

Adoption of Financial Statements 2004

The net operating surplus for the financial year ended December 31, 2004 was \$2,846,861.

Income for the year totalled \$47.8 million and is marginally higher than in the previous year. The interest rate on Fedfunds increased from 1.0% at the beginning of the year to 2.25% by year-end. The Bank had limited opportunities to take advantage of this increase as foreign reserves declined by \$331.7 million. This decline is attributed to sales to commercial banks, investments in second tier reserves and sinking fund assets and external debt service. The Bank also commenced rebalancing the external asset portfolio by liquidating low earning securities and replacing same with higher yielding securities. This rebalancing is expected to continue in 2005 as interest rate on Fedfunds is projected to increase.

The liquidity in the banking system declined and the Bank earned interest of \$0.8 million on advances to Government and commercial banks.

During the year, the Bank received \$2.3 million in respect of interest on balances under the CMCF Agreement and \$8.8 million in principal repayments. At December 31, 2004, the cumulative principal repayments received under the facility amounted to \$115.2 million, leaving an outstanding balance of \$39.6 million.

Operating expenses totalled \$44.1 million and non-operating expenses for the current year include a total contribution of \$0.8 million to the Deposit Insurance Fund and Barbados Investment Fund.

The Board of Directors, with the approval of the Minister of Finance, appropriated \$2,846,861 to the Consolidated Fund.

Annexed to this report are the Balance Sheet of the Central Bank of Barbados as at December 31, 2004, the Profit and Loss Appropriation, the Profit and Loss Account, the Auditor's Certificate and the explanatory notes to the financial statements.

The Board of Directors has adopted the Financial Statements duly certified by the Auditors of the Central Bank for the year ended December 2004.





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AUDITORS' CERTIFICATE TO THE BOARD OF DIRECTORS

We have audited the accompanying balance sheet of the Central Bank of Barbados as of December 31, 2004 and the related profit and loss and profit and loss appropriation accounts for the year then ended. These financial statements are the responsibility of the management of the Central Bank of Barbados. 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, these financial statements present fairly, in all material respects, the financial position of the Central Bank of Barbados as of December 31, 2004 and the results of its operations for the year ended in accordance with the Central Bank of Barbados Act, Cap. 323C. and the significant accounting policies stipulated in Note 1.

Bridgetown, Barbados
February 24, 2005


Chartered Accountants



KPMG a Partnership, is a
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Brian A. Glasgow (Non-resident)
Reuben M. John (Non-resident)



Balance Sheet
December 31, 2004
with comparative figures for 2003

ASSETS			
	Notes	<u>2004</u>	<u>2003</u>
		BDS\$	BDS\$
RESERVE OF EXTERNAL ASSETS:			
Balances Held Abroad	2	123,630,945	246,849,808
Foreign Notes and Coins		14,811,652	3,570,152
Foreign Securities	3	<u>620,514,007</u>	<u>840,245,775</u>
		<u>758,956,604</u>	<u>1,090,665,735</u>
International Monetary Fund:			
Reserve Tranche	4	<u>15,077,522</u>	<u>14,081,289</u>
		<u>774,034,126</u>	<u>1,104,747,024</u>
LOCAL ASSETS:			
Securities:			
Barbados Government Debentures	5	<u>635,000</u>	<u>635,000</u>
		<u>635,000</u>	<u>635,000</u>
Advances:			
Government		52,100,000	-
Fixed Assets (Net)	6	92,626,071	93,772,822
Other Assets	7	<u>37,184,195</u>	<u>49,306,017</u>
		<u>182,545,266</u>	<u>143,713,839</u>
		<u>956,579,392</u>	<u>1,248,460,863</u>

See accompanying notes to accounts.

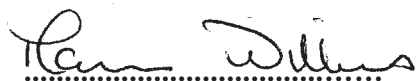


Balance Sheet
December 31, 2004
with comparative figures for 2003

LIABILITIES, CAPITAL AND RESERVES

	Notes	<u>2004</u>	<u>2003</u>
		BDS\$	BDS\$
LIABILITIES:			
Notes and Coins in Circulation	8	<u>513,328,827</u>	<u>474,662,681</u>
Deposits:			
Government		74,451,745	43,040,516
Banks		258,282,977	608,204,101
Financial Institutions		2,061,400	6,201,397
Other		<u>2,180,570</u>	<u>2,321,714</u>
		<u>336,976,692</u>	<u>659,767,728</u>
Other Liabilities:			
Allocation of Special Drawing Rights	9	23,532,201	22,431,310
Other	10	<u>59,200,792</u>	<u>53,973,989</u>
		<u>82,732,993</u>	<u>76,405,299</u>
Total Liabilities		<u>933,038,512</u>	<u>1,210,835,708</u>
Other Funds	11	<u>11,540,880</u>	<u>25,625,155</u>
CAPITAL AND RESERVES:			
Authorised capital: BDS\$5,000,000			
Paid up capital: Government of Barbados		2,000,000	2,000,000
General Reserve		<u>10,000,000</u>	<u>10,000,000</u>
Net Capital and Reserves		<u>12,000,000</u>	<u>12,000,000</u>
Commitments	12	<u>956,579,392</u>	<u>1,248,460,863</u>

Approved on behalf of the Board of Directors:



Governor



Financial Controller



Profit and Loss Account
For the year ended December 31, 2004
with comparative figures for 2003

	Notes	<u>2004</u>	<u>2003</u>
		BDS\$	BDS\$
INCOME:			
Commissions and Fees		10,987,160	7,430,375
Discounts:			
Treasury Bills		1,102,463	1,415,663
Interest:			
Advances		1,339,817	881,957
Deposits		4,301,703	4,480,681
Securities		23,594,778	26,867,081
Other Income		1,342,900	741,144
Difference in Exchange		264,665	686,105
Gain on Sale of Foreign Securities		<u>4,847,235</u>	<u>4,842,645</u>
Total Income		<u>47,780,721</u>	<u>47,345,651</u>
EXPENSES:			
<i>Operating:</i>			
Administrative Expenses		11,216,006	12,895,194
Depreciation		5,049,525	5,200,819
Interest		28,085	30,776
Minting of Coins		1,341,366	643,695
Printing of Notes		2,977,054	2,997,152
Retirement Benefits	13	4,775,833	3,594,375
Salaries and Allowances		<u>18,745,991</u>	<u>18,331,072</u>
Operating Expenses		<u>44,133,860</u>	<u>43,693,083</u>
<i>Net profit before undernoted items</i>		<u>3,646,861</u>	<u>3,652,568</u>
Contributions:			
	14		
Barbados Investment Fund		500,000	-
Deposit Insurance Fund		<u>300,000</u>	<u>1,600,000</u>
		<u>800,000</u>	<u>1,600,000</u>
Net Profit Before Appropriation		<u><u>2,846,861</u></u>	<u><u>2,052,568</u></u>

See accompanying notes to accounts.

**Profit and Loss Appropriation Account**

For the year ended December 31, 2004
with comparative figures for 2003

	<u>2004</u>	<u>2003</u>
	BDS\$	BDS\$
Net profit before Appropriation	<u>2,846,861</u>	<u>2,052,568</u>
Deduct:		
Transfer to Consolidated Fund	<u>2,846,861</u>	<u>2,052,568</u>
Balance carried forward	<u><u>-</u></u>	<u><u>-</u></u>

Note: The appropriation of profit has been made in accordance with Section 9 of the Central Bank of Barbados Act, Cap. 323C.

See accompanying notes to accounts.

Notes to Accounts
December 31, 2004

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Central Bank of Barbados Act, Cap. 323C and the following significant accounting policies:

(a) *Income and Expenses:*

Income and expenses are accounted for on the accrual basis except that interest on the Caricom Multilateral Clearing Facility and the CRL Ltd loan facility is recognised when received.

(b) *Translation of Foreign Currencies:*

Assets and liabilities designated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Gains and losses resulting from foreign currency translations and transactions are included in the Profit and Loss Account.

(c) *Foreign Securities:*

Treasury bills and unquoted securities are valued at amortised cost.

Other securities are valued at market and the resulting gains and losses on revaluation are deferred pending realization.

(d) *Numismatic Coins:*

The nominal value of numismatic coins sold is not included in 'notes and coins in circulation' while the net proceeds from sales are included in the Profit and Loss Account under Other Income.

(e) *Local Securities:*

Local securities are valued at cost.

(f) *Depreciation:*

Furniture, equipment, motor vehicles and buildings including the Frank Collymore Hall are depreciated on the straight-line basis over their estimated useful lives.

Notes to Accounts, continued

December 31, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, continued*(g) Retirement Benefits:*

The Bank contributes to a defined benefit plan. The plan is funded by payments from the Bank, by taking account of the recommendations of an independent qualified actuary. The cost of providing retirement benefits is determined using the Projected Unit Method. However for financial reporting purposes, the contributions are charged against income as they are made.

2. BALANCES HELD ABROAD

Under a rescheduling arrangement with other participants of the Caricom Multilateral Clearing Facility (C.M.C.F.), the Bank agreed to consolidate balances of interest and principal due to the Bank by C.M.C.F. as at September 30, 1989. The agreed consolidated total was \$154,744,770, which is repayable over ten years after a moratorium of ten years commencing October 1, 1989. Interest is charged at the rate of 5% per annum.

By interim arrangement of December 2, 1994, it was agreed that Barbados may offset against the principal amount due under C.M.C.F., balances on bilateral accounts due by Barbados to Guyana.

As at December 31, 2004, the C.M.C.F. balance included in Balances Held Abroad was \$39,561,200 (2003 - \$48,352,578). The Bank gave notice of withdrawal effective February 2004 and is awaiting finalisation of withdrawal from CMCF agent and other participants. The withdrawal is not expected to have any impact on the carrying value of the balance due.

As at the balance sheet date, interest accrued but not due in respect of the CMCF balance amounted to \$494,515 (2003: \$604,000). (See note 1(a)).

Notes to Accounts, Continued

December 31, 2004

3. FOREIGN SECURITIES

Foreign securities comprise:

	<u>2004</u>		<u>2003</u>	
	<u>Amortised Cost</u>	<u>Market Value</u>	<u>Amortised Cost</u>	<u>Market Value</u>
	\$	\$	\$	\$
At Market Value:				
(a) Bonds/Debentures	569,447,525	576,374,478	633,694,709	654,847,936
(b) Equities	<u>1,174,053</u>	<u>4,287,980</u>	<u>1,174,053</u>	<u>4,145,981</u>
	570,621,578	580,662,458	634,868,762	658,993,917
At Cost:				
(c) Treasury Bills	<u>39,851,549</u>	<u>39,851,549</u>	<u>181,251,858</u>	<u>181,251,858</u>
	<u>610,473,127</u>	<u>620,514,007</u>	<u>816,120,620</u>	<u>840,245,775</u>

The amount of \$10,040,880 (2003: \$24,125,155) representing unrealised profit on the revaluation of Securities is included in Other Funds. (See note 11)

4. HOLDINGS OF SPECIAL DRAWING RIGHTS

Holdings of Special Drawing Rights pertain to the value of Special Drawing Rights held at December 31, 2004. The rate of translation of SDRs into Barbados dollars at December 31, 2004 was SDR .341617 (2003 – SDR .358383).



Notes to Accounts, Continued

December 31, 2004

5. SECURITIES

Local securities comprise:

	2004		2003	
	Normal Value	Cost	Normal Value	Cost
	\$	\$	\$	\$
Barbados Government Debentures	<u>635,000</u>	<u>635,000</u>	<u>635,000</u>	<u>635,000</u>

6. FIXED ASSETS

Fixed Assets comprise:

	2004		2003	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	\$	\$	\$	\$
Freehold Land and Buildings				
Masonic Lodge	1,319,254	-	1,319,254	-
Office	85,130,083	12,599,632	72,530,451	73,802,828
Frank Collymore Hall	6,982,910	947,686	6,035,224	6,130,994
Residence	2,477,281	106,196	2,371,085	2,382,893
Furniture & Equipment	33,814,601	23,609,365	10,205,236	11,260,608
Vehicles	<u>919,019</u>	<u>754,198</u>	<u>164,821</u>	<u>195,499</u>
Total	<u>130,643,148</u>	<u>38,017,077</u>	<u>92,626,071</u>	<u>93,772,822</u>

Notes to Accounts, Continued
December 31, 2004

7. OTHER ASSETS

Other assets include:

	<u>2004</u>	<u>2003</u>
	\$	\$
Accrued income on local investments	1,256,754	1,330,619
Cheques in process of collection	9,267,773	16,505,905
CRL Limited ⁽¹⁾	9,000,000	9,000,000
Fiscal Agency Payment Account	541,331	600,924
Investment Deposits	-	5,500,000
Prepayments	747,233	638,973
Staff Advances	13,008,421	12,343,531
Sundry Balances	<u>3,362,683</u>	<u>3,386,065</u>
	<u>37,184,195</u>	<u>49,306,017</u>

⁽¹⁾The CRL Limited amount represents a six month revolving loan facility, which bears interest at a rate of 6% per annum. Prior to 1997, the loan was due from the Barbados Development Bank and was guaranteed by the Government of Barbados. During 1998, the facility was transferred to CRL Limited. The Government has undertaken to repay the debt on behalf of CRL Limited. As at the balance sheet date, the cumulative interest not recognised amounted to \$2,817,040 (2003: \$2,322,904) of which \$494,136 (2003: \$540,000) relates to the current year.

8. NOTES AND COINS IN CIRCULATION

At December 31, 2004, the nominal value of numismatic coins sold totalled approximately \$10.4 million (2003 - \$10.4 million). See note 1 (d).

9. ALLOCATION OF SPECIAL DRAWING RIGHTS

This amount represents the liability to the International Monetary Fund in respect of Special Drawing Rights allocated by the Fund.



Notes to Accounts, Continued
December 31, 2004

10. OTHER

This amount comprises:

	<u>2004</u>	<u>2003</u>
	\$	\$
Accounts Payable	2,005,507	2,709,953
Barbados Investment Fund	500,000	-
Barbados Tourism Authority Sinking Fund	255,690	-
BTII Special Development Bond Sinking Fund	2,250,000	-
Contribution payable - Deposit Insurance Fund	2,900,000	2,600,000
Contribution Payable - Establishment of a Chair at UWI	1,200,000	1,200,000
Contribution payable - Secondary Mortgage Market Project	242,319	242,319
Debenture Interest Payment Account	536,329	597,296
Domestic Clearing	6,671,950	10,305,777
Dormant Accounts - Commercial Banks*	9,653,848	8,740,932
Export Development Fund	219,169	224,613
Housing Credit Fund General Account	9,492,073	-
Industrial Credit Fund	16,609,725	20,280,080
Redemption of Debentures Account	871,120	2,775,120
Sinking Fund Contribution Account	27,596	216,410
Small Business Fund	330,000	330,000
Staff Pension Fund	1,082,043	72,003
Staff Welfare Fund	2,147,204	2,300,986
Sundry Balances	<u>2,206,219</u>	<u>1,378,500</u>
	<u>59,200,792</u>	<u>53,973,989</u>

*This account represents balances deposited with the Central Bank of Barbados in accordance with Section 88(3) of the Financial Institutions Act, 1997-16.

11. OTHER FUNDS

This amount comprises the following balances:

	<u>2004</u>	<u>2003</u>
	\$	\$
Special Credit Trust	1,500,000	1,500,000
Unrealised gains on revaluation of investments (note 3)	<u>10,040,880</u>	<u>24,125,155</u>
	<u>11,540,880</u>	<u>25,625,155</u>

The Special Credit Trust was established under Section 41 of the Central Bank of Barbados Act.

Notes to Accounts, Continued
December 31, 2004

12. COMMITMENTS

At December 31, 2004 the Bank had guaranteed settlement of approximately \$933,693 (2003: \$728,248) under the following scheme:

	<u>Value of Guarantee</u> \$	<u>Contracts</u> \$
Credit Insurance Scheme for Small Businesses	<u>1,188,293</u>	<u>933,693</u>

Also at December 31, 2004, the Bank had contracts for capital expenditure in the amount of \$0.7 million (2003: \$2.1 million).

13. RETIREMENT BENEFITS

The Bank has established a non-contributory retirement plan for the benefit of its employees. The plan is a defined benefit plan. The assets of the plan are held in separate trust administered funds. A full actuarial valuation is obtained from an independent valuer at least every three years and a review is done annually. The most recent valuation carried out at December 31, 2004 revealed the following:

	<u>2004</u> \$	<u>2003</u> \$
Fair value of plan assets	64,555,937	57,976,341
Actuarial present value of liabilities	<u>81,754,364</u>	<u>74,350,552</u>
Unfunded liability	<u>17,198,427</u>	<u>16,374,211</u>

The actuarial present value of the liabilities was determined using the Projected Unit Method. The principal assumptions used in the latest valuation were:

	2004	2003
Rate of return of assets	6% per annum	6% per annum
Rate of salary inflation and promotional increases	4% per annum	4% per annum
Rate of escalation of NIS Ceiling	3% per annum	3% per annum
Rate of pension increases	2% per annum	2% per annum

The actuary has recommended that a funding rate of 17.24% (2003: 16.91%) of covered payroll be used for new benefits, plus an additional rate of 7.82% (2003: 7.24%) to allow the amortization of the unfunded liability over a period of eighteen/nineteen years. The total recommended funding rate of 25.06% (2003: 24.15%) of covered payroll should obtain until the next valuation.



Notes to Accounts, Continued
December 31, 2004

14. CONTRIBUTIONS

These contributions are made in accordance with Section 8(b) of the Central Bank of Barbados Act, Cap. 323C. As at the balance sheet date, the Bank had made cumulative contributions of \$13.5 million, \$2.9 million and \$11 million to the Barbados Investment Fund, Deposit Insurance Fund and Industrial Credit Fund respectively.

15. TAXATION

The Bank is exempt from corporation tax in accordance with Section 56 of the Central Bank of Barbados Act, Cap. 323C.

16. COMPARATIVE FIGURES

Certain comparative amounts for 2003 have been reclassified to conform to the current year's presentation.