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## *Central Bank of Belize*

*Financial Statements for the Years  
Ended December 31, 2016 and 2015 and  
Independent Auditors' Report*

# CENTRAL BANK OF BELIZE

## TABLE OF CONTENTS

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	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015:	
Statements of Financial Position	3 – 4
Statements of Profit	5
Statements of Other Comprehensive Income	6
Statements of Changes in Equity	7
Statements of Cash Flows	8 – 9
Notes to Financial Statements	10 – 44



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## INDEPENDENT AUDITORS' REPORT

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

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### Opinion

We have audited the financial statements of Central Bank of Belize, (the Bank) which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of profit, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Bank of Belize as at December 31, 2016 and 2015, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Central Bank of Belize in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.



**Independent Auditors' Report**

**Page 2**

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during the audit.

**Chartered Accountants**

**Belize City, Belize**

**April 4, 2017**

# CENTRAL BANK OF BELIZE

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

ASSETS	<u>Notes</u>	<u>2016</u>	<u>2015</u>
APPROVED EXTERNAL ASSETS:			
Bank balances and deposits with foreign bankers – unrestricted		\$ 8,995,178	\$ 7,464,307
Reserve Tranche and balances with the International Monetary Fund	5	70,493,178	67,181,865
Other foreign credit instruments	6	598,098,673	645,725,851
Accrued interest and cash-in-transit	7	4,031,512	3,448,767
Marketable securities issued or guaranteed by foreign governments and international financial institutions	8	<u>59,428,571</u>	<u>140,571,429</u>
Total approved external assets		741,047,112	864,392,219
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		262,849	197,666
BELIZE GOVERNMENT SECURITIES	9	322,269,225	182,022,473
GOVERNMENT CURRENT ACCOUNT	10	48,220,569	55,881,774
OTHER ASSETS	11	19,166,550	15,265,535
DEFINED BENEFIT PLAN NET ASSET	27	-	3,341,174
EQUITY INSTRUMENTS	12	20,000,000	20,000,000
PROPERTY AND EQUIPMENT – NET	13	30,941,760	28,900,735
INTANGIBLE ASSETS – NET	14	<u>4,597,609</u>	<u>1,269,439</u>
<b>TOTAL ASSETS</b>		<b><u>\$1,186,505,674</u></b>	<b><u>\$1,171,271,015</u></b>

The notes on pages 10 to 44 are an integral part of these financial statements.



# CENTRAL BANK OF BELIZE

## STATEMENTS OF PROFIT YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<b><u>CONTINUING OPERATIONS</u></b>			
<b>INTEREST INCOME:</b>			
Approved external assets	23	\$ 7,372,596	\$ 7,341,065
Advances to Government of Belize		6,042,393	4,382,808
Local securities		<u>13,136,679</u>	<u>8,466,887</u>
		26,551,668	20,190,760
<b>Other income:</b>			
Discount on local securities		10,861	3,159
Dividends on equity instruments	12	1,120,000	2,860,000
Commissions and other income		3,213,405	3,314,797
Capital gain on securities investment		<u>778,799</u>	<u>844,992</u>
<b>Total income</b>		<b>31,674,733</b>	<b>27,213,708</b>
LESS: Interest expense		<u>(57,991)</u>	<u>(16,649)</u>
<b>Income from operations</b>		<b><u>31,616,742</u></b>	<b><u>27,197,059</u></b>
<b>EXPENDITURE:</b>			
Printing of notes and minting of coins		(2,827,437)	(2,801,613)
Salaries and wages, including superannuation contribution and gratuities	24	(11,512,592)	(10,528,763)
Depreciation and amortization		(1,397,510)	(1,116,901)
Administrative and general expenses	25	<u>(4,979,436)</u>	<u>(3,997,384)</u>
<b>Total expenditure</b>		<b><u>(20,716,975)</u></b>	<b><u>(18,444,661)</u></b>
<b>Profit for the year from continuing operations</b>		<b><u>\$10,899,767</u></b>	<b><u>\$ 8,752,398</u></b>
<b>PROFIT FOR THE YEAR</b>			
Transfer to general reserve fund in accordance with Section 9(1) of the Act	22	<u>(1,089,977)</u>	<u>(875,240)</u>
Transfer to paid up capital in accordance with Central Bank of Belize Amendment Act No. 19 of 2016 amending section 8 of the principal Act		<u>\$ 9,809,790</u>	<u>\$ 7,877,158</u>
<b>Profit for the year attributable to:</b>			
Owner of the Bank		<b><u>\$10,899,767</u></b>	<b><u>\$ 8,752,398</u></b>
<b>EARNINGS PER SHARE</b>			
From continuing operations:			
Basic and diluted		<b><u>\$10,899,767</u></b>	<b><u>\$ 8,752,398</u></b>

The notes on pages 10 to 44 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## STATEMENTS OF OTHER COMPREHENSIVE INCOME DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>PROFIT FOR THE YEAR</b>		<b>\$10,899,767</b>	<b>\$ 8,752,398</b>
<b>Other comprehensive income (loss):</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement losses	27	<b>(3,378,501)</b>	-
<b>Items that will be reclassified subsequently to profit or loss</b>			
Revaluation of financial assets	21	<b><u>(770,779)</u></b>	<b><u>(839,651)</u></b>
<b>Other comprehensive loss for the year</b>		<b><u>(4,149,280)</u></b>	<b><u>(839,651)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>\$ 6,750,487</u></b>	<b><u>\$ 7,912,747</u></b>
<b>Total comprehensive income attributable to:</b>			
Owner of the Bank		<b><u>\$ 6,750,487</u></b>	<b><u>\$ 7,912,747</u></b>

The notes on pages 10 to 44 are an integral part of these financial statements.



# CENTRAL BANK OF BELIZE

## STATEMENTS OF CHANGES IN EQUITY DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

	Paid-up capital	Revaluation account	Asset revaluation reserve	Post-employment obligation reserve	General reserve	Accumulated profits
<b>January 1, 2015</b>	\$10,000,000	\$2,578,468	\$103,431	\$3,341,174	\$20,328,862	\$ -
<b><i>Comprehensive Income:</i></b>						
Profit for the year	-	-	-	-	-	8,752,398
Other comprehensive income	-	(839,651)	-	-	-	-
<b>Total comprehensive income</b>	-	(839,651)	-	-	-	8,752,398
<b><i>Transactions with owners of the Bank recognized directly in equity:</i></b>						
Transfer to General Reserve Fund	-	-	-	-	875,240	(875,240)
Balance credited to the Accountant General for the Government Current Account	-	-	-	-	-	(7,877,158)
<b>Transactions with owner of the Bank</b>	-	-	-	-	875,240	(8,752,398)
<b>December 31, 2015</b>	<b>10,000,000</b>	<b>1,738,817</b>	<b>103,431</b>	<b>3,341,174</b>	<b>21,204,102</b>	<b>-</b>
<b>January 1, 2016</b>	10,000,000	1,738,817	103,431	3,341,174	21,204,102	-
<b><i>Comprehensive Income:</i></b>						
Profit for the year	-	-	-	-	-	10,899,767
Other comprehensive loss	-	(770,779)	-	(3,378,501)	-	-
<b>Total comprehensive income</b>	-	(770,779)	-	(3,378,501)	-	10,899,767
<b><i>Transactions with owner of the Bank recognized directly in equity:</i></b>						
Transfer to General Reserve Fund	-	-	-	-	1,089,977	(1,089,977)
Transfer to paid up capital of the bank	9,809,790	-	-	-	-	(9,809,790)
<b>Transactions with owner of the Bank</b>	9,809,790	-	-	-	1,089,977	(10,899,767)
<b>December 31, 2016</b>	<b>\$19,809,790</b>	<b>\$ 968,038</b>	<b>\$103,431</b>	<b>\$ (37,327)</b>	<b>\$22,294,079</b>	<b>\$ -</b>

The notes on pages 10 to 44 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## STATEMENTS OF CASH FLOWS

### YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit for the year	\$ 10,899,767	\$ 8,752,398
Adjustments to reconcile comprehensive income to net cash provided by operating activities:		
- Amortization and impairment of other assets (Note 11)	-	3,399
- Amortization and impairment of intangible assets (Note 14)	297,042	252,625
- Depreciation of property and equipment (Note 13)	1,100,468	864,276
- Loss (gain) on disposal of property and equipment	<u>1,905</u>	<u>(1,607)</u>
Cash provided by operating activities before operating assets and liabilities	12,299,182	9,871,091
Changes in operating assets and liabilities:		
Government Current Account	7,661,205	(15,471,885)
Belize Government securities	(77,149,850)	(117,173,150)
Securities	81,142,858	51,142,857
Reserve tranche in the International Monetary Fund	(4,960,911)	532,092
Other assets	(3,901,015)	(5,083,585)
Other liabilities	1,750,441	17,632,854
Defined benefit plan net obligation	877,855	-
Revaluation account	<u>(770,779)</u>	<u>(839,651)</u>
Net cash provided by (used in) operating activities	<u>16,948,986</u>	<u>(59,389,377)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	(3,143,398)	(1,875,768)
Proceeds from sale of assets	-	35,954
Acquisition of intangible assets	<u>(3,625,212)</u>	<u>(465,712)</u>
Net cash used in investing activities	<u>(6,768,610)</u>	<u>(2,305,526)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Balances due to Caricom Central Banks	(417,132)	378,878
Commercial Bank Discount Fund	162,367	162,367
Deposits by and balances due to Government and Public sector entities in Belize	20,710,642	(201,880,920)
Deposits by international agencies	110,176	249,045
Deposits by licensed financial institutions	(37,664,081)	132,691,514
IMF SDR allocations	(1,468,399)	(2,257,780)
Notes and coins in circulation	24,422,303	59,045,612
Pension reserve	(37,327)	-
Transfer to consolidated reserve fund	<u>-</u>	<u>(7,879,698)</u>
Net cash provided by (used in) financing activities	<u>\$ 5,818,549</u>	<u>\$ (19,490,982)</u>

Continued on page 9.

The notes on pages 10 to 44 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## STATEMENTS OF CASH FLOWS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

	<u>2016</u>	<u>2015</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>\$737,325,869</b>	<b>\$818,511,754</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b><u>15,998,925</u></b>	<b><u>(81,185,885)</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$753,324,794</u></b>	<b><u>\$737,325,869</u></b>
<b>CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:</b>		
<b>EXTERNAL ASSETS:</b>		
Balances and deposits with foreign bankers	\$ 8,995,178	\$ 7,464,307
Other foreign credit instruments	598,098,673	645,725,851
Accrued interest	3,515,983	2,896,163
Cash-in-transit	515,529	552,604
Balance with the International Monetary Fund	<u>53,843,357</u>	<u>55,492,955</u>
	<b><u>664,968,720</u></b>	<b><u>712,131,880</u></b>
<b>LOCAL ASSETS:</b>		
Cash and bank balances	262,849	197,666
Current portion of Treasury Notes	<u>88,093,225</u>	<u>24,996,323</u>
	<b><u>88,356,074</u></b>	<b><u>25,193,989</u></b>
	<b><u>\$753,324,794</u></b>	<b><u>\$737,325,869</u></b>

The notes on pages 10 to 44 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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#### 1. GENERAL INFORMATION

Central Bank of Belize, (the Bank), was established under the Central Bank of Belize Act, Chapter 262 of the Substantive Laws of Belize. Legislation covering its operations includes the Central Bank of Belize Act, the Domestic Banks and Financial Institutions Act, the International Banking Act, the Money Laundering and Terrorism (Prevention) Act, Treasury Bill Act, the Financial Intelligence Unit Act along with associated Statutory Instruments, Circulars and Guidance Notes and the Exchange Control Act.

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. The address of the Bank's registered office is Gabourel Lane, Belize City, Belize.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance – The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by IASB and the financial reporting provisions of the Central Bank of Belize Act. These and any amendments thereto 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.
- b. Basis of presentation – 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.
- c. Change in accounting policies – The accounting policies adopted are consistent with those used in the previous financial year except that the Bank has adopted the following standards, amendments and interpretations which did not have a significant effect on the financial performance or position of the Bank. Some, however, may give rise to additional disclosures or changes to the presentation of the financial statements in future periods.

<i>Annual Improvements 2010-2012 Cycle made amendment to the following standard for periods beginning on or after July 1, 2014.</i>	<b>Response</b>
IFRS 13 - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).	Short-term receivables and payables are measured on an undiscounted basis. Revisions have been made to Note 2d and 29.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Change in accounting policies (continued) –

**Standards issued but not yet effective**

*The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below.*

Standard	Pronouncement	When Effective	Response
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation.	January 1, 2016	The amendment will not have an impact on the financial statements.
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities.	January 1, 2016	The amendment will not have an impact on the financial statements.
IFRS 14 Regulatory Deferral Accounts	IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.	January 1, 2016	The amendment will not have an impact on the financial statements.
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.	January 1, 2016	The amendment will not have an impact on the financial statements.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### c. Change in accounting policies (continued) –

Standard	Pronouncement	When Effective	Response
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	Amends IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16 and to clarify that produce growing on bearer plants remains within the scope of IAS 41.	January 1, 2016	The amendment will not have an impact on the financial statements.
Disclosure Initiative (Amendments to IAS 1)	Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports.	January 1, 2016	The amendment will be adopted when it becomes effective and its effect, if any, will be quantified at that time.
Equity Method in Separate Financial Statements (Amendments to IAS 27)	Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	January 1, 2016	The standard is not expected to have an impact on the financial statements.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture. The amendment is applicable on a prospective basis to a sale or contribution of assets.	January 1, 2016	The standard is not expected to have an impact on the financial statements.
IFRS 15 Revenue from Contracts with Customers	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. These include identifying the contract, performance obligations, and transaction price as well as allocating transaction price to the performance obligations and recognizing revenue when these are satisfied.	January 1, 2017	The standard is not expected to have an impact on the financial statements.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### c. Change in accounting policies (continued) –

Standard	Pronouncement	When Effective	Response
IFRS 9	<p>IFRS 9, as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015.</p> <p>The release of IFRS 9 (2014) on July 24, 2014 moved the mandatory effective date of IFRS 9 to January 1, 2018. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before 1 February 2015.</p>	January 1, 2018	The standard will be adopted when it becomes effective. Its effects will be quantified at that time.

<i>Annual Improvements 2012-2014 Cycle makes amendments to the following standards for periods beginning on or after July 1, 2016.</i>	Response
IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued	Improvements will not have an impact on the financial statement.
IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements	Improvements will not have an impact on the financial statement.
IAS 19 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid	Improvements will not have an impact on the financial statement.
IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference	Improvements will not have an impact on the financial statement.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### d. Financial instruments –

##### *Initial recognition and measurement*

The Bank initially recognizes financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost directly attributable to acquisition of the financial assets or liabilities at fair value through profit or loss are recognized immediately in profit or loss.

##### *Fair value measurement*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The fair value of an instrument is measured using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.



# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### d. Financial instruments (continued)

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

As allowed by IFRS 9 certain financial instruments can be designated as 'fair value through other comprehensive income' or have the changes in fair value presented in other comprehensive income.

#### *Classification*

##### **Financial assets**

After initial recognition a financial asset is measured at amortised cost or fair value.

#### *Amortized cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

#### *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or future cash payments through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

A financial asset qualifies for amortised cost measurement only if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Bank makes an assessment of a business model at a portfolio level as this reflects best the way the business is managed and information is provided to management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Bank considers:

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### d. Financial instruments (continued)

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenues;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

The Bank has designated certain financial assets at amortized cost. Note 29 sets out the amount of each class of financial asset that has been designated at amortized cost. Due to their short-term nature, some cash and receivable balances are held on an undiscounted basis.

The Bank designated financial assets at fair value through profit or loss in the following circumstances:

- the assets were managed, evaluated and reported internally on a fair value basis;
- the designation eliminated or significantly reduced an accounting mismatch, which would otherwise have arisen; or
- the asset contained an embedded derivative that significantly modified the cash flows that would otherwise have been required under the contract

Note 29 sets out the amount of the class of financial asset that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset class. Based on statutory requirements some financial assets are measured at fair value through other comprehensive income. See also note 2(n).

#### *Identification and measurement of impairment*

At each reporting date the Bank assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. The Bank considers evidence of impairment for loans and advances and investment securities measured at amortised costs at both a specific asset and collective level.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### d. Financial instruments (continued)

All individually significant loans and advances and investment securities measured at amortised cost are assessed for specific impairment. All individually significant loans and advances and investment securities measured at amortised cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities measured at amortised cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities measured at amortised cost with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Bank writes off receivable balances when they are determined to be uncollectible (see note 11).

#### Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and associated liability for amounts it may have to pay.

If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in the other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of the transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under the continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount and the allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### d. Financial instruments (continued)

##### **Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities at amortized cost'. The Bank classifies its financial liabilities as measured at amortised cost. Based on statutory requirements some financial liabilities are measured at fair value through other comprehensive income. See also note 2(l) and note 2(n).

##### *Derecognition of financial liabilities*

The Bank derecognizes financial liabilities when and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and is payable is recognized in profit or loss.

Note 29 also sets out the reconciliation between financial liability classes and measurement categories. Due to their short-term nature, certain payable balances are held on an undiscounted basis.

Below are descriptions of some of the main financial assets and financial liabilities of the Bank.

##### 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 statements of financial position date as published by the IMF are recognized in the Revaluation account in accordance with section 50 of the Central Bank of Belize Act.

##### Foreign Marketable Securities

These consist of debentures issued by the Governments of Dominica and bonds issued by the United States, Sweden, Barbados and IBRD.

##### Belize Government Securities

The Bank's investment portfolio includes treasury bills and treasury notes issued by the Government of Belize.

##### Advances to Government

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

##### 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. There are currently no loans to any public sector entity.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### d. Financial instruments (continued)

##### 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 statements of financial position 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.

##### Other Financial Assets and Liabilities

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

#### e. Intangible Assets

##### **Initial recognition**

Acquired application software:

At initial recognition, acquired application software are recognized at purchase cost including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the asset for its intended use.

##### **Internally generated intangible asset - Website costs:**

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Bank intends to and has sufficient resources to complete the project
- the Bank has the ability to use or sell the software
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads.

##### **Subsequent measurement**

All finite-lived intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. Intangible assets are amortized over the useful economic life of 3 to 10 years. Subsequent expenditures on intangible assets are expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the intangible asset.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- f. Use of estimates – 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 statements of financial position date. Although these estimates are based on the best information available to management, actual results may ultimately differ from those estimates.
- g. 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.
- h. Investment in securities – This investment is carried at cost. Cost is based on the fair value of the consideration given in exchange for the asset. Dividends earned are included in operations.
- i. Property and equipment –

#### **Land**

Land held for use in the ordinary course of business is stated at costs. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

#### **Property (Buildings), Equipment, Vehicles**

Buildings, Equipment and vehicles are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Bank's management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing items and restoring the site on which they are located. The cost of software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Buildings, equipment and vehicles are subsequently carried at cost less accumulated depreciation and impairments. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of the asset. The following rates are applied:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed at each reporting date to assess whether there is any indication that an asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and value in use. Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- j. Intangible asset and amortization – Management has made certain judgments and assumptions when capitalizing intangible assets. Projects are assessed to determine compliance with established criteria in accordance with IFRS. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the intangible asset. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized. Intangible assets for the Bank comprise of a purchased website, software and related software licenses. A summary of the policies applied to the bank's intangible asset is as follows:

Useful life: Finite

Amortization: Amortized over the useful economic life of 3 to 10 years.

- k. Impairment of non-financial assets –

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. The recoverable amount of the non-life insurance cash generating unit is determined based on a value-in-use calculation. The calculation requires the Bank to make an estimate of the expected future cash flows and discount these amounts using a suitable rate which reflects the risk of those cash flows in order to calculate the present value of those cash flows. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 1. 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.

##### *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 statements of financial position 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 statement of income. The gratuity liability is neither funded nor actuarially valued. This item is grouped under “Other liabilities” in the Statements of Financial Position.

##### *Severance*

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 (amended to one-week severance after five years and two weeks’ severance after ten years by the Labour (Amendment) Act on May 5, 2011) in addition to retirement benefits in accordance with the Central Bank of Belize Pension Scheme Trust Deed and Rules.

- m. Sale of collectible coins – Collectible 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. As of January 1, 2011, new purchases of special coins are held as inventory and are charged against income when they are sold.
- n. 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.

##### *Assets and liabilities*

Foreign currency balances at the statements of financial position date are translated at the rates of exchange ruling at that date.

##### *Income and expenses*

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

##### *Revaluation*

Section 50 of the Central Bank of Belize 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.



# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- n. Foreign currency translation and exchange gains and losses (continued)  
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 21) when the Revaluation Account shows a net loss, but is first credited to the Revaluation Account in an amount sufficient to cover the loss.
- o. 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.
- p. Accrued interest and cash in-transit – Accrued interest and cash in-transit in respect of foreign assets are shown as part of external assets.
- q. 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.
- r. Segment reporting – Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the Board of Directors as its chief operating decision maker. The Bank has one operating segment for financial reporting purposes.

### 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.

Management has developed internal controls to ensure compliance with the law. As at December 31, the Bank was in compliance as the value of total assets was \$1,186,505,674 (2015: \$1,171,271,015) while the value of notes and coins in circulation was \$369,502,797 (2015: \$345,080,494).

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 sights and time deposits.

Management has developed internal controls to ensure compliance with the law. At December 31, 2016 and 2015 total approved external assets approximated 70.0 percent and 82.0 percent of such liabilities respectively.

### 4. SIGNIFICANT NON-CASH TRANSACTIONS

During the year, the Bank experienced revaluation losses of \$770,779 (2015: \$839,651 loss) on its foreign currency balances and IMF funds. In addition, Central Bank Amendment Act No. 19 of 2016 allows an increase of the Bank's paid up capital to a maximum of \$20,000,000. Consequently, \$9,809,790 of the Bank's profit for the year ended December 31, 2016 was allocated to the Bank's paid up capital thereby increasing it to \$19,809,790.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 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, 2016, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000. The Reserve Tranche amounted to SDR 6,213,690 (2015: 4,238,690) and the IMF's currency holdings amounted to SDR 20,026,064 (2015: 20,023,004) respectively. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ\$2.68866 to SDR 1.0 at December 31 (2015: BZ\$2.77146 to SDR 1.0).

### 6. OTHER FOREIGN CREDIT INSTRUMENTS

	<u>2016</u>	<u>2015</u>
<b>At December 31, these instruments comprised of:</b>		
Fixed Deposits	\$521,429,448	\$449,621,052
Overnight Deposits	<u>76,669,225</u>	<u>196,104,799</u>
	<u>\$598,098,673</u>	<u>\$645,725,851</u>

### 7. ACCRUED INTEREST AND CASH-IN-TRANSIT

	<u>2016</u>	<u>2015</u>
Accrued Interest	\$3,515,983	\$2,896,163
Cash-in-Transit	<u>515,529</u>	<u>552,604</u>
	<u>\$4,031,512</u>	<u>\$3,448,767</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 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>2016</u>	<u>2015</u>
US Treasury Notes	\$44,000,000	\$ 64,000,000
Debentures	2,000,000	2,000,000
Bonds	<u>13,428,571</u>	<u>74,571,429</u>
	<u>\$59,428,571</u>	<u>\$140,571,429</u>

### 9. BELIZE GOVERNMENT SECURITIES

As at December 31, holdings of Belize Government securities consist of:

	<u>2016</u>	<u>2015</u>
Treasury Bills	\$ 51,792,075	\$ 24,996,323
Treasury Notes	<u>270,477,150</u>	<u>157,026,150</u>
	<u>\$322,269,225</u>	<u>\$182,022,473</u>

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

	<u>2016</u>	<u>2015</u>
Due within 1 year	\$ 88,093,225	\$ 70,758,323
Due within 1 year through 5 years	72,277,000	86,265,150
Due within 5 years through 10 years	<u>161,899,000</u>	<u>24,999,000</u>
	<u>\$322,269,225</u>	<u>\$182,022,473</u>

Section 35(2) of the Central Bank of Belize 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, ten times in March 2010 and twenty times in October 2016. Management has developed internal controls to ensure compliance with the law. At December 31, 2016 the Bank's aggregate holding of Belize Government securities approximated 7.7 times (2015: 6.00), respectively, the amount of paid up capital and general reserves of the Bank.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 10. GOVERNMENT CURRENT ACCOUNT

The Central Bank of Belize (Amendment) Act 2010 section 4 specifies that such advances shall not exceed eight and one half percent of the current revenues of the Government of Belize collected during the preceding financial year. At December 31, 2016, the Bank was in compliance since advances to the Government of Belize totaled \$48,220,569.00 which is 58% of \$82,766,117 which represents eight and one half percent of the Government's revenues collected during April 1, 2015 and March 31, 2016. (2015 - \$55,881,771.00 being 69% of \$81,274,006.00)

### 11. OTHER ASSETS

	<u>2016</u>	<u>2015</u>
Other assets consist of:		
Accounts receivable	\$ 106,773	\$ 156,475
Bond premium	-	1,548
Dividends receivable	1,120,000	-
Inventory of circulation notes and coins	4,084,590	4,662,240
Other	387,225	336,763
Prepayments and accrued interest	8,178,190	4,651,462
Collectible coins inventory	1,127,963	1,137,267
Staff loans receivable	<u>4,188,139</u>	<u>4,343,121</u>
	19,192,880	15,288,876
Less impairment for doubtful receivables and amortization of museum endowment fund:	<u>(26,330)</u>	<u>(23,341)</u>
	<u>\$19,166,550</u>	<u>\$15,265,535</u>
Impairment for doubtful receivables and amortization:	<u>2016</u>	<u>2015</u>
Beginning balance, January 1	\$ 23,341	\$ 19,942
Additional impairment and amortization	12,704	3,399
Write-offs	<u>(9,715)</u>	<u>-</u>
Ending balance, December 31	<u>\$ 26,330</u>	<u>\$ 23,341</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

### 12. EQUITY INSTRUMENTS

The investment represents the Bank's investment of 4,000,000 shares in Belize Telemedia Limited at a value of \$5.00 per share totaling \$20,000,000. Share certificates numbered 3165, 3166, 3167, 2668 and 2669 dated June 17, 2011 for 800,000 each have been received by the Bank. The Bank is committed not to dispose of the shares for at least four years after the date of purchase under a "Share Purchase" agreement. Thereafter the Bank can dispose of the shares at the rate of one million shares per annum. If the Bank chooses to sell the shares, it shall offer the Government of Belize the right of the first refusal and the right to object to any buyer before concluding the sale of any of the shares. Belize Telemedia Limited declared dividends of \$0.28 per share to shareholders on record on September 30, 2016.

### 13. PROPERTY AND EQUIPMENT

Cost	Property	Furniture	Equipment	Vehicles	Work in Progress	Total
Balance at, January 1, 2016	\$30,926,558	\$1,511,887	\$ 8,701,160	\$374,860	\$ 4,215	\$41,518,680
Additions	117,572	79,801	2,644,084	277,515	24,424	3,143,396
Disposals	-	(2,390)	(17,895)	-	-	(20,285)
Transfers	-	-	4,215	-	(4,215)	-
Balance at, December 31, 2016	31,044,130	1,589,298	11,331,564	652,375	24,424	44,641,791
<b>Accumulated depreciation</b>						
Balance at January 1, 2016	4,842,787	1,253,674	6,188,531	332,953	-	12,617,945
Depreciation charge for the year	322,485	53,493	677,931	46,559	-	1,100,468
Disposal	-	(2,390)	(15,990)	-	-	(18,380)
Balance at, December 31, 2016	5,165,272	1,304,777	6,850,472	379,512	-	13,700,033
<b>Net book value</b>						
<b>December 31, 2016</b>	<b>\$25,878,858</b>	<b>\$ 284,521</b>	<b>\$ 4,481,094</b>	<b>\$272,863</b>	<b>\$24,424</b>	<b>\$30,941,760</b>
December 31, 2015	\$26,083,771	\$ 258,213	\$ 2,512,629	\$ 41,907	\$ 4,215	\$28,900,735

### 14. INTANGIBLE ASSETS

Cost	Intangible Assets	Work in Progress	Total
Balance at, January 1	\$1,923,228	\$125,603	\$2,048,831
Additions	3,481,440	143,772	3,625,212
Transfers	269,375	(269,375)	-
Balance at, December 31	5,674,043	-	5,674,043
<b>Accumulated Depreciation</b>			
Balance at, January 1	779,392	-	779,392
Amortization charge for the year	297,042	-	297,042
Balance at, December 31	1,076,434	-	1,076,434
<b>Net Book Value</b>			
December 31, 2016	<b>\$4,597,609</b>	<b>\$ -</b>	<b>\$4,597,609</b>
December 31, 2015, restated	\$1,143,836	\$125,603	\$1,269,439

Intangible assets primarily comprise of qualifying computer software and related costs.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 15. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 39 of the Domestic Banks and Financial Institutions Act (No. 11 of 2012 licensed –financial institutions are required to keep deposits with the Bank, equivalent to at least 8.5% of their average deposit liabilities.

### 16. DEPOSITS BY INTERNATIONAL AGENCIES

The Bank acts as an agent for and accepts deposits from international financial agencies. At December 31, deposits consisted of:

	<u>2016</u>	<u>2015</u>
Caribbean Development Bank	\$ 476,514	\$ 415,470
International Monetary Fund	181,974	132,842
Inter-American Development Bank	897,175	897,175
Int'l Bank for Reconstruction & Development	<u>29,740</u>	<u>29,740</u>
	<u>\$1,585,403</u>	<u>\$1,475,227</u>

### 17. OTHER LIABILITIES

	<u>2016</u>	<u>2015</u>
Severance and gratuities	\$ 2,390,185	\$ 2,007,873
Other staff costs payable	729,364	1,181,468
Abandoned property	6,364,389	5,084,443
License international offshore financial institutions*	16,312,481	14,694,714
Deferred income	722,815	657,225
Accounts payable	592,320	1,678,419
Unclaimed balances of Belize Unit Trust	46,388	46,388
Bond discount	884,726	130,660
Belize City Municipal Bonds – Sinking Fund	694,138	1,683,248
Corozal Freezone Municipal Bonds – Sinking Funds	<u>178,073</u>	<u>-</u>
	<u>\$28,914,879</u>	<u>\$27,164,438</u>

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

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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#### 18. IMF SDR ALLOCATIONS

	<u>2016</u>	<u>2015</u>
A general allocation of Special Drawing Rights (SDRs) equivalent to approximately USD \$250 billion became effective on August 28, 2009. The allocation is designed to provide liquidity to the global economic system by supplementing the Fund's member countries' foreign exchange reserves. The general SDR allocation was made to IMF members that are participants in the Special Drawing Rights Department (currently all 186 members) in proportion to their existing quotas in the Fund, which are based broadly on their relative size in the global economy. The Quota for the country of Belize is SDR 18,800,000 million. Based on this quota, the Bank received allocations of SDR 17,890,000. At December 31, 2016, the SDR's were revalued at SDR 2.688664 to BZD \$1.00 (2015: 2.77146 to BZD \$1.00).		
Interest payable on the facility	<u>\$48,111,639</u>	\$49,593,212
	<u>17,308</u>	4,134
	<u>\$48,128,947</u>	<u>\$49,597,346</u>

#### 19. 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 was repayable within 25 years with a grace period of 9-12 years and 31 equal semi-annual principal payments for 15 ½ years. Final payment to USAID was made in 2009.

In October 2009, the Bank approved a new 10-year discount facility, amount of \$1,465,000 at 2% interest per annum, to the Development Finance Corporation.

	<u>2016</u>	<u>2015</u>
Loans receivable from institution	\$ (695,419)	\$ (841,680)
Interest paid to USAID	(2,311,316)	(2,311,316)
Interest received from institution	<u>3,930,118</u>	<u>3,914,012</u>
	<u>\$ 923,383</u>	<u>\$ 761,016</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 20. CAPITAL ACCOUNT

	<u>2016</u>	<u>2015</u>
<b>Authorized and issued share capital</b>		
Authorized	<b>\$20,000,000</b>	\$10,000,000
Issued paid up capital as at December 31,	<b>\$19,809,790</b>	\$10,000,000

Central Bank of Belize Amendment Act No. 19 of 2016 amends section 8 of the principal Act on October 12, 2016 to stipulate that an increase in the authorised capital or paid up capital, as the case may be, shall be paid from the retention of the share of the net profits of the Bank that would have otherwise been paid into the Consolidated Revenue fund until such time as the increase in capital is fully paid up. Consequently, \$9,809,790 of the Bank's profit for the year ended December 31, 2016 was allocated to the Bank's paid up capital thereby increasing it to \$19,809,790.

### 21. REVALUATION ACCOUNT

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

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	<b>\$1,738,817</b>	\$2,578,468
Loss from revaluation	<b><u>(770,779)</u></b>	<u>(839,651)</u>
Balance at end of year	<b><u>\$ 968,038</u></b>	<u>\$1,738,817</u>

### 22. GENERAL RESERVE FUND

Section 9. -(1) of the principal acts stipulates that the Bank shall establish a General Reserve Fund into which shall be paid twenty per cent of the net profit made by the Bank during each financial year and the remainder of such profit after deducting any sum paid into reserve under this subsection shall be paid by the Bank to the Accountant General for the Consolidated Revenue Fund. Provided that whenever the General Reserve Fund is equal to or exceeds the amount of the paid up capital of the Bank, ten percent of the net profit of the Bank shall be paid into the General Reserve Fund and the remainder shall be paid by the Bank to the Accountant General for the Consolidated Revenue Fund. As at December 31, 2015, the Bank's General Reserve Fund was at \$21,204,102 which exceeded the paid up capital at December 31, 2016 of \$19,809,790. Therefore, a transfer from the net profit of 10% was made as shown below. The remainder was transferred to the paid up capital of the Bank in accordance with the Central Bank of Belize Amendment Act No. 19 of 2016 (See also note 20).

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	<b>\$21,204,102</b>	\$20,328,862
Transfer from net profit	<b><u>1,089,977</u></b>	<u>875,240</u>
Balance at end of year	<b><u>\$22,294,079</u></b>	<u>\$21,204,102</u>



# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

#### 23. INTEREST ON APPROVED EXTERNAL ASSETS

	<u>2016</u>	<u>2015</u>
Interest earned on overnight deposits	\$ 393,759	\$ 130,504
Interest earned on marketable securities	1,566,781	3,801,296
Interest earned on balances and deposits with foreign bankers	<u>5,412,056</u>	<u>3,409,265</u>
	<u>\$7,372,596</u>	<u>\$7,341,065</u>

#### 24. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

Expense recognized for employee benefits is analyzed below:

	<u>2016</u>	<u>2015</u>
Current service cost	\$ 720,746	\$ -
Net interest defined benefit plan	119,782	-
Pensions contributions	424,788	717,016
Salaries and wages	10,099,494	9,668,749
Social security costs	<u>147,782</u>	<u>142,996</u>
Employee benefits expense	<u>\$11,512,592</u>	<u>\$10,528,761</u>

#### 25. ADMINISTRATIVE AND GENERAL EXPENSES

	<u>2016</u>	<u>2015</u>
Advertising	\$ 49,587	\$ 76,691
Audit fees	65,000	65,250
Amortization and impairment of other assets	12,704	3,399
Bank charges	134,378	111,308
Bank publications	43,813	32,946
Books and publication	16,074	21,988
Building repairs and maintenance	452,082	443,772
Cash shipment	3,832	3,979
Computer software license	294,929	197,287
Directors' fees	92,429	91,774
Donations	49,530	57,407
Entertainment	10,872	9,485
Equipment maintenance	55,050	24,438
Firearm license and ammunition	5,399	9,914
Freight charges	39,173	37,095
Hurricane preparedness	13,184	22,358
Insurance expense	106,452	107,407
Legal fees	199,879	34,950
Membership fees	142,122	83,544
Motor vehicle	69,203	63,115
Other miscellaneous expense	193,858	254,238
Overseas meeting and conferences	220,554	283,405
Professional services and technical support	1,265,183	542,812
Small equipment purchases	13,334	28,397
Subscriptions	82,302	49,080
Supplies	312,278	212,113
Surveys	223,366	243,457
Travel (local)	34,075	38,024
Utilities expense	<u>778,794</u>	<u>847,751</u>
	<u>\$4,979,436</u>	<u>\$3,997,384</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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#### 26. REVALUATION – ASSET

Historical and contemporary pictures and painting were revaluated in 2009 by independent appraiser, Carlos Bardalez, of Belize City whose report is dated November 9, 2009.

#### 27. DEFINED BENEFIT PLAN NET OBLIGATIONS

The Bank operates a defined benefit pension scheme which receives contributions from the Bank and its eligible employees. The scheme is financially separate from the Bank and is managed by a Board of Trustees. Under the plan, the employees are entitled to annual retirement benefits capped at a maximum of 66 percent of final pensionable salary on attainment of the retirement age of 60. In addition, the Bank provides an optional post-retirement medical benefit.

During the year under review, the Bank contributed \$424,788 (2015: \$717,016) to the scheme.

An asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized remeasurements and past service costs. The defined benefit obligation is calculated by independent actuaries a minimum of once every three years using the projected unit cost method. Remeasurements are recognised in full in the year in which they occur within other comprehensive income.

The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related liability. Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

<b>Significant actuarial assumptions used in the valuation were:</b>	<b><u>2014</u></b>	<b><u>2015</u></b>
I. Discount rate at the end of year (pa)	5.0%	5.0%
II. Future salary increases (pa)	3.5%	3.5%
III. Future pension increases (pa)	0.0%	0.0%

The Bank has performed an actuarial valuation on its defined benefit pension scheme for the year ended December 31, 2015. The results of the valuation are captured below:

#### **Reconciliation of actuarial losses as at December 31, 2014:**

Surplus as at December 31, 2012	\$ 3,341,174
Fair value of the plan assets	18,113,646
Present value of defined benefit obligation	(19,542,000)
Non-current pension liability as at December 31, 2014	(1,428,354)
Actuarial losses as at December 31, 2014	<b>(4,769,528)</b>

#### **Presentation of Actuarial losses as at December 31, 2014:**

Amounts to recognize in Statement of Financial Position:	
Non-current pension liability as at December 31, 2014	(1,428,354)
Amounts to recognize in Statement of Other Comprehensive Income:	
Remeasurement losses	(4,769,528)

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

### 27. DEFINED BENEFIT PLAN NET OBLIGATIONS (Continued)

#### Reconciliation of actuarial losses as at December 31, 2015:

Present value of the obligation at start of year	\$19,542,000
Interest cost	1,023,470
Current service cost	1,213,834
Benefits paid	(572,872)
Remeasurement gain on obligation through OCI	(1,339,432)
Present value of the obligation at end of year	<u>19,867,000</u>

Fair value of the plan assets at start of year	18,113,646
Interest income on plan assets	903,688
Contributions	493,088
Benefits paid	(572,872)
Remeasurement gain on assets through OCI	51,595
Fair value of the plan assets at end of year	<u>18,989,145</u>

Net change in non-current pension liability for year ended December 31, 2015	<u><u>877,855</u></u>
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Non-current pension liability January 1, 2015	1,428,354
Net interest cost	119,782
Current service cost	1,101,762
Contributions to the pension as per actuarial report	(381,016)
Remeasurement gain on obligation through OCI	(1,339,432)
Remeasurement gain on assets through OCI	(51,595)
<b>Non-current pension liability December 31, 2015</b>	<u><u>877,855</u></u>

#### Reconciliation of pension reserve:

Reserve as at December 31, 2012	3,341,174
Actuarial losses December 31, 2014	(4,769,528)
Remeasurement gain on obligation through OCI	1,339,432
Remeasurement gain on assets through OCI	51,595
	<u>(3,378,501)</u>

<b>Reserve as at December 31, 2015</b>	<u><u>\$ (37,327)</u></u>
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# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

### 27. DEFINED BENEFIT PLAN NET OBLIGATIONS (Continued)

#### Post-retirement Medical Benefit:

The Bank provides post-retirement medical benefits to its retirees. The entitlement to these benefits is available to employees who retire at normal retirement age (NRA) and to those who opt for early retirement. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The last actuarial valuation of this benefit was recognized as at December 31, 2012 which resulted in actuarial gains of \$117,707 and reduced the obligations as at that date as follows:

	<u>2012</u>
<b>Liability to be recognized in the Statement of Financial Position:</b>	
Present value of the obligation	\$1,940,000
Fair value of the plan assets	-
Net obligation	1,940,000
Actuarial gains	<u>(117,707)</u>
Liability recognized in the statement of financial position for the pension at December 31, 2012	<u>\$1,822,293</u>

### 28. RELATED PARTY TRANSACTIONS

#### 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). At December 31, the number of key management personnel was 18 (2015: 18).

Transactions with key management personnel:

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

#### Benefits

	<u>2016</u>	<u>2015</u>
Short-term benefits	\$2,319,501	\$2,091,247
Post-employment benefits	51,390	39,668
Termination benefits	<u>478,511</u>	<u>456,269</u>
	<u>\$2,849,402</u>	<u>\$2,587,184</u>

- b. Loans and advances to directors and key management:

#### Loans and advances

As at December 31 an amount of \$640,857 (2015: \$542,952) was receivable from key management personnel as approved advances made by the Bank. No impairment has been recognized in respect of loans given to related parties. The Bank has 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, 2016 AND 2015 (IN BELIZE DOLLARS)

### 28. RELATED PARTY TRANSACTIONS (Continued)

Transactions with the Government include:

- 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.
- Acting as the agent of the government, its agencies, and institutions, the Bank provides guarantees, and participates in loans to government and related institutions.
- 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.
- Acting as the agent of government, the Bank issues government securities, purchases unsubscribed portions of any issue and amounts set aside for the Bank.
- As the agent of the government, the Bank manages public debt and foreign reserves.

Transactions with the Government during the year are quantified below:

	Social Security Board	Development Finance Corporation	SSB Mortgage Securitization Proceeds	DFC Mortgage Securitization Proceeds	Financial Intelligence Unit	Belize Tourism Board	Belize Electricity Ltd.	National Bank of Belize Ltd.	BCC Sinking Fund Account	SSB Deposit Account	International Financial Services Commission	Government Current Account
Opening Balances	\$ (149)	\$ (781,520)	\$(428,771)	\$(5,447)	\$ (5,189)	\$ (297,496)	\$(24,917)	\$ (9,318,275)	\$(1,683,247)	\$(1,118)	\$ -	\$ 55,881,774
Disbursements	53,000	8,760,597	458,809	-	1,914,333	6,924,084	-	34,880,606	6,723,953	-	-	1,592,735,845
Deposits	(70,554)	(8,481,150)	(30,405)	-	(2,109,801)	(7,139,779)	-	(36,164,417)	(5,734,844)	-	(13,996,372)	(1,600,397,050)
Closing Balances	<b>\$(17,703)</b>	<b>\$ (502,073)</b>	<b>\$ (367)</b>	<b>\$(5,447)</b>	<b>\$ (200,657)</b>	<b>\$ (513,191)</b>	<b>\$(24,917)</b>	<b>\$(10,602,086)</b>	<b>\$ (694,138)</b>	<b>\$(1,118)</b>	<b>\$(13,996,372)</b>	<b>\$ 48,220,569</b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

### 29. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortized cost. The principle accounting policies on Note 2d describe how financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

At December 31, 2016	Financial assets at fair value through profit or loss	Financial assets at amortized costs	Financial assets at fair value through other comprehensive income	Total
<b>Assets:</b>				
Balances and deposits with foreign bankers (undiscounted)	\$ -	\$ -	\$ 8,995,178	\$ 8,995,178
Reserve Tranche and balances with the International Monetary Fund (undiscounted)	-	-	70,493,178	70,493,178
Other foreign credit instruments (undiscounted)	-	598,098,673	-	598,098,673
Accrued interest and cash transit (undiscounted)	-	4,031,512	-	4,031,512
Marketable securities issued or guaranteed by foreign government and international institutions	-	59,428,571	-	59,428,571
Balances with local bankers and cash on hand (undiscounted)	-	262,849	-	262,849
Government of Belize securities	-	322,269,225	-	322,269,225
Equity instruments (undiscounted)	20,000,000	-	-	20,000,000
Government Current Account (undiscounted)	-	48,220,569	-	48,220,569
Accrued interest and cash-in-transit	-	4,031,512	-	4,031,512
Other assets (undiscounted)	-	7,343,614	-	7,343,614
<b>Total financial assets</b>	<b><u>\$20,000,000</u></b>	<b><u>\$1,043,686,525</u></b>	<b><u>\$79,488,356</u></b>	<b><u>\$1,143,174,881</u></b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

### 29. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (Continued)

At December 31, 2016

	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	Total
<b><u>Liabilities:</u></b>			
Notes and coins in circulation (undiscounted)	\$ 369,502,797	\$ -	\$369,502,797
Deposits by licensed financial institutions (undiscounted)	624,817,243	-	624,817,243
Deposits by and balances due to Government and public sector entities in Belize (undiscounted)	68,608,100	-	68,608,100
Deposits by international agencies (undiscounted)	1,585,403	-	1,585,403
Balances due to CARICOM central banks (undiscounted)	9,056	-	9,056
Other liabilities (undiscounted)	28,914,879	-	28,914,879
Defined benefit plan net obligation	-	877,855	877,855
IMF SDR allocations (undiscounted)	-	48,128,947	48,128,947
Commercial bank discount fund (undiscounted)	<u>923,383</u>	<u>-</u>	<u>923,383</u>
<b>Total financial liabilities</b>	<b><u>\$1,094,360,861</u></b>	<b><u>\$49,006,802</u></b>	<b><u>\$1,143,367,663</u></b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

### 29. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (Continued)

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortized cost. The principle accounting policies on Note 2d describe how financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

At December 31, 2015	Financial assets at fair value through profit or loss	Financial assets at amortized costs	Financial assets at fair value through other comprehensive income	Total
<b>Assets:</b>				
Balances and deposits with foreign bankers (undiscounted)	\$ -	\$ -	\$ 7,464,307	\$ 7,464,307
Reserve Tranche and balances with the International Monetary Fund (undiscounted)	-	-	67,181,865	67,181,865
Other foreign credit instruments (undiscounted)	-	645,725,851	-	645,725,851
Accrued interest and cash transit (undiscounted)	-	3,448,767	-	3,448,767
Marketable securities issued or guaranteed by foreign government and international institutions	-	140,571,429	-	140,571,429
Balances with local bankers and cash on hand (undiscounted)	-	197,666	-	197,666
Government of Belize securities	-	182,022,473	-	182,022,473
Equity instruments (undiscounted)	20,000,000	-	-	20,000,000
Government Current Account (undiscounted)	-	55,881,774	-	55,881,774
Defined benefit plan net asset	-	-	3,341,174	3,341,174
Accrued interest and cash-in-transit	-	3,448,767	-	3,448,767
Other assets (undiscounted)	-	6,367,237	-	6,367,237
<b>Total financial assets</b>	<b><u>\$20,000,000</u></b>	<b><u>\$1,037,663,964</u></b>	<b><u>\$77,987,346</u></b>	<b><u>\$1,135,651,310</u></b>



# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 29. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (Continued)

At December 31, 2015

	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	Total
<b><u>Liabilities:</u></b>			
Notes and coins in circulation (undiscounted)	\$ 345,080,494	\$ -	\$345,080,494
Deposits by licensed financial institutions (undiscounted)	662,481,324	-	662,481,324
Deposits by and balances due to Government and public sector entities in Belize (undiscounted)	47,897,458	-	47,897,458
Deposits by international agencies (undiscounted)	1,475,227	-	1,475,227
Balances due to CARICOM central banks (undiscounted)	426,188	-	426,188
Other liabilities (undiscounted)	27,166,978	-	27,166,978
IMF SDR allocations (undiscounted)	-	49,597,346	49,597,346
Commercial bank discount fund (undiscounted)	<u>761,016</u>	<u>-</u>	<u>761,016</u>
<b>Total financial liabilities</b>	<b><u>\$1,085,288,685</u></b>	<b><u>\$49,597,346</u></b>	<b><u>\$1,134,886,031</u></b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

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### 30. 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 financial assets, for example in the investment of the Bank's own funds and in the course of the banking services it provides to its customers.

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 categorized by geographical regions as of December 31, 2016. In Schedule 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:

<b>Balance &amp; Money at Call</b>	<b>USA</b>	<b>UK</b>	<b>Canada</b>	<b>Germany</b>	<b>Total</b>
Depository Accounts & Money at Call	\$ 6,452,241	\$ 2,412,612	\$130,325	\$ -	\$ 8,995,178
Overnight Deposits	76,669,225	-	-	-	76,669,225
Fixed Deposits	314,108,351	117,235,153	-	90,085,944	521,429,448
<b>Total Exposure</b>	<b>\$397,229,817</b>	<b>\$119,647,765</b>	<b>\$130,325</b>	<b>\$90,085,944</b>	<b>\$607,093,851</b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

### 30. FINANCIAL RISK MANAGEMENT (Continued)

Schedule B  
Outline of other Local and Foreign Investments

Securities	Local		Foreign		
	GOB	Barbados	Dominica	IBRD/SEK	US
Treasury Bills	\$ 51,792,075	\$ -	\$ -	\$ -	\$ -
Treasury Notes	270,477,150	-	-	-	44,000,000
Bonds	-	3,428,571	-	-	-
Debentures	-	-	2,000,000	10,000,000	-
<b>Total Exposure</b>	<b>\$322,269,225</b>	<b>\$3,428,571</b>	<b>\$2,000,000</b>	<b>\$10,000,000</b>	<b>\$44,000,000</b>

IFRS 7 also requires the Bank to include additional disclosures for credit risk as it relates to the following:

- maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired, and information about credit quality of financial assets whose terms have been renegotiated, if any;
- information about collateral or other credit enhancements obtained or called; and
- for financial assets that are past due or impaired, analytical disclosures are required.

These disclosures have been reflected as follows for staff loans amounting to \$4,188,139.

Loan type	Principal outstanding	Collateral	
	December 31, 2016	Appraised value	Stamped value
Mortgage loans	\$2,972,556	\$6,705,556	\$4,084,180
Consumer loans	1,215,583	107,000	88,167
	<b>\$4,188,139</b>	<b>\$6,812,556</b>	<b>\$4,172,347</b>

The staff loan portfolio is not impaired due to the Bank's ability to collect while persons are employed by the Bank. Upon separation and in the rare case that an obligation remains, the balance is moved to accounts receivable. Upon any event indicating possible non-recovery of that accounts receivable the balance is impaired.

#### 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.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

### 30. FINANCIAL RISK MANAGEMENT (Continued)

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
	<u>2016</u>	<u>2015</u>
Depository Accounts & Money at Call	3.83%	0.08%
Overnight Deposits	0.18%	0.07%
Fixed Deposits	1.16%	0.67%
Notes/Bonds	3.18%	2.06%
Debentures	3.50%	3.50%

#### 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 since a significant portion of its external assets are held in US funds and in SDR funds necessary to meet Belize's quota with the IMF, SDR Loan and Allocation obligations. Other external asset funds are kept at a minimum.

The table below indicates the different fund allocations as of December 31, 2016:

	FOREIGN CURRENCY	YEAR-END RATE	BELIZE DOLLAR VALUE
Euro Fund	\$ (231,074)	\$2.11000	\$ (487,058)
Canadian Fund	(89,580)	1.48660	(133,170)
SDR Fund	(44,189,799)	2.68866	(118,811,344)
USD Fund	(337,813,580)	2.00000	(675,627,160)
Sterling Fund	(530,267)	2.46980	(1,309,653)
BZ\$ Fund	795,597,606	1.00000	795,597,606
<b>Current Year Revaluation Loss</b>			<b>\$ (770,779)</b>
			<b>BELIZE DOLLAR VALUE</b>
Revaluation balance, January 1			\$1,738,817
Decrease in revaluation			(770,779)
Revaluation balance, December 31			<b>\$ 968,038</b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

### 30. FINANCIAL RISK MANAGEMENT (Continued)

#### Liquidity risk

IFRS 7 requires an analysis of the Bank's assets and liabilities at the Statements of Financial Position 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 statements of financial position date to the contractual maturity date.

<u>Asset Type</u>	<u>1 Month</u> \$	<u>1-3 Months</u> \$	<u>3-6 Months</u> \$	<u>6-12 Months</u> \$	<u>1-5 Years</u> \$	<u>Over 5 Years</u> \$
Balances with local bankers and cash on hand	262,849	-	-	-	-	-
Depository Accounts & Money at Call	8,995,178	-	-	-	-	-
Fixed Deposits	100,651,958	163,510,613	-	257,266,876	-	-
Overnight Deposits	76,669,225	-	-	-	-	-
Treasury Bills	20,000,000	31,800,000	-	-	-	-
Treasury Notes	-	-	-	36,293,225	72,277,000	161,899,000
Bonds	-	-	-	-	3,428,571	54,000,000
Debentures	-	-	-	-	-	2,000,000
Equity instruments	-	-	-	-	-	20,000,000
	<b>206,579,210</b>	<b>195,310,613</b>	<b>-</b>	<b>293,560,101</b>	<b>75,705,571</b>	<b>237,899,000</b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)

### 30. FINANCIAL RISK MANAGEMENT (Continued)

<u>Liability Type</u>	<u>1 Month</u>	<u>1-3 Months</u>	<u>3-6 Months</u>	<u>6-12 Months</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>
	\$	\$	\$	\$	\$	\$
Deposits by licensed financial institutions	-	-	-	624,817,243	-	-
Deposits by and balances due to Government and public sector entities in Belize	-	68,608,100	-	-	-	-
Deposits by international agencies	-	1,585,403	-	-	-	-
Balances due to CARICOM Central Banks	9,056	-	-	-	-	-
Commercial Bank discount fund	-	-	-	-	-	923,383
Other liabilities	-	28,914,879	-	-	-	-
IMF SDR Allocations	-	-	-	-	-	48,128,947
	<b>9,056</b>	<b>99,108,382</b>	<b>-</b>	<b>624,817,243</b>	<b>-</b>	<b>49,052,330</b>
	<b>206,570,154</b>	<b>96,202,231</b>	<b>-</b>	<b>(331,257,142)</b>	<b>75,705,571</b>	<b>188,846,670</b>

#### 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.

### 31. SUBSEQUENT EVENTS

On March 31, 2017, the Government of Belize passed an amendment to section 35(2) of the Central Bank of Belize Act Chapter 262 to raise the amount of local treasury notes or securities that the Bank can hold at any one time from 20 times the aggregate amount of the paid up capital and general reserves to 30 times. The new amendment has no current impact on the financial statements of the Bank.

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