



### Adoption of Financial Statements 2003

The net operating surplus for the financial year ended December 31, 2003 was \$2,052,568.

Current income totalled \$47.3 million and represented a decrease of \$14.5 million compared with the previous year. This decrease is attributed to the change in rate of Fedfunds from 1.25% to 1% effective June 25, 2003 and the resulting declines in interest rates on short-term securities, treasury bills and deposits by between 25 and 135 basis points. The Bank continued its aggressive investment policy and outsourced an additional \$20.0 million of foreign reserves to an external fund manager. At December 31, 2003, the total funds under external management amounted to \$172.1 million. Market conditions enabled the Bank to realize gains of \$4.8 million from sale of short and medium-term securities. Continued excess liquidity in the local banking system contributed to negligible earnings from dealings in local treasury bills. Government maintained a net credit balance during the year and no income was earned under the Ways and Means Facility.

During the year, the Bank received \$2.75 million in respect of interest on balances under the CMCF Agreement and \$8.8 million in principal repayments. At December 31, 2003 the cumulative principal repayments received under the facility amounted to \$106.6 million, leaving an outstanding balance of \$48.4 million.

Operating expenses totalled \$43.7 million and non-operating expenses for the current year include a contribution of \$1.6 million to the Deposit Insurance Fund.

The Board of Directors, with the approval of the Minister of Finance, appropriated \$2,052,568 to the Consolidated Fund.

Annexed to this report are the Balance Sheet of the Central Bank of Barbados as at December 31, 2003, the Profit and Loss Appropriation, the Profit and Loss Account, the Auditors' 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 31, 2003.



## Chartered Accountants

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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, 2003 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, 2003 and the results of its operations for the year then ended in accordance with the Central Bank of Barbados Act, Cap. 323C. and the significant accounting policies stipulated in Note 1.

Bridgetown, Barbados  
March 08, 2004

  
Chartered Accountants



KPMG a Partnership, is a  
member of KPMG International, a Swiss Association

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Michael A. Edgill  
Carol L. Nichols

James M. Payne  
Brandi A. Pope  
Frank V. Myers (Non-resident)

Cleveland S. Seaforth (Non-resident)  
Brian A. Glasgow (Non-resident)  
Reuben M. John (Non-resident)



**Balance Sheet**  
December 31, 2003  
with comparative figures for 2002

**ASSETS**

	NOTES	<u>2003</u>	<u>2002</u>
		<b>BDSS</b>	<b>BDSS</b>
<b>RESERVE OF EXTERNAL ASSETS:</b>			
Balances Held Abroad	2	246,849,808	209,537,052
Foreign Notes and Coins		3,570,152	1,879,043
Foreign Securities	3	<u>840,245,775</u>	<u>806,542,644</u>
		<u>1,090,665,735</u>	<u>1,017,958,739</u>
<b>International Monetary Fund:</b>			
Holdings of Special Drawing Rights	4	<u>14,081,289</u>	<u>12,603,787</u>
		<u>1,104,747,024</u>	<u>1,030,562,526</u>
<b>Total Reserve of External Assets</b>			
<b>LOCAL ASSETS:</b>			
<b>Securities:</b>			
Barbados Government Debentures	5	<u>635,000</u>	<u>635,000</u>
		<u>635,000</u>	<u>635,000</u>
<b>Fixed Assets (Net)</b>	6	93,772,822	94,047,018
<b>Other Assets</b>	7	<u>49,306,017</u>	<u>57,027,359</u>
		<u>143,713,839</u>	<u>151,709,377</u>
<b>Total Local Assets</b>		<u>1,248,460,863</u>	<u>1,182,271,903</u>

*See accompanying notes to accounts.*



**Balance Sheet**  
December 31, 2003  
with comparative figures for 2002  
**LIABILITIES, CAPITAL AND RESERVES**

	NOTES	<u>2003</u>	<u>2002</u>
		<b>BD\$</b>	<b>BD\$</b>
<b>LIABILITIES:</b>			
<b>Notes and Coins in Circulation</b>	8	<u>474,662,681</u>	<u>441,827,871</u>
<b>Deposits:</b>			
Government		43,040,516	161,616,243
Banks		608,204,101	466,938,739
Financial Institutions		6,201,397	3,606,060
Other		<u>2,321,714</u>	<u>1,968,048</u>
		<u>659,767,728</u>	<u>634,129,090</u>
<b>Other Liabilities:</b>			
Allocation of Special Drawing Rights	9	22,431,310	20,547,805
Other	10	<u>53,973,989</u>	<u>38,854,562</u>
		<u>76,405,299</u>	<u>59,402,367</u>
<b>Total Liabilities</b>		<u>1,210,835,708</u>	<u>1,135,359,328</u>
<b>Other Funds</b>	11	<u>25,625,155</u>	<u>34,912,575</u>
<b>CAPITAL AND RESERVES:</b>			
Authorised capital: BD\$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>
<b>Net Capital and Reserves</b>		<u>12,000,000</u>	<u>12,000,000</u>
<b>Commitments</b>	12		
		<u>1,248,460,863</u>	<u>1,182,271,903</u>

Approved on behalf of the Board of Directors:

*Harri Dhillon* Governor

*Michelle Harrington* Financial Controller



**Profit and Loss Account**  
For the year ended December 31, 2003  
with comparative figures for 2002

	Notes	<u>2003</u>	<u>2002</u>
		<b>BDSS</b>	<b>BDSS</b>
<b>INCOME:</b>			
Commissions and Fees		7,430,375	8,051,070
Discounts:			
Treasury Bills		1,415,663	3,041,156
Interest:			
Advances		881,957	2,093,876
Deposits		4,480,681	5,916,911
Securities		26,867,081	32,768,949
Other Income		741,144	1,351,963
Difference in Exchange		686,105	287,606
Gain on Sale of Foreign Securities		4,842,645	8,320,858
		<u>47,345,651</u>	<u>61,832,389</u>
<b>Total Income</b>			
<b>EXPENSES:</b>			
<i>Operating:</i>			
Administrative Expenses		12,895,194	13,470,511
Depreciation		5,200,819	4,226,362
Interest		30,776	19,342
Minting of Coins		643,695	455,312
Printing of Notes		2,997,152	2,896,342
Retirement Benefits	13	3,594,375	5,977,717
Salaries and Allowances		18,331,072	17,697,333
		<u>43,693,083</u>	<u>44,742,919</u>
<b>Operating Expenses</b>			
<i>Net profit before under noted items</i>		<u>3,652,568</u>	<u>17,089,470</u>
<i>Contributions:</i>			
Barbados Investment Fund	14	-	1,000,000
Deposit Insurance Fund		1,600,000	1,000,000
Secondary Mortgage Market Project		-	250,000
		<u>1,600,000</u>	<u>2,250,000</u>
<b>Net Profit Before Appropriation</b>		<u>2,052,568</u>	<u>14,839,470</u>

*See accompanying notes to accounts.*



**Profit and Loss Appropriation Account**  
For the year ended December 31, 2003  
with comparative figures for 2002

	<u>2003</u>	<u>2002</u>
	<b>BDSS</b>	<b>BDSS</b>
Net profit before Appropriation	<u>2,052,568</u>	<u>14,839,470</u>
Deduct:		
Transfer to Consolidated Fund	<u>2,052,568</u>	<u>14,839,470</u>
Balance carried forward	<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, 2002

**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 excluded from the balance of '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 amortised 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.

(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.



**Notes to Accounts, Continued**  
December 31, 2003

**2. BALANCES HELD ABROAD, CONT'D**

As at December 31, 2003, the C.M.C.F. balance included in Balances Held Abroad was \$48,352,578 (2002 - \$57,143,956). The Bank gave notice of its intention to withdraw from CMCF. 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 \$604,000 (2002: \$714,301). (See note 1(a))

**3. FOREIGN SECURITIES**

Foreign securities comprise:

	<u>2003</u>		<u>2002</u>	
	<u>Amortised Cost</u>	<u>Market Value</u>	<u>Amortised Cost</u>	<u>Market Value</u>
	\$	\$	\$	\$
At Market Value:				
(a) Bonds/Debentures	633,694,709	654,847,936	684,894,448	718,132,677
(b) Equities	<u>1,174,053</u>	<u>4,145,981</u>	<u>440,000</u>	<u>614,346</u>
	634,868,762	658,993,917	685,334,448	718,747,023
At Cost:				
(c) Treasury Bills	<u>181,251,858</u>	<u>181,251,858</u>	<u>87,795,621</u>	<u>87,795,621</u>
	<u>816,120,620</u>	<u>840,245,775</u>	<u>773,130,069</u>	<u>806,542,644</u>

The amount of \$24,125,155 (2002: \$33,412,575) 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, 2003. The rate of translation of SDRs into Barbados dollars at December 31, 2003 was SDR .358383 (2002 - SDR .39123<sup>A</sup>).



Notes to Accounts, Continued  
December 31, 2003

## 5. SECURITIES

Local securities comprise:

	2003		2002	
	Nominal Value	Cost	Nominal 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:

	2003		2002	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	\$	\$	\$	\$
Freehold land and building				
Office	85,130,083	11,327,255	73,802,828	75,079,779
Frank Collymore Hall Residence	6,982,910	851,916	6,130,994	6,209,678
Residence	2,477,281	94,388	2,382,893	2,358,222
Furniture and equipment	31,292,269	20,031,661	11,260,608	10,120,924
Vehicles	<u>919,019</u>	<u>723,520</u>	<u>195,499</u>	<u>278,415</u>
	<u>126,801,562</u>	<u>33,028,740</u>	<u>93,772,822</u>	<u>94,047,018</u>

## 7. OTHER ASSETS

Other assets include:

	2003	2002
	\$	\$
Accrued income on local investments	1,330,619	1,256,859
Cheques in process of collection	16,505,905	14,900,113
CRL Limited <sup>(1)</sup>	9,000,000	9,000,000
Fiscal Agency Payment Account	600,924	2,621,102
Investment Deposits	5,500,000	11,598,364
Prepayments	638,973	1,680,924
Staff Advances	12,343,531	12,419,408
Sundry Balances	<u>3,386,065</u>	<u>3,550,589</u>
	<u>49,306,017</u>	<u>57,027,359</u>



**Notes to Accounts, Continued**  
December 31, 2003

**7. OTHER ASSETS, CONT'D**

<sup>(1)</sup>The CRL Limited amount represents a 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 \$2,322,904 (2002: \$1,782,904) of which \$540,000 (2002: \$540,000) relates to the current year.

**8. NOTES AND COINS IN CIRCULATION**

At December 31, 2003, the nominal value of numismatic coins sold totalled approximately \$10.4 million (2002 - \$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.

**10. OTHER**

This amount comprises:

	<u>2003</u>	<u>2002</u>
	\$	\$
Accounts Payable	2,709,953	2,054,762
Barbados Investment Fund	-	1,000,000
Contribution Payable - Deposit Insurance Fund	2,600,000	1,000,000
Contribution Payable - Establishment of a Chair at UWI	1,200,000	1,200,000
Contribution Payable - Secondary Mortgage Market Project	242,319	250,000
Contribution Payable - Staff Pension Fund	-	2,500,000
Debenture Interest Payment Account	597,296	2,617,234
Domestic Clearing	10,305,777	2,620,158
Dormant Accounts - Commercial Banks*	8,740,932	7,498,888
Export Development Fund	224,613	224,613
Industrial Credit Fund	20,280,080	7,697,952
Redemption of Debentures Account	2,775,120	963,120
Sinking Fund Contribution Account	216,410	4,453,570
Small Business Fund	330,000	330,000
Staff Pension Fund	72,003	529,951
Staff Welfare Fund	2,300,986	2,470,807
Sundry Balances	<u>1,378,500</u>	<u>1,443,507</u>
	<u>53,973,989</u>	<u>38,854,562</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.



**Notes to Accounts, Continued**  
December 31, 2003

**11. OTHER FUNDS**

This amount comprises the following balances:

	<u>2003</u>	<u>2002</u>
	\$	\$
Special Credit Trust	1,500,000	1,500,000
Unrealised gains on revaluation of investments	<u>24,125,155</u>	<u>33,412,575</u>
	<u>25,625,155</u>	<u>34,912,575</u>

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

**12. COMMITMENTS**

At December 31, 2003 the Bank had guaranteed settlement of approximately \$728,248 (2002: \$656,698) under the following schemes:

	<u>Value of Contracts</u>	<u>Guarantee</u>
	\$	\$
(i) Credit Insurance Scheme for Small Businesses	<u>898,978</u>	<u>728,248</u>

Also at December 31, 2003, the Bank had contracts for capital expenditure in the amount of \$2.1 million (2002: \$2.3 million).

**13. RETIREMENT BENEFITS**

The Bank contributes to a retirement plan established 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, 2003 revealed the following:

	<u>2003</u>	<u>2002</u>
	\$	\$
Fair value of plan assets	57,976,341	48,758,056
Actuarial present value of liabilities	<u>74,350,552</u>	<u>70,618,003</u>
Unfunded liability	<u>16,374,211</u>	<u>21,859,947</u>



**Notes to Accounts, Continued**  
December 31, 2003

**13. RETIREMENT BENEFITS, CONT'D**

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

	2003	2002
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 16.91% (2002: 15.89%) of covered payroll be used for new benefits, plus an additional rate of 7.24% (2002: 8.80%) to allow the amortization of the unfunded liability over a period of eighteen/nineteen years. The total recommended funding rate of 24.15% (2002: 24.69%) of covered payroll should obtain until the next valuation.

**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 million and \$11 million to the Barbados Investment 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 2002 have been reclassified to conform to the current year's presentation.