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AG:58/2004

31 March, 2004

***REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD OF
DIRECTORS ON THE FINANCIAL
STATEMENTS OF THE BANK OF GUYANA
FOR THE YEAR ENDED 31 DECEMBER 2003***

I have audited the attached financial statements of the Bank of Guyana for the year ended 31 December 2003, as set out on pages 4 to 15. These statements have been prepared under the historical cost convention, modified by the revaluation of fixed assets, and in accordance with the accounting policies as set out on page 8.

Respective Responsibilities of Management and Auditors

The preparation of the financial statements, including assertions relating to their completeness, accuracy and validity, and compliance with applicable laws, regulations and contractual obligations, is the responsibility of the Management of the Bank of Guyana. My responsibility is to express an independent opinion on the statements based on these assertions and to report my opinion to you.

Basis of Opinion

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank of Guyana as at 31 December 2003, and the results of its operations for the year then ended in conformity with generally accepted accounting principles and the Bank of Guyana Act 1998.



**OFFICE OF THE AUDITOR GENERAL
63, HIGH STREET
KINGSTON
GEORGETOWN
GUYANA**

BANK OF GUYANA
BALANCE SHEET
AS AT 31ST DECEMBER, 2003
ASSETS

		2003	2002
	Notes	G\$'000	G\$'000
FOREIGN ASSETS			
Balances with Foreign Banks		28,264,423	36,206,577
Foreign Assets in the process of Redemption		598,903	675,240
Holdings of special drawing rights		873,564	828,101
Gold	2	0	39,332
Securities	3	23,079,967	15,877,349
		<u>52,816,857</u>	<u>53,626,599</u>
LOCAL ASSETS			
Special Issue of Government of Guyana Securities	4	46,873,357	47,440,620
Government of Guyana Treasury Bills	5	2,330,722	1,123,529
Claim on International Monetary Fund	6	1,967,721	1,967,721
Other Assets	8	10,252,409	7,125,366
		<u>61,424,209</u>	<u>57,657,236</u>
FIXED ASSETS	7	1,389,905	1,411,367
		<u><u>115,630,971</u></u>	<u><u>112,695,202</u></u>

BANK OF GUYANA
BALANCE SHEET
AS AT 31ST DECEMBER, 2003
LIABILITIES

	Notes	2003 G\$'000	2002 G\$'000
CURRENCY IN CIRCULATION			
Notes		19,419,536	16,860,583
Coins		354,546	317,516
		<u>19,774,082</u>	<u>17,178,099</u>
DEPOSITS			
Commercial Banks		19,834,485	19,038,956
Government of Guyana		35,679,996	36,201,240
International Financial Institutions	9	27,887,838	29,086,926
Private Investment Fund		6,500	6,500
Other Deposits	10	3,073,509	1,948,696
		<u>86,482,328</u>	<u>86,282,318</u>
Allocation of Special Drawing Rights	11	3,895,975	3,508,967
Gov't of Guyana Portion of net profit payable		0	231,248
Other Liabilities	12	415,842	271,423
		<u>4,311,817</u>	<u>4,011,638</u>
CAPITAL AND RESERVES			
Authorised Share Capital	13	<u>1,000,000</u>	<u>1,000,000</u>
Paid-up Capital		1,000,000	1,000,000
General Reserve Fund	14	661,905	828,658
Revaluation Reserves		1,025,158	1,025,158
Revaluation for Foreign Reserves		19,304	0
Contingency Reserve	15	2,356,377	2,369,331
		<u>5,062,744</u>	<u>5,223,147</u>
		<u>115,630,971</u>	<u>112,695,202</u>

Approved on behalf of the Board of Directors:



D.S. Singh (Director)

P. Bhim (Director)

BANK OF GUYANA
PROFIT AND LOSS APPROPRIATION ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2003

	Notes	2003 G\$'000	2002 G\$'000
INCOME			
Discount Received		179,971	406,841
Interest on Gov't of Guyana Securities		122,824	199,211
Interest on Foreign Gov't Securities		153,617	11,508
Interest on Deposits		952,809	1,325,934
Interest on Loans		2,937	2,639
Profit on Realisation of Investments		28,362	32,910
Other Income		354,072	295,951
		<u>1,794,592</u>	<u>2,274,994</u>
EXPENSES			
Administrative Expenses	16	732,796	779,909
Interest and Charges		714,962	739,043
Portion of Cost of Printing Notes & Minting Coins		405,636	407,273
Depreciation charge on fixed assets		107,951	91,827
		<u>1,961,345</u>	<u>2,018,052</u>
Net Profit/(Loss)	17	<u>(166,753)</u>	<u>256,942</u>
Appropriation			
Transfer to General Reserve		0	25,694
Balance payable to Gov't of Guyana under Section 7(1) of the Bank of Guyana Act 1998, No. 19 of 1998		0	231,248
Net Loss covered by transfer from General Reserve Fund under section 7(3) of the Bank of Guyana Act 1998, No. 19 of 1998		<u>(166,753)</u>	<u>256,942</u>

BANK OF GUYANA
CASH FLOW STATEMENT
FOR YEAR ENDED 31ST DECEMBER, 2003

	2003	2002
	G\$'000	G\$'000
Operating Activities		
Government of Guyana Portion of Net Profit Payable	0	231,248
Transfer to General Reserve	(166,753)	25,694
Net Profit/(Loss)	(166,753)	256,942
Adjustments to reconcile Net Profit/(Loss) to Net Cash Flow from Operating Activities:-		
Depreciation	107,951	91,827
Profit on the Disposal of Fixed Assets	(764)	(4,051)
Net Cash Flow from Operating Activities	(59,566)	344,718
Investing Activities		
Foreign Assets in the Process of Redemption	76,337	(136,528)
Holdings of Special Drawing Right	(45,463)	(365,002)
Gold	39,332	194,117
Securities	(7,202,618)	6,768,834
Additions to Fixed Assets	(86,635)	(193,269)
Proceeds from the Disposal of Fixed Assets	910	4,051
Claims on the IMF	0	0
Other Assets	(3,127,043)	302,423
Special Issue of Government of Guyana Securities	567,263	552,052
Government of Guyana Treasury Bills	(1,207,193)	(101,073)
Net Cash Flow from Investing Activities	(10,985,110)	7,025,605
Financing		
Currency in Circulation	2,595,983	369,458
Commercial Bank Deposits	795,529	3,311,233
Government of Guyana Deposits	(521,244)	(336,162)
International Financial Institutions	(1,199,088)	(2,530,785)
Private Investment Fund Deposits	0	0
Other Deposits	1,124,813	(1,660,600)
Government of Guyana Portion of Net Profit Payable	(231,248)	(479,479)
Allocation of Special Drawing Rights	387,008	78,868
Other Liabilities	144,419	(49,274)
Revaluation Reserve	0	0
Revaluation for Foreign Reserves	19,304	0
Contingency Reserve	(12,954)	(352)
Net Cash Flow from Financing	3,102,522	(1,297,093)
Net Increase/(Decrease) in Cash for year	(7,942,154)	6,073,230
Cash as at beginning of year	36,206,577	30,133,347
Cash as at end of year	28,264,423	36,206,577
Balances with Foreign Banks	28,264,423	36,206,577

BANK OF GUYANA
NOTES ON THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

The Financial Statements have been prepared under the historical cost convention and in accordance with International Accounting Standards and the Bank of Guyana Act 1998, No. 19 of 1998.

(b) Depreciation

Depreciation on fixed assets is on the straight-line method calculated on cost to write-off the assets over the term on their estimated useful lives at the rates specified below:

Office Furniture	- 10%
Software	- 20%
Sundry equipment	- 9 to 20%
Motor vehicles	- 25%
Land and Building	- 2 to 10%

Depreciation is not provided on freehold land.

(c) Foreign currency transactions

Foreign currency transactions are translated to the Guyana dollar equivalent at the rates of exchange ruling at the dates of such transactions. Assets and liabilities held with foreign financial institutions are valued at the applicable year-end rates. Gains/losses are transferred to a reserve account and any deficiency is covered by the Government of Guyana through special issue of debentures. While this accounting treatment is in compliance with Section 49(1) of the Bank of Guyana Act 1998, No. 19 of 1998 it is not in keeping with the International Accounting Standards. The gain of G\$567,262,111 arising on revaluation would have been reflected in the financial statements giving rise to a Net Profit of G\$400,509,418 instead of a Net Loss of G\$166,752,693 had there been compliance with the International Accounting Standards.

(d) Securities

During the financial year under review the Bank restructured its holdings of investments, combining securities of the following categories: Available For Sale and Held to Maturity.

Unrealized gains/losses on changes in the value of securities are reflected in the balance sheet as revaluation reserves. Realized gains/losses are carried in the profit and loss account.

2. GOLD

	2003	2002
	G\$'000	G\$'000
	-	39,332

3. FOREIGN ASSETS - SECURITIES

	2003	2002
	G\$'000	G\$'000
Money Market (US Treasury Bills)	6,211,535	9,589,525
Capital Market (Bonds)	16,868,432	6,287,824
Total	<u>23,079,967</u>	<u>15,877,349</u>

4. SECURITIES - SPECIAL ISSUE OF GOVERNMENT OF GUYANA DEBENTURES

This amount represents the net accumulated losses mainly on the Bank's foreign exchange operations including revaluation of its external assets and liabilities. These net losses are covered by issues/redemption of interest bearing and non-interest bearing debentures in accordance with Section 7(3), Section 49(2) and Section 49(3) of the Bank of Guyana Act 1998, No. 19 of 1998. These are unquoted securities payable on demand.

	G\$'000
Total at the beginning of the year	47,440,620
(less)	
Debenture redeemed as per Section 49(3) of the Bank of Guyana Act	(567,263)
Total at the end of the year	<u>46,873,357</u>

5. GOVERNMENT OF GUYANA TREASURY BILLS

	G\$'000
As at January 1, 2003	1,123,529
Net increase in 2003	1,207,193
As at December 31, 2003	<u>2,330,722</u>

6. CLAIM ON THE INTERNATIONAL MONETARY FUND

2003	2002
G\$'000	G\$'000
1,967,721	1,967,721

This claim arises from and reflects that part of the drawing covered by Guyana's subscription in SDRs to the International Monetary Fund not yet repurchased.

7. FIXED ASSETS

	Building	Furniture, Equipment and Software	Total
	G\$'000	G\$'000	G\$'000
Cost:			
As at January 1, 2003	1,104,015	690,511	1,794,526
Additions during the year	4,753	81,882	86,635
Disposals during the year	-	(4,248)	(4,248)
As at December 31, 2003	1,108,768	768,145	1,876,913
Accumulated depreciation:			
As at January 1, 2003	54,276	328,884	383,160
Additions during the year	21,129	86,822	107,951
Disposals during the year	-	(4,103)	(4,103)
As at December 31, 2003	75,405	411,603	487,008
Net book values:			
As at January 1, 2003	1,049,739	361,628	1,411,367
As at December 31, 2003	1,033,363	356,542	1,389,905

All freehold land and building have been professionally valued by D.A. Patterson, Chartered Valuation Surveyor as at November 24, 2000. The surplus on revaluation has been taken to revaluation reserves.

8. OTHER ASSETS

2003	2002
G\$'000	G\$'000
10,252,409	7,125,366

This amount includes income accrued on investments, cost of Bank of Guyana notes and coins not yet written off and sundry other assets.

9. INTERNATIONAL FINANCIAL INSTITUTIONS AND CENTRAL BANKS DEPOSITS

2003	2002
G\$'000	G\$'000
27,887,838	29,086,926

Included in this amount are Guyana's outstanding drawings from the International Monetary Fund, deposits on the accounts of the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Caribbean Development Bank and Foreign Central Banks.

10. OTHER DEPOSITS

2003	2002
G\$'000	G\$'000
3,073,509	1,948,696

Included in this amount are deposits of the National Insurance Scheme, the Bank of Guyana Pension Scheme, deposits held under the External Payments Arrears Schemes and sundry other deposits.

11. ALLOCATION OF SPECIAL DRAWING RIGHTS

2003	2002
G\$'000	G\$'000
3,895,975	3,508,967

This amount represents the liability in respect of Special Drawing Rights allocated to Guyana as at 31st December 2003, valued at the equivalent Guyana dollar rate for the SDR computed through the SDR/US dollar rate at 31st December 2003.

12. OTHER LIABILITIES

	2003	2002
	G\$'000	G\$'000
Included are:		
Accruals	323,138	194,235
Uncleared Cheques	58,464	62,702
Others	34,240	14,486
Total	415,842	271,423

13. SHARE CAPITAL

	2003	2002
	G\$'000	G\$'000
Authorized	1,000,000	1,000,000
Issued and fully paid	1,000,000	1,000,000

As provided for under Section 6 of the Bank of Guyana Act 1998, No. 19 of 1998, the Bank's authorized capital has been increased to one thousand million Guyana dollars. Government has paid the entire amount of the authorized capital.

14. CAPITAL AND RESERVES

	Paid Up Capital G\$'000	Profit and Loss Account G\$'000
As at January 1, 2003	1,000,000	231,248
Loss for the year		(166,753)
Transfer from General Reserves		166,753
Payment to Government of Guyana		(231,248)
As at December 31, 2003	1,000,000	-

15. CONTINGENCY RESERVE

2003	2002
G\$'000	G\$'000
2,356,377	2,369,331

This amount represents a provision made to meet adverse exchange rate movements in the regime of floating rates.

16. ADMINISTRATIVE EXPENSES

Included in Administrative Expenses are:

	2003	2002
	G\$'000	G\$'000
Staff Cost	558,751	573,496
Premises Maintenance	70,531	87,487
Services and Supplies	100,144	115,181
Other Expenses	3,370	3,745
Total	732,796	779,909

17. PROFIT/LOSS FOR THE YEAR

2003	2002
G\$'000	G\$'000
(166,753)	256,942

In accordance with Section 7(3), Bank of Guyana Act 1998, No. 19 of 1998, the net loss for the year has been covered by a transfer from the General Reserve Fund.

18. RISK MANAGEMENT - FINANCIAL

1) Foreign Exchange Risk

The Bank's exposure to foreign exchange risk is incurred through its holdings of foreign denominated assets and liabilities. The Bank manages foreign currency risk by ensuring that the composition and duration of the asset portfolio match obligations and by monitoring trends in the foreign exchange market.

Assets and liabilities denominated in foreign currencies:

	2003	2002
	G\$'000	G\$'000
Foreign Assets		
Canadian Dollars	56,212	41,880
EURO	91,919	115,694
Pounds Sterling	282,158	468,280
SDR	873,564	828,101
US Dollars	52,219,920	52,172,644
Total Foreign Assets	53,523,773	53,626,599
Foreign Liabilities		
EURO	169,130	107,850
SDR	18,415,095	18,288,285
US Dollars	9,303,613	10,690,791
Total Foreign Liabilities	27,887,838	29,086,926

2) Interest Rate Risk

This is incurred through the Bank's dealing in investments in the money and capital market. This risk arises through movements in the coupon rates over time. The Bank manages its exposure to interest rate risks by monitoring trends in the market.

3) Fair Value

(a) Balances with Banks and Cash on Hand

The fair values of these instruments approximate to the carrying value.

(b) Securities

Treasury bills and unquoted securities are valued at cost. Other securities are valued at mark to market and the resulting gains/losses on revaluation are accrued pending realization.

(c) Commercial Bank Deposits

These deposits are payable on demand and the carrying value is a fair approximation.

(d) Other Deposits

The fair values of these deposits approximate to the carrying value.