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# Barbados Launch

## BREAKING NEW GROUND

CMMB Barbados Limited was launched on 21 June, 2004, at the prestigious Sandy Lane Country Club. The event was a great success with over 125 business executives from corporate Barbados, Jamaica and Trinidad brought together in true Caribbean spirit and style.

We were greeted with open arms by the Government of Barbados, the regulatory agencies and the private sector. The investing public, both individuals and institutions, are eagerly searching for financial instruments to fill their investment needs and so the entry of CMMB Barbados as a new full service broker is seen as timely.

Barbados is one of the oldest democracies in the Western Hemisphere with a Parliament that dates back to the mid 1600s. The island gained its independence in 1966. The government has been very proactive in fostering development, entering into trade agreements and double tax treaties to foster business activity.

At the launch, glowing speeches were given by CMMB Director and Master of Ceremony, Robert Mayers, followed by CMMB Chairman, Dr. Noel Lyon, and by Deputy Prime Minister of Barbados, Mia Mottley. Other words of commendation and high expectations were put forward by

(continued on page 2)

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**Barbados launch (continued):**



the General Managers of the Barbados Stock Exchange and the Barbados Securities Commission.

CMMB Chairman Dr. Lyon reminded the audience of the pioneering efforts of the late Joan Duncan, an experienced banker, who wanted to ensure that the average investor was able to participate in the Jamaican Capital Market. In 1992, she started JMMB. It was Joan Duncan's pioneering efforts that drove JMMB to great success as the largest full service broker in Jamaica. In 1998 Joan Duncan passed away. The Directors then appointed Donna Duncan-Scott and Keith Duncan as Managing Director and Deputy Managing Director, respectively. Together they took the baton and with ease and youthful enthusiasm continued their mother's legacy. In 2000, JMMB saw a similar opportunity in Trinidad and Tobago and created a new joint venture - Caribbean Money Market Brokers (CMMB) - between what would be considered three giants -

JMMB, Clico Investment Bank and the CL Financial Group. In 2002, JMMB made a public share offering which afforded the company to be widely owned by the public and is currently listed on the stock exchanges of Trinidad and Jamaica.

It is these achievements and the need for a vehicle to educate and nurture the Barbadian capital market that led to the launching of CMMB Barbados Limited. Located in the heart of Bridgetown, we opened our doors to the investing public on 21 June, 2004.

Deputy Prime Minister Mia Mottley noted that it was timely for such a company to be in Barbados, which will allow for an improved pricing of securities. With CMMB's reputation for information sharing and educating the public through its publications and seminars, this will augur well for the people of Barbados. Government and corporate entities can potentially reap lower cost of funds through bond issues for capital works projects and the public will be able to invest in those issues based on their level of risk and objectives.

CMMB Barbados is a member of the Barbados Stock Exchange and operates under the framework of the Securities Act regulated by the Securities Commission of Barbados. To this end, we are able to provide Advisory, Brokerage, Underwriting and Dealer services.

**We are committed to the development of the Bajan capital markets and to providing a one stop shop solution for the investing public. Whether you are looking to invest in fixed income investment securities or in stocks listed across the region, we are here to serve you. Give us a call today!**



## Getting **E X C I** about Financial Statements

**INTERPRETING YOUR  
INVESTMENTS'  
REPORT CARD**

Hello there folks, is the Promenade Investor here again with the first of a two part look at an important document that is a mystery to many investors.

I'm talking about the set of financial statements that you receive from the companies you have invested in. To many people the nice glossy paper and the colourful covers make a nice addition to the coffee table or the office shelf. But all too often they are placed, sometimes unopened, in a drawer or, God forbid, straight in the bin. If that is the case, then you are really missing out on really vital information about your investment. The accounts are the director's report to the shareholders on their stewardship of the

## T E D

company for the preceding period and should be reviewed with a critical eye. In many cases, this is the only formal communication between the company and its investors so it should be viewed in that light.

Well basically, financial statements are a set of documents that provide information on the performance of the company over a period of time, normally one year. By law, each listed company is required to produce these accounts and have them examined by independent accountants called auditors and then present them to the shareholders at the Annual General Meeting. This process is normally completed within three months of the end of the company's financial year. The accounts consist of three main elements, namely the Balance Sheet, the Income Statement and the Statement of Cash Flows.

Normally comparative figures are also provided for the preceding financial year so that investors can note any changes from year to year.

There are also other reports which are included in the annual report which provide additional information or clarify the company's financial state. I will talk about those in the next instalment. For now let's focus on the four items I just mentioned.

### The Balance Sheet

This is a snapshot of the company's assets and liabilities as at the end of the period under review, for example the company's financial year end. Assets are those resources owned by the company and used in carrying on its business. The Balance Sheet items are normally broken down into different categories which include:

**Current Assets:** These include assets and resources which will be converted into cash or consumed in the business operations within twelve months of the balance sheet date. Examples include Inventories, Cash and Accounts Receivable.

**Fixed Assets:** This includes the Equipment, Buildings, Vehicles and other Long Term assets used in the business that have a life span of over one year.

**Current Liabilities:** These are amounts the company owes to its suppliers and creditors, which are expected to be paid, or come due for payment within twelve months of the Balance Sheet Date.

**Long-term Liabilities:** This includes loans, mortgages, deferred revenue and accrued expenses payable over a longer period, that is over a year.

**Shareholders' Equity:** This category includes Share Capital, the value of the issued shares of the company, and its Retained Earnings, which is the accumulated profits of the company not distributed in the form of dividends.

### The Income Statement


This shows the revenue earned by the company and the expenses incurred for the period. Typical entries here include:

**Gross Revenue:** This includes revenue from sales, income from investments, interest income and any other items of income.

**Gross Profit Margin:** This is the profit earned on the Gross Revenue, less the cost of generating that income, like Cost of Goods Sold, commissions paid on sales and other direct costs.

**Net Profit after Taxation:** This is the amount that is left after deduction of all operating expenses, like Wages and Salaries, Insurances, Finance costs and Provision for Taxation. It is the amount of profit that is available for distribution to the shareholders of the company, or to be retained for expansion of the company.

**The Statement of Cash Flows:** This is the link between the Income Statement and the Opening and Closing Balance Sheets and it provides the investor with information on how the company has used the funds it has generated, and how the business has been financed for the year being examined. It is sometimes referred to as the Statement of Changes. Cash inflows and outflows are analysed between flows from Investing, including purchases or sales of assets and investments; those from Financing, including proceeds of new loan or share issues, repayments of long term loans and payment of dividends, and cash flows from operations, namely the net cash profit or loss for the year and changes in current assets and liabilities.

Well, that's about all for now, we'll complete our review of Financial Statements in my next segment where we will look at analysing the accounts and take a brief look at some of the other information that the company presents in their annual reports. So long until next time. 

# Business Ethics

S O C I A L R E S P O N S I B I L I T Y  
S U S T A I N A B L E D E V E L O P M E N T

*"No Nation can be flourishing and happy, of which the far greater part of the members are poor and miserable"*

Adam Smith, The Wealth of Nations.

Under the traditional view of business, ideas such as ethics, social responsibility and sustainable development were considered contradictory or at best novel to the concept of profit maximisation. However, modern business theory, recognising the integral contribution of businesses to the balance between economics, people and the environment are moving towards inculcating such once-perceived oxymoronic ideas. Lobby groups, heightened environmental degradation, the need for job fulfillment and Government initiatives are steering firms toward a sustainable and ethical way of doing business.

*The notion of profit maximisation, whether under modern or traditional business theory, forms the guiding principle and by extension, the nucleus underlying all decisions made by a firm's management.*

Though it remains at the core of many business models, the means to attaining the profit maximisation goal recognises a greater number of stakeholders rather than the conventional shareholder. Firms listed on stock exchanges, for example, are hard-pressed to maximise shareholder value, which usually implies minimising costs. The theoretical valuation of stocks is pivoted on the fundamental factor of growth, whether it is in sales, profits or dividends. A firm's restricted focus on shareholders encourages it to undertake narrow-minded activities at the expense of the environment, the welfare of its employees and society. However, modern businesses have attempted to broaden this limited scope to include other stakeholders, such as employees, the environment, suppliers, the community and even future generations. Businesses should therefore recognise that it functions as part of an interdependent system and to ignore any one part is to do injustice to another part.

## “With a spoonful of sugar does the medicine go down” - or are business ethics more than that?




Ethics should therefore be the guiding principle for businesses. This recognises the need to exercise moral conduct for the benefit of the whole society rather than a particular stratum. The relevancy of ethics, when applied to businesses can assist in issues such as discrimination, bribery, conflict of interest, the environment and selling questionable products such as cigarettes and alcohol. An ethical business places high priority on employee welfare sometimes even before that of clients or consumers, reinforcing the idea that employees are crucial to the success of any business. Fair salaries, a proper and safe working environment, accommodating family life and providing long-term financial protection are all means of improving employee welfare.

The new buzzword of sustainable development arises from the recognition that our natural resources are non-renewable, and that waste produced by industries is to the detriment of our welfare and our ecosystems.

Sustainable development addresses the supply side, i.e. our resources, rather than the demand side of production. Inherent in this development is the challenge of environmental sustainability versus economic growth. From a sustainable development standpoint, Gross National Product (GNP) is considered a poor measure of output. GNP, which was historically a monetary measure of defense output during World War II, ignores the depletion and destruction of natural resources and ecosystems as well as the depreciation of human capital. For instance, outputs from chemical manufacturers are included in GNP, but if the wastes from

these factories are dumped in our waters the destruction to our ecosystems is not easily monetised and are thus neglected in the GNP measure. While businesses may be taxed for negative externalities, sustainable development lobbyists argue that these taxes are negligible and do not provide the incentive for businesses to innovate in order to minimise or recycle its waste. Businesses produce much of the waste and pollution, but they have the financial resources and capacity to innovate means of utilising or minimising waste produced. Thus, the economic objective of maximising output, which assumes that resources are limited, can be extended to also minimising waste.

While all these ideas form good dinner table discussions, applying them may be more challenging for businesses, which may lack the incentive or does not recognise the hypocrisy with which they operate.

Consumer demand determines how much success a business realises. Therefore, though our standard of living is heavily dependent on businesses under a capitalist structure since they control the means of production, we are also consumers and our demand is crucial in the functioning of the invisible hand in a market-based economy. The onus is on us to encourage businesses to protect our environment and our welfare by acting on ethical principles, which promote a common good rather than only that of a few shareholders. 

# Stretching your do



It's that time of the year again! The academic year has ended. Graduates are now **FORCED** to become adults.

You endured years of schooling hoping that you will become employable. Your parents' financial burden will be reduced because of your income-generating potential. Remember when you first started university and your parents helped you move into your new apartment? I'm sure they shed some tears. Well, here's news — many of those tears weren't because their bundle of joy was moving away from home. Sending a child off to university is **NOT CHEAP!** Their trip to Disney Land and renovations to their house had to be sacrificed so you can secure a successful future.

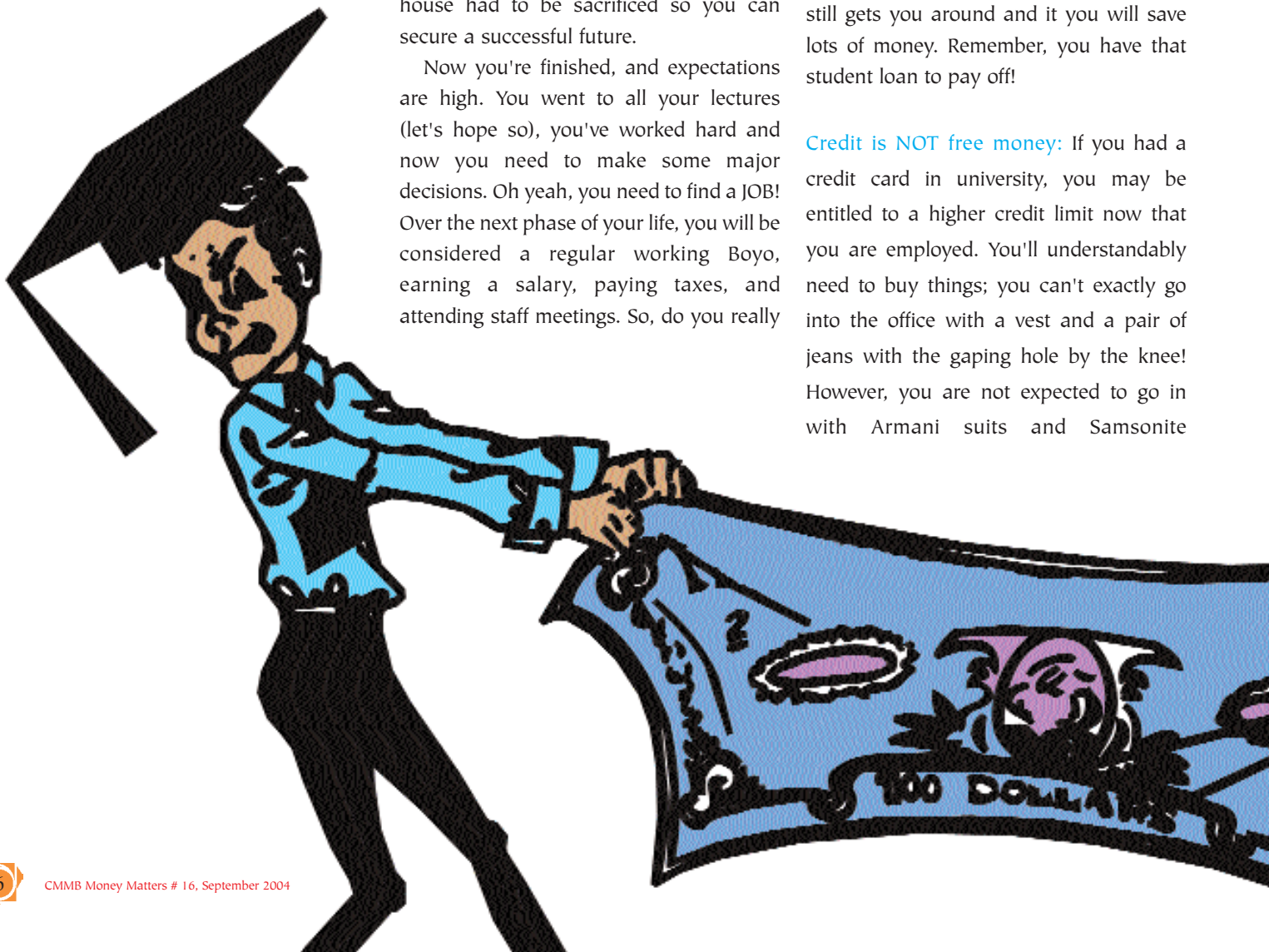
Now you're finished, and expectations are high. You went to all your lectures (let's hope so), you've worked hard and now you need to make some major decisions. Oh yeah, you need to find a **JOB!** Over the next phase of your life, you will be considered a regular working Boyo, earning a salary, paying taxes, and attending staff meetings. So, do you really

want to be the person who still shares a room with your little brother at age 30? I should think not!

**So, here's the deal -**

Live like a poor university student for a while: are you unable to get a full time job initially? Stick with the part-time job that you had while at university. Take the night shift at the factories, this will double your earnings. If you decide to live on your own, get a roommate to help with the bills. Who needs a new car? Keep the ole Escort. It still gets you around and it you will save lots of money. Remember, you have that student loan to pay off!

**Credit is NOT free money:** If you had a credit card in university, you may be entitled to a higher credit limit now that you are employed. You'll understandably need to buy things; you can't exactly go into the office with a vest and a pair of jeans with the gaping hole by the knee! However, you are not expected to go in with Armani suits and Samsonite



# Dollars after Graduation

briefcases. Credit cards should only be used to purchase absolutely essential items. The interest charges are overwhelming and you should try to cut costs wherever possible to avoid any substantial accumulation of these charges. One option is to use your credit card to make your purchases. At the end of the month, use your salary, which you leave in an interest-bearing account for the month, to pay off your full balance. This way, you receive interest on your earnings. The secret is to spend less than you earn - then invest your savings wisely.

**Don't be afraid to say 'no':** Don't be tempted to buy stuff like cars, DVDs, stereos, and similar items known as 'depreciating assets'. This category of items loses value over time. You should try to spend as little as possible on them, because pretty soon, they would not be worth much. It would also prevent your debt from accumulating.

**Use your youth to your advantage while you still can:** Agility may be your strong point, but that is not all that your youth affords you. When a person starts to save at a young age, the savings accumulate like you would not believe thanks to the magic of compounding.

A 25-year-old investing \$200 each month for just 10 years will have \$402,797 by retirement age, 8% annual return. If a 35-year-old were to invest \$200 each month until age 65 — that's two decades longer than the 25-year-old in the next cubicle — she ends up with a little more than \$300,000. Impressive figures huh? Also, a young person who starts a life insurance or a pension fund will pay a smaller premium than an older person - another benefit of youth!

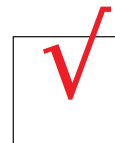
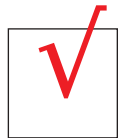
**Okay, so what have we learnt thus far?**

The key to your financial success is to formulate a budget, yes that awful B-word! It may seem kind of geeky, but it will help you to prioritise your needs. Here's what you have to do:




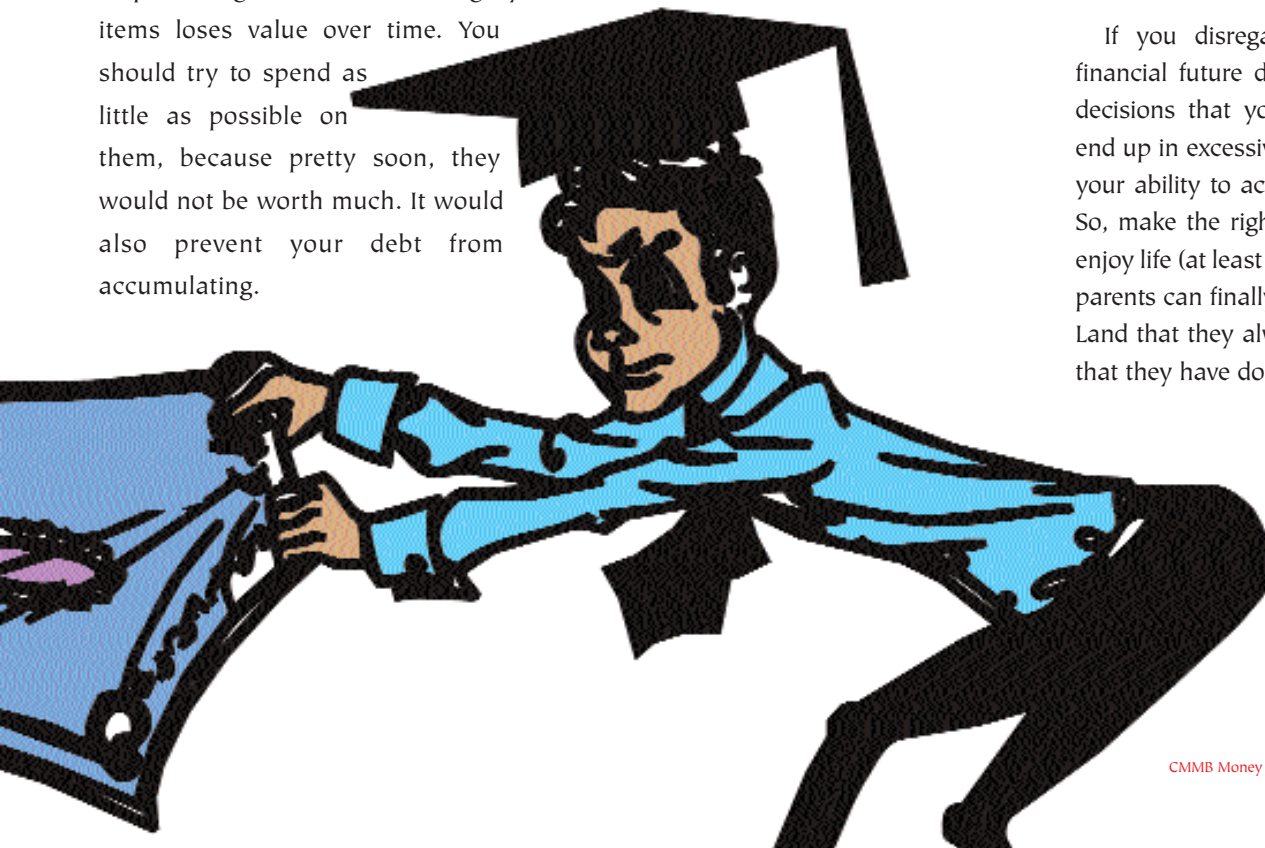
The first thing to do is to list all of your income;

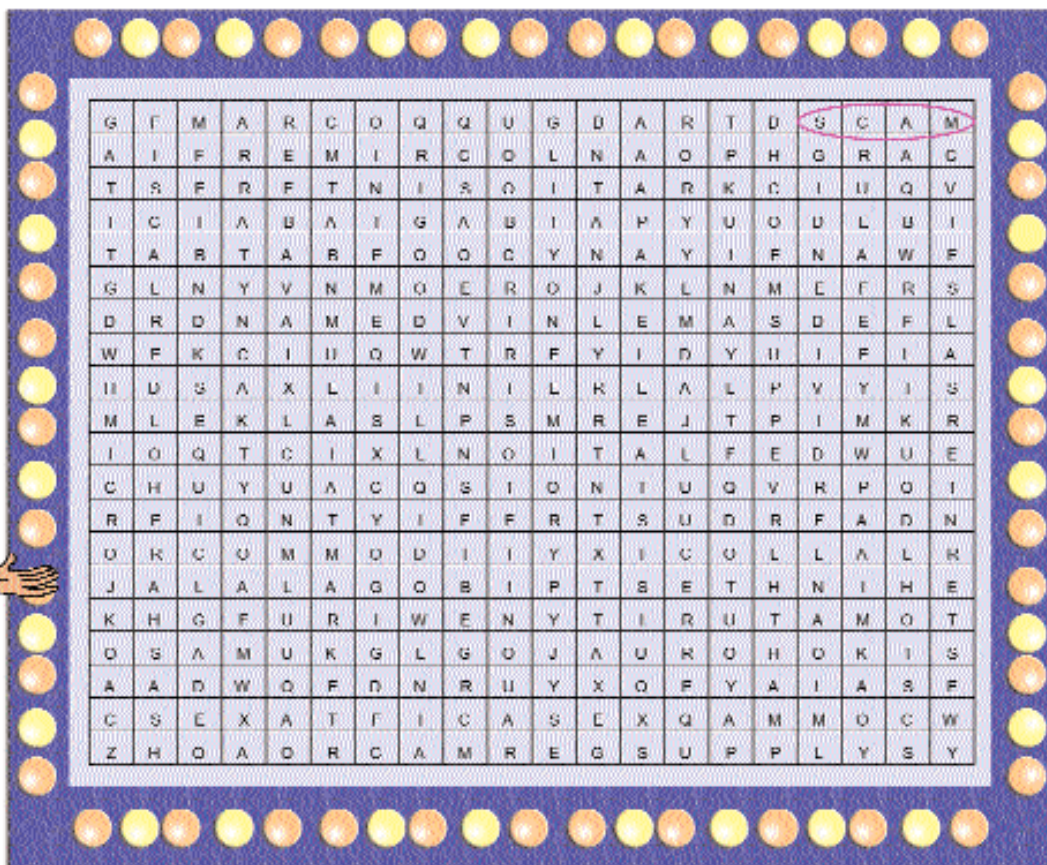
Next you have to compare your earnings with your expenditure. This will give you a clear picture of your financial status;



Finally, prioritise your needs to effectively manage your finances.

If you disregard the fact that your financial future depends on you and the decisions that you make now, you may end up in excessive debt, which can affect your ability to access credit in the future. So, make the right choices; then you can enjoy life (at least in the long run) and your parents can finally take that trip to Disney Land that they always wanted - confident that they have done their job well! 





Find these words in the crossword puzzle and encircle them!  
See example "SCAM."

ACQUISITION  
COLLATERAL  
COMMODITY  
DEBT  
DEFLATION  
DEMAND  
DIVIDEND  
EQUITY  
FISCAL  
GOODWILL  
INTEREST

LOAN  
MACRO  
MARKET  
MATURITY  
MICRO  
QUICK RATIO  
SHAREHOLDER  
SUPPLY  
TAXES  
YIELD



Answers to the crossword below.

