

# ***Central Bank of Belize***

***Financial Statements for the Years  
Ended December 31, 2010 and 2009 and  
Independent Auditors' Report***

## **CENTRAL BANK OF BELIZE**

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## INDEPENDENT AUDITORS' REPORT

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of Central Bank of Belize, which comprise the statements of financial position as of December 31, 2010 and 2009, the statements of income, statements of other comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

**Independent Correspondent Firm to Deloitte Touche Tohmatsu**

**Independent Auditors' Report**

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Bank of Belize as of December 31, 2010 and 2009, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the Central Bank of Belize Act.

*Castillo Sanchez & Gurrell, LLP*  
**Chartered Accountants**  
**February 11, 2011**

**CENTRAL BANK OF BELIZE**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**




<b>ASSETS</b>	<b><u>Notes</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
APPROVED EXTERNAL ASSETS:			
Balances and deposits with foreign bankers	4	\$ 8,295,505	\$ 7,713,848
Reserve Tranche and balances with the International Monetary Fund	5	74,972,141	76,459,976
Other foreign credits instruments	6	302,376,042	304,062,057
Accrued interest and cash-in-transit	2n,7	11,884,149	1,355,798
Marketable securities issued or guaranteed by foreign government and international financial institutions	8	<u>34,100,000</u>	<u>30,000,000</u>
		<b>431,627,837</b>	419,591,679
BELIZE GOVERNMENT SECURITIES	9	<b>119,005,134</b>	45,253,945
BELIZE GOVERNMENT CURRENT ACCOUNT	10	<b>33,045,643</b>	118,434,064
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		<b>217,018</b>	181,085
OTHER ASSETS	11	<b>11,975,274</b>	10,020,026
POST EMPLOYMENT OBLIGATIONS	24	<b>4,048,955</b>	2,053,000
PROPERTY AND EQUIPMENT	2i,12	<u>28,474,976</u>	<u>28,853,155</u>
<b>TOTAL ASSETS</b>		<b><u>\$628,394,837</u></b>	<b><u>\$624,386,954</u></b>

**CENTRAL BANK OF BELIZE**

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)  
DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

<b>LIABILITIES, CAPITAL AND RESERVES</b>	<b><u>Notes</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>DEMAND LIABILITIES:</b>			
Notes and coins in circulation		<b>\$191,602,557</b>	\$191,973,186
Deposits by licensed financial institutions	13	<b>223,568,961</b>	235,529,608*
Deposits by and balances due to Government and Public sector entities in Belize		<b>97,573,516</b>	84,997,541
Deposits by international agencies	14	<u>2,000,145</u>	<u>887,061</u>
		<b>514,745,179</b>	513,387,396
 BALANCES DUE TO CARICOM CENTRAL BANKS		<b>1,080,127</b>	172,387
OTHER LIABILITIES	15	<b>6,944,982</b>	4,985,460
LOANS FROM FOREIGN INSTITUTIONS	16	<b>14,509,390</b>	14,767,575
IMF SDR ALLOCATIONS	17	<b>55,148,814</b>	56,128,415
COMMERCIAL BANKS' DISCOUNT FUND	18	<u>15,916</u>	<u>978,918</u>
<b>TOTAL LIABILITIES</b>		<b>592,444,408</b>	590,420,151
<b>CAPITAL ACCOUNT</b>			
Paid - up capital (Authorized capital \$10,000,000)		<b>10,000,000</b>	10,000,000
REVALUATION ACCOUNT	19	<b>3,552,091</b>	3,675,536
ASSET REVALUATION RESERVE		<b>102,235</b>	102,235
POST EMPLOYMENT OBLIGATION RESERVE	24	<b>4,048,955</b>	2,053,000
GENERAL RESERVE	20	<u>18,247,148</u>	<u>18,136,032</u>
<b>TOTAL LIABILITIES, CAPITAL AND RESERVES</b>		<b><u>\$628,394,837</u></b>	<b><u>\$624,386,954</u></b>

The financial statements on pages 3 to 9 were approved and authorized for issue by the Board of Directors on February 21, 2011 and are signed on its behalf by:

 ) GOVERNOR  
 ) DIRECTOR  
 ) DEPUTY GOVERNOR,  
 OPERATIONS

\* Reclassified for comparative purposes.

The notes on pages 10 to 37 are an integral part of these financial statements.



**CENTRAL BANK OF BELIZE**

**STATEMENTS OF INCOME**

**YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
<b>Continuing operations</b>			
<b>INTEREST INCOME:</b>			
Approved external assets	21	\$ 3,583,440	\$ 3,343,608
Advances to Government		6,071,864	13,321,839
Local securities		<u>4,634,162</u>	<u>3,940,232</u>
		14,289,466	20,605,679
Discount on local securities		407,977	287,449
Commissions and other income		<u>1,763,722</u>	<u>1,629,780</u>
<b>Total income</b>		<b>16,461,165</b>	<b>22,522,908</b>
LESS: Interest expense		<u>(1,559,643)</u>	<u>(2,080,404)</u>
<b>Income from operations</b>		<b><u>14,901,522</u></b>	<b><u>20,442,504</u></b>
<b>EXPENDITURE:</b>			
Printing of notes and minting of coins		(2,072,944)	(1,971,322)
Salaries and wages, including superannuation contribution and gratuities	22	(7,615,973)	(7,579,935)
Depreciation		(766,176)	(736,171)
Administrative and general expenses	23	<u>(3,335,273)</u>	<u>(3,116,716)</u>
<b>Total expenditure</b>		<b><u>(13,790,366)</u></b>	<b><u>(13,404,144)</u></b>
<b>Profit for the year from continuing operations</b>		<b>\$ <u>1,111,156</u></b>	<b>\$ <u>7,038,360</u></b>
<b>PROFIT FOR THE YEAR TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED REVENUE FUND</b>			
		<b>\$ 1,111,156</b>	<b>\$ 7,038,360</b>
Transfer to revaluation account in accordance with Section 50 of the Act	19	<u>-</u>	<u>-</u>
Transfer to general reserve fund in accordance with Section 9(1) of the Act	20	<u>(111,116)</u>	<u>(703,836)</u>
Balance credited to the Accountant General for the consolidated revenue fund		<u>\$ 1,000,040</u>	<u>\$ 6,334,524</u>
<b>Profit for the year attributable to:</b>			
Owner of the Bank		<u>\$ 1,111,156</u>	<u>\$ 7,038,360</u>
<b>EARNINGS PER SHARE</b>			
From continuing operations:			
Basic and diluted		<u>\$ 1,111,156</u>	<u>\$ 7,038,360</u>

The notes on pages 10 to 37 are an integral part of these financial statements.

**CENTRAL BANK OF BELIZE**

**STATEMENTS OF OTHER COMPREHENSIVE INCOME  
DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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	<u>2010</u>	<u>2009</u>
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>\$ 1,111,156</b>	<b>\$ 7,038,360</b>
<b>Other comprehensive income:</b>		
Revaluation of financial assets (note 19)	(123,445)	(339,770)
Revaluation asset	-	102,235
Actuarial gain on post employment obligations (note 24)	<u>1,995,955</u>	<u>2,053,000</u>
<b>Other comprehensive income for the year</b>	<b>1,872,510</b>	<b>1,815,465</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>\$ <u>2,983,666</u></b>	<b>\$ <u>8,853,825</u></b>
<b>Total comprehensive income attributable to:</b>		
Owner of the Bank	<b>\$ <u>2,983,666</u></b>	<b>\$ <u>8,853,825</u></b>

The notes on pages 10 to 37 are an integral part of these financial statements.



**CENTRAL BANK OF BELIZE****STATEMENTS OF CHANGES IN EQUITY  
DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

	<b>Paid-up capital</b>	<b>Revaluation account</b>	<b>Asset revaluation reserve</b>	<b>Post employment obligation</b>	<b>General reserve</b>	<b>Accumulated profits</b>
<b>January 1, 2009</b>	\$10,000,000	\$4,015,306	\$ -	\$ -	\$17,432,196	\$ -
Profit for the year from continuing operations	-	-	-	-	-	7,038,360
Other comprehensive income	-	(339,770)	102,235	2,053,000	-	-
Transfer to general reserve fund in accordance with Section 9(1) of the Act	-	-	-	-	703,836	(703,836)
Balance credited to the Accountant for the Consolidated Revenue Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,334,524)</u>
<b>December 31, 2009</b>	10,000,000	3,675,536	102,235	2,053,000	18,136,032	-
Profit for the year from continuing operations	-	-	-	-	-	1,111,156
Other comprehensive (loss) income	-	(123,445)	-	1,995,955	-	-
Transfer to Government of Belize	-	-	-	-	-	(1,000,040)
Balance credited to the Accountant for the Consolidated Revenue Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,116</u>	<u>(111,116)</u>
<b>December 31, 2010</b>	<b><u>\$10,000,000</u></b>	<b><u>\$3,552,091</u></b>	<b><u>\$102,235</u></b>	<b><u>\$4,048,955</u></b>	<b><u>\$18,247,148</u></b>	<b><u>\$ -</u></b>

The notes on pages 10 to 37 are an integral part of these financial statements.

**CENTRAL BANK OF BELIZE****STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit for the year from continuing operations	\$ 1,111,156	\$ 7,038,360
Adjustments to reconcile comprehensive income to net cash provided by operating activities:		
- Amortization	57,815	180,827
- Depreciation of property and equipment (Note 12)	766,176	736,171
- Loss on disposal of property and equipment	<u>4,436</u>	<u>6,466</u>
Cash provided by operating activities before operating assets and liabilities	1,939,583	7,961,824
Changes in operating assets and liabilities:		
Belize Government current account	85,388,421	4,513,136
Treasury notes – net	(31,860,000)	8,327,000
Securities	(4,100,000)	(8,000,000)
Reserve tranche in the International Monetary Fund	233,318	(231,293)
Other assets	(2,013,063)	(655,402)
Other liabilities	1,959,522	992,027
Revaluation account	<u>(123,445)</u>	<u>(339,770)</u>
Net cash provided by operating activities	<u>51,424,336</u>	<u>12,567,522</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	<u>(392,433)</u>	<u>(368,271)</u>
Net cash used in investing activities	<u>(392,433)</u>	<u>(368,271)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Notes and coins in circulation	(370,629)	(1,222,652)
Transfer to Consolidated Reserve Fund	(1,000,040)	(6,334,524)
Balances due to and deposits by licensed financial institutions	(11,960,647)	48,100,766
Deposits by and balances due to Government and Public Sector Entities	12,575,975	(48,232,829)
Deposits by and balances due to international agencies	1,113,084	(1,331,718)
Deposits by and balances due to Caricom Central Banks	907,740	(775,929)
Commercial Bank Discount Fund	(963,002)	(950,828)
IMF SDR allocations	(979,601)	56,128,415
IMF Enda facility	<u>(258,185)</u>	<u>14,767,575</u>
Net cash (used in) provided by financing activities	<u>(935,305)</u>	<u>60,148,276</u>

**CENTRAL BANK OF BELIZE**

**STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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	<u>2010</u>	<u>2009</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$389,787,930	\$317,440,403
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>50,096,598</u>	<u>72,347,527</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$439,884,528</u>	<u>\$389,787,930</u>

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

**EXTERNAL ASSETS:**

Balances and deposits with foreign bankers	\$ 8,295,505	\$ 7,713,848
Other foreign credit instruments	302,376,042	304,062,057
Accrued interest	1,218,154	1,097,172
Cash-in-transit	10,665,995	258,626
Balance with the International Monetary Fund	<u>61,981,680</u>	<u>63,236,197</u>
	<u>384,537,376</u>	376,367,900

**LOCAL ASSETS:**

Cash and bank balances	217,018	181,085
Government of Belize Treasury Bills	21,014,134	157,945
Current portion of Treasury Notes	<u>34,116,000</u>	<u>13,081,000</u>
	<u>\$439,884,528</u>	<u>\$389,787,930</u>

The notes on pages 10 to 37 are an integral part of these financial statements.

## CENTRAL BANK OF BELIZE

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2010 AND 2009 (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 1982, Chapter 262 of the Substantive Laws of Belize, and has its principal place of business in Belize City, Belize. Legislation covering its operations includes the Central Bank of Belize Act, the 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.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Following is a summary of the more significant accounting policies adopted by the Bank in preparing its financial statements in accordance with International Financial Reporting Standards (IFRS), the Central Bank of Belize Act and the Banks and Financial Institutions Act.

- a. 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, give rise to additional disclosures or changes to the presentation of the financial statements.

##### **Adoption of New Standards, Amendments and Interpretations Effective from January 1, 2010:**

The following new and revised IFRSs have been applied in the current period and have affected the amounts reported in these financial statements.

- Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of Improvements to IFRSs issued in 2009) – The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

The amendment affects presentation only and had no impact on the Bank's financial statements.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- Amendments to IAS 1 *Presentation of Financial Statements* (as part of Improvements to IFRSs issued in 2009) – The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.

This amendment has had no effect on the amounts reported in the current or prior years because the Bank has not issued instruments of this nature.

- Amendments to IAS 7 *Statement of Cash Flows* (as part of Improvements to IFRSs issued in 2009) – The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 *Intangible Assets* for capitalisation as part of an internally generated intangible asset. The adoption of this amendment has had no impact on the Bank's financial statements since we have not incurred any development costs.
- Amendments to IFRS 7 *Financial Instruments: Disclosures* (as part of Improvements to IFRSs issued in 2010) – The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The Bank has elected not to early adopt the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011).
- Amendments to IAS 1 *Presentation of Financial Statements* (as part of Improvements to IFRSs issued in 2010) – The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Bank has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments had been applied retrospectively.
- IFRS 3 (revised in 2008) *Business Combinations* – IFRS 3(2008) has been applied in the current year prospectively to business combinations for which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its adoption has affected the accounting for business combinations in the current year.

The impact of the application of IFRS 3(2008) is as follows:

- IFRS 3(2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. The application of IFRS 3(2008) has no impact of the financial statements of the Bank.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- IFRS 3(2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.
- IFRS 3(2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.
- IFRS 3(2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.
- As part of *Improvements to IFRSs* issued in 2010, IFRS 3(2008) was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition (see above) is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.
- In addition, as part of *Improvements to IFRSs* issued in 2010, IFRS 3(2008) was amended to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure').

The application of IFRS 3(2008) has no impact of the financial statements of the Bank, since no business acquisitions were made during the year.

## **CENTRAL BANK OF BELIZE**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- IAS 27 (revised in 2008) *Consolidated and Separate Financial Statements and IFRS1 First-Time adoption of International Financial Reporting Standards with reference to cost of investments in subsidiaries, joint ventures and associates* – This amendment mainly addresses the issue that the cost of investments in subsidiaries, associates and joint ventures, in the standalone financial statements of an entity, is no longer affected by profit distribution formulated prior to the purchase date of these investments. This amendment has also led to changes in IAS 36: «Impairment of Assets», with the addition of indications on the impairment of investments based on the effect on equity due to dividend distribution of such companies to companies that have invested in them. As far as first-time adoption of IFRSs is concerned and in terms of simplifying the process of producing these financial statements, the amendment offers alternative ways for determining the cost of investments in subsidiaries, joint ventures and associates based on the fair value of these investments or their nominal value from previously effective accounting standards. The adoption has had no impact on the Bank's financial statements since the Bank does not have ownership interests in subsidiaries.
- IAS 28 (revised in 2008) *Investments in Associates* – The principle adopted under IAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

As part of *Improvements to IFRSs* issued in 2010, IAS 28(2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively. The Bank's has elected not to early adopt the amendments to IAS 28(2008) as part of *Improvements to IFRSs* issued in 2010 in advance of their effective dates (annual periods beginning on or after 1 July 2010).

#### **New and revised IFRSs applied with no material effect on the Bank's financial statements:**

The following new and revised IFRSs have also been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* – The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.



## **CENTRAL BANK OF BELIZE**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- IFRIC 17 *Distributions of Non-cash Assets to Owners* – The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
- IFRIC 18 *Transfers of Assets from Customers* – The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from ‘customers’ and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 *Revenue*.

#### **New standards, amendments, and interpretations in issue in 2010 but not yet effective:**

The Bank has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* – Effective for annual periods beginning on or after 1 July 2010.
- Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* – Effective for annual periods beginning on or after 1 July 2011. The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.
- It is not anticipated that these amendments to IFRS 7 will have a significant effect on the Bank’s disclosures regarding transfers of trade receivables. However, if the Bank enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.
- IFRS 9 (as amended in 2010) *Financial Instruments* – Effective for annual periods beginning on or after 1 January 2013. IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

It is anticipated that IFRS 9 that will be adopted in the Bank's financial statements for the annual period beginning 1 January. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

- IAS 24 (revised in 2009) *Related Party Disclosures* – Effective for annual periods beginning on or after 1 January 2011. IAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in IAS 24 (as revised in 2009) affects the Bank because the Bank is a government-related entity.

- Amendments to IAS 32 *Classification of Rights Issues* – Effective for annual periods beginning on or after 1 February 2010. The amendments to IAS 32 address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Bank has not entered into any arrangements that would fall within the scope of the amendments. However, if the Bank does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

## **CENTRAL BANK OF BELIZE**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* – Effective for annual periods beginning on or after 1 January 2011.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – Effective for annual periods beginning on or after 1 July 2010. IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Bank has not entered into transactions of this nature. However, if the Bank does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.
- b. Form of presentation of the financial statements - Adopted IFRS and the Central Bank of Belize Act 1982 have been used as a model for the presentation and disclosure framework to provide additional information and analysis of key items in the financial statements.
- c. Change in accounting policies – There were no changes in accounting policies during the year. All policies have been applied on a basis consistent with the prior year.
- d. 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.
- e. 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.
- f. 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.

- g. Inventories – Inventories are carried at lower of cost or net realizable value. Cost is determined on a first-in-first-out basis.

## CENTRAL BANK OF BELIZE

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- h. Financial instruments – Financial assets and financial liabilities are recognized on the Bank's statements of financial position when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all of the risks and rewards of ownership.

##### Classification – financial assets

The Bank classifies its financial assets in the following categories: loans and advances; financial assets at fair value through profit or loss and financial assets that are available for sale. The Bank determines the classification of its investments at initial recognition.

##### Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money or services directly to a counterparty, with no intention of trading the receivable. Loans and advances and investments are classified as held to maturity and are carried at amortised cost less a provision for impairment where necessary

##### Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term or if so designated by management. Treasury bills are classified as held at fair value through profit and loss. Because these securities are traded in a non-formal market, fair value has been assumed to approximate to amortised cost. This basis is reasonable as there is no objective evidence of impairment of these securities. Gains and losses arising from changes in the fair value of assets classified as at fair value through profit or loss are included in the income statement in the period in which they arise.

##### Available for sale

Available for sale investments are debt securities intended to be held for an indefinite period of time, which may be sold as part of the Bank's official operations or otherwise. These are comprised of Treasury Notes and Belize Defence Bonds. Gains and losses arising from changes in the fair value of financial assets that are available for sale are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Any premium or discount paid on the purchase of those assets is amortised through the income statement.

## CENTRAL BANK OF BELIZE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

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

##### 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 1982.

##### Foreign Marketable Securities

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

##### Belize Government Securities

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

##### Loans to Government

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

##### Loans to Public Sector

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

##### Other Financial Assets and Liabilities

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

- i. Property and equipment, depreciation and amortization – Fixed assets are carried at cost, and are depreciated on a straight line basis over their estimated useful lives. Land is not depreciated.

Depreciation is charged at the following rates:

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

## **CENTRAL BANK OF BELIZE**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

j. 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

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

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

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

i. Assets and liabilities

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

ii. Income and expenses

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

## **CENTRAL BANK OF BELIZE**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **iii. Revaluation**

Section 50 of the Central Bank of Belize Act 1982 stipulates that gains or losses from any revaluation of the Bank's net assets or liabilities in gold, special drawings rights (SDR), foreign exchange or foreign securities as a result of any change in the par value of the Belize dollar or any change in the par value of the currency unit of any other country shall be excluded from the computation of the annual profits and losses of the Bank. All such gains or losses are credited in a special account called Revaluation Account. Profit is not carried to the General Reserve Fund or paid to the Government under Section 9 (see note 19) when the Revaluation Account shows a net loss, but is first credited to the Revaluation Account in an amount sufficient to cover the loss.

- m. Valuation of securities – Securities are 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.
- n. Accrued interest and cash in-transit – Accrued interest and cash in-transit in respect of foreign assets are shown as part of external assets.
- o. 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.
- p. Cash and cash equivalents – The Bank classifies as cash equivalents financial instruments with an original maturity of three months or less, and other balances that are readily marketable or convertible. The Bank's cash management and investment policies are of a conservative nature and as a result, investments are made in high grade liquid securities. The carrying value of cash and cash equivalents approximates fair value.

#### **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, 2010, the Bank was in compliance as the value of total assets was \$628,394,837 (2009: \$624,386,954) while the value of notes and coins in circulation was \$191,602,557 (2009: \$ \$191,973,186).



## CENTRAL BANK OF BELIZE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

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#### 3. CENTRAL BANK OF BELIZE ACT SECTION 25 COMPLIANCE (CONTINUED)

2. The Bank shall maintain at all times a reserve of external assets of not less than 40 percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect of its sight and time deposits.

Management has developed internal controls to ensure compliance with the law. At December 31, 2010 and 2009 total approved external assets approximated 84 percent and 82 percent of such liabilities respectively.

#### 4. BALANCES AND DEPOSITS WITH FOREIGN BANKERS

There were no restricted foreign or domestic deposits for 2010 and 2009 respectively.

#### 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, 2010, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000. The Reserve Tranche amounted to SDR 4,238,690 and the IMF's currency holdings SDR 20,123,530 (2009:SDR 19,262,242) respectively. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ\$3.080060 to SDR 1.0 at December 31, 2010 (2009 - BZ\$3.13538 to SDR 1.0).

#### 6. OTHER FOREIGN CREDIT INSTRUMENTS

	<u>2010</u>	<u>2009</u>
At December 31, these instruments comprised:		
Bank of America (Fixed Deposits)	<b>\$118,407,700</b>	\$ 48,000,000
Crown Agents Financial Services (Fixed Deposits)	<b>102,788,342</b>	112,582,057
Barclays Bank PLC (Fixed Deposits)	<b>50,000,000</b>	-
Federal Reserve Bank of New York (Overnight Deposit)	<b>19,200,000</b>	130,400,000
Bank of America (Overnight Deposit)	<b>800,000</b>	2,500,000
Citibank N.A. New York (Overnight Deposit)	<b><u>11,180,000</u></b>	<u>10,580,000</u>
	<b><u>\$302,376,042</u></b>	<b><u>\$304,062,057</u></b>

**CENTRAL BANK OF BELIZE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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

Accrued interest and cash-in-transit consist of:

	<u>2010</u>	<u>2009</u>
Accrued interest	\$ 1,218,154	\$1,097,172
Cash-in-transit	<u>10,665,995</u>	<u>258,626</u>
	<u>\$11,884,149</u>	<u>\$1,355,798</u>

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

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

	<u>Face Value</u>	<u>Maturity Date</u>
3.50% Government of Dominica Debenture	\$ 2,000,000	2034
1.12% Caribbean Development Bank Bond	20,000,000	2012
7.8% Government of Barbados	8,000,000	2019
6.75% Government of Barbados	<u>4,100,000</u>	2014
	<u>\$34,100,000</u>	

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

**9. BELIZE GOVERNMENT SECURITIES**

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

	<u>2010</u>	<u>2009</u>
Treasury Bills	\$ 21,014,134	\$ 157,945
Treasury Notes	87,991,000	35,096,000
Belize Defence Bonds	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$119,005,134</u>	<u>\$45,253,945</u>

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

	<u>2010</u>	<u>2009</u>
Due within 1 year	\$ 55,130,134	\$13,238,945
Due within 1 year through 5 years	33,875,000	22,015,000
Due within 5 years through 10 years	<u>30,000,000</u>	<u>10,000,000</u>
	<u>\$119,005,134</u>	<u>\$45,253,945</u>

## CENTRAL BANK OF BELIZE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

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#### 9. BELIZE GOVERNMENT SECURITIES (CONTINUED)

Section 35(2) of the Central Bank Act stipulates that the Bank shall not at any time hold Belize Government securities in an aggregate amount exceeding five times the aggregate amount at that time of the paid up capital and general reserves of the Bank, subsequently amended to seven times in April 2006 and ten times in March 2010. Management has developed internal controls to ensure compliance with the law. At December 31, 2010 and 2009 the Bank's aggregate holding of Belize Government securities approximated 4.21 times and 1.61 times, respectively, the amount of paid up capital and general reserves of the Bank. Government securities are classified as held-to-maturity based on the Bank's ability to hold the securities to maturity. As these securities are not publicly traded, fair values have been estimated based on present values of the expected cash flows.

#### 10. BELIZE GOVERNMENT CURRENT ACCOUNT

In accordance with Section 34 of the Central Bank Act, the Bank may make direct advances to the Government provided that at any one time the total outstanding amount of direct advances shall not exceed twenty percent of the current revenues of the Government collected during the preceding financial year or the sum of fifty million dollars, whichever is greater.

Amendments made to the Act in March 2010 with an effective date of April 1, 2010 specifies that such advances to the Government shall not exceed eight and one half percent of the current revenues to the Government collected during the preceding financial year. The words "or the sum of fifty million dollars, whichever is greater" were deleted by this amendment.

Management has developed internal controls to ensure compliance with the law. At December 31, 2010 and 2009 advances to Government represent approximately 58 percent and 88 percent of the authorized limit respectively.

#### 11. OTHER ASSETS

	<u>2010</u>	<u>2009</u>
Other assets consist of:		
Inventory of circulation notes and coins	\$ 5,066,563	\$ 4,998,158
Prepayments and accrued interest	2,737,906	1,234,389
Accounts receivable	115,552	95,841
Staff loans receivable	3,194,777	3,031,209
Museum endowment fund	578,150	578,150
Bond premium	148,505	-
Education bond receivable	111,592	-
Other	<u>795,984</u>	<u>798,219</u>
	12,749,029	10,735,966
Less amortization:	<u>(773,755)</u>	<u>(715,940)</u>
	<u>\$11,975,274</u>	<u>\$10,020,026</u>

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

## CENTRAL BANK OF BELIZE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

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#### 11. OTHER ASSETS (CONTINUED)

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

#### 12. PROPERTY AND EQUIPMENT

Cost	Property	Furniture	Equipment	Vehicles	Total
Balance at, January 1, 2010	\$30,441,554	\$1,280,637	\$6,232,735	\$396,031	\$38,350,957
Additions	-	14,889	377,544	-	392,433
Disposals	-	(7,770)	(250,362)	-	(258,132)
Balance at, December 31, 2010	<u>30,441,554</u>	<u>1,287,756</u>	<u>6,359,917</u>	<u>396,031</u>	<u>38,485,258</u>
<b>Accumulated depreciation</b>					
Balance at January 1, 2010	3,110,375	1,026,155	5,107,008	254,264	9,497,802
Depreciation charge for the year	280,626	39,524	398,517	47,509	766,176
Disposal	-	(7,324)	(246,372)	-	(253,696)
Balance at, December 31, 2010	<u>3,391,001</u>	<u>1,058,355</u>	<u>5,259,153</u>	<u>301,773</u>	<u>10,010,282</u>
<b>Net book value</b>					
December 31, 2010	<u>\$27,050,553</u>	<u>\$ 229,401</u>	<u>\$1,100,764</u>	<u>\$ 94,258</u>	<u>\$28,474,976</u>
December 31, 2009	<u>\$27,331,179</u>	<u>\$ 254,482</u>	<u>\$1,125,727</u>	<u>\$141,767</u>	<u>\$28,853,155</u>

#### 13. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 13 of the Banks and Financial Institutions Act 1995, licensed financial institutions are required to keep on deposits with the Bank, an amount equivalent to at least 8.5%, effective May 1, 2010, of their average deposit liabilities.

#### 14. DEPOSITS BY INTERNATIONAL AGENCIES

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

	<u>2010</u>	<u>2009</u>
Caribbean Development Bank	\$ 479,355	\$ -
International Monetary Fund	147,634	150,285
Inter-American Development Bank	1,197,175	547,175
Int'l Bank Reconstruction & Development	29,740	31,931
EU Banana Support Escrow	<u>146,241</u>	<u>157,670</u>
	<u>\$2,000,145</u>	<u>\$887,061</u>

## CENTRAL BANK OF BELIZE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

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#### 15. OTHER LIABILITIES

	<u>2010</u>	<u>2009</u>
Severance and gratuities	<b>\$1,098,379</b>	\$1,017,789
Other staff costs payable	<b>469,674</b>	576,313
Abandoned property	<b>2,933,200</b>	1,028,482
License international	<b>1,800,000</b>	1,800,000
Income deferred on license fees	<b>474,572</b>	390,000
Accounts payable	<b><u>169,157</u></b>	<u>172,876</u>
	<b><u>\$6,944,982</u></b>	<u>\$4,985,460</u>

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

#### 16. LOANS FROM FOREIGN INSTITUTIONS

Effective February 18, 2009, the Executive Board of the International Monetary Fund (IMF) approved SDR 4.7 million (about US\$6.9 million) in financing under emergency assistance for natural disasters to support the nation's recovery from the economic after-effects of serious storm damage and flooding in 2008. Under the Financial Terms of IMF Credit, the loan is classified as emergency assistance with a basic rate of charge, no surcharge and 50 basis points service charge. The basic rate of charge fluctuates with the market rate for the SDR which is calculated on a monthly basis. Principal payments for the Facility start February 20, 2012 with final payment due on February 20, 2014. The loan was converted at rate SDR 2.950997 to the BZD on February 20, 2009. At December 31, 2010, the loan was revaluated at SDR 3.080060 (2009: SDR 3.13538) to the BZD.

#### 17. IMF SDR ALLOCATIONS

A general and special allocation of Special Drawing Rights SDRs equivalent to approximately USD \$284 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 13,936,624 and SDR 3,957,631 converted at SDR 3.127840 and 3.148260 to the BZD respectively. These SDRs can be converted to any liquid currency at anytime. At December 31, 2010, the allocations were revalued at SDR 3.080060 to BZD\$1.00 (2009: SDR 3.13538) to the BZD.

## CENTRAL BANK OF BELIZE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

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#### 18. 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.

The USAID loan has the following terms:

Interest rate is as 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 discount facility, amount of \$1,465,000 at 2% interest per annum, to the Development Finance Corporation.

	<u>2010</u>	<u>2009</u>
Interest paid to USAID	\$(2,311,316)	\$(2,311,316)
Interest received from institutions	3,792,232	3,778,234
Loan receivable from DFC	<u>(1,465,000)</u>	<u>(488,000)</u>
	<u>\$ 15,916</u>	<u>\$ 978,918</u>

#### 19. REVALUATION ACCOUNT

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

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$3,675,536	\$4,015,306
Prior year exchange gains	(1,531,285)	(1,871,054)
Current year exchange gains	<u>(1,407,840)</u>	<u>(1,531,284)</u>
Loss from revaluation	123,445	339,770
Transfers in accordance with section 50 – current period	-	-
Balance at end of year	<u>\$3,552,091</u>	<u>\$3,675,536</u>

**CENTRAL BANK OF BELIZE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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**20. GENERAL RESERVE FUND**

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

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	<b>\$18,136,032</b>	\$17,432,196
Transfer from net profit	<u>111,116</u>	<u>703,836</u>
Balance at end of year	<b><u>\$18,247,148</u></b>	<b><u>\$18,136,032</u></b>

**21. INTEREST ON APPROVED EXTERNAL ASSETS**

	<u>2010</u>	<u>2009</u>
Interest earned on overnight deposits	<b>\$ 118,930</b>	\$ 229,738
Interest earned on marketable securities	<b>1,272,516</b>	759,411
Interest earned on balances and deposits with foreign bankers	<u>2,191,994</u>	<u>2,354,459</u>
	<b><u>\$3,583,440</u></b>	<b><u>\$3,343,608</u></b>

**22. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES**

Expense recognized for employee benefits is analyzed below:

	<u>2010</u>	<u>2009</u>
Wages and salaries	<b>\$7,165,843</b>	\$7,154,434
Social security costs	<b>133,965</b>	131,783
Pensions - defined benefit plans	<u>316,165</u>	<u>293,718</u>
<b>Employee benefits expense</b>	<b><u>\$7,615,973</u></b>	<b><u>\$7,579,935</u></b>



**CENTRAL BANK OF BELIZE****NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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**23. ADMINISTRATIVE AND GENERAL EXPENSES**

	<u>2010</u>	<u>2009</u>
Advertising	\$ 30,061	\$ 30,384
Audit fees	54,371	45,540
Amortization	57,815	180,827
Bank charges	27,698	97,610
Bank publications	28,171	18,309
Books and publication	29,051	40,905
Building repairs and maintenance	426,446	389,716
Cash shipment	4,349	24,663
Computer software license	103,662	72,067
Conference	-	83,282
Directors' fees	30,300	30,600
Donations	62,713	40,113
Entertainment	10,736	9,056
Equipment maintenance	26,784	21,383
Security supplies	9,000	10,341
Freight charges	11,888	17,578
Hurricane preparedness	8,133	19,614
Insurance expense	121,856	120,950
Legal fees	255,961	39,308
Membership fees	84,219	83,300
Motor vehicle	57,975	43,126
Other miscellaneous expense	342,534	196,438
Overseas meeting and conferences	206,192	147,863
Professional services and technical support	191,751	226,079
Small equipment purchases	15,627	26,316
Supplies	248,956	250,870
Surveys	26,580	30,327
Travel (local)	11,388	11,473
Utilities expense	<u>851,056</u>	<u>808,678</u>
	<u>\$3,335,273</u>	<u>\$3,116,716</u>

**24. POST EMPLOYMENT 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 after retirement.

**CENTRAL BANK OF BELIZE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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**24. POST EMPLOYMENT OBLIGATIONS (CONTINUED)**

During the year under review, the Bank contributed \$316,165 (2009 - \$293,718) 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 unrecognised actuarial gains or losses 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. Actuarial gains and losses 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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives, where these amounts represent an excess over the 10% corridor.

The last actuarial valuation done at December 31, 2009 reported the present value of plan assets and past service liabilities to be \$11,410,075 and \$7,484,000 respectively.

Significant actuarial assumptions used in the valuation were:

- I. A valuation rate of interest of 8% p.a.
- II. Discount rate at the end of the year 8%.
- III. A rate of escalation of pensionable salaries of 4% p.a.
- IV. Pension will not increase in the course of payments.

The Board's adoption of IAS 19 and IFRIC 14: IAS 19, effective January 1, 2009, herein referred to as the transition date, resulted in the continued recognition of a pension asset, based on a formal actuarial valuation that was carried out as at December 31, 2009. The next actuarial valuation will be completed for December 2010.

**CENTRAL BANK OF BELIZE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

---

**24. POST EMPLOYMENT OBLIGATIONS (CONTINUED)**

Surplus to be recognized in the Statement of Financial Position:

	<u>2009</u>	<u>2008</u>
Present value of the obligation	\$ 5,544,000	\$ 4,712,000
Fair value of plan assets	<u>(11,410,075)</u>	<u>(10,183,968)</u>
Net surplus	(5,866,075)	(5,471,968)
Unrecognised actuarial gains	5,173	-
Unrecognized past service cost – non-vested benefits	<u>-</u>	<u>-</u>
Asset to be recognized in the Statement of Financial Position	<u>\$ (5,860,902)</u>	<u>\$ (5,471,968)</u>

Amounts to be recognized in the Statement of Comprehensive Income:

	<u>2009</u>	<u>2008</u>
Current service cost (Bank)	\$324,589	\$ -
Interest cost	406,785	-
Expected return on plan assets	(826,871)	-
Net actuarial (gain) loss recognised in year	-	-
Past service costs – non-vested benefits	-	-
Past service costs – vested benefits	-	-
Losses (gain) on curtailment/settlement	<u>-</u>	<u>-</u>
Total included in “staff costs”	<u>\$ (95,497)</u>	<u>\$ -</u>
Actual return on plan assets	<u>\$922,264</u>	<u>\$ -</u>

Movement in the net liability recognized in the Statement of Financial Position are as follows:

	<u>2009</u>	<u>2008</u>
Net liability at the start of the year	\$(5,471,968)	\$ -
Net expense recognised in the Statement of Comprehensive Income	(95,497)	-
Contributions paid by the Bank	<u>(293,437)</u>	<u>-</u>
Net asset at the end of the year	<u>\$ (5,860,902)</u>	<u>\$ (5,471,968)</u>

**CENTRAL BANK OF BELIZE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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**24. POST EMPLOYMENT OBLIGATIONS (CONTINUED)**

**Other post employment benefits:**

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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by an independent qualified actuary.

**Liability to be recognized in the Statement of Financial Position:**

	<u>2009</u>	<u>2008</u>
Present value of the obligation	<b>\$1,940,000</b>	\$1,777,000
Fair value of plan assets	<u>-</u>	<u>-</u>
Net surplus	<b>1,940,000</b>	1,777,000
Unrecognised actuarial gains	<b>117,707</b>	-
Unrecognized past service cost – non-vested benefits	<u>-</u>	<u>-</u>
Liability to be recognized in the Statement of Financial Position	<b><u>\$2,057,707</u></b>	<b><u>\$1,777,000</u></b>

**Amounts to be recognized in the Statement of Comprehensive Income:**

	<u>2009</u>	<u>2008</u>
Current service cost (Bank)	<b>\$137,347</b>	\$ -
Interest on obligation	<b>152,771</b>	-
Net actuarial (gain) loss recognised in year	-	-
Past service costs	<u>-</u>	<u>-</u>
Total included in “staff costs”	<b><u>\$290,118</u></b>	<b><u>\$ -</u></b>

Movement in the net liability recognized in the Statement of Financial Position are as follows:

	<u>2009</u>	<u>2008</u>
Net liability at the start of the year	<b>\$1,777,000</b>	\$ -
Net expense recognised in the Statement of Comprehensive Income	<b>290,118</b>	-
Contributions paid by the Bank	<u>(9,411)</u>	<u>-</u>
Net liability at the end of the year	<b><u>\$2,057,707</u></b>	<b><u>\$ -</u></b>

## CENTRAL BANK OF BELIZE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

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#### 25. RELATED PARTY TRANSACTIONS

##### Transactions with Governmental Departments

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

Transactions entered into include:

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

Transactions with related party during the period were as follows:

	<b>Social Security Board</b>	<b>Development Finance Corporation</b>	<b>SSB Mortgage Securitization Proceeds</b>	<b>DFC Mortgage Securitization Proceeds</b>	<b>Financial Intelligen ce Unit</b>	<b>Belize Tourism Board</b>	<b>BTB/STP</b>	<b>SSB Deposit Account</b>	<b>GOB Current Acct.</b>
Opening Balances	\$ (702)	\$ (50,916)	\$ (987)	\$ (1,009)	\$ (479,816)	\$ (243,572)	\$ -	\$(25,684,927)	\$ 118,434,064
Deposits	(1,186,711)	(7,755,551)	(1,412,648)	(3,206,266)	(600,000)	(9,320,748)	(1,489,882)	(3,316,751)	(1,356,291,977)
Disbursements	1,187,099	2,852,987	1,060,000	3,206,266	891,912	9,307,320	790,635	28,528,537	1,270,903,556
Closing Balances	\$ (314)	\$(4,953,480)	\$ (353,635)	\$ (1,009)	\$(187,904)	\$ (257,000)	\$(699,247)	\$ (473,141)	\$ 33,045,643

##### Key management personnel

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprises the Governor and Deputy Governors, other members of the Board, and non-executive Directors. At December 31, 2010 and 2009, the number of key management personnel was 17.

## CENTRAL BANK OF BELIZE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

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#### 25. RELATED PARTY TRANSACTIONS (Continued)

##### Compensations of key management personnel

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

	<u>2010</u>	<u>2009</u>
Short-term benefits	\$1,281,281	\$1,261,932
Post-employment benefits	38,669	43,364
Termination benefits	<u>13,200</u>	<u>24,005</u>
	<u>\$1,333,150</u>	<u>\$1,329,301</u>

##### Loans and advances to key management personnel

As at December 31, 2010 an amount of \$402,370 (2009 - \$401,129) was receivable from key managerial personnel as approved advances made by the Bank. No provisions have 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 20 years with a variable interest rate initially set at 4.5%.

#### 26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

##### Financial assets and liabilities

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

##### Currency in circulation

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

##### Deposits

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

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

## CENTRAL BANK OF BELIZE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

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#### 27. 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 Statements of Financial Position, 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 categorised by geographical regions as of December 31, 2010. 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>Canada</b>	<b>Europe</b>	<b>Total</b>
Depository Accounts & Money at Call	\$ 1,241,926	\$75,801	\$ 6,977,776	\$ 8,295,503
Overnight Deposits	31,180,000	-	-	31,180,000
Fixed Deposits	168,407,700	-	102,788,342	271,196,042
<b>Total Exposure</b>	<b><u>\$200,829,626</u></b>	<b><u>\$75,801</u></b>	<b><u>\$109,766,118</u></b>	<b><u>\$310,671,545</u></b>

###### Schedule B

Outline of other Local and Foreign Investments

<b>Securities</b>	<b>Local</b>		<b>Foreign</b>	
	<b>GOB</b>	<b>CDB</b>	<b>Barbados</b>	<b>Dominica</b>
Treasury Notes	\$ 87,991,000	\$ -	\$ -	\$ -
Treasury Bills	21,014,134	-	-	-
Bonds	10,000,000	20,000,000	12,100,000	-
Debentures	-	-	-	2,000,000
<b>Total Exposure</b>	<b><u>\$119,005,134</u></b>	<b><u>\$20,000,000</u></b>	<b><u>\$12,100,000</u></b>	<b><u>\$2,000,000</u></b>

## **CENTRAL BANK OF BELIZE**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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#### **27. FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### Market and interest rate risk

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

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

<b>Foreign Assets</b>	<b>Average rate of</b>	<b>Average rate of</b>
	<b>return</b>	<b>return</b>
	<b>2010</b>	<b>2009</b>
Depository Accounts & Money at Call	0.9550%	1.544%
Overnight Deposits	0.0946%	0.113%
Term Deposits	0.7600%	1.602%
Bonds	5.6800%	5.150%
Debentures	3.5000%	3.500%

##### Currency risk

The Bank takes on exposure to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Because of its conservative nature, the Bank's exposure is limited 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. The Bank has some managed exposure as a result of a recent (2009) SDR ENDA facility and SDR Allocations (2009) obligations. Other external asset funds are kept at a minimum.



## CENTRAL BANK OF BELIZE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

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#### 27. FINANCIAL RISK MANAGEMENT (Continued)

##### Currency risk (Continued)

The table below indicates the different fund allocations as of December 31, 2010:

	FOREIGN CURRENCY	YEAR-END RATE	BELIZE DOLLAR VALUE
Euro Fund	(226,974)	2.67420	(606,974)
Canadian Fund	(43,363)	2.00200	(86,813)
SDR Fund	(1,707,142)	3.08006	(5,258,099)
USD Fund	(175,574,257)	2.00000	(351,148,514)
Sterling Fund	(140,423)	3.10560	(436,098)
BZ\$ Fund	356,128,658	1.00000	356,128,658
<b>Current Year Revaluation Gains</b>			<b>(1,407,840)</b>
Revaluation balance, January 1			<b>\$ 3,675,536</b>
Prior Year Revaluation Gains			(1,531,285)
Current Year Revaluation Gains			(1,407,840)
Loss on revaluation			123,445
Revaluation balance, December 31			<b>\$ 3,552,091</b>

##### 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. With regards to all Belize dollar liabilities, this requirement is not entirely 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.

**CENTRAL BANK OF BELIZE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)**

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**27. FINANCIAL RISK MANAGEMENT (Continued)**

Liquidity risk (continued)

Maturities of liquid assets at December 31, 2010

<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>
	\$	\$	\$	\$	\$	\$
Depository Accounts & Money at Call	8,295,503	-	-	-	-	-
Fixed Deposits	40,012,333	20,452,500	20,080,250	190,650,959	-	-
Overnight Deposits	31,180,000	-	-	-	-	-
Treasury Bills	-	21,014,134	-	-	-	-
Treasury Notes	-	3,000,000	-	31,116,000	23,875,000	30,000,000
Bonds	-	-	-	-	34,100,000	8,000,000
Debentures	-	-	-	-	-	2,000,000
	<b>79,487,836</b>	<b>44,466,634</b>	<b>20,080,250</b>	<b>221,766,959</b>	<b>57,975,000</b>	<b>40,000,000</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.

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