

## **Adoption of Financial Statements 2001**

The net operating surplus for the financial year ended December 31, 2001 was \$12,712,153. Current income totalled \$56.1 million and represented an increase of \$5.16 million compared with the previous year. This increase is attributed to higher holdings of foreign reserves arising from Government's foreign borrowings, and adoption of a more aggressive investment policy aimed at earning higher yields on a more diversified portfolio. The increase in income was affected by the decline in foreign interest rates, especially during the last quarter of the financial year. There was excess liquidity in the local banking system and the Bank earned only \$144,000 from Treasury Bills operations. Government maintained a net credit balance for the year and no income was earned under the Ways and Means Facility. Operating expenses totalled \$37.36 million and represented an increase of \$0.93 million over 2000. Non-operating expenses for 2001 included contributions of \$1.0 million, \$3.0 million and \$2.0 million to the Barbados Investment Fund, Industrial Credit Fund and Redevelopment of Church Village Site respectively.

During the year, the Bank received \$3.6 million in respect of interest on balances under the CMCF Agreement and \$8.8 million in principal repayments. At December 31, 2001 the cumulative principal repayments received under the facility amounted to \$88.8 million, leaving an outstanding balance of \$65.9 million.

The Board of Directors, with the approval of the Minister of Finance, appropriated \$12,712,153 to the Consolidated Fund.

Annexed to this report are the Balance Sheet of the Central Bank of Barbados as at December 31, 2001, 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, 2001.

2001 ANNUAL REPORT





**Chartered Accountants**

Mail Address  
P.O. Box 690C  
Bridgetown  
Barbados

Office Address  
Hastings  
Christ Church  
Barbados

Telephone (246) 427-5230  
Fax (246) 427-7123  
Email kpmgbds@caribsurf.com

**AUDITORS' CERTIFICATE TO THE BOARD OF DIRECTORS**

We have audited the accompanying balance sheet of the Central Bank of Barbados as of December 31, 2001 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, 2001 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, 2002

  
Chartered Accountants



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

Jeffrey W. Gellineau  
Irving F. Burrows  
Michael A. Edghill  
Carol L. Nicholls

James M. Payne  
Brenda 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, 2001  
with comparative figures for 2000

<b>ASSETS</b>			
	<b>NOTES</b>	<b>2001</b>	<b>2000</b>
		<b>BDSS</b>	<b>BDSS</b>
<b>RESERVE OF EXTERNAL ASSETS:</b>			
Balances Held Abroad	2	185,465,941	314,017,791
Foreign Notes and Coins		5,794,443	1,496,154
Foreign Securities	3	933,427,579	422,851,614
		1,124,687,963	738,365,559
<b>International Monetary Fund:</b>			
Holdings of Special Drawing Rights	4	12,131,252	12,473,077
		1,136,819,215	750,838,636
<b>Total Reserve of External Assets</b>			
<b>LOCAL ASSETS:</b>			
<b>Securities:</b>			
	5		
Barbados Government Treasury Bills		-	14,981,926
Barbados Government Debentures		635,000	635,000
		635,000	15,616,926
<b>Fixed Assets (Net)</b>	6	93,414,743	97,315,884
<b>Other Assets</b>	7	60,236,938	63,605,410
		154,286,681	176,538,220
<b>Total Local Assets</b>		1,291,105,896	927,376,856

*See accompanying notes to accounts.*



**Balance Sheet**  
December 31, 2001  
with comparative figures for 2000

**LIABILITIES, CAPITAL AND RESERVES**

	NOTES	2001	2000
		BD\$\$	BD\$\$
<b>LIABILITIES:</b>			
<b>Notes and Coins in Circulation</b>	8	418,283,430	403,122,640
<b>Deposits:</b>			
Government		496,510,164	253,738,395
Banks		229,336,186	160,192,251
Financial Institutions		6,851,305	4,904,930
Other		1,077,778	911,244
		733,775,433	419,746,820
<b>Other Liabilities:</b>			
Allocation of Special Drawing Rights	9	20,516,760	21,382,594
Other	10	105,030,273	69,624,802
		125,547,033	91,007,396
Special Funds	11	1,500,000	1,500,000
<b>Total Liabilities</b>		1,279,105,896	915,376,856
<b>CAPITAL AND RESERVES:</b>			
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
<b>Net Capital and Reserves</b>		12,000,000	12,000,000
<b>Commitments</b>	12		
		1,291,105,896	927,376,856

Approved on behalf of the Board of Directors:

.....  
*Harri D. Allen*

**Governor**

.....  
*Michael D. Lawrence*

**Financial Controller**

**Profit and Loss Account**  
 For the year ended December 31, 2001  
 with comparative figures for 2000

	<u>2001</u>	<u>2000</u>
	<b>BD\$</b>	<b>BD\$</b>
<b>INCOME:</b>		
Commissions and Fees	5,483,031	6,931,611
Discounts:		
Treasury Bills	7,585,150	18,089,622
Interest:		
Advances	1,289,252	1,460,062
Deposits	13,004,272	12,757,584
Securities	24,534,144	10,678,355
Other Income	4,178,515	1,001,910
	<u>56,074,364</u>	<u>50,919,144</u>
<b>EXPENSES:</b>		
<i>Operating:</i>		
Administrative Expenses	11,228,431	10,116,169
Depreciation	4,197,209	4,056,043
Difference in Exchange	599,678	491,655
Interest	28,271	1,188,781
Minting of Coins	669,048	1,263,000
Printing of Notes	1,977,425	351,647
Retirement Benefits (note 13)	3,083,497	3,205,734
Salaries and Allowances	15,578,652	15,760,885
	<u>37,362,211</u>	<u>36,433,914</u>
<i>Net profit before under noted items</i>	<u>18,712,153</u>	<u>14,485,230</u>
Contribution to Barbados Investment Fund (note 14)	1,000,000	1,000,000
Contribution to Industrial Credit Fund (note 14)	3,000,000	4,000,000
Contribution to Redevelopment of Church Village Site (note 14)	2,000,000	-
	<u>6,000,000</u>	<u>5,000,000</u>
<b>Net Profit Before Appropriation</b>	<u><u>12,712,153</u></u>	<u><u>9,485,230</u></u>

See accompanying notes to accounts.

**Profit and Loss Appropriation Account**

For the year ended December 31, 2001  
with comparative figures for 2000

	<u>2001</u>	<u>2000</u>
	<b>BD\$</b>	<b>BD\$</b>
Balance brought forward	-	-
Net profit before Appropriation	<u>12,712,153</u>	<u>9,485,230</u>
Deduct:		
Transfer to Consolidated Fund	<u>12,712,153</u>	<u>9,485,230</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, 2001

**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 account 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 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 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, 2001, the C.M.C.F. balance included in Balances Held Abroad was \$65,935,474 (2000 - \$74,728,865). 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, 2001

**3. FOREIGN SECURITIES**

Foreign securities comprise:

	<u>2001</u>		<u>2000</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
	\$	\$	\$	\$
At Market Value:				
(a) Bonds/Debentures	573,942,859	583,244,299	205,866,668	211,319,888
(b) Equities	440,000	3,787,339	440,000	4,666,326
	<u>574,382,859</u>	<u>587,031,638</u>	<u>206,306,668</u>	
215,986,214				
At Cost:				
(c) Treasury Bills	346,395,941	346,395,941	206,865,400	206,865,400
	<u>920,778,800</u>	<u>933,427,579</u>	<u>413,172,068</u>	<u>422,851,614</u>

The amount of \$12,648,779 (2000: \$9,679,546) representing unrealised profit on the revaluation of reserve account is included in Other Liabilities under the caption Revaluation of Securities (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, 2001. The rate of translation of SDRs into Barbados dollars at December 31, 2001 was SDR .391826 (2000 – SDR .37596).

**5. SECURITIES**

Local securities comprise:

	<u>2001</u>		<u>2000</u>	
	<u>Nominal Value</u>	<u>Cost</u>	<u>Nominal Value</u>	<u>Cost</u>
	\$	\$	\$	\$
(a) Barbados Government Treasury Bills	-	-	15,000,000	14,981,926
(b) Barbados Government Debentures	635,000	635,000	635,000	635,000

**Notes to Accounts, Continued**

December 31, 2001

**6. FIXED ASSETS**

Fixed assets comprise:

	<b>2001</b>		<b>2000</b>	
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
	\$	\$	\$	\$
Freehold land and building				
Office	85,130,083	8,784,851	76,345,232	77,621,335
Frank Collymore Hall	6,982,910	694,547	6,288,363	6,366,995
Residence	2,440,810	70,789	2,370,021	2,381,813
Furniture and equipment	22,055,204	13,903,004	8,152,200	10,705,101
Vehicles	879,095	620,168	258,927	240,640
	<u>117,488,102</u>	<u>24,073,359</u>	<u>93,414,743</u>	<u>97,315,884</u>

**7. OTHER ASSETS**

Other assets include:

	<b>2001</b>	<b>2000</b>
	\$	\$
Accrued income on local investments	1,364,146	832,581
Cheques in process of collection	13,574,894	16,388,679
CRL Limited	9,000,000	9,000,000
Fiscal Agency Payment Account <sup>(1)</sup>	7,123,554	9,208,072
Investment Deposits	11,598,364	11,598,364
Prepayments	1,438,838	433,365
Staff Advances	12,580,641	12,850,220
Sundry Balances	3,556,501	3,294,129
	<u>60,236,938</u>	<u>63,605,410</u>

<sup>(1)</sup> 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, 2001, the nominal value of numismatic coins sold totalled approximately \$10.4 million (2000 - \$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, 2001

**10. OTHER**

This amount comprises:

	<b>2001</b>	<b>2000</b>
	<b>\$</b>	<b>\$</b>
Accounts Payable	2,013,763	5,264,104
Barbados Investment Fund	1,000,000	1,000,000
Contingencies	456,052	279,418
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	-
Debenture Interest Payment Account	7,119,687	9,014,795
Domestic Clearing	2,326,631	2,059,533
Dormant Accounts - Commercial Banks*	7,197,682	6,292,204
Export Development Fund	224,613	224,613
Industrial Credit Fund	12,923,433	17,864,565
Redemption of Debentures Account	33,483,120	169,120
Refurbishment of Frank Collymore Hall	9,793	9,793
Revaluation Reserve Account (note3)	12,648,779	9,679,546
Sinking Fund Contribution Account	10,764,913	8,858,256
Small Business Fund	330,000	330,000
Staff Pension Fund	403,127	3,802,303
Staff Welfare Fund	2,637,556	2,803,083
Sundry Balances	5,291,124	773,469
	105,030,273	69,624,802

\*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. SPECIAL FUNDS**

This amount comprises the following balances:

	<b>2001</b>	<b>2000</b>
	<b>\$</b>	<b>\$</b>
Special Credit Trust	1,500,000	1,500,000
	1,500,000	1,500,000

**Notes to Accounts, Continued**

December 31, 2001

**12. COMMITMENTS**

At December 31, 2001 the Bank had guaranteed settlement of approximately \$917,318 under the following scheme:

	<u>Value of Contracts</u>	<u>Guarantee</u>
	\$	\$
(i) Credit Guarantee Scheme for Small Businesses	871,978	686,648
(ii) Export Credit Insurance and Guarantee Scheme	271,300	230,670
	<u>1,143,278</u>	<u>917,318</u>

Also at December 31, 2001, the Bank had contracts for capital expenditure in the amount of \$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:

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

Pension costs of \$3,083,497 were funded at the recommended rate of 23.8% during the year.

**Notes to Accounts, Continued**

December 31, 2001

**14. CONTRIBUTIONS TO BARBADOS INVESTMENT FUND, INDUSTRIAL CREDIT FUND AND REDEVELOPMENT OF CHURCH VILLAGE SITE**

These contributions are made in accordance with Section 8(b) of the Central Bank of Barbados Act, Cap.323C.

**15. CONTINGENCIES**

Proceedings involving contractual liability have been instituted against the Bank for amounts of US\$914,530 and CND \$3,377. The plaintiff has filed a specially endorsed motion, and a defence was filed on behalf of the Bank. The Bank believes it has an excellent defence to the plaintiff's claim. The Bank believes that the final disposition of this matter will not have a material adverse effect on the Bank's financial position or results of operations.

**16. TAXATION**

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

**17. COMPARATIVE FIGURES**

Certain comparative amounts for 2000 have been reclassified to conform to the current year's presentation