

CENTRAL BANK OF BELIZE

2004 Financial Statements

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**AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
CENTRAL BANK OF BELIZE**

We have audited the accompanying balance sheet of Central Bank of Belize as of 31 December 2004, and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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, the financial statements give a true and fair view of the financial position of Central Bank of Belize as of 31 December 2004, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board.



16 February 2005

**AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
CENTRAL BANK OF BELIZE**

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16 February 2005

CENTRAL BANK OF BELIZE
BALANCE SHEET
 At 31 December 2004

In Belize dollars.

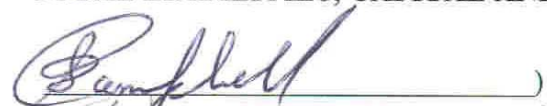

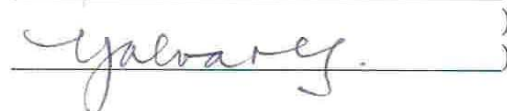
| Assets | Notes | 2004 | 2003 |
|---|--------------|--------------------|--------------------|
| APPROVED EXTERNAL ASSETS | | | |
| Balances and deposits with foreign bankers and Crown Agents | | 34,325,054 | 119,873,204 |
| Reserve Tranche and balances with the International Monetary Fund | 4 | 18,195,786 | 17,164,707 |
| Other foreign credit instruments | | 13,220,000 | 10,000,000 |
| Accrued interest and cash intransit | 5,2e | 11,242,717 | 2,665,371 |
| Marketable securities issued or guaranteed by foreign government and international financial institutions. | 6 | 2,000,000 | 2,000,000 |
| | 3b | 78,983,557 | 151,703,282 |
| BELIZE GOVERNMENT SECURITIES | 7 | 82,795,204 | 91,412,770 |
| BELIZE GOVERNMENT CURRENT ACCOUNT | 8 | 80,659,575 | 72,444,782 |
| LOANS TO PUBLIC SECTOR | 9 | 32,521,712 | 10,000,000 |
| LOANS TO COMMERCIAL BANKS | 10 | - | 5,124,086 |
| BALANCES WITH LOCAL BANKERS AND CASH ON HAND | | 84,329 | 177,421 |
| OTHER ASSETS | 11 | 6,799,470 | 5,830,660 |
| PROPERTY AND EQUIPMENT | 2a, 12 | 31,142,567 | 31,795,295 |
| TOTAL ASSETS | | 312,986,414 | 368,488,296 |

The accompanying notes form an integral part of these financial statements.

CENTRAL BANK OF BELIZE
BALANCE SHEET
 At 31 December 2004 (Continued)

In Belize dollars.

| LIABILITIES, CAPITAL AND RESERVES | NOTES | 2004 | 2003 |
|---|--------------|---------------------------|---------------------------|
| DEMAND LIABILITIES | | | |
| Notes and coins in circulation | | 141,949,684 | 127,626,959 |
| Deposits by licensed financial institutions | 13 | 87,893,652 | 75,071,727 |
| Deposits by and balances due to Government and public sector entities in Belize | | 13,746,883 | 55,553,007 |
| Deposits by international agencies | 14 | 2,703,774 | 4,969,109 |
| | | <u>246,293,993</u> | <u>263,220,802</u> |
| BALANCES DUE TO CARICOM CENTRAL BANKS | | 87,918 | 820,132 |
| OTHER LIABILITIES | 15 | 6,485,698 | 7,241,963 |
| COMMERCIAL BANK DISCOUNT FUND | 16 | 1,656,124 | 1,815,643 |
| GOVERNMENT SINKING FUND | 17 | 20,210,971 | 54,210,070 |
| BELIZE CREDIT FACILITY | 18 | 8,653,769 | 7,961,159 |
| LOANS PAYABLE TO FOREIGN INSTITUTIONS | 19 | <u>2,500,000</u> | <u>7,500,000</u> |
| TOTAL LIABILITIES | | 285,888,473 | 342,769,769 |
| REVALUATION ACCOUNT | 2c,20 | 3,658,886 | 2,872,621 |
| CAPITAL ACCOUNT | | | |
| Paid up capital (Authorized capital \$10,000,000) | | 10,000,000 | 10,000,000 |
| GENERAL RESERVE FUND | 21 | 13,439,055 | 12,845,906 |
| TOTAL LIABILITIES, CAPITAL AND RESERVES | | <u>312,986,414</u> | <u>368,488,296</u> |

) GOVERNOR
) DIRECTOR
) DEPUTY GOVERNOR

The accompanying notes form an integral part of this financial statement.

CENTRAL BANK OF BELIZE
STATEMENT OF INCOME
For the year ended 31 December 2004

In Belize dollars.

| | NOTES | 2004 | 2003 |
|--|--------------|-------------|--------------|
| INCOME | | | |
| Interest | | | |
| Approved external assets | | 2,953,341 | 3,432,725 |
| Advances to government | | 8,560,116 | 6,316,883 |
| Local securities | 2d | 800,825 | 800,000 |
| Loans to statutory bodies | | 2,751,986 | 1,407,996 |
| | | 15,066,268 | 11,957,604 |
| Discounts on local securities | | 2,383,557 | 1,919,806 |
| Commission and other income | | 2,075,290 | 2,445,846 |
| | | 19,525,115 | 16,323,256 |
| TOTAL INCOME | | | |
| | | 19,525,115 | 16,323,256 |
| LESS: Interest expense | | (3,774,953) | (2,753,468) |
| Income from operations | | 15,750,162 | 13,569,788 |
| EXPENDITURE | | | |
| Printing of notes and minting of coins | 2b | (1,248,113) | (1,107,715) |
| Salaries and wages, including superannuation contributions and gratuities | | (5,153,161) | (5,406,102) |
| Depreciation | | (881,583) | (849,185) |
| Administrative and general | | (2,535,818) | (2,677,755) |
| | | (9,818,675) | (10,040,757) |
| Total expenditure | | (9,818,675) | (10,040,757) |
| NET PROFIT | | | |
| | | 5,931,487 | 3,529,031 |
| NET PROFIT TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED FUND | | | |
| | | 5,931,487 | 3,529,031 |
| Transfer to general reserve fund in accordance with section 9(1) of the Act | 21 | (593,149) | (352,903) |
| | | 5,338,338 | 3,176,128 |
| Balance credited to the accountant general for the consolidated revenue fund | | 5,338,338 | 3,176,128 |
| | | 5,338,338 | 3,176,128 |

The accompanying notes form an integral part of these financial statements.

CENTRAL BANK OF BELIZE
STATEMENT OF CASH FLOWS
For the year ended 31 December 2004

In Belize dollars.

| | 2004 | 2003 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net profit transferred to the general reserve fund | 593,149 | 352,903 |
| Adjustment to reconcile net profit to net cash provided by operating activities: | | |
| Amortization | 57,815 | - |
| Depreciation | 881,583 | 849,185 |
| (Gain)/loss on disposal | (10,649) | 30,852 |
| Changes in assets and liabilities that provided (used) cash: | | |
| Other assets | (1,026,625) | (1,356,361) |
| Other liabilities | (756,265) | 4,110,349 |
| Revaluation account | 786,265 | 1,684,303 |
| | <hr/> | <hr/> |
| Net cash provided by operating activities | 525,273 | 5,671,231 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Belize Government current account | (8,214,793) | (72,444,782) |
| Loans to public sector/commercial bank | (17,397,626) | (124,086) |
| Acquisition of property and equipment | (229,207) | (2,413,874) |
| Proceeds from sale of assets | 11,000 | - |
| Reserve tranche in the IMF | (565,496) | (1,106,444) |
| Construction bonds | - | (6,000,000) |
| | <hr/> | <hr/> |
| Net cash (used in) investing activities | (26,396,122) | (82,089,186) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Notes and coins in circulation | 14,322,725 | (5,046,646) |
| Deposits by licensed financial institutions | 12,821,925 | 18,064,185 |
| Deposits by and balances due to Governments and Public Sector entities | (41,806,124) | 20,608,916 |
| Government sinking fund | (33,999,099) | 14,040,012 |
| Deposits by international agencies | (2,265,335) | 504,978 |
| Balances due to Caricom central banks | (732,214) | (679,572) |
| Commercial Bank Discount Fund | (159,519) | (143,803) |
| Belize credit facility | 692,610 | 733,682 |
| Loan repayment made to foreign institutions | (5,000,000) | (5,000,000) |
| | <hr/> | <hr/> |
| Net cash (used in) provided by financing activities | (56,125,031) | 43,081,752 |

The accompanying notes form an integral part of these financial statements

CENTRAL BANK OF BELIZE
STATEMENT OF CASH FLOWS
For the year ended 31 DECEMBER 2004 (Continued)

In Belize dollars.

| | 2004 | 2003 |
|---|--------------|--------------|
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (81,995,880) | (33,336,203) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 220,759,019 | 254,095,222 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | 138,763,139 | 220,759,019 |
| CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING: | | |
| EXTERNAL ASSETS: | | |
| Balances and deposits with foreign bankers and Crown Agents | 36,325,054 | 121,873,204 |
| Other foreign credit instruments | 13,220,000 | 10,000,000 |
| Accrued interest and cash intransit | 11,242,717 | 2,665,371 |
| Balance with the International Monetary Fund | 5,095,835 | 4,630,253 |
| | 65,883,606 | 139,168,828 |
| LOCAL ASSETS: | | |
| Cash and bank balances | 84,329 | 177,421 |
| Government of Belize Treasury Bills | 72,637,204 | 81,412,770 |
| Government of Belize Treasury Notes | 158,000 | - |
| | 138,763,139 | 220,759,019 |

The accompanying notes form an integral part of these financial statements.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

1. ORGANIZATION

The Central Bank of Belize, (the “Bank”), was established by the Central Bank of Belize Act 1982 (the Act).

The principal activity of the Bank is to foster monetary stability especially in regard to the exchange rate, and to promote banking, credit and exchange conditions conducive to the growth of the economy of Belize.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Following is a summary of the more significant accounting policies adopted by the Bank in preparing its financial statements which accord with International Accounting Standards and the Central Bank of Belize Act.

a. Property, plant and equipment, depreciation and amortization -

Fixed assets are carried at cost, and are depreciated on a straight line basis over their estimated useful lives. Land is not depreciated.

Depreciation is charged at the following rates:

| | |
|---------------------------|----------|
| Building and improvements | 1%, 5% |
| Office furniture | 10% |
| Equipment | 10%, 20% |
| Vehicles | 20% |

b. Sale of special coins -

Special coins, which are minted or packaged as collector items, are legal tender. However, no liability is recorded in respect of these coins since they are not expected to be placed in circulation as currency. Minting cost is charged against income in the year incurred. Income is recognized when sales are made.

c. Foreign currency translation and exchange gains and losses -

i. Assets and liabilities

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling at that date.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Foreign currency translation and exchange gains and losses –

ii. Income and expenses

Income and expenses in foreign currencies are translated at the rate of exchange ruling on the transaction date.

iii. Revaluation

Section 49 of the Act stipulates that gains or losses from any revaluation of the Bank's net assets or liabilities in gold, special drawings rights (SDR), foreign exchange or foreign securities as a result of any change in the par value of the Belize dollar or any change in the par value of the currency unit of any other country shall be excluded from the computation of the annual profits and losses of the Bank. All such gains or losses shall be credited in a special account called Revaluation Account. However, no profits shall first be carried to the General Reserve Fund or paid to the Government under Section 9 (see note 19) whenever the Revaluation Account shows a net loss. Such profits shall first be credited to the Revaluation Account in an amount sufficient to cover the loss.

d. Valuation of securities -

Securities are stated at the lower of cost or market value. Unrealized losses arising from changes in the market value of securities are charged against income while unrealized gains are deferred. Realized gains and losses are included in income.

e. Accrued interest and cash intransit -

Accrued interest and cash intransit in respect of foreign assets are shown as part of external assets.

f. Pension -

The pension scheme, a defined benefit plan, is funded by contributions from the Bank and employees. It is financially separate from the Bank and is managed by a Board of Trustees.

g. Taxation -

In accordance with Article 51 of the Act, the Bank is exempt from the provisions of any law relating to income tax or customs duties and from the payment of stamp duty

h. Certain accounts from prior year 2003 have been reclassified to conform to current year presentation.

**CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS**

In Belize dollars.

3. CENTRAL BANK OF BELIZE ACT SECTION 5 COMPLIANCE

Section 5 of the Act stipulates that:

- a. The Bank shall at all times hold assets of an amount in value sufficient to cover fully the value of the total amount of its notes and coins for the time being in circulation; and
- b. The Bank shall maintain at all times a reserve of external assets of not less than 40 percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect of its sight and time deposits.

At 31 December 2004 and 2003 total approved external assets approximated 32 percent and 58 percent of such liabilities respectively.

4. INTERNATIONAL MONETARY FUND - RESERVE TRANCHE

Belize became a member of the International Monetary Fund in 1982 with a subscription of SDR 7,200,000 of which SDR 1,320,600 was paid in foreign currency (The Reserve Tranche) and the remainder in Belize dollars made up of currency and non-interest bearing promissory notes.

In 1982, this Reserve Tranche was purchased by the Bank from the Government of Belize.

At 31 December 2004, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000 and the Bank's Reserve Tranche amounted to SDR 4,238,690. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ\$3.1060 to SDR 1.0 at 31 December 2004 (2003 - Bz\$2.9719 to SDR 1.0).

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

5. ACCRUED INTEREST AND CASH TRANSIT

Accrued interest and cash intransit consist of:

| | 2004 | 2003 |
|------------------|-------------|-------------|
| Accrued interest | 978,465 | 1,265,538 |
| Cash intransit | 10,264,252 | 1,399,833 |
| | 11,242,717 | 2,665,371 |

6. MARKETABLE SECURITIES ISSUED OR GUARANTEED BY FOREIGN GOVERNMENTS AND FOREIGN FINANCIAL INSTITUTIONS

These securities consist of 3% debentures issued by the Government of Dominica and maturing in 2006. The Bank has the intent and ability to hold these securities to maturity.

7. BELIZE GOVERNMENT SECURITIES

Belize Government securities consist of:

| | 2004 | 2003 |
|----------------------|-------------|-------------|
| Treasury Bills | 72,637,204 | 81,412,770 |
| Treasury Notes | 158,000 | - |
| Belize Defense Bonds | 10,000,000 | 10,000,000 |
| | 82,795,204 | 91,412,770 |

Section 35(2) of the Act stipulates that the Bank shall not at any time hold Belize Government securities in an aggregate amount exceeding five times the aggregate amount at that time of the paid up capital and general reserves of the Bank. At 31 December 2004 and 2003 the Bank's aggregate holding of Belize Government securities approximated 3.53 times and 4 times, respectively, the amount of paid up capital and general reserves of the Bank. The carrying amount of these investments approximates fair value due to their short maturity.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

8. BELIZE GOVERNMENT CURRENT ACCOUNT

In accordance with Section 34 of the Act, the Bank may make direct advances to the Government provided that at any one time the total outstanding amount of direct advances shall not exceed twenty percent of the current revenues of the Government collected during the preceding financial year or the sum of fifty million dollars, whichever is greater. At 31 December 2004 and 2003 advances to Government represent approximately 96 percent and 90 percent of the authorized limit respectively.

9. LOANS TO THE PUBLIC SECTOR

| | 2004 | 2003 |
|---|-------------------|-------------------|
| 11% p.a. loan with semi-annual payment of interest, and payment of first installment of principal 18 months after 16 August 2000 and every 6 months thereafter until maturity on 1 November 2005. The loan is guaranteed by the Government of Belize. | 5,000,000 | 10,000,000 |
| 11% p.a. short-term loan maturing on 30 June 2005, guaranteed by the Government of Belize. | 27,521,712 | - |
| | <u>32,521,712</u> | <u>10,000,000</u> |

10. LOANS TO COMMERCIAL BANKS

| | 2004 | 2003 |
|---|-------------|------------------|
| 11% p.a. short-term loan due from a commercial bank maturing on 25 February 2004. The loan is secured by the assignment of a DFC Bond maturing in 2007 for the same amount. | - | 2,500,000 |
| 11% p.a. short-term loan due from a commercial bank maturing on 12 March 2004. The loan is secured by a promissory note signed by the Government of Belize. | - | 2,624,086 |
| | <u>-</u> | <u>5,124,086</u> |

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

11. OTHER ASSETS

Other assets consist of:

| | 2004 | 2003 |
|----------------------------------|-------------|-------------|
| Inventory of note and coins | 1,976,485 | 3,210,169 |
| Prepayments and accrued interest | 3,113,519 | 941,221 |
| Accounts receivable | 1,094,290 | 1,017,114 |
| Museum endowment fund | 578,150 | 578,150 |
| Other | 94,841 | 84,006 |
| | <hr/> | <hr/> |
| | 6,857,285 | 5,830,660 |
| Less: amortization | 57,815 | - |
| | <hr/> | <hr/> |
| | 6,799,470 | 5,830,660 |
| | <hr/> | <hr/> |

Museum endowment fund is amortized over 10 years commencing 2004.

12. PROPERTY AND EQUIPMENT

Property and equipment consist of:

| | 2004 | 2003 |
|--------------------------------|-------------|-------------|
| Property | 30,441,554 | 30,441,554 |
| Furniture | 1,039,276 | 1,024,817 |
| Equipment | 4,613,004 | 4,439,120 |
| Vehicles | 346,648 | 390,071 |
| Work in progress | 175,416 | 135,237 |
| | <hr/> | <hr/> |
| | 36,615,898 | 36,430,799 |
| Less: accumulated depreciation | 5,473,331 | 4,635,504 |
| | <hr/> | <hr/> |
| | 31,142,567 | 31,795,295 |
| | <hr/> | <hr/> |

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

13. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 13 of the Banks Financial Institutions Act 1995, licensed financial institutions are required to keep on deposit with the Bank an amount equivalent to at least 7% of their average deposit liabilities.

Under Section 21 A (1) of the International Banking Act, licensed financial offshore institutions are required to maintain an account of a minimum balance of \$200,000 with the Bank. These deposits are interest free.

14. DEPOSITS BY INTERNATIONAL AGENCIES

The Bank acts as agent for and accepts deposits from international financial institutions. At 31 December, deposits consist of:

| | 2004 | 2003 |
|---|-------------|-------------|
| Commission of the European Communities | 1,316,408 | 2,011,572 |
| International Monetary Fund | 148,878 | 142,451 |
| Caribbean Development Bank | 24,705 | 99,538 |
| Inter-American Development Bank | 400,293 | 317,035 |
| International Bank for Reconstruction and Development | 716,450 | 716,450 |
| European Union | 97,040 | 1,682,063 |
| | 2,703,774 | 4,969,109 |
| | 2,703,774 | 4,969,109 |

15. OTHER LIABILITIES

| | 2004 | 2003 |
|--------------------------|-------------|-------------|
| Interest payable | 916,908 | 1,093,033 |
| Severance and gratuities | 714,165 | 622,002 |
| Abandoned property | 1,424,818 | 1,174,068 |
| Other | 3,429,807 | 4,352,860 |
| | 6,485,698 | 7,241,963 |
| | 6,485,698 | 7,241,963 |

**CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS**

In Belize dollars.

16. COMMERCIAL BANK DISCOUNT FUND

Commercial Bank Discount Fund is a facility which was established by an agreement signed in March 1983 by the Government of Belize and the United States of America, providing for a discount fund to be operated through the Bank. The United States Government acting through United States Agency for International Development (USAID) earmarked US \$5 million in loan funds up to 30 June 1987, to finance this facility. The facility enabled commercial banks in Belize to discount with the Bank up to 100% of loans made to sub-borrowers for projects approved by the Bank and USAID. In 1993, USAID and the Bank agreed that Bz \$2 million and Bz \$1.5 million from the reflows to the Discount Fund could be used as a line of credit to National Development Foundation of Belize (the Foundation) and Development Finance Corporation (DFC), respectively.

The USAID loan has the following terms:

Interest rate of 2% for the first ten years and 3% thereafter. The loan is repayable within 25 years with a grace period of 9-1/2 years and 31 equal semi-annual principal payments for 15-1/2 years.

At 31 December 2004, outstanding loans discounted by commercial banks through the facility amounted to nil (2003 - \$.3 million) net of repayments, against a total drawdown of \$5.7 million from USAID. At that date, reflows drawn down by the Foundation amounted to \$1.6 million (2003 - \$1.5 million) net of repayments, and by DFC \$479,279 (2003 - \$743,095) net of repayments.

17. GOVERNMENT SINKING FUND

Government Sinking Fund consists of US\$3,164,752 and US\$6,940,734 invested by the Bank on behalf of the Government for a bond issue maturing in 2005.

18. BELIZE CREDIT FACILITY

Under a World Bank Agricultural Credit and Export Development Project Loan Agreement signed between the Government of Belize and the International Bank for Reconstruction and Development on 19 July 1988, the Bank acting as agent for the Government of Belize assists the Government in operating the Belize Credit Facility through which loans are made available to the Development Finance Corporation for specific development projects.

The Bank's responsibility to assist is set out in an agreement signed between the Government and the Bank on 13 March 1989.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

19. LOAN PAYABLE TO FOREIGN INSTITUTION

Loan payable to foreign institution consists of:

| | 2004 | 2003 |
|--|------------------|------------------|
| Due to a foreign institution repayable in 8 installments commencing 4 November 2001 and every 6 months thereafter. Interest accrues at 2.82% per annum above LIBOR for the first 2 years and thereafter at 2% per annum above LIBOR. The loan was negotiated for US\$5,000,000 for project financing and is secured by a first-priority charge lien or security interest on a deposit of US\$1,250,000 placed by the Bank with the foreign institution. | 1,250,000 | 3,750,000 |
| Due to a foreign institution repayable in 8 installments commencing 4 November 2001 and every 6 months thereafter. Interest accrues at 2.82% per annum above LIBOR for the first 2 years and thereafter at 2% per annum above LIBOR. The loan was negotiated for US\$5,000,000 for project financing and is secured by a first-priority charge, lien or security interest on a deposit of US\$1,250,000 placed by the Bank with the foreign institution. | 1,250,000 | 3,750,000 |
| | <u>2,500,000</u> | <u>7,500,000</u> |

These loans are guaranteed by the Government of Belize.

20. REVALUATION ACCOUNT

Under Section 49 of the Act, no profits shall be credited to the General Reserve Fund or paid to the consolidated Revenue Fund whenever the Revaluation Account shows a net loss. Such profits shall be credited to the Revaluation Account in an amount sufficient to cover the loss.

| | 2004 | 2003 |
|---|------------------|------------------|
| Net gain on revaluation of Reserve Tranche in the International Monetary Fund | 787,511 | 1,509,227 |
| Net gain on revaluations during the year | 2,871,375 | 1,363,394 |
| | <u>3,658,886</u> | <u>2,872,621</u> |

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

21. GENERAL RESERVE FUND

Section 9(1) of the Act provides for the establishment of a General Reserve Fund into which is paid 20 percent of the net profit of the Bank in each financial year until the Fund is equal to the amount of the Bank's paid up capital. Thereafter, 10 percent of net profit is paid into the Fund.

| | 2004 | 2003 |
|------------------------------|-------------|-------------|
| Balance at beginning of year | 12,845,906 | 12,493,003 |
| Transfer (to)/from profits | 593,149 | 352,903 |
| Balance at end of year | 13,439,055 | 12,845,906 |

22. PENSION SCHEME

The Bank operates a defined benefit pension scheme which receives contributions from the Bank and its eligible employees. During the year under review, the Bank contributed \$162,106 (2003-\$144,302) to the scheme. The scheme is financially separate from the Bank and is managed by a Board of Trustees. The cost of plan benefits is determined using an accrued benefit valuation method.

The last actuarial valuation at 31 December 2002 reported the present value of past service liabilities and plan assets to be \$2,916,000 and \$4,599,000, respectively.

Significant actuarial assumptions used in the valuation were:

- I. A valuation rate of interest of 7% p.a.
- II. A rate of escalation of pensionable salaries of 5% p.a.
- III. Allowance for pensions is not to be increased in course of payments.

23. FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, and other short-term instruments and obligations at the balance sheet date represent best estimates of fair value because of the relative short-term maturities of these assets and liabilities. Long-term obligations have been contracted at market terms and their carrying amounts approximate fair value to the extent it is practicable to estimate.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

24. COMMITMENTS AND CONTINGENCIES

- a. The Bank is guarantor to the Government of Belize in a United States dollar/Japanese Yen currency swap agreement with Citicorp. This agreement will terminate in June 2005. Periodically, the swap agreement is valued and potential margin calls can be made. At 31 December 2004, a margin call of \$5.2 million was made, charging as security under the guarantee an equivalent amount of the Bank's funds held with Citicorp.
- b. The Bank is contingently liable as co-signer with the Government of Belize on promissory notes of US\$79.0 million with International Bank of Miami and US\$46.4 million with Capital Market Financial Services.