

Central Bank of Belize

***Financial Statements for the Years
Ended December 31, 2008 and 2007 and
Independent Auditors' Report***

CENTRAL BANK OF BELIZE

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Castillo Sanchez & Burrell, LLP

40 A Central American Blvd
P.O. Box 1235
Belize City
Belize

Tel: +501 227 3020/5666
Fax: +501 227 5792
www.CSB-LLP.com
info@CSB-LLP.com

Partners:
Giacomo Sanchez, CPA
Claude Burrell, CPA CISA
Consultant:
Julian Castillo, CA

Audit & Risk Advisory
Business Solutions
Outsourcing
Real Estate
Corporate
Paralegal

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of
Central Bank of Belize:**

Report on the Financial Statements

We have audited the accompanying financial statements of Central Bank of Belize, which comprise the balance sheets as of December 31, 2008 and 2007, the statements of operations, statements of changes in equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the Central Bank of Belize Act and the Bank and Financial Institutions Act of Belize. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Correspondent Firm to Deloitte Touche Tohmatsu

Independent Auditors' Report
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Bank of Belize as of December 31, 2008 and 2007, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, the Central Bank Act, and the Bank and Financial Institutions Act of Belize.

Castillo Sanchez & Borrell, LLP

Chartered Accountants
March 6, 2009

CENTRAL BANK OF BELIZE

BALANCE SHEETS

DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

ASSETS	<u>Notes</u>	<u>2008</u>	<u>2007</u>
APPROVED EXTERNAL ASSETS:			
Balances and deposits with foreign bankers	4	\$ 8,312,704	\$ 7,936,140
Reserve Tranche and balances with the International Monetary Fund	5	20,116,361	20,123,906
Other foreign credits instruments	6	258,819,171	166,125,946
Accrued interest and cash-in-transit	2m,7	2,107,826	1,427,895
Marketable securities issued or guaranteed by foreign government and international financial institutions	8	<u>22,000,000</u>	<u>2,000,000</u>
		311,356,062	197,613,887
BELIZE GOVERNMENT SECURITIES	9	81,265,901	120,716,478
BELIZE GOVERNMENT CURRENT ACCOUNT	10	122,947,200	100,123,484
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		152,926	75,118
OTHER ASSETS	11	9,545,451	10,814,575
PROPERTY AND EQUIPMENT	2h,12	<u>29,227,521</u>	<u>29,777,252</u>
TOTAL ASSETS		<u>\$554,495,061</u>	<u>\$459,120,794</u>

The notes on pages 9 to 31 are an integral part of these financial statements.

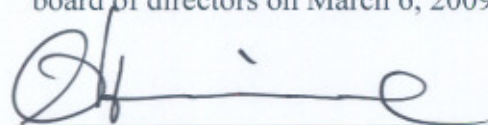
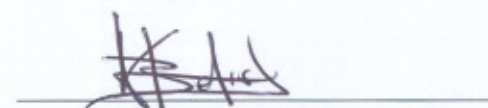
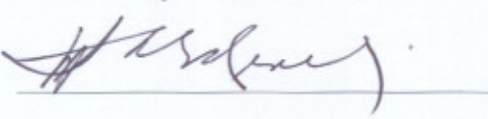
CENTRAL BANK OF BELIZE

BALANCE SHEETS (CONTINUED)

DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	<u>Notes</u>	<u>2008</u>	<u>2007</u>
DEMAND LIABILITIES:			
Notes and coins in circulation		\$193,195,838	\$185,773,149
Deposits by licensed financial institutions	13	189,228,842	149,482,134
Deposits by and balances due to Government and Public sector entities in Belize		133,230,370	82,006,733
Deposits by international agencies	14	<u>2,218,779</u>	<u>2,378,394</u>
		517,873,829	419,640,410
BALANCES DUE TO CARICOM CENTRAL BANKS		948,316	23,174
OTHER LIABILITIES	15	2,295,668	6,506,153
COMMERCIAL BANKS' DISCOUNT FUND	16	<u>1,929,746</u>	<u>2,393,830</u>
TOTAL LIABILITIES		523,047,559	428,563,567
CAPITAL ACCOUNT			
Paid up capital (Authorized capital \$10,000,000)		10,000,000	10,000,000
REVALUATION ACCOUNT	2k,17	4,015,306	4,015,306
GENERAL RESERVE FUND	18	<u>17,432,196</u>	<u>16,541,921</u>
TOTAL LIABILITIES, CAPITAL AND RESERVES		<u>\$554,495,061</u>	<u>\$459,120,794</u>

The financial statements on page 3 to page 8 were approved and authorised for issue by the board of directors on March 6, 2009 and are signed on its behalf by:


_____) GOVERNOR
)

_____) DIRECTOR
)

_____) DEPUTY GOVERNOR,
OPERATIONS

The notes on pages 9 to 31 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

**STATEMENTS OF OPERATIONS
DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)**

INCOME	<u>Notes</u>	<u>2008</u>	<u>2007</u>
Interest			
Approved external assets	19	\$ 5,741,168	\$ 7,621,551
Advances to Government		<u>11,938,269</u>	12,269,943
Local securities		<u>4,810,113</u>	<u>4,723,747</u>
		<u>22,489,550</u>	24,615,241
Discount on local securities		<u>1,428,733</u>	2,181,552
Commissions and other income		<u>1,749,391</u>	<u>1,567,088</u>
TOTAL INCOME		25,667,674	28,363,881
LESS: Interest expense		<u>(2,065,137)</u>	<u>(5,516,193)</u>
Income from operations		<u>23,602,537</u>	<u>22,847,688</u>
EXPENDITURE			
Printing of notes and minting of coins		<u>(2,157,553)</u>	(1,712,404)
Salaries and wages, including superannuation contribution and gratuities	20	<u>(7,452,237)</u>	(6,972,186)
Depreciation		<u>(984,806)</u>	(974,960)
Administrative and general expenses	21	<u>(3,384,953)</u>	<u>(3,536,890)</u>
Total expenditure		<u>(13,979,549)</u>	(13,196,440)
NET PROFIT		\$ <u>9,622,988</u>	\$ <u>9,651,248</u>
NET PROFIT TRANSFERABLE TO THE REVALUATION ACCOUNT, GENERAL RESERVE FUND AND CONSOLIDATED REVENUE FUND		9,622,988	9,651,248
Transfer to revaluation account in accordance with Section 50 of the Act	2k,17	<u>(720,237)</u>	<u>-</u>
Transfer to general reserve fund in accordance with Section 9(1) of the Act	18	<u>(890,275)</u>	<u>(965,125)</u>
Balance credited to the Accountant General for the consolidated revenue fund		\$ <u>8,012,476</u>	\$ <u>8,686,123</u>

The notes on pages 9 to 31 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

**STATEMENTS OF CHANGES IN EQUITY
DECEMBER 31, 2008 and 2007 (IN BELIZE DOLLARS)**

	Share capital	Revaluation account	General reserve	Accumulated profits
January 1, 2007	\$10,000,000	\$3,011,360	\$15,576,796	\$ -
Net profit	-	-	-	9,651,248
Gain on revaluation	-	1,003,946	-	-
Transfer to general reserve fund	-	-	965,125	(965,125)
Transfer to Government of Belize	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,686,123)</u>
December 31, 2007	10,000,000	4,015,306	16,541,921	-
Net Profit	-	-	-	9,622,988
Loss on revaluation	-	(720,237)	-	-
Transfer to revaluation account	-	720,237	-	(720,237)
Transfer to general reserve fund	-	-	890,275	(890,275)
Transfer to Government of Belize	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,012,476)</u>
December 31, 2008	<u>\$10,000,000</u>	<u>\$4,015,306</u>	<u>\$17,432,196</u>	<u>\$ -</u>

The notes on pages 9 to 31 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE**STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	\$ 9,622,988	\$ 9,651,248
Adjustments to reconcile net profit to net cash provided by operating activities:		
- Amortization of intangible assets	(354,286)	180,827
- Depreciation of property and equipment	984,806	974,960
- Loss (gain) on disposal of property and equipment	<u>1,491</u>	<u>(13,533)</u>
	<u>10,254,999</u>	10,793,502
Changes in assets and liabilities that provided cash:		
Belize Government current account	(22,823,716)	(22,907,766)
Treasury notes – net	425,000	200,000
Securities	(20,000,000)	-
Reserve tranche in the International Monetary Fund	337,239	(639,810)
Collateral deposits with foreign bankers	-	36,952,609
Other assets	1,623,410	(3,869,123)
Other liabilities	(4,210,485)	2,322,388
Revaluation account	-	1,003,946
Net cash (used in) provided by operating activities	<u>(34,393,553)</u>	<u>23,855,746</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(466,566)	(689,792)
Proceeds from property and equipment	<u>30,000</u>	<u>35,000</u>
Net cash used in investing activities	<u>(436,566)</u>	<u>(654,792)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	7,422,689	16,418,810
Transfer to Consolidated Reserve Fund	(8,012,476)	(8,686,123)
Transfer to Revaluation Reserve Fund	(720,237)	-
Deposits by licensed financial institutions	39,746,708	(2,801,557)
Deposits by and balances due to Government and Public Sector Entities	51,223,637	(3,025,261)
Deposits by international agencies	(159,615)	190,083
Balances due to Caricom Central Banks	925,142	(174,706)
Commercial Bank Discount Fund	(464,084)	(351,491)
Net cash provided by financing activities	<u>89,961,764</u>	<u>1,569,755</u>

The notes on pages 9 to 31 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

**STATEMENT OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)**

	<u>2008</u>	<u>2007</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$262,308,758	\$237,538,049
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>55,131,645</u>	<u>24,770,709</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$317,440,403</u>	<u>\$262,308,758</u>

**CASH AND CASH EQUIVALENTS COMPRISE
THE FOLLOWING:**

EXTERNAL ASSETS:

Balances and deposits with foreign bankers	\$ 8,312,704	\$ 7,936,140
Other foreign credit instruments	258,819,171	166,125,946
Accrued interest	757,106	1,208,367
Cash-in-transit	1,350,720	219,528
Balance with the International Monetary Fund	<u>7,123,875</u>	<u>6,794,181</u>
	276,363,576	182,284,162

LOCAL ASSETS:

Cash and bank balances	152,926	75,118
Government of Belize Treasury Bills	10,068,901	68,145,478
Current portion of Treasury Notes	<u>30,855,000</u>	<u>11,804,000</u>
	<u>\$317,440,403</u>	<u>\$262,308,758</u>

The notes on pages 9 to 31 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

1. GENERAL INFORMATION

Central Bank of Belize, (the Bank), was established under the Central Bank of Belize Act 1982, Chapter 262 of the Substantive Laws of Belize, and has its principal place of business in Belize City, Belize. Legislations covering its operations include the Central Bank of Belize Act and its amendments at May 31, 2003, the Banks and Financial Institutions Act and Regulations 2000, the International Banking Act 2003, the Money Laundering and Terrorism (Prevention) Act 2008, Treasury Bill Act 2000, Regulations and Guidance Notes, the Financial Intelligence Unit Act 2002 along with a number of circulars, Exchange Control Regulations (Statutory Instrument No. 30 of 1976) along with Exchange Control Circulars.

The principal objectives of the Bank are to foster monetary stability especially in regards 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 Financial Reporting Standards (IFRS), the Central Bank of Belize Act and the Banks & Financial Institutions Act.

Standards and Interpretations effective in the current period:

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have an impact on the Bank's financial statements.
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Bank's financial statements.
- IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This standard has no impact on the number of reportable segments presented, since the Bank's segments have been reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Bank's operations:

- IFRIC 12, 'Service concession arrangements'; and
- IFRIC 13, 'Customer loyalty programmes' (effective for accounting periods beginning on or after 1 July 2008).

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank:

The following standards and amendments to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after 1 January 2009 or later periods, but the Bank has not early adopted them:

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Bank will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
 - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
 - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The Bank will apply the IAS 19 (Amendment) from 1 January 2009.

- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments will be applied from 1 January 2009.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Bank will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
 - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
 - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.
 - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The Bank will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Bank's income statement.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Bank will apply the IAS 39 Amendment) from 1 January 2009. It is not expected to have an impact on the Bank's financial statements.

The Bank has assessed the new interpretations of the following standards and has concluded that these will not be relevant:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).
- IAS 32 (Amendment), 'Financial Instruments: Presentation' (effective from 1 January 2009).
- IFRS 1 (Amendment), 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IFRS 3 (Revised), 'Business combinations' (effective from 1 January 2009).
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (effective from 1 July 2009).
- IAS 28 (Amendment), 'Investment in Associates' (effective from 1 January 2009).
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008)
- IAS 16 (Amendment), 'Property, plant & equipment' and IAS 7. 'Statement of cash flows' (effective from 1 January 2009).
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).
- IAS 31 (Amendment), 'Interest in Joint Ventures' (effective from 1 January 2009).
- IAS 40 (Amendment), 'Investment property' (effective from 1 January 2009).
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).
- IAS 20 (Amendment), 'Accounting for government grants' (effective from 1 January 2009).
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- a. Form of presentation of the financial statements - Adopted IFRS and the Central Bank of Belize Act 1982 have been used as a model for the presentation and disclosure framework to provide additional information and analysis of key items in the financial statements except insofar as the Bank considers certain disclosures inappropriate to its functions.
- b. Change in accounting policies – There were no changes in accounting policies during the year. All policies have been applied on a basis consistent with the prior year.

In exceptional circumstances, as part of its functions as a Central Bank, the Bank may act as ‘lender of last resort’ to financial institutions in difficulty in order to prevent a loss of confidence spreading through the financial system as a whole. In some cases, confidence can best be sustained if the Bank’s support is disclosed only when conditions giving rise to potentially systemic disturbance have improved.

Accordingly, although the financial effects of such operations will be included in the Bank’s financial statements in the year in which they occur, these financial statements may not explicitly identify the existence of such support. However, the existence of such support will be reported without disclosing the identity of the relevant banking institution.

As a result, the financial statements of the Bank disclose less detail of certain elements than would be required under adopted IFRS. Disclosure limitations may include:

- Constituent elements of the Income Statement.
- Note disclosures for income and expenses, particularly relating to net interest income and provisions.
- Related disclosures in the Balance Sheet and Cash Flow Statement.
- Business segments (IAS 8).
- Contingent liabilities and guarantees.
- Information on credit risk.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. The financial statements are prepared on the historical cost basis, modified to include the revaluation of certain assets and liabilities as identified in specific accounting policies below.
- d. All accounting estimates and assumptions that are used in preparing the financial statements are consistent with the Bank's latest approved budgeted forecast where applicable. Judgments are based on the information available at each balance sheet date. Although these estimates are based on the best information available to management, actual results may ultimately differ from those estimates.
- e. Revenue and expenses – Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the Bank and in maintaining property, plant and equipment in a state of efficiency has been charged to income, thereby arriving at the profit for the year.

Miscellaneous income and expenses are recognized on an accrual basis.

- f. Inventories – Inventories are carried at lower of cost or net realizable value. Cost is determined on a first-in-first-out basis.
- g. Financial instruments – Financial assets and financial liabilities are recognized on the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument.

International Monetary Fund balances

As fiscal agent and depository, the Bank is authorized in its own right rather than as an agent for the Government of Belize, to carry out transactions with the International Monetary Fund (IMF) and to maintain the fund's currency holdings. Accordingly, all transactions by the Bank with the IMF have been included in these financial statements.

Belize's Reserve Tranche position with the IMF is recorded by the Bank as a foreign asset. Exchange gains and losses arising on revaluation of IMF assets at the exchange rate applying at the balance sheet date as published by the IMF are recognized in the Revaluation account in accordance with section 50 of the Central Bank of Belize Act 1982.

Foreign Marketable Securities

These consist of debentures issued by the Government of Dominica and Caribbean Development Bank bonds that are classified as held-to-maturity based on the Bank's positive intent and ability to hold these securities to maturity.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Financial instruments (continued) -

Belize Government Securities

The Bank's investment portfolio includes treasury bills, treasury notes and Belize Defence Bonds purchased from Government of Belize all of which the Bank has the positive intent and ability to hold to maturity. Treasury bills are carried at amortized cost. All other investments are carried at cost which approximates market value.

Loans to Government

Loans to Government represent direct provisional advances to Government of Belize under Section 34 of the Central Bank of Belize Act 1982.

Loans to Public Sector

Loans to the public sector are carried at the original amount less an allowance for any uncollectible amounts. A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the estimated recoverable amount.

Other Financial Assets and Liabilities

Local and foreign currency cash, deposits and short term advances are recognized on settlement date.

- h. Property 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:

Property	1%, 5%
Furniture	10%
Equipment	10% – 25%
Vehicles	20%

- i. Employee benefits

Pension

The Bank operates a defined benefit pension scheme for employees. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. The legal obligation for any benefits remains with the Bank, even if plan assets for funding the defined benefit plan have been set aside. Contributions are made by the Bank and employees to a separately administered fund. The cost of providing benefits under this plan is determined using an accrued benefit valuation method.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Employee benefits (continued) -

Gratuity

The Bank is liable to pay gratuity for contract employees who are not eligible to participate in the pension scheme. In order to meet this liability, a provision is carried forward in the balance sheet equivalent to an amount calculated on 20% of the annual salary for each completed year of service, commencing from the first year of service. The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt within the income statement. The gratuity liability is neither funded nor actually valued. This item is grouped under "Other liabilities" in the Balance Sheets.

Severance

With effect January 1, 2005, an employee with a minimum of ten years of continuous service who resigns his employment is eligible to one week severance pay for each year of service in addition to retirement benefits in accordance with the Central Bank of Belize Pension Scheme Trust Deed and Rules.

j. 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.

k. Foreign currency translation and exchange gains and losses – The Bank's financial statements are presented in Belize dollars (BZD), which is the Bank's functional and presentational currency.

i. Assets and liabilities

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

ii. Income and expenses

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

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Foreign currency (continued) -

iii. Revaluation

Section 50 of the Central Bank of Belize Act 1982 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 are credited in a special account called Revaluation Account. Profit is not carried to the General Reserve Fund or paid to the Government under Section 9 (see note 18) when the Revaluation Account shows a net loss, but is first credited to the Revaluation Account in an amount sufficient to cover the loss.

- l. Valuation of securities – Securities is stated at the lower of cost or market value. Realized and unrealized gains and losses arising from changes in the market value of securities or the par value of the Belize dollar are transferred to the Revaluation Account.
- m. Accrued interest and cash in-transit – Accrued interest and cash in-transit in respect of foreign assets are shown as part of external assets.
- n. Taxation – In accordance with Section 52 of the Central Bank of Belize Act, the Bank is exempt from the provision of any law relating to income tax or customs duties and from the payment of stamp duty.
- o. Cash and cash equivalents – The Bank classifies as cash equivalents financial instruments with an original maturity of three months or less, and other balances that are readily marketable or convertible. The Bank's cash management and investment policies are of a conservative nature and as a result, investments are made in high grade liquid securities. The carrying value of cash and cash equivalents approximates fair value.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

3. CENTRAL BANK OF BELIZE ACT SECTION 25 COMPLIANCE

Section 25 of the Act stipulates that:

1. 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.

As at December 31, 2008, the bank was in compliance as the value of total assets was \$555,495,061 while the value of notes and coins in circulation was \$193,195,838.

2. 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 December 31, 2008 and 2007 total approved external assets approximated 60 percent and 47 percent of such liabilities respectively.

4. BALANCES AND DEPOSITS WITH FOREIGN BANKERS

There were no restricted foreign or domestic deposits for 2008 and 2007.

5. RESERVE TRANCHE AND BALANCES WITH THE INTERNATIONAL MONETARY FUND

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 (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 December 31, 2008, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000. The Reserve Tranche amounted to SDR 4,238,690 and the IMF's currency holdings amounted to SDR 14,562,242, respectively. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ\$3.0805 to SDR 1.0 at December 31, 2008 (2007 - BZ\$3.1605 to SDR 1.0).

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

6. OTHER FOREIGN CREDIT INSTRUMENTS

	<u>2008</u>	<u>2007</u>
These instruments comprise of:		
Bank of America (Fixed Deposits)	\$ 40,000,000	\$ 50,000,000
Crown Agents Bank (Fixed Deposits)	61,139,170	50,085,946
Federal Reserve Bank of New York (Overnight Deposit)	145,800,000	64,400,000
Bank of America (Overnight Deposit)	1,300,001	1,240,000
Citibank N.A. New York (Overnight Deposit)	<u>10,580,000</u>	<u>400,000</u>
	<u>\$258,819,171</u>	<u>\$166,125,946</u>

7. ACCRUED INTEREST AND CASH-IN-TRANSIT

Accrued interest and cash-in-transit consist of:

	<u>2008</u>	<u>2007</u>
Accrued interest	\$ 757,106	\$1,208,367
Cash-in-transit	<u>1,350,720</u>	<u>219,528</u>
	<u>\$2,107,826</u>	<u>\$1,427,895</u>

8. MARKETABLE SECURITIES ISSUED OR GUARANTEED BY FOREIGN GOVERNMENT AND FOREIGN FINANCIAL INSTITUTIONS

These securities, which are carried at cost, consist of the following:

	<u>Face Value</u>	<u>Maturity Date</u>
3.25% Government of Dominica Debenture	\$ 2,000,000	2034
2.5% Caribbean Development Bond	\$20,000,000	2010

The Bank has the positive intent and ability to hold these securities to maturity.

9. BELIZE GOVERNMENT SECURITIES

Belize Government securities consist of:

	<u>2008</u>	<u>2007</u>
3.25% Treasury Bills	\$10,068,901	\$ 68,145,478
9% Treasury Notes	61,197,000	42,571,000
8% Belize Defence Bonds	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$81,265,901</u>	<u>\$120,716,478</u>

The following table classifies the Bank's investments in Belize Government securities by the contractual maturity date of the security:

	<u>2008</u>	<u>2007</u>
Due within 1 year	\$40,923,901	\$ 79,949,478
Due within 1 year through 5 years	30,342,000	30,767,000
Due within 5 years through 10 years	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$81,265,901</u>	<u>\$120,716,478</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)**

9. BELIZE GOVERNMENT SECURITIES (Continued)

Section 35(2) of the Central Bank 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, subsequently amended to seven times in April 2006. At December 31, 2008 and 2007 the Bank's aggregate holding of Belize Government securities approximated 2.96 times and 4.55 times, respectively, the amount of paid up capital and general reserves of the Bank. Government securities are classified as held-to-maturity based on the Bank's ability to hold the securities to maturity. As these securities are not publicly traded, fair values have been estimated based on present values of the expected cash flows.

10. BELIZE GOVERNMENT CURRENT ACCOUNT

In accordance with Section 34 of the Central Bank 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 December 31, 2008 and 2007 advances to Government represent approximately 91 percent and 86 percent of the authorized limit respectively.

11. OTHER ASSETS

	<u>2008</u>	<u>2007</u>
Other assets consist of:		
Inventory of notes and coins	\$ 4,982,229	\$ 4,172,404
Prepayments and accrued interest	2,340,957	4,838,877
Accounts receivable	702,797	654,504 *
Staff loans receivable	1,369,850	784,516 *
Museum endowment fund	578,150	578,150
Other	<u>106,581</u>	<u>140,410</u>
	<u>10,080,564</u>	11,168,861
Less amortization:	<u>(535,113)</u>	<u>(354,286)</u>
	<u>\$ 9,545,451</u>	<u>\$10,814,575</u>

Museum endowment fund is being amortized over 10 years commencing 2004.

Included in accounts receivable is an amount of \$585,945 due from Guyana under the Caricom Multilateral Clearing Facility (CMCF). Interest has not been recognized on the loan since October 2004. The decision was made by CMCF to write-off a proportional share as agreed with the Highly Indebted Poor Countries (HIPC) initiative in three equal payments of \$123,011. Once the write-off is complete in 2009, the remaining balance is expected to be received from CMCF and the HIPC Trust Fund.

* Reclassified for comparative purposes.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

12. PROPERTY AND EQUIPMENT

Cost	Property	Furniture	Equipment	Vehicles	Total
Balance at, January 1, 2008	\$30,441,554	\$1,168,961	\$5,804,289	\$473,998	\$37,888,802
Additions	-	80,826	304,240	81,500	466,566
Disposals	-	-	(152,890)	(159,467)	(312,357)
Balance at, December 31, 2008	<u>30,441,554</u>	<u>1,249,787</u>	<u>5,955,639</u>	<u>396,031</u>	<u>38,043,011</u>
Accumulated depreciation					
Balance at January 1, 2008	2,548,354	915,607	4,383,984	263,605	8,111,550
Depreciation charge for the year	281,395	84,320	550,262	68,829	984,806
Disposal	-	-	(155,296)	(125,570)	(280,866)
Balance at, December 31, 2008	<u>2,829,749</u>	<u>999,927</u>	<u>4,778,950</u>	<u>206,864</u>	<u>8,815,490</u>
Net book value					
December 31, 2008	<u>\$27,611,805</u>	<u>\$ 249,860</u>	<u>\$1,176,689</u>	<u>\$189,167</u>	<u>\$29,227,521</u>
December 31, 2007	<u>\$27,893,200</u>	<u>\$ 253,354</u>	<u>\$1,420,305</u>	<u>\$210,393</u>	<u>\$29,777,252</u>

13. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 13 of the Banks and Financials Institutions Act 1995, licensed financial institutions are required to keep on deposits with the Bank an amount equivalent to at least 9% - effective January 1, 2006, subsequently amended to 10% effective September 2, 2006 - 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 and are comprised as follows:

	<u>2008</u>	<u>2007</u>
Commercial banks	\$187,228,842	\$147,682,134
International financial institutions	<u>2,000,000</u>	<u>1,800,000</u>
	<u>\$189,228,842</u>	<u>\$149,482,134</u>

14. DEPOSITS BY INTERNATIONAL AGENCIES

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

	<u>2008</u>	<u>2007</u>
Commission of the European Communities	\$ 586,866	\$ 772,987
International Monetary Fund	147,656	151,490
Caribbean Development Bank	103,910	103,736
Inter-American Development Bank	876,100	845,934
International Bank for Reconstruction and Development	<u>504,247</u>	<u>504,247</u>
	<u>\$2,218,779</u>	<u>\$2,378,394</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

15. OTHER LIABILITIES

	<u>2008</u>	<u>2007</u>
Severance and gratuities	\$ 881,626	\$ 835,453
Abandoned property	479,369	2,404,670
Other	<u>934,673</u>	<u>3,266,030</u>
	<u>\$2,295,668</u>	<u>\$6,506,153</u>

16. COMMERCIAL BANKS' DISCOUNT FUND

Commercial Bank Discount Fund (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 June 30, 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. The Bank is expected to accumulate significant net interest earnings over the repayment term of the USAID loan to form a permanent fund. 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 9-12 years and 31 equal semi-annual principal payments for 15 ½ years.

	<u>2008</u>	<u>2007</u>
Loan payable to USAID	\$ 453,848	\$ 894,380
Interest paid to USAID	(2,301,079)	(2,277,527)
Interest received from institutions	<u>3,776,977</u>	<u>3,776,977</u>
	<u>\$1,929,746</u>	<u>\$2,393,830</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

17. REVALUATION ACCOUNT

The Revaluation Account has been set up in compliance with Section 50 of the Central Bank of Belize Act 1982, where all profits or losses are carried to a special account called Revaluation Account.

	<u>2008</u>	<u>2007</u>
Total exchange gains as at December 31	\$1,871,054	\$2,591,291
Transfers during previous years in accordance with section 50	1,424,015	1,424,015
Transfers in accordance with section 50 – current period	<u>720,237</u>	<u>-</u>
	<u>\$4,015,306</u>	<u>\$4,015,306</u>

18. 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 is paid into the Fund.

	<u>2008</u>	<u>2007</u>
Balance at beginning of year	\$16,541,921	\$15,576,796
Transfer from net profit	<u>890,275</u>	<u>965,125</u>
Balance at end of year	<u>\$17,432,196</u>	<u>\$16,541,921</u>

19. INTEREST ON APPROVED EXTERNAL ASSETS

	<u>2008</u>	<u>2007</u>
Interest earned on overnight deposits	\$5,073,344	\$6,748,988
Interest earned on marketable securities	116,575	70,000
Interest earned on balances and deposits with foreign bankers	<u>551,249</u>	<u>802,563</u>
	<u>\$5,741,168</u>	<u>\$7,621,551</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

20. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

Expense recognized for employee benefits is analyzed below:

	<u>2008</u>	<u>2007</u>
Wages and salaries	\$7,041,093	\$6,608,940
Social security costs	127,171	122,426
Pensions - defined benefit plans	<u>283,973</u>	<u>240,820</u>
Employee benefits expense	<u>\$7,452,237</u>	<u>\$6,972,186</u>

21. ADMINISTRATIVE AND GENERAL

	<u>2008</u>	<u>2007</u>
Advertising	\$ 23,251	\$ 34,242
Audit fees	45,513	45,220
Bad debt write off	180,827	180,827
Bank charges	28,815	30,621
Bank publications	16,414	28,464
Books and publication	22,617	48,945
Building repairs and maintenance	441,672	751,378
Cash shipment	44,714	25,663
Computer software license	85,634	77,220
Conference	-	81,281
Directors' fees	25,600	16,500
Donations	69,282	52,714
Entertainment	15,737	17,299
Equipment maintenance	43,104	40,856
Firearms license and ammunitions	5,183	16,003
Freight charges	9,666	15,981
Hurricane preparedness	5,261	19,703
Insurance expense	116,234	112,576
Legal fees	113,703	57,968
Membership fees	67,608	66,409
Motor vehicle	67,617	65,257
Other miscellaneous expense	451,478	263,824
Overseas meeting and conferences	228,853	195,255
Professional services and technical support	149,899	163,765
Small equipment purchases	4,954	16,395
Supplies	197,487	215,999
Surveys	63,596	29,537
Travel (local)	7,407	8,782
Utilities expense	<u>852,827</u>	<u>858,206</u>
	<u>\$3,384,953</u>	<u>\$3,536,890</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)**

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 \$283,973 (2007 - \$240,820) 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 done at December 31, 2004 reported the present value of past service liabilities and plan assets to be \$4,386,000 and \$6,477,000 respectively. The next actuarial valuation is currently in process and will be completed before the next fiscal year.

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. Pension will not increase in the course of payments.

Under the plan, the employees are entitled to retirement benefits varying between 60 and 70 percent of final salary on attainment of a retirement age of 60. No other post-retirement benefits are provided.

23. RELATED PARTY TRANSACTIONS

Transactions with governmental departments

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include the Government of Belize and various government departments and entities. All transactions are carried out with reference to market criteria.

Transactions entered into include:

- a. Acting as the fiscal agent, banker and financial advisor to the government; the Bank is the depository of the government, its agents and institutions, and provide banking services to government and government departments.
- b. Acting as the agent of the government, its agencies, and institutions, the Bank provides guarantees, and participates in loans to government and related institutions.
- c. The Bank does not ordinarily collect any commission, fees, or other charges for services it renders to the government or related entities, except in the case of banking and financial services.
- d. Acting as the agent of government, the Bank issues government securities, purchases unsubscribed portions of any issue and amounts set aside for the Bank.
- e. As the agent of the government, the Bank manages public debt and foreign reserves.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

23. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related party during the period were as follows:

	Social Security Board	Development Finance Corporation	SSB Mortgage Securitization Proceeds	DFC Mortgage Securitization Proceeds	Financial Intelligence Unit	Belize Tourism Board	SSB Deposit Account	GOB Current Acct.
Opening Balances	\$ (24,279)	\$(1,119,435)	\$ (358,686)	\$ (2,266)	\$ (98,510)	\$ (614,812)	\$(31,627,974)	\$100,123,484
Deposits	(1,186,712)	(7,003,397)	(1,440,251)	(3,206,266)	(572,025)	(6,587,328)	(5,551,556)	(933,417,293)
Disbursements	1,209,000	7,920,152	1,419,600	3,206,266	624,050	6,910,060	5,038,460	956,241,009
Closing Balances	<u>\$ (1,991)</u>	<u>\$ (202,680)</u>	<u>\$ (379,337)</u>	<u>\$ (2,266)</u>	<u>\$ (46,485)</u>	<u>\$ (292,080)</u>	<u>\$(32,141,070)</u>	<u>\$122,947,200</u>

Key management personnel

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprises the Governor and Deputy Governors, other members of the Board, and non-executive Directors. At December 31, 2008, the number of key management personnel was 17 (2007: 15)

Compensations of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	<u>2008</u>	<u>2007</u>
Short-term benefits	\$1,156,614	\$ 967,644
Post-employment benefits	34,280	32,505
Termination benefits	<u>84,862</u>	<u>84,651</u>
	<u>\$1,275,756</u>	<u>\$1,084,800</u>

Loans and advances to key management personnel

As at December 31, 2008 an amount of \$279,815 (2007 - \$117,170) was receivable from key managerial personnel as approved advances made by the Bank. No provisions have been recognised in respect of loans given to related parties.

In November 2008, the Bank enhanced its remuneration package with the introduction of a residential mortgage loan program for qualifying permanent staff. This facility is available for a maximum period of 15 years with a variable interest rate initially set at 4.5%.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction. When a financial instrument is traded in an organized and liquid market that is able to absorb a significant transaction without moving the price against the trader, quoted market values represent fair value.

Financial assets and liabilities

All financial assets and liabilities are valued at either quoted market prices or prices derived from market yield curves, as described in the Bank's accounting policies, except as detailed below:

Currency in circulation

The fair value of currency in circulation is considered to be its face value as reported in the financial statements.

Deposits

The carrying amounts of deposits are considered to approximate their fair value as they are payable on demand.

The carrying amounts of cash and cash equivalents, and other short-term instruments and obligations at the balance sheet date estimate 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.

25. FINANCIAL RISK MANAGEMENT

Credit risk

The Bank is exposed to credit risk, which is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. Credit risk arises in the Bank's management of its Balance Sheet, for example in the investment of the Bank's own funds and in the course of the banking services it provides to its customers.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

25. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

In providing liquidity via the Bank's operation of wholesale payment systems, credit risk is mitigated by dealing with counterparties that meet appropriate credit and functional criteria, and by ensuring that Cash Reserves and Liquid Asset Requirements for licensed financial institutions are met. In addition, credit risk on the securities held by the Bank is managed by holding only high-quality securities, issued chiefly by governments, government agencies and supranational organizations.

The following tables break down the Bank's main credit exposure at their carrying amounts, as categorised by geographical regions as of December 31, 2008. In table A, the Bank has allocated exposure to regions based on the country of domicile of the counter parties.

Geographical concentration of assets:

Schedule A

Depository and Money at Call, Overnight Deposits and Fixed Deposits by location

Balance & Money at Call	USA	Canada	Europe	Total
Depository Accounts & Money at call	\$ 275,869	\$62,415	\$ 6,861,118	\$ 7,199,402
Overnight Deposits	157,680,001	-	-	157,680,001
Fixed Deposits	<u>40,000,000</u>	<u>-</u>	<u>61,139,170</u>	<u>101,139,170</u>
Total Exposure	<u>\$197,955,870</u>	<u>\$62,415</u>	<u>\$68,000,288</u>	<u>\$266,018,573</u>

Schedule B

Outline of other Local and Foreign Investments

Securities	Local		Foreign	
	GOB	GOB	CDB	Dominica
Treasury Notes	\$61,197,000	\$ -	\$ -	\$ -
Treasury Bills	10,068,901	-	-	-
Bonds	-	10,000,000	20,000,000	-
Debentures	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Total Exposure	<u>\$71,265,901</u>	<u>\$10,000,000</u>	<u>\$20,000,000</u>	<u>\$2,000,000</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)**

25. FINANCIAL RISK MANAGEMENT (Continued)

Market and interest rate risk

The Bank is exposed to market risk, principally through changes in the relative interest rates received on its assets and paid on its liabilities. Limited exposure may also be incurred due to changes in exchange rates and to shifts in general market conditions, such as the liquidity of asset markets. The Bank manages this minimal exposure to market risk by projecting all liabilities without the dependence of interest earned on its assets. Also, the Bank's exposure to market risk as a result of changes in exchange rates is mitigated by having minimum required deposits in foreign currencies other than United States dollar.

The table below analyses the average interest rates for the Bank's foreign deposit accounts and investments.

Foreign Assets	Average rate of return	Average rate of return
	2008	2007
Depository Accounts & Money at Call	1.711%	4.797%
Overnight Deposits	1.655%	4.150%
Term Deposits	2.773%	5.010%
Bonds	2.500%	0.000%
Debentures	3.500%	3.500%

Currency risk

The Bank takes on exposure to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Because of its conservative nature, the Bank's exposure is limited to a significant portion of its external assets held in US funds and in SDR funds necessary to meet Belize's quota with the IMF. Other external asset funds are kept at a minimum.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

25. FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

The table below indicates the different fund allocations as of December 31, 2008:

	FOREIGN CURRENCY	YEAR END RATE	BELIZE DOLLAR VALUE
Sterling Fund	(213,736.67)	2.89020	(617,741.72)
Canadian Fund	(37,868.66)	1.64820	(62,415.13)
SDR Fund	(6,486,586.00)	3.08054	(19,982,187.64)
USD Fund	(142,989,016.03)	2.00000	(285,978,032.06)
Euro Dollar Fund	(69,944.87)	2.81840	(197,132.62)
BZ\$ Fund	304,966,455.01	1.00000	304,966,455.01
Total Exchange gain			(1,871,054.16)
Previous Years Transfer			(1,424,013.78)
2008 Transfer in accordance with section 50			(720,236.79)
Current Year's Gain			(4,015,304.73)

Liquidity risk

IFRS 7 requires an analysis of the Bank's assets and liabilities at the Balance Sheet date into relevant maturity groupings based on the remaining period to the contractual maturity date. This requirement is not relevant to the Central Bank which is the ultimate source of Belize dollar liquidity.

In managing the foreign currency liquidity risk, the Bank makes every effort to hold appropriate cash balances by forecasting and monitoring liquidity through cash flow matching and holding a portfolio of liquid foreign exchange reserves.

The table below analyses the Bank's assets into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date.

CENTRAL BANK OF BELIZE

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)**

25. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (continued)

Maturities of assets and liabilities at December 31, 2008

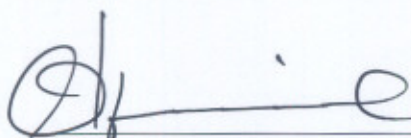
<u>Asset Type</u>	<u>1 Month</u>	<u>1-3 Months</u>	<u>3-6 Months</u>	<u>3-12 Months</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>
	\$	\$	\$	\$	\$	\$
Depository Accounts & Money at Call	7,199,402	-	-	-	-	-
Fixed Deposits	-	45,187,614	55,951,556	-	-	-
Overnight Deposits	157,680,001	-	-	-	-	-
Treasury Bills	-	-	-	10,068,901	-	-
Treasury Notes	-	-	-	30,855,000	30,342,000	-
Bonds	-	-	-	-	-	30,000,000
Debentures	-	-	-	-	-	2,000,000
	<u>164,879,403</u>	<u>45,187,614</u>	<u>55,951,556</u>	<u>40,923,901</u>	<u>30,342,000</u>	<u>32,000,000</u>

Operational risk

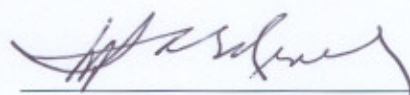
The Bank is exposed to operational risk which can lead to financial losses through error, fraud or inefficiencies. The Bank mitigates this risk by constantly revisiting internal controls, adhering to its fraud policy and reliance on the internal audit function.

26. AUTHORIZATION OF FINANCIAL STATEMENTS

No adjusting or significant non-adjusting events have occurred between the balance sheet date and the date of authorization on March 6, 2009 by the board.



GOVERNOR



DEPUTY GOVERNOR,
OPERATIONS

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