

Adoption of Financial Statements 2002

The net operating surplus for the financial year ended December 31, 2002 was \$14,839,470. Current income totalled \$61.8 million and represented an increase of \$5.76 million compared with the previous year. The Bank continued its aggressive investment policy and outsourced part of the management of foreign reserves to external fund managers. Market conditions enabled the Bank to realize gains of \$8.3 million from sale of short and medium term securities. There was continued excess liquidity in the local banking system, contributing 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. Operating expenses totalled \$44.7 million and included non-recurring expenditure of \$2.5 million. Non-operating expenses for 2002 included contributions of \$1.0 million each to the Barbados Investment Fund and Deposit Insurance Fund and \$250,000 to the Secondary Mortgage Market Project.

During the year, the Bank received \$3.19 million in respect of interest on balances under the CMCF Agreement and \$8.8 million in principal repayments. At December 31, 2002 the cumulative principal repayments received under the facility amounted to \$97.6 million, leaving an outstanding balance of \$57.1 million.

The Board of Directors, with the approval of the Minister of Finance, appropriated \$14,839,470 to the Consolidated Fund.

Annexed to this report are the Balance Sheet of the Central Bank of Barbados as at December 31, 2002, 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, 2002.



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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, 2002 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 included examining, on a test basis, evidence supporting the accounts 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, 2002 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
February 28, 2003


Chartered Accountants



Balance Sheet
December 31, 2002
with comparative figures for 2001

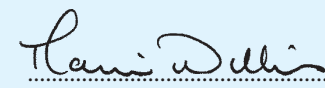
ASSETS			
NOTES	2002	2001	
	BDS\$	BDS\$	
RESERVE OF EXTERNAL ASSETS:			
Balances Held Abroad	209,537,052	185,465,941	
Foreign Notes and Coins	1,879,043	5,794,443	
Foreign Securities	806,542,644	933,427,579	
	<u>1,017,958,739</u>	<u>1,124,687,963</u>	
International Monetary Fund:			
Holdings of Special Drawing Rights	4 12,603,787	12,131,252	
	<u>1,030,562,526</u>	<u>1,136,819,215</u>	
LOCAL ASSETS:			
Securities:			
Barbados Government Debentures	5 635,000	635,000	
	<u>635,000</u>	<u>635,000</u>	
Fixed Assets (Net)	6 94,047,018	93,414,743	
Other Assets	7 57,027,359	60,236,938	
	<u>151,709,377</u>	<u>154,286,681</u>	
Total Local Assets	<u>1,182,271,903</u>	<u>1,291,105,896</u>	


See accompanying notes to accounts.

Balance Sheet
December 31, 2002
with comparative figures for 2001
LIABILITIES, CAPITAL AND RESERVES

	NOTE	2002	2001
		BDS\$	BDS\$
LIABILITIES:			
Notes and Coins in Circulation	8	441,827,871	418,283,430
Deposits:			
Government		161,616,243	496,510,164
Banks		466,938,739	229,336,186
Financial Institutions		2,528,154	6,851,305
Other		1,968,048	1,077,778
		<u>633,051,184</u>	<u>733,775,433</u>
Other Liabilities:			
Allocation of Special Drawing Rights	9	20,547,805	20,516,760
Other	10	73,345,043	105,030,273
		<u>93,892,848</u>	<u>125,547,033</u>
Special Funds	11	1,500,000	1,500,000
		<u>1,170,271,903</u>	<u>1,279,105,896</u>
Total Liabilities			
Capital and Reserves:			
Authorised capital: BDS\$5,000,000			
Paid up capital: Government of Barbados		2,000,000	2,000,000
General Reserve		10,000,000	10,000,000
		<u>12,000,000</u>	<u>12,000,000</u>
Net Capital and Reserves		<u>12,000,000</u>	<u>12,000,000</u>
Commitments	12		
		<u>1,182,271,903</u>	<u>1,291,105,896</u>

Approved on behalf of the Board of Directors:

 Governor

 Financial Controller

Profit and Loss Account
 For the year ended December 31, 2002
 with comparative figures for 2001

	<u>2002</u>	<u>2001</u>
	<u>BDS\$</u>	<u>BDS\$</u>
INCOME:		
Commissions and Fees	8,051,070	5,483,031
Discounts:		
Treasury Bills	3,041,156	7,585,150
Interest:		
Advances	2,093,876	1,289,252
Deposits	5,916,911	13,004,272
Securities	32,768,949	24,534,144
Other Income	9,672,821	4,178,515
Difference in Exchange	287,606	-
Total Income	<u>61,832,389</u>	<u>56,074,364</u>
EXPENSES:		
<i>Operating:</i>		
Administrative Expenses	13,470,511	11,228,431
Depreciation	4,226,362	4,197,209
Difference in Exchange	-	599,678
Interest	19,342	28,271
Minting of Coins	455,312	669,048
Printing of Notes	2,896,342	1,977,425
Retirement Benefits (note 13)	5,977,717	3,083,497
Salaries and Allowances	17,697,333	15,578,652
Operating Expenses	<u>44,742,919</u>	<u>37,362,211</u>
<i>Net profit before under noted items</i>	<u>17,089,470</u>	<u>18,712,153</u>
<i>Contributions:</i>		
Barbados Investment Fund (note 14)	1,000,000	1,000,000
Deposit Insurance Fund	1,000,000	-
Secondary Mortgage Market Project	250,000	-
Industrial Credit Fund (note 14)	-	3,000,000
Redevelopment of Church Village Site	-	2,000,000
	<u>2,250,000</u>	<u>6,000,000</u>
Net Profit Before Appropriation	<u>14,839,470</u>	<u>12,712,153</u>

See accompanying notes to accounts.

Profit and Loss Appropriation Account
 For the year ended December 31, 2002
 with comparative figures for 2001

	<u>2002</u>	<u>2001</u>
	<u>BDS\$</u>	<u>BDS\$</u>
Net profit before Appropriation	<u>14,839,470</u>	<u>12,712,153</u>
Deduct:		
Transfer to Consolidated Fund	<u>14,839,470</u>	<u>12,712,153</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 accounts 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.

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, 2002, the C.M.C.F. balance included in Balances Held Abroad was \$57,143,956 (2001 - \$65,935,474). In 1987, the Bank adopted the policy of recognizing interest only to the extent that it is received. Interest on the C.M.C.F. balance is charged at a rate of 5% per annum.

Notes to Accounts, Continued
December 31, 2002

3. FOREIGN SECURITIES

Foreign securities comprise:

	2002		2001	
	Amortised Cost \$	Market Value \$	Amortised Cost \$	Market Value \$
At Market Value:				
(a) Bonds/Debentures	684,894,448	718,132,677	573,942,859	583,244,299
(b) Equities	440,000	614,346	440,000	3,787,339
	685,334,448	718,747,023	574,382,859	587,031,638
At Cost:				
(c) Treasury Bills	87,795,621	87,795,621	346,395,941	346,395,941
	<u>773,130,069</u>	<u>806,542,644</u>	<u>920,778,800</u>	<u>933,427,579</u>

The amount of \$33,412,575 (2001: \$12,648,779) representing unrealised profit on the revaluation of Securities is included in Other Liabilities under the caption Revaluation Reserve Account (see note 10).

4. HOLDINGS OF SPECIAL DRAWING RIGHTS

Holdings of Special Drawing Rights pertain to the value of Special Drawing Rights held at December 31, 2002. The rate of translation of SDRs into Barbados dollars at December 31, 2002 was SDR .391234 (2001 - SDR .391826).

5. SECURITIES

Local securities comprise:

	2002		2001	
	Nominal Value \$	Cost \$	Nominal Value \$	Cost \$
Barbados Government Debentures	635,000	635,000	635,000	635,000

Notes to Accounts, Continued
 December 31, 2002
6. FIXED ASSETS

Fixed assets comprise:

	2002		2001	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	\$	\$	\$	\$
Freehold land and building				
Office	85,130,083	10,050,302	75,079,781	76,345,232
Frank Collymore Hall Residence	6,982,910	773,232	6,209,678	6,288,363
Residence	2,440,810	82,588	2,358,222	2,370,021
Furniture and equipment	26,738,188	16,637,969	10,100,219	8,152,200
Vehicles	858,391	559,273	299,118	258,927
	<u>122,150,382</u>	<u>28,103,364</u>	<u>94,047,018</u>	<u>93,414,743</u>

7. OTHER ASSETS

Other assets include:

	2002	2001
	\$	\$
Accrued income on local investments	1,256,859	1,364,146
Cheques in process of collection	14,900,113	13,574,894
CRL Limited ⁽¹⁾	9,000,000	9,000,000
Fiscal Agency Payment Account	2,621,102	7,123,554
Investment Deposits	11,598,364	11,598,364
Prepayments	1,680,924	1,438,838
Staff Advances	12,419,408	12,580,641
Sundry Balances	3,550,589	3,556,501
	<u>57,027,359</u>	<u>60,236,938</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.

8. NOTES AND COINS IN CIRCULATION

At December 31, 2002, the nominal value of numismatic coins sold totalled approximately \$10.4 million (2001 - \$10.4 million). See note 1 (d).

Notes to Accounts, Continued
 December 31, 2002
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:

	2002	2001
	\$	\$
Accounts Payable	2,054,762	2,013,763
Barbados Investment Fund	1,000,000	1,000,000
Contingencies	-	456,052
Contribution payable-Deposit Insurance Fund	1,000,000	-
Contribution Payable-Establishment of a Chair at UWI	1,200,000	1,200,000
Contribution Payable-Industrial Credit Fund	-	3,000,000
Contribution Payable-Redevelopment of Church Village Site	-	2,000,000
Contribution payable - Secondary Mortgage Market Project	250,000	-
Debenture Interest Payment Account	2,617,234	7,119,687
Domestic Clearing	2,620,158	2,326,631
Dormant Accounts - Commercial Banks*	7,498,888	7,197,682
Export Development Fund	224,613	224,613
Industrial Credit Fund	7,697,952	12,923,433
Redemption of Debentures Account	963,120	33,483,120
Revaluation Reserve Account (note 3)	33,412,575	2,648,779
Sinking Fund Contribution Account	4,453,570	10,764,913
Small Business Fund	330,000	330,000
Staff Pension Fund	3,029,951	403,127
Staff Welfare Fund	2,470,807	2,637,556
Sundry Balances	2,521,413	5,300,917
	<u>73,345,043</u>	<u>105,030,273</u>

*This account represents balances deposited with the Central Bank of Barbados in accordance with Section 88(3) of the Financial Institutions Act, 1996-16.

11. SPECIAL FUNDS

This amount comprises the following balances:

	2002	2001
	\$	\$
Special Credit Trust	<u>1,500,000</u>	<u>1,500,000</u>

Notes to Accounts, Continued
December 31, 2002

12. COMMITMENTS

At December 31, 2002 the Bank had guaranteed settlement of approximately \$656,698 (2001: \$917,318) under the following schemes:

	<u>Value of Contracts</u>	<u>Guarantee</u>
	\$	\$
(i) Credit Insurance Scheme for Small Businesses	676,978	506,248
(ii) Export Credit Insurance and Guarantee	<u>177,000</u>	<u>150,450</u>
	<u>853,978</u>	<u>656,698</u>

Also at December 31, 2002, the Bank had contracts for capital expenditure in the amount of \$2.3 million (2001: \$3.9 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, 2001 revealed the following:

	December 31, 2001
	\$
Fair value of plan assets	42,324,943
Actuarial present value of liabilities	<u>64,721,462</u>
Unfunded liability	<u>22,396,519</u>

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

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

The actuary has recommended that a funding rate of 14.54% of covered payroll be used for new benefits, plus an additional rate of 9.26% to allow the amortization of the unfunded liability over a period of twenty years. The total recommended funding rate of 23.8% of covered payroll should obtain until the next valuation. During the year ended December 31, 2002 retirement benefits were funded in excess of the recommended rate of 23.8%.

Notes to Accounts, Continued
December 31, 2002

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 2001 have been reclassified to conform to the current year's presentation.