund. Of the five local funds three were sponsored by CLICO and two by Bourse Securities. RBL sponsored a US dollar Money Market Fund.

Table 2
PERSONS REGISTERED WITH THE COMMISSION

Class of Registration	As at Sept 30, 2003	As at Sept 30, 2002	As at Sept 30, 2001
Brokers	10	10	10
Dealers	2	2	3
Investment Advisers	18	19	21
Securities Companies	20	20	18
Self-Regulatory Organizations	2	2	2
Traders	6	7	5
Underwriters	7	7	11
Reporting Issuers	74	70	69
Total	139	137	139

Source: Trinidad and Tobago Securities and Exchange Commission

Review of Operations

Debt issues denominated in Trinidad and Tobago dollars (TT) and United States (US) dollars accounted for approximately 54% of the securities registered with the Commission. The Government of Trinidad and Tobago, statutory authorities and state enterprises continue to be major issuers in the market for debt and debt related instruments. Regional governments and institutions have also been attracted to Trinidad and Tobago's capital markets and have sourced funds locally through the issue of floating and fixed rate bonds.

A list of the securities registered with the Commission over the period October 2002 to September 2003 is provided in **Appendix 3**.

Prospectuses

Information concerning the type of securities is critical to the efficient functioning of a capital market. There is therefore a requirement that information disclosed by persons seeking to solicit funds from the investing public be accurate, adequate, and relevant. Disclosures concerning securities to be offered to the public are presented in either a prospectus or offering circular.

During the period October 2002 to September 2003, the Trinidad and Tobago Securities and Exchange Commission issued receipts for fourteen prospectuses, ten of which were related to mutual funds. Details of the prospectuses receipted are provided in **Appendix 4**.

MARKET REGULATION AND SURVEILLANCE

Over the year to September 30, 2003, the Commission intensified its surveillance of the securities market in an environment of increasingly sophisticated securities product offerings. The Division took steps to ensure that as far as possible, the market complied with the provisions of the Securities Industry Act, 1995 and the Securities Industry By-Laws, 1997.

Oversight of Self-Regulatory Organizations

The two SROs registered with the Commission are the Trinidad and Tobago Stock Exchange (TTSE) and the Trinidad and Tobago Central Depository (TTCD). Under the Securities Industry Act, 1995, the Commission has direct oversight of SROs and one aspect of that authority is the requirement that SROs submit all proposed rule changes to the Commission for approval. If the Commission approves the proposed amendment, it would make an Order approving the amendment. Also, section 41 of the Securities Industry Act, 1995 authorizes the Commission to, on its own volition, make an Order requiring any change in the rules of an SRO in order to ensure the SRO's fair administration or to make the SRO's rules conform to the requirements of the Act.

The TTCD, which commenced operations on January 21st 2003, was first registered with the Commission in

Table 3
CLASSES OF SECURITIES REGISTERED WITH THE COMMISSION

Class of Securities	Oct 1, 2002 to Sept 30, 2003	Oct 1, 2001 to Sept 30, 2002	Oct 1, 2000 to Sept 30, 2001
Equity Issues	23	17	19
Collective Investment Schemes	8	7	13
Debt Securities	22	21	29
Derivative (Debt) Securities	15	21	11
Other	0	0	1
Total	68	66	73

Source: Trinidad and Tobago Securities and Exchange Commission

Review of Operations

November 2000. Subsequently, in December 2001, and again in October 2002, the TTCD filed with the Commission for its approval, proposed amendments to the TTCD rules; those proposed amendments were published in the daily newspapers for public comment. By Order dated January 8th 2003, the Commission approved certain amendments to the TTSE Rules for the purpose of TTSE recognition of the TTCD. Of the 33 companies whose securities are listed on the TTSE, 28 were registered with the TTCD at September 30th. The Division recently began reviewing the TTSE Horizon Electronic Trading Rules in preparation for the proposed start-up of electronic trading, scheduled for early 2004.

During the period under review, the Division had cause to recommend amendment to TTSE Rules 206 and 209, which relate to Call Over Procedures and Close of Dealing (price determination), respectively. The Commission is of the view that in order to lessen the opportunities for price manipulation, the method of price determination must be made more efficient and transparent. Amendment to the two Rules will facilitate increased transparency and fairness in trade practices.

The Division continued to monitor the activities of the TTSE, specifically in relation to the Exchange's monitoring of its members' compliance with Securities Industry Act, 1995 by-law 34, which requires separate supervision of client accounts and prohibits pooling of client orders. At the request of the Commission, the Exchange conducted several exercises to determine compliance; the Exchange's reports revealed a significant number of contraventions.

Suspected Market Abuse

The Commission is responsible for maintaining surveillance over the local securities market with a view towards ensuring orderly, fair and equitable dealings in the securities market. Accordingly, when the Commission suspects or becomes aware of any instance of illegal insider trading, or market manipulation, or any other form of market abuse, the Commission is required to inquire into such and, where warranted, pursue further action.

During the last year, the Division of Market Regulation and Surveillance had cause to inquire into several

suspected instances of illegal insider trading and market manipulation and reports on these inquiries were presented to the Commission for its determination. The Commission subsequently requested assistance from the Ontario Securities Commission in drawing up a plan of action to pursue the investigations, and towards the end of the year, an Enforcement Officer from the OSC was assigned to the Commission to work with Commission staff on that matter.

The Commission is committed to discouraging unfair trade practices, since these are not conducive to the operation of a fair and equitable securities market. The issue of Selective Disclosure is one such practice which has engaged the attention of regulators in recent years. It has been common in the market for the companies to talk to selected groups (brokers, major investors) prior to publication of financial reports or other significant events. There was increasing concern that the information disclosed at those discussions might constitute price sensitive information, which could facilitate insider trading. In this regard, in April 2003, the Commission published a Notice in the daily newspapers expressing its concern about listed companies disseminating price sensitive information to certain select persons prior to release of such information to the general public. The Commission also wrote to all listed companies cautioning them against the selective dissemination of price sensitive information. The Commission has since published on its website, policy guidelines to assist listed companies in their handling of price sensitive information. It is expected that companies' adherence to those guidelines will promote sound disclosure practices which will aid in strengthening confidence in the market.

Insider Reporting Obligations of Public Companies

The Companies Act, 1995 contains insider reporting provisions which require public companies to report to the Commission all changes in their Register of Directors' Holdings and Register of Substantial Shareholders. This information facilitates the Commission's monitoring of matters pertaining to illegal insider trading and take-overs. While a number of public companies already submit the required information to the Commission, and on a timely basis as required, there are others which still do not

Review of Operations

comply with the relevant provisions of the Companies Act, and those which submit some information but not in conformity with the specific provisions of the Securities Industries Act, 1995. During the year therefore, the Commission again reminded public companies of their obligation to file the required information on a timely basis and in accordance with the provisions of the Securities Industries Act, 1995.

Investor Complaints

An integral aspect of the Commission's mandate is to control and supervise the activities of all registrants, to ensure that these persons maintain proper standards of conduct and professionalism in securities business. The Commission received and dealt with a number of complaints from investors about the trading practices of certain brokers with respect to dealings that appeared to be in breach of acceptable standards of conduct.

Other Surveillance Activities

During the last financial period, the Division had cause to advise other securities regulators in the region of the operations of Incorporated Traders Limited (Technical Stock Trading Terminal – TSTT), against which company the Commission, had cause to issue an advisory during the previous year. The Commission had been notified of the likelihood that the company, incorporated in Trinidad, was conducting securities business in other countries in the region, though not registered to conduct such business.

LEGAL ADVISORY AND ENFORCEMENT

During the year ended September 30, 2003, the Division of Legal Advisory and Enforcement concentrated its activities on the revision of Trinidad and Tobago's securities legislation, namely the Securities Industry Act, 1995 and certain provisions of the Companies Act, Chap. 81:01. The firm of Stikeman Elliott, LLP, which has been engaged by the Commission to review the legislation, delivered its Inception Report on the consultancy in January 2003. Members of the firm met with market participants and securities industry stakeholders in February 2003 to discuss the recommendations made in the Inception Report.

The Division of Legal Advisory and Enforcement has been advising the consultants on the specific aspects of the legislation which are in need of revision. The focus of the legislative review has been on providing Trinidad and Tobago with modern securities legislation that is adapted to the needs of a dynamic market which is characterized by new products and new service providers. The consultants are due to deliver their Interim Report on the legislative review consultancy in December 2003 and are expected to deliver the Final Report on the project in April 2004.

The Division of Legal Advisory and Enforcement has also been engaged in recasting the proposed take-over by-laws which were first published for public comment in 2000.

The Stikeman and Elliott, LLP team has also reviewed the by-laws as part of its general mandate to review local securities legislation. Market participants and stakeholders were invited to a consultation on the proposed by-laws in August 2003. Views expressed at the consultation, as well as written submissions by commentators have been considered and appropriate amendments made to the proposed draft.

Staff of the Division of Legal Advisory and Enforcement, has been engaged in supporting the work of the Division of Market Regulation and Surveillance with regard to securing compliance of market actors and issuers with the securities laws. Staff has also been involved in developing procedures for the investigation of contraventions of securities legislation. These activities are consistent with the Commission's commitment to protect the local securities marketplace from various forms of market abuse and enforce the relevant securities laws in a firm and fair manner.

During 2002/2003, the Division of Legal Advisory and Enforcement provided advice to Commissioners and staff on various transactional matters, particularly with regard to registration, disclosure and corporate finance issues. The Division also assisted in the development of a policy statement on non-selective disclosure of material and price sensitive information and formulated Rules of Practice for hearings conducted by the Commission pursuant to the provisions of the Securities Industry Act, 1995.

Review of Operations

RESEARCH

The Research Division functions as a support unit to all the other Divisions of the Trinidad and Tobago Securities and Exchange Commission, providing critical information and perspectives to inform the policy making and decision making of the Commission. During 2003, the Division engaged in research as it related to the capital market, the local and international economies, securities regulation and other matters which engaged the attention of the Commission.

In September of this year the Division welcomed its new Director of Research, Mr. Kelvin Sergeant, consequent upon the departure in April of Ms Gloria Rolingson, who had served in the position of Director of Research from April 1998.

Investor Education

One of the functions of the Division is to educate local investors on the domestic capital market. The Commission is of the view that a sound investor education programme is critical to promoting the orderly growth and development of the securities market. The *Principles of Securities Market Regulation*, as enunciated by the International Organisation of Securities Commissions (IOSCO), state that one of the key objectives of securities regulation is to protect investors. This objective may be attained by a programme of investor education designed to enhance investors' understanding of the role of the regulator, to provide investors with the tools to protect themselves against fraud and other abuses and to assess the risks associated with particular investments. Educated investors can make the investment choices that are most appropriate for them in light of their individual circumstances, such as age, wealth, income, debt and years to retirement. Investor education has become even more important with the rise in popularity of the Internet.

In the first quarter of the period 2002-2003, the Commission embarked on its Investor Education Programme. The main objectives of this programme are to:-

- i. Inform market participants, researchers and the general public of the role and functions of the Trinidad and Tobago Securities and Exchange Commission;
- ii. Improve financial literacy, so that individuals can make informed judgments and effective decisions on using and managing their money;
- iii. Inform individuals about risks associated with investments;
- iv. Educate investors about their rights and obligations and what the regulator can or cannot do for them; and
- v. Make available to the public, on the TTSEC website, information covering some important fundamentals about the securities market and through its website links provide access to other information on the securities industry.

During the period November to December 2002, twenty-two Investor Education sessions were conducted by the Commission in conjunction with the Junior Achievement Investment Program for Secondary Schools. The target group was Lower 6th Form students pursuing business related courses. Eleven secondary schools were visited during the period and three hundred and forty six students participated in these sessions.

On March 14, 2003, the Commission took part in the "World Consumer Rights Day Fair". At that event a survey was conducted to ascertain the level of the public awareness of the existence of the Commission. There were two hundred and eighty-four respondents to the survey questionnaires. Some of the results were as follows:

- **52% of the respondents indicated that they were aware of the existence of the Commission;**
- **213, or 75% of the respondents indicated some degree of understanding of the role of the Commission;**
- **92% of the respondents stated that they had investments in either stocks and shares or mutual funds.**

Regional Institutional Developments

TRINIDAD AND TOBAGO

On the 21st January 2003, the Trinidad and Tobago Centralized Securities Depository commenced operations. At start-up, twenty-three of the thirty-three listed companies were part of the TTCSD. The TTCSD facilitates both local and foreign institutional and individual investors in the market. It has allowed for more efficient transactions and the development of an efficient and transparent stock market.

BARBADOS

On November 1, 2002, securities brokerages in Barbados began trading remotely from their own locations through a dial-up system into the trading room of the Barbados Stock Exchange. This was seen as a significant step towards the development of electronic Clearance and Settlement activities of the Barbados Stock Exchange and the Barbados Central Securities Depository.

In February 2003, the Exchange increased the number of trading days from two to three days a week: Tuesday, Wednesday and Friday.

JAMAICA

The Jamaica Stock Exchange was selected as the site for a Regional Stock Exchange Pilot Project set to begin in 2003. The project is funded by the three major stock exchanges in the English-Speaking Caribbean, the Jamaica Stock Exchange, the Barbados Stock Exchange and the Trinidad and Tobago. Stock Exchange

An Association of Regional Stock Exchanges would bring together the major regional securities market players, the brokers, the issuers, the stock exchanges, the regulators and investors in a concerted effort to make a Caribbean Regional market a reality.

GUYANA

The Guyana Stock Exchange was opened for trading in June 2003. The Exchange was established with the help of the British Government which allocated US\$3.3 Million for use in purchasing equipment, renting office space and paying the salaries of the less than a dozen staff members.

Appendices

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Appendices

APPENDIX 1 OVERVIEW OF WORLD ECONOMIC OUTLOOK PROJECTIONS ANNUAL PERCENT CHANGE

	2001	2002	*2003	*2004
WORLD	2.4	3	3.2	4.1
Advanced Economies	1	1.8	1.8	2.9
United States	0.3	2.4	2.6	3.9
Euro Area	1.5	0.9	0.5	1.9
Japan	0.4	0.2	2	1.4
Developing Countries	4.1	4.6	5	5.6
Regional Groups				
Africa	3.7	3.1	3.7	4.8
Developing Asia	5.8	6.4	6.4	6.5
Middle East and Turkey	2	4.8	5.1	4.6
Western Hemisphere	0.7	-0.1	1.1	3.6
Countries in Transition	5.1	4.2	4.9	4.7
Central and Eastern Europe	3.1	3.0	3.4	4.1
Commonwealth of Independent States and Mongolia	6.4	4.9	5.8	5
Russia	5.0	4.3	6.0	5
Excluding Russia	9.2	5.9	5.4	5

***Current Projections**

Source: World Economic Outlook, World Economic and Financial Surveys. International Monetary Fund. September 2003.

Appendices

APPENDIX 2

REGISTER OF THE TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION FOR THE PERIOD OCTOBER 1, 2002 – SEPTEMBER 30, 2003

BROKERS

- 1) Akan, Myrnelle
- 2) Balram, Kisraj
- 3) Clarke, Peter
- 4) Dhannyram, Kathleen
- 5) Johnson, Alvin
- 6) Mayers, Robert
- 7) Mohammed, Sita
- 8) Mullings, Donavan
- 9) Padmore, Winston
- 10) Ramkhelawan, Subhas

DEALERS

- 1) RBTT Merchant Bank Limited
- 2) Trinidad and Tobago Unit Trust Corporation

INVESTMENT ADVISERS

- 1) Bourse Securities Limited
- 2) Caribbean Stockbrokers Limited
- 3) Colonial Life Insurance Company (Trinidad) Limited
- 4) Donaldson, Graham Duff
- 5) Dynamic Equity Limited
- 6) Financial Concepts Limited
- 7) Funds International Limited
- 8) Global Financial Brokers Limited
- 9) Guardian Asset Management Limited
- 10) I.Q. Financial Services (Trinidad and Tobago) Limited
- 11) Integra International Limited
- 12) International Investments Brokerage Services (Trinidad) Limited
- 13) Reliance Stockbrokers Limited
- 14) **Sagicor Life Inc.***
- 15) The Mercantile Banking & Financial Corporation Limited
- 16) Trinidad and Tobago Stocks and Shares Limited
- 17) Trinidad & Tobago Unit Trust Corporation Limited
- 18) West Indies Stockbrokers Limited

REPORTING ISSUERS

- 1) AddVenture Capital Fund Limited
- 2) Agostini's Limited
- 3) Airports Authority of Trinidad and Tobago
- 4) Alstons Limited
- 5) Angostura Holdings Limited
- 6) Angostura Limited
- 7) ANSA Finance & Merchant Bank Limited
- 8) ANSA McAL Limited
- 9) Berger Paints Trinidad Limited
- 10) BWIA West Indies Airways Limited
- 11) **Capital & Credit Merchant Bank Limited***
- 12) Caribbean Commercial Bank Limited
- 13) Caribbean Communications Network Limited
- 14) Caribbean Finance Company Limited
- 15) Caroni (1975) Limited
- 16) Citibank (Trinidad and Tobago) Limited
- 17) Citicorp Merchant Bank Limited
- 18) CLICO Investment Bank Limited
- 19) Courts (Trinidad) Limited
- 20) Development Finance Limited
- 21) Dynamic Equity Venture Fund Limited
- 22) **Empresa Generadora de Electricidad Haina, S.A.***
- 23) First Caribbean International Bank Limited
- 24) First Citizens Bank Limited
- 25) First Citizens Trust and Merchant Bank Limited
- 26) Flavorite Foods Limited
- 27) FNCU Venture Capital Company Limited
- 28) Furness Trinidad Limited
- 29) Grace, Kennedy & Company Limited
- 30) Guardian Holdings Limited
- 31) Hotels & Resorts Limited
- 32) Intercommercial Bank Limited
- 33) **Jamaica Money Market Brokers Limited***
- 34) L.J. Williams Limited
- 35) Lever Brothers West Indies Limited
- 36) Mega Insurance Company Limited
- 37) Mora Ven Holdings Limited
- 38) **National Commercial Bank Jamaica Limited***
- 39) National Enterprises Limited

* Registered with the Commission during the period October 1st, 2002 – September 30th, 2003.

Appendices

APPENDIX 2 (continued)

- 40) National Flour Mills Limited
- 41) National Maintenance Training and Security Company Limited
- 42) Neal & Massy Holdings Limited
- 43) Nestlé Trinidad and Tobago Limited
- 44) Pheonix Park Gas Processors Limited
- 45) Point Lisas Industrial Port Development Corporation Limited
- 46) Port Authority of Trinidad and Tobago
- 47) Prestige Holdings Limited
- 48) Public Transport Service Corporation
- 49) RBTT Bank Limited
- 50) RBTT Financial Holdings Limited
- 51) RBTT Merchant Bank Limited
- 52) Readymix (West Indies) Limited
- 53) Republic Bank Limited
- 54) Royal Skandia Life Assurance Limited
- 55) **Sagicor Financial Corporation***
- 56) Scotiabank Trinidad and Tobago Limited
- 57) St Christopher Air and Sea Ports Authority
- 58) St. Kitts Urban Development Corporation Ltd
- 59) TCL Holdings Limited
- 60) TCL Leasing Limited
- 61) TCL Service Limited
- 62) Telecommunications Services of Trinidad and Tobago Limited
- 63) The Barbados Shipping & Trading Company Limited
- 64) The Home Mortgage Bank
- 65) The National Football Stadium Company Limited
- 66) The Vehicle Maintenance Corporation of Trinidad & Tobago Ltd.
- 67) The West Indian Tobacco Company Limited
- 68) Tourism & Industrial Development Company of T&T Limited
- 69) Trinidad & Tobago Unit Trust Corporation
- 70) Trinidad Cement Limited
- 71) Trinidad Publishing Company Limited
- 72) Urban Development Corporation of Trinidad & Tobago Limited
- 73) Valpark Shopping Plaza Limited
- 74) Water & Sewerage Authority

SELF-REGULATORY ORGANIZATIONS

- 1) The Trinidad and Tobago Stock Exchange Limited
- 2) The Trinidad and Tobago Central Depository Limited

TRADERS

- 1) Bernard, Judy
- 2) Fadahunsi, Osu Olayiwola
- 3) Pariagh, Edgar
- 4) Ramnath-Singh, Gail
- 5) Salvary, Brent
- 6) Savary, Hilary

UNDERWRITERS

- 1) Citibank (Trinidad and Tobago) Limited
- 2) Citicorp Merchant Bank Limited
- 3) First Citizens Bank Limited
- 4) RBTT Merchant Bank Limited
- 5) **Sagicor Life Incorporated***
- 6) The Mercantile Banking & Financial Corporation Limited
- 7) Trinidad and Tobago Unit Trust Corporation

SECURITIES COMPANIES

(WITH CLASSES OF BUSINESS INDICATED)

- 1) ANSA Finance & Merchant Bank Limited – *Dealer, Underwriter, Investment Adviser*
- 2) Bourse Securities Limited – *Broker*
- 3) Caribbean Commercial Bank Limited – *Dealer, Underwriter, Investment Adviser*
- 4) Caribbean Money Market Brokers Limited – *Dealer, Underwriter, Investment Adviser*
- 5) Caribbean Stockbrokers Limited – *Broker*
- 6) CLICO Investment Bank Limited – *Underwriter, Investment Adviser*
- 7) CMMB Securities Limited – *Broker, Dealer, Underwriter, Investment Adviser*
- 8) Development Finance Limited – *Dealer, Underwriter, Investment Adviser*
- 9) First Citizens Corporate Services Limited – *Dealer, Underwriter, Investment Adviser*

* Registered with the Commission during the period October 1st, 2002 – September 30th, 2003.

Appendices

APPENDIX 2 (continued)

- | | |
|--|---|
| 10) First Citizens Trust and Merchant Bank Limited –
<i>Dealer, Underwriter, Investment Adviser</i> | 16) Republic Finance and Merchant Bank Limited –
<i>Underwriter</i> |
| 11) General Finance Corporation Limited – <i>Dealer,
Underwriter, Investment Adviser</i> | 17) Scotiabank Trinidad and Tobago Limited –
<i>Underwriter</i> |
| 12) RBTT Merchant Bank Limited | 18) Scotiatrust and Merchant Bank Trinidad and
Tobago Limited – <i>Dealer, Underwriter, Investment
Adviser</i> |
| 13) RBTT Securities Limited –
<i>Dealer, Underwriter, Investment Adviser</i> | 19) Trinidad and Tobago Stocks and Shares Limited
– <i>Broker</i> |
| 14) Reliance Stockbrokers Limited – <i>Broker</i> | 20) West Indies Stockbrokers Limited – <i>Broker</i> |
| 15) Republic Bank Limited –
<i>Dealer, Underwriter, Investment Adviser</i> | |

*** Registered with the Commission during the period October 1st, 2002 – September 30th, 2003.**

Appendices

APPENDIX 3 SECURITIES REGISTERED WITH THE COMMISSION OVER THE PERIOD OCTOBER 1, 2002 – SEPTEMBER 30, 2003

No.	Issuer	Security Registered	Amount / Value of Security	Effective Date
1	Dynamic Equity Venture Fund Limited	Preference Shares	20,000 shares	07/11/02
2	Grace, Kennedy & Company Limited	Ordinary Stock Units (pursuant to an Employee Share Scheme)	1,000 in shares	07/11/02
3	Citicorp Merchant Bank Limited	Certificates of Participation in Angostura Limited TT\$354 Million 10.50% Fixed Rate Bonds due 2012	TT\$592,497,000	07/11/02
4	Angostura Limited	10.50% Fixed Rate Bonds due 2012	TT\$354 Million	07/11/02
5	Grace Kennedy & Company Limited	Ordinary Stock Units (pursuant to an Employee Share Scheme)	503,950 units	28/11/02
6	Citicorp Merchant Bank Limited	Certificates of Interest in US\$5,000,000 Phoenix Park Gas Processors Limited 7.50% Fixed rate Bonds due 2015	US\$7,484,375.04	19/12/02
7	Jamaica Money Market Brokers Limited	Ordinary Stock Units	234,134,784	19/12/02
8	Grace Kennedy & Company Limited	Ordinary Stock Units (pursuant to an Employee Share Scheme)	358,550 units	19/12/02
9	Guardian Holdings Limited	Ordinary Shares (pursuant to exercise of executive stock options)	1,219,000 units	19/12/02
10	Sagicor Financial Corporation	Series 'A' Common Shares (Prospectus Receipted for a Minimum of 60 Million and a Maximum of 85 Million); 175 Million shares re: Demutualization	260 Million	19/12/02
11	Colonial Life Insurance Company (Trinidad) Limited	Colonial Life Power Fund Colonial Life Core Fund Colonial Life Shield Fund (Prospectuses Receipted)		16/01/03
12	Bourse Securities Limited	Savinvest Capital Growth Fund (Prospectuses Receipted)		16/01/03
13	Bourse Securities Limited	Savinvest Structured Investment Fund (Prospectuses Receipted)		16/01/03
14	Clico Investment Bank Limited	6% Fixed Rate Bonds due 2003-2013	US\$100 Million	23/01/03
15	Government of St. Lucia	7.75% Fixed Rate Bonds due 2013	US\$15 Million	23/01/03
16	Citicorp Merchant Bank Limited	Certificates of Interest in US\$15 Million 7.75% Government of St. Lucia Fixed Rate Bonds due 2013 (Prospectus Receipted)	US\$22,265,625.04	23/01/03
17	Republic Bank Limited	Zero Coupon Certificates in TT\$300 Million Government of Trinidad and Tobago Fixed Rate Bonds due 2002-2022	TT\$659,651,095.87	23/01/03

Appendices

APPENDIX 3 (continued)

No.	Issuer	Security Registered	Amount / Value of Security	Effective Date
18	Republic Bank Limited	Ordinary Shares (pursuant to an executive stock option)	380,075	23/01/03
19	Jamaica Money Market Brokers Limited	Ordinary stock units	1,229,251,968	23/01/03
20	Courts (Trinidad) Limited	6.45% Fixed Rate Non-Callable Bonds due 2007	TT\$100 Million	06/02/03
21	RBTT Merchant Bank Limited	Courts Zero Coupon Bonds due 2007	TT\$132,250,000	06/02/03
22	Bourse Securities Limited	Grace Caribbean Fixed Income Fund (Prospectus Receipted)		06/02/03
23	Republic Bank Limited	Water and Sewerage Authority Guaranteed Backed Zero Coupon Certificates due 2003-2021	TT\$89,618,965.78	20/02/03
24	Citicorp Merchant Bank Limited	Port Authority of Trinidad and Tobago 5.45% Fixed Rate Bonds Medium Term Note due 2003-2006	TT\$11 Million	20/02/03
25	Water and Sewerage Authority	6.75% 90 days Commercial Paper	TT\$300,000,000	10/03/03
26	Grace, Kennedy & Company Limited	Ordinary Stock Units (pursuant to an Employee Share Scheme)	47,475 units	13/03/03
27	Grace, Kennedy & Company Limited	Ordinary Stock Units (pursuant to a 1 for 5 Bonus Issue)	53,844,707	13/03/03
28	Grace, Kennedy & Company Limited	Ordinary Stock Units (pursuant to an Employee Share Scheme)	4350 units	27/03/03
29	Water and Sewerage Authority	6.75% 79 days Commercial Paper (Tranche II)	TT\$77,125,750	27/03/03
30	Caroni (1975) Limited	7.125% Fixed Rate Bond due 2015	TT\$518,500,000	27/03/03
31	Republic Bank Limited	Certificates of Interest in Caroni (1975) Limited TT\$418.5 Million 7.125% Fixed Rate Bond due 2015	TT\$705,358,465.48	27/03/03
32	Guardian Holdings Limited	Ordinary Shares (pursuant to exercise of executive stock options)	590,000 units	24/04/03
33	The Barbados Shipping and Trading Company Limited	Ordinary Shares (61,000 units under the Executive Stock Option Plan and 181,961 units in lieu of the Bonus Scheme)	242,961 units	24/4/03
34	Grace, Kennedy & Company Limited	Ordinary Stock Units (pursuant to an Employee Share Scheme)	9,095 units	24/4/03
35	Government of Trinidad and Tobago	Government of Trinidad and Tobago Fixed Rate Bonds-Series A (6.10%) due 2013, Series B (6.40%) due 2018	TT\$500,000,000	24/4/03
36	Water and Sewerage Authority	6.75% 58 days Commercial Paper (Tranche III)	TT\$30,811,750	24/4/03
37	National Commercial Bank Jamaica Limited	Ordinary Stock Units	2,466,762,828 units	22/5/03

Appendices

APPENDIX 3 (continued)

No.	Issuer	Security Registered	Amount / Value of Security	Effective Date
38	Government of St. Vincent & the Grenadines	7.40% Fixed Rate Bond due 2013	EC\$40,000,000	22/5/03
39	Citicorp Merchant Bank Limited	Certificates of Interest in Government of St. Vincent & the Grenadines EC\$40 Million 7.40% Fixed Rate Bond due 2013 (Prospectus Received)	EC\$57,020,000	22/5/03
40	Colonial Life Insurance Company Limited	CLICO Optimal Bond Fund (Prospectus Received)		22/5/03
41	Nevis Island Administration	7.95% Fixed Rate Bond due 2018	EC\$18,650,000	22/5/03
42	Citicorp Merchant Bank Limited	Certificates of Interest in Nevis Island Administration EC\$18,650,000 7.95% Fixed Rate Bond due 2018 (Prospectus Received)	EC\$32,364,743.76	22/5/03
43	Republic Bank Limited	Republic US\$ Money Market Fund (Prospectus Received)		22/5/03
44	Point Lisas Industrial Port Development Limited (Plipdeco)	Ordinary Stock Units (pursuant to a 1 for 2 rights issue)	13,208,561 units	22/5/03
45	Government of Trinidad and Tobago	Government of Trinidad & Tobago TT\$250 Million 6.00% Fixed Rate Bond due 2013 (Series 1) TT\$250 Million 6.45% Fixed Rate Bond due 2018 (Series 2)	TT\$500,000,000	05/06/03
46	Government of Belize	8.95% Fixed Rate Bond due 2013	US\$20,000,000	05/06/03
47	Citicorp Merchant Bank Limited	Certificates of Interest in Government of Belize US\$20,000,000 8.95% Fixed Rate Bond due 2013	US\$31,187,500	05/06/03
48	Empresa Generadora de Electricidad Haina, S. A.	10% Fixed Rate Bond due 2010	US\$104,000,000	
49	Water and Sewerage Authority	6.75% Fixed Rate Bond due 2013	TT\$413,000,000	12/06/03
50	Citicorp Merchant Bank Limited	Certificates of Interest in Government of the Republic of Trinidad and Tobago TT\$250 Million 6.00% Fixed Rate Bond due 2013 (Series 1)	TT\$328,828,082.19	16/6/03
51	Citicorp Merchant Bank Limited	Certificates of Interest in Government of the Republic of Trinidad and Tobago TT\$250 Million 6.45% Fixed Rate Bond due 2018 (Series 2)	TT\$492,051,712.33	16/06/03
52	Caroni (1975) Limited	6.45% Fixed Rate Bond due 2018	TT\$489,300,000	26/06/03
53	Republic Bank Limited	Certificates of Interest in Caroni (1975) Limited TT\$213,100,000 6.45% Fixed Rate Bond due 2018	TT\$323,470,484.61	26/06/03

Appendices

APPENDIX 3 (continued)

No.	Issuer	Security Registered	Amount / Value of Security	Effective Date
54	Citicorp Merchant Bank Limited	Certificates of Interest in Water and Sewerage Authority TT\$413 Million 6.75% Fixed Rate Bond due 2013	TT\$654,697,553.18	26/06/03
55	Grace, Kennedy & Company Limited	Ordinary Stock Units (pursuant to Employee Share Scheme)	20,450 units	26/06/03
56	Water and Sewerage Authority (WASA)	6.10% Secured Fixed Rate Bonds due 2015	TT\$271,400,000	22/07/03
57	Republic Bank Limited	Zero Coupon Certificates in Water and Sewerage Authority TT\$271,400,000 6.10% Secured Fixed Rate Bonds due 2015	TT\$388,941,604.94	22/07/03
58	Government of the Federation of St. Kitts and Nevis	7.50% Fixed Rate Bonds due 2013	TT\$300,000,000	22/07/03
59	The Barbados Shipping & Trading Limited	Ordinary Shares (pursuant to an Employee Share Purchase Plan)	39,000 units	7/8/03
60	Grace, Kennedy & Company Limited	Ordinary Stock Units (pursuant to Employee Share Scheme)	32,050 units	7/8/03
61	Government of St. Christopher and Nevis	7.50% Fixed Rate Bond due 2013 (Series A-US\$8.5 M, Series B-US\$7 M, Series C-US\$8.5 M)	US\$24 Million	7/8/03
62	Bourse Securities Limited	DB&G Premium Growth Fund		7/8/03
63	Bourse Securities Limited	DB&G Money Market Fund		7/8/03
64	First Citizens Trust & Merchant Bank Limited	Certificates of Interest in Government of Grenada US\$5 Million 9.375% Notes due 2012	US\$9,218,750	7/8/03
65	Agostini's Limited	Ordinary Stock Units (pursuant to Executive Stock Option Plan)	17,500 units	28/8/03
66	Prestige Holdings Limited	Ordinary Stock Units (pursuant to a Management Stock Option Plan)	500,000 units	15/9/03
67	Capital & Credit Merchant Bank Limited	Ordinary Stock Units	584,500,000 units	15/9/03
68	Government of Trinidad and Tobago	Government of Trinidad and Tobago Bond Issue: Series 1 – \$100 Million 5.82% Fixed Rate Bond due 2008; Series 2 – \$200 Million 6.08% Fixed Rate Bond due 2013; Series 3 – \$200 Million 6.40% Fixed Rate Bond due 2018	TT\$500 Million	30/9/03

Appendices

APPENDIX 4 LIST OF PROSPECTUSES RECEIPTED BY THE COMMISSION FOR THE PERIOD OCTOBER 1, 2002 TO SEPTEMBER 30, 2003

Issuer	Security Registered	Amount/ Value of Security
Sagicor Financial Corporation	Series 'A' Common Shares	Minimum of 60 Million and a Maximum of 85 Million shares at BD\$1.75 per share
Colonial Life Insurance Company (Trinidad) Limited	Colonial Life Power Fund Colonial Life Core Fund Colonial Life Shield Fund	N/A
Bourse Securities Limited	Savinvest Capital Growth Fund	N/A
Bourse Securities Limited	Savinvest Structured Investment Fund	N/A
Citicorp Merchant Bank Limited	Certificates of Interest in US\$15 Million 7.75% Government of St. Lucia Fixed Rate Bonds due 2013	US\$22,265,625.04
Bourse Securities Limited	Grace Caribbean Fixed Income Fund	N/A
Citicorp Merchant Bank Limited	Certificates of Interest in Government of St. Vincent & the Grenadines EC\$40 Million 7.40% Fixed Rate Bond due 2013	EC\$57,020,000
Colonial Life Insurance Company Limited	Clico Optimal Bond Fund	N/A
Citicorp Merchant Bank Limited	Certificates of Interest in Nevis Island Administration EC\$18,650,000 7.95% Fixed Rate Bond due 2018	EC\$32,364,743.76
Republic Bank Limited	Republic US\$ Money Market Fund	N/A
Bourse Securities Limited	DB&G Premium Growth Fund	N/A
Bourse Securities Limited	DB&G Money Market Fund	N/A

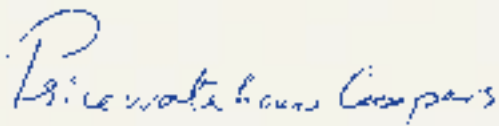
Auditors' Report

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 2003, 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 38 to 41. 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 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants
Port of Spain
Trinidad, West Indies
30 December 2003

Balance Sheet

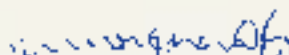
	Notes	30 September	
		2003 \$	2002 \$
ASSETS			
Non-Current Assets			
Equipment and fixtures	2	1,496,230	1,833,730
Current Assets			
Cash at bank		535,185	4,598,026
Fixed deposits		4,669,214	156,256
Taxation receivable		–	1,515
Other assets		77,815	–
		5,282,214	4,755,797
Total Assets		6,778,444	6,589,527
GOVERNMENT SUBVENTION AND LIABILITIES			
Government subvention		5,758,879	5,853,130
Current Liabilities			
Accrued charges and other liabilities	3	1,016,752	736,397
Taxation payable		2,813	–
		1,019,565	736,397
Total Government Subvention and Liabilities		6,778,444	6,589,527

The accounting policies on pages 42 to 43 and the notes on pages 44 to 46 form an integral part of these financial statements.

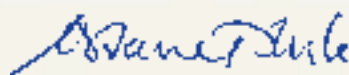
On 30 December 2003 the Commissioners of The Trinidad & Tobago Securities and Exchange Commission authorised these financial statements for issue.



Commissioner



Commissioner



Chairman

Income and Expenditure Account

	Notes	30 September 2003 \$	2002 \$
Income			
Registration fees		814,500	791,865
Interest		102,872	61,932
Other income		20,364	120
		<u>937,736</u>	<u>853,917</u>
Expenses			
Administration		(2,649,833)	(570,473)
Finance		(1,878)	(1,921)
Operating		(5,765,943)	(5,830,870)
		<u>(8,417,654)</u>	<u>(6,403,264)</u>
Deficit Before Taxation		<u>(7,479,918)</u>	<u>(5,549,347)</u>
Taxation	5	<u>(6,326)</u>	<u>(239,827)</u>
Net Deficit		<u>(7,486,244)</u>	<u>(5,789,174)</u>

The accounting policies on pages 42 to 43 and the notes on pages 44 to 46 form an integral part of these financial statements.

Statement of Changes in Government Subvention

	Year Ended 30 September	
	2003 \$	2002 \$
Balance at beginning of year	5,853,130	3,542,304
Net deficit for the year	(7,486,244)	(5,789,174)
Subvention receipts from Government of Trinidad & Tobago	7,391,993	8,100,000
Balance at end of year	5,758,879	5,853,130

The accounting policies on pages 42 to 43 and the notes on pages 44 to 46 form an integral part of these financial statements.

Cash Flow Statement

	Year Ended 30 September	
	2003 \$	2002 \$
Operating Activities		
Deficit before taxation	(7,479,918)	(5,549,347)
Adjustment to reconcile deficit to net cash from operating activities:		
Depreciation	387,559	485,965
Gain on disposal of office equipment	–	574
Gain on foreign exchange	–	(724)
Net change in operating assets and liabilities	202,540	(108,378)
	(6,889,819)	(5,171,910)
Taxation paid net of tax refund	(1,997)	(3,099)
Net Cash Outflow From Operating Activities	(6,891,816)	(5,175,009)
Investing Activities		
Purchase of equipment and fixtures	(50,059)	(87,459)
Disposals of equipment and fixtures	–	495
Net Cash Outflow From Investing Activities	(50,059)	(86,964)
Financing Activity		
Proceeds from Government subvention	7,391,993	8,100,000
Increase In Cash And Cash Equivalents	450,118	2,838,027
Cash And Cash Equivalents		
At beginning of year	4,754,282	1,916,255
Increase	450,118	2,838,027
End of year	5,204,400	4,754,282
Represented By:		
Cash	535,186	4,598,026
Fixed deposits	4,669,214	156,256
	5,204,400	4,754,282

The accounting policies on pages 42 to 43 and the notes on pages 44 to 46 form an integral part of these financial statements.

Accounting Policies

30th September 2003

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 Financial Reporting 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 historical 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 (continued)

30th September 2003

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.

The provision for gratuity is calculated as 20% of the gross salary for the general manager and 15% of the gross salaries for all the other employees. All employees are hired on a contract basis and the gratuity is paid at the end of the contract term.

Notes to the Financial Statements

30th September 2003

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 2003				
Opening net book amount	419,440	1,087,395	326,895	1,833,730
Additions	42,961	--	7,098	50,059
Depreciation	(78,337)	(271,848)	(37,374)	(387,559)
Closing net book amount	384,064	815,547	296,619	1,496,230
At 30 September 2003				
Cost	729,839	2,027,614	442,415	3,199,868
Accumulated depreciation	(345,775)	(1,212,067)	(145,796)	(1,703,638)
Net book amount	384,064	815,547	296,619	1,496,230
At 30 September 2002				
Cost	686,878	2,027,614	435,317	3,149,809
Accumulated depreciation	(267,438)	(940,219)	(108,422)	(1,316,079)
Net book amount	419,440	1,087,395	326,895	1,833,730

3 Accrued Charges And Other Liabilities

	2003 \$	2002 \$
Provision for gratuity	835,467	619,386
Provision for foreign travel	56,286	37,011
Other accrued charges	124,999	80,000
	1,016,752	736,397

Notes to the Financial Statements (continued)

30th September 2003

4 Deferred Tax Asset

	2003 \$	2002 \$
Opening amount	–	236,890
Income statement charge	–	(236,890)
Closing amount	–	–

Tax losses of approximately \$330,000 (2002 – \$650,000) have not been recognised for the purpose of deferred taxation because of the uncertain timing of their recoverability.

5 Taxation

Deferred tax charged (Note 4)	–	(236,890)
Prior year underprovision – Business levy	(3,513)	(1,353)
Business levy	(1,875)	(1,584)
Green fund levy	(938)	–
	(6,326)	(239,827)

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

Loss before taxation	(7,479,918)	(5,549,347)
Corporation tax at the statutory rate of 30% (2002 - 35%)	(2,243,975)	(1,942,271)
Expenses not deductible for tax purposes	631	644
Expenses reimbursed by the government	2,245,873	1,942,271
Other allowances	20,060	16,469
Business levy	(1,875)	(1,584)
Tax losses utilised	(22,589)	(42,083)
Tax losses writeback	–	(211,920)
Prior year underprovision	(3,513)	(1,353)
Green fund levy	(938)	–
Current tax charge	(6,326)	(239,827)

- 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 \$837,000 (2002 – \$1,152,000) available for set off against future taxable profits. These losses have not yet been approved by the Board of Inland Revenue.

Notes to the Financial Statements (continued)

30th September 2003

6 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.

Additional Information

	2003 \$	2002 \$
Administrative Expenses		
Audit fee	20,041	36,254
Commissioners' fee	233,386	254,400
Consultancy	2,157,520	–
Legal and professional fees	238,886	279,819
	<u>2,649,833</u>	<u>570,473</u>
Finance Expenses		
Gain on foreign exchange	–	(724)
Bank service charges	1,878	2,645
	<u>1,878</u>	<u>1,921</u>
Operating Expenses		
Advertising	141,992	59,810
Computer	433,810	162,746
C OSRA	–	260,592
Depreciation	387,560	485,965
Entertainment	8,244	5,067
Gratuity	413,490	411,284
Insurance	26,290	25,603
Investor education	858	2,059
Janitorial	5,909	4,882
Journals	32,025	28,085
Library	21,481	66,545
Meetings	10,070	4,347
Sundries	41,446	12,795
Office repairs	2,338	367
Office supplies	95,681	108,874
Overseas travel	98,551	71,765
Pension contributions	77,667	89,625
Postage and delivery	4,201	3,865
Printing and reproduction	33,963	45,430
Recruiting	2,565	3,163
Rent	637,762	635,436
Repairs	4,947	618
Salaries and national insurance	2,901,095	2,947,653
Seminars	62,539	52,220
Loss on disposal	–	574
Subscription	42,524	42,518
Telephone	183,458	175,447
Training	95,477	123,535
	<u>5,765,943</u>	<u>5,830,870</u>

For additional copies of this report, write to:

Trinidad and Tobago Securities and Exchange Commission
12th Floor, Central Bank Tower, Eric Williams Plaza
Independence Square, Port of Spain
Trinidad, West Indies

Telephone: (868) 624-2991/3017/6708; 625-8508
Facsimile: (868) 624-2995
Email: ttsec@ttsec.gov.tt
Website: www.ttsec.gov.tt

Complaints/Queries:

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.