Central Bank of Belize

Financial Statements for the Years Ended December 31, 2009 and 2008 and Independent Auditors' Report

CENTRAL BANK OF BELIZE

TABLE OF CONTENTS

Castillo Sanchez & Burrell, LLP
40 A Central American Blvd
P.O. Box 1235
Belize City
Belize

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

Partners:
Giacomo Sanchez, CPA
Claude Burrell, CPA CISA

Consultant:
Julian Castillo, CA

Audit & Risk Advisory
Business Solutions
Outsourcing
Real Estate
Corporate
Paralegal

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Central Bank of Belize:

Report on the Financial Statements

We have audited the accompanying financial statements of Central Bank of Belize, which comprise the statements of financial position as of December 31, 2009 and 2008, the statements of income, statement 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, the Central Bank of Belize Act and the Bank and Financial Institutions Act of Belize. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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, 2009 and 2008, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, the Central Bank Act, and the Bank and Financial Institutions Act of Belize.

Castillo Sanchez & Burrell, LLP

Chartered Accountants
February 19, 2010

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

ASSETS	**Notes**	**2009**	2008
APPROVED EXTERNAL ASSETS:			
Balances and deposits with foreign bankers	4	**$ 7,713,848**	$ 8,312,704
Reserve Tranche and balances with the International Monetary Fund	5	**76,459,976**	20,116,361
Other foreign credits instruments	6	**304,062,057**	258,819,171
Accrued interest and cash-in-transit	2n,7	**1,355,798**	2,107,826
Marketable securities issued or guaranteed by foreign government and international financial institutions	8	**30,000,000**	22,000,000
		419,591,679	311,356,062
BELIZE GOVERNMENT SECURITIES	9	**45,253,945**	81,265,901
BELIZE GOVERNMENT CURRENT ACCOUNT	10	**118,434,064**	122,947,200
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		**181,085**	152,926
OTHER ASSETS	11	**10,020,026**	9,545,451
PENSION ASSET	25	**2,053,000**	-
PROPERTY AND EQUIPMENT	2i,12	**28,853,155**	29,227,521
TOTAL ASSETS		**$624,386,954**	$554,495,061

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	Notes	2009	2008
DEMAND LIABILITIES:			
Notes and coins in circulation		**$191,973,186**	$193,195,838
Deposits by licensed financial institutions	13	**237,329,608**	189,228,842
Deposits by and balances due to Government and Public sector entities in Belize		**84,997,541**	133,230,370
Deposits by international agencies	14	**887,061**	2,218,779
		515,187,396	517,873,829
BALANCES DUE TO CARICOM CENTRAL BANKS		**172,387**	948,316
OTHER LIABILITIES	15	**3,185,460**	2,295,668
LOANS FROM FOREIGN INSTITUTIONS	16	**14,767,575**	-
IMF SDR ALLOCATIONS	17	**56,128,415**	-
COMMERCIAL BANKS' DISCOUNT FUND	18	**978,918**	1,929,746
TOTAL LIABILITIES		**590,420,151**	523,047,559
CAPITAL ACCOUNT			
Paid - up capital (Authorized capital $10,000,000)		**10,000,000**	10,000,000
REVALUATION ACCOUNT	19	**3,675,536**	4,015,306
REVALUATION – ASSET	24	**102,235**	-
PENSION RESERVE	25	**2,053,000**	-
GENERAL RESERVE FUND	20	**18,136,032**	17,432,196
TOTAL LIABILITIES, CAPITAL AND RESERVES		**$624,386,954**	$554,495,061

The financial statements on pages 3 to 9 were approved and authorized for issue by the Board of Directors on March 30, 2010 and are signed on its behalf by:

______________________) GOVERNOR
)
)
______________________) DIRECTOR
)
)
______________________) DEPUTY GOVERNOR,
OPERATIONS

The notes on pages 10 to 35 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

	Notes	2009	2008
Continuing operations			
INTEREST INCOME:			
Approved external assets	21	**$ 3,343,608**	$ 5,741,168
Advances to Government		**13,321,839**	11,938,269
Local securities		**3,940,232**	4,810,113
		20,605,679	22,489,550
Discount on local securities		**287,449**	1,428,733
Commissions and other income		**1,629,780**	1,749,391
Total income		**22,522,908**	25,667,674
LESS: Interest expense		**(2,080,404)**	(2,065,137)
Income from operations		**20,442,504**	23,602,537
EXPENDITURE:			
Printing of notes and minting of coins		**(1,971,322)**	(2,157,553)
Salaries and wages, including superannuation contribution and gratuities	22	**(7,579,935)**	(7,452,237)
Depreciation		**(736,171)**	(984,806)
Administrative and general expenses	23	**(3,116,716)**	(3,384,953)
Total expenditure		**(13,404,144)**	(13,979,549)
Profit for the year from continuing operations		**$ 7,038,360**	$ 9,622,988
PROFIT FOR THE YEAR TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED REVENUE FUND		**7,038,360**	9,622,988
Transfer to revaluation account in accordance with Section 50 of the Act	19	**-**	(720,237)
Transfer to general reserve fund in accordance with Section 9(1) of the Act	20	**(703,836)**	(890,275)
Balance credited to the Accountant General for the consolidated revenue fund		**$ 6,334,524**	$ 8,012,476
Profit for the year attributable to:			
Owner of the Bank		**$ 7,038,360**	$ 9,622,988
EARNINGS PER SHARE			
From continuing operations:			
Basic and diluted		**$ 7,038,360**	$ 9,622,988

The notes on pages 10 to 35 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

	2009	2008
PROFIT FOR THE YEAR	**$ 7,038,360**	$ 9,622,988
Other comprehensive income:		
Revaluation of financial assets (notes 19)	**(339,770)**	(720,237)
Revaluation asset (note 24)	**102,235**	-
Actuarial gain on defined benefit scheme	**2,053,000**	-
Other comprehensive income (loss) for the year	**1,815,465**	(720,237)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**$ 8,853,825**	$ 8,902,751
Total comprehensive income attributable to:		
Owner of the Bank	**$ 8,853,825**	$ 8,902,751

The notes on pages 10 to 35 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CHANGES IN EQUITY
DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

	Share capital	Revaluation account	Revaluation asset	Pension reserve	General reserve	Accumulated profits
January 1, 2008	$10,000,000	$4,015,306	$ -	$ -	$16,541,921	$ -
Profit for the period	-	-	-	-	-	9,622,988
Other comprehensive income	-	(720,237)	-	-	-	-
Transfer to the revaluation account	-	720,237	-	-	-	(720,237)
Transfer to general reserve fund	-	-	-	-	890,275	(890,275)
Transfer to Government of Belize	-	-	-	-	-	(8,012,476)
December 31, 2008	10,000,000	4,015,306	-	-	17,432,196	-
Profit for the period	-	-	-	-	-	7,038,360
Other comprehensive income	-	(339,770)	102,235	2,053,000	-	-
Transfer to general reserve fund	-	-	-	-	703,836	(703,836)
Transfer to Government of Belize	-	-	-	-	-	(6,334,524)
December 31, 2009	**$10,000,000**	**$3,675,536**	**$102,235**	**$2,053,000**	**$18,136,032**	$ -

The notes on pages 10 to 35 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Total profit for the year	**$ 7,038,360**	$ 9,622,988
Adjustments to reconcile comprehensive income to net cash provided by operating activities:		
- Amortization of intangible assets	**180,827**	(354,286)
- Depreciation of property and equipment	**736,171**	984,806
- Loss on disposal of property and equipment	**6,466**	1,491
Cash provided by operating activities before operating assets and liabilities	**7,961,824**	10,254,999
Changes in operating assets and liabilities:		
Belize Government current account	**4,513,136**	(22,823,716)
Treasury notes – net	**8,327,000**	425,000
Securities	**(8,000,000)**	(20,000,000)
Reserve tranche in the International Monetary Fund	**(231,293)**	337,239
Collateral deposits with foreign bankers	**(655,402)**	-
Other assets	**992,027**	1,623,410
Other liabilities	**(339,770)**	(4,210,485)
Net cash provided by (used in) operating activities	**12,567,522**	(34,393,553)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	**(368,271)**	(466,566)
Proceeds from property and equipment	**-**	30,000
Net cash used in investing activities	**(368,271)**	(436,566)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	**(1,222,652)**	7,422,689
Transfer to Consolidated Reserve Fund	**(6,334,524)**	(8,012,476)
Transfer to Revaluation Reserve Fund	**-**	(720,237)
Deposits by licensed financial institutions	**48,100,766**	39,746,708
Deposits by and balances due to Government and Public Sector Entities	**(48,232,829)**	51,223,637
Deposits by international agencies	**(1,331,718)**	(159,615)
Balances due to Caricom Central Banks	**(775,929)**	925,142
Commercial Bank Discount Fund	**(950,828)**	(464,084)
Proceeds from IMF SDR allocations	**56,128,415**	-
Proceeds from IMF Enda facility	**14,767,575**	-
Net cash provided by financing activities	**60,148,276**	89,961,764

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

	2009	2008
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**$317,440,403**	$262,308,758
NET INCREASE IN CASH AND CASH EQUIVALENTS	**72,347,527**	55,131,645
CASH AND CASH EQUIVALENTS, END OF YEAR	**$389,787,930**	$317,440,403
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers	**$ 7,713,848**	$ 8,312,704
Other foreign credit instruments	**304,062,057**	258,819,171
Accrued interest	**1,097,172**	757,106
Cash-in-transit	**258,626**	1,350,720
Balance with the International Monetary Fund	**63,236,197**	7,123,875
	376,367,900	276,363,576
LOCAL ASSETS:		
Cash and bank balances	**181,085**	152,926
Government of Belize Treasury Bills	**157,945**	10,068,901
Current portion of Treasury Notes	**13,081,000**	30,855,000
	$389,787,930	$317,440,403

The notes on pages 10 to 35 are an integral part of these financial statements.

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 include 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, 2009:

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Bank is in compliance with this standard.
- IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This standard has no impact on the number of reportable segments presented, since the Bank's segments have been reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present restated statements of financial position as at the beginning comparative period in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

  The revision of the Standard produces changes in both the terminology and presentation of the financial statements. However, the new terms do not affect the rules of recognition, measurement or disclosures of specific transactions and all other events which are required by other standards. The adoption of the revised standard transformed the structure and description in the presentation of the financial statements without altering the financial position of the Bank.

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment did not impact the financial position of the Bank.

  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  - IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent with IAS 37.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting.' These amendments did not impact the financial statements of the Bank.

- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The amendment did not impact the financial statements of the Bank.

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). This amendment did not have an impact on the Bank's income statement.

  - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.

  - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker.

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

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The amendment did not have an impact on the Bank's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments, and interpretations effective in 2009 that is not applicable at present on the operations of the Bank:

- ***IAS 32: Financial Instruments: Presentation and IAS 1: Presentation of Financial Statements – Amendment 2008: Puttable Financial Instruments and Obligations Arising on Liquidation (effective from January 1st, 2009)***
  These amendments address the classifications of some puttable financial instruments as well as instruments or their components that impose to the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. The above mentioned amendments are not applicable at present for Bank activities.

- ***Amendments of IAS 27: 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.

- ***IAS 39: Revision: Eligible Hedged Items (effective from July 1st, 2009)***
  The amendment to IAS 39 provides guidance on the particular cases in which a hedged risk or segment of cash flows can constitute eligible hedged items in a hedging relationship. The application of the amendment is not expected to affect the Bank's financial statements.

- ***IFRIC 15: Agreements for the Construction of Real Estate (effective from January 1st, 2009)***
  IFRIC 15 provides guidance on whether agreements for construction of real estate are within the scope of IAS 11 or IAS 18 as well as when the income arising from agreements for construction of real estate shall be recognized. The Interpretation is not applicable to Bank activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ***IFRIC 16: Hedges on a Net Investment in a Foreign Operation (effective for annual periods commencing on or after 1st October 2008)***
  The Interpretation provides guidance on the nature of hedged risks and the amount recognized in the hedged item for which hedged relationship has been defined as well as which amounts shall be reclassified from the equity to the income statements for both the hedging instrument and the hedged item. The current Interpretation is applied only to net investments in foreign operations while it does not apply to other types of hedges such as, for instance, fair value or cash flows hedges. So far, the Interpretation is not applicable to the Bank's activities.

New standards, amendments and interpretations issued but not yet adopted. These are not expected to impact the operations or financial position of the Bank.

- ***IFRS 3: "Business Combinations" – Revised 2008 and subsequent amendments in IAS 27, 28 and 31 (effective the first annual reporting period beginning on or after July 1st, 2009)***
  The revised standard introduces significant amendments for the application of the acquisition method for business combinations. Among other changes the standard introduces the possibility of minority interests being measured at fair value. Furthermore, the revised standard requires that the acquirer of a subsidiary recognizes the assets acquired and liabilities assumed as a transaction with owners of the business and any difference should be recognized in equity. The revised IFRS 3 applies for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1st, 2009, while no consolidation adjustments are required for the period before the revised standard will become effective.

- ***IFRIC 17: Distribution of Non-Cash Assets to Owners (effective for annual periods commencing on or after 1st July 2009)***
  When an entity announces distribution of non-cash assets to owners, it shall recognize a liability for the distributed dividends. The Interpretation provides guidelines pertaining to when an entity shall recognize dividends payable, how they shall be measured and how it shall account for the difference between the carrying amount of distributed assets and the carrying amount of the dividends paid in case the entity settles dividends payment.

- ***IFRIC 18: Transfers of Assets from Customers (effective for annual periods commencing on or after 1st July 2009)***
  IFRIC 18 is aimed at clarifying the requirements of IFRSs pertaining to agreements under which an entity receives from a client a segment of fixed assets (land plots, building facilities or equipment that the entity shall use either when a client constitutes a part of a network or a client shall obtain constant access to provision of goods or services (such as, for instance, provision of electricity or water). The IFRIC is applied mainly to utility entities and is not applicable to the Bank's activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ***IFRS 9: Financial Instrument (1 January 2013 is the effective date of IFRS 9, with early adoption permitted starting in 2009)***
  On 12 November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting 1 January 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment, and hedge accounting. By the end of 2010, then, IFRS 9 will be a complete replacement for IAS 39.

  IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value, depending on the business model but also the characteristics of financial assets. The embedded derivative concept of IAS 39 is not included in IFRS 9. Consequently, embedded derivatives that under IAS 39 would have been separately accounted for at FVTPL because they were not closely related to the financial host asset will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed in their entirety, and the asset as a whole is measured at FVTPL if any of its cash flows do not represent payments of principal and interest. For debt instruments, reclassification is required between FVTPL and amortised cost, or vice versa, if and only if the entity's business model objective for its financial assets changes so its previous model assessment would no longer apply.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Barbados, and Caribbean Development Bank bonds that are classified as held-to-maturity based on the Bank's positive intent and ability to hold these securities to maturity.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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%

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

iii. Revaluation

Section 50 of the Central Bank of Belize Act 1982 stipulates that gains or losses from any revaluation of the Bank's net assets or liabilities in gold, special drawings rights (SDR), foreign exchange or foreign securities as a result of any change in the par value of the Belize dollar or any change in the par value of the currency unit of any other country shall be excluded from the computation of the annual profits and losses of the Bank. All such gains or losses are credited in a special account called Revaluation Account. Profit is not carried to the General Reserve Fund or paid to the Government under Section 9 (see note 18) when the Revaluation Account shows a net loss, but is first credited to the Revaluation Account in an amount sufficient to cover the loss.

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, 2009, the Bank was in compliance as the value of total assets was $624,386,954 while the value of notes and coins in circulation was $191,973,186.

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

Management has developed internal controls to ensure compliance with the law. At December 31, 2009 and 2008 total approved external assets approximated 81 percent and 60 percent of such liabilities respectively.

4. BALANCES AND DEPOSITS WITH FOREIGN BANKERS

There were no restricted foreign or domestic deposits for 2009 and 2008 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, 2009, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000 The Reserve Tranche amounted to SDR 4,238,690 and the IMF's currency holdings amounted to SDR 19,262,242 (14,562,242 plus the recent IMF ENDA facility of 4,700,000) respectively. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ$3.13538 to SDR 1.0 at December 31, 2009 (2008 - BZ$3.0805 to SDR 1.0).

6. OTHER FOREIGN CREDIT INSTRUMENTS

	2009	2008
At December 31, these instruments comprised:		
Bank of America (Fixed Deposits)	**$ 48,000,000**	$ 40,000,000
Crown Agents Bank (Fixed Deposits)	**112,582,057**	61,139,170
Federal Reserve Bank of New York (Overnight Deposit)	**130,400,000**	145,800,000
Bank of America (Overnight Deposit)	**2,500,000**	1,300,001
Citibank N.A. New York (Overnight Deposit)	**10,580,000**	10,580,000
	$304,062,057	$258,819,171

7. ACCRUED INTEREST AND CASH-IN-TRANSIT

Accrued interest and cash-in-transit consist of:

	2009	2008
Accrued interest	**$1,097,172**	$ 757,106
Cash-in-transit	**258,626**	1,350,720
	$1,355,798	$2,107,826

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

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

	Face Value	Maturity Date
3.25% Government of Dominica Debenture	**$ 2,000,000**	2034
2.5% Caribbean Development Bank Bond	**$20,000,000**	2010
7.8% Government of Barbados	**$ 8,000,000**	2019

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:

	2009	2008
Treasury Bills	**$ 157,945**	$10,068,901
Treasury Notes	**35,096,000**	61,197,000
Belize Defence Bonds	**10,000,000**	10,000,000
	$45,253,945	$81,265,901

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

	2009	2008
Due within 1 year	**$13,238,945**	$40,923,901
Due within 2 year through 5 years	**22,015,000**	30,342,000
Due within 6 years through 10 years	**10,000,000**	10,000,000
	$45,253,945	$81,265,901

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. Management has developed internal controls to ensure compliance with the law. At December 31, 2009 and 2008 the Bank's aggregate holding of Belize Government securities approximated 1.61 times and 2.96 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. Management has developed internal controls to ensure compliance with the law. At December 31, 2009 and 2008 advances to Government represent approximately 88 percent and 91 percent of the authorized limit respectively.

11. OTHER ASSETS

	2009	2008
Other assets consist of:		
Inventory of circulation notes and coins	**$ 4,998,158**	$ 4,982,229
Prepayments and accrued interest	**1,234,389**	2,340,957
Accounts receivable	**95,841**	702,797
Staff loans receivable	**3,031,209**	1,369,850
Museum endowment fund	**578,150**	578,150
Other	**798,219**	106,581
	10,735,966	10,080,564
Less amortization:	**(715,940)**	(535,113)
	$10,020,026	$ 9,545,451

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

Included in accounts receivable for 2008 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, 2009	$30,441,554	$1,249,787	$5,955,639	$396,031	$38,043,011
Additions	-	41,102	327,169	-	368,271
Disposals	-	(10,252)	(50,073)	-	(60,325)
Balance at, December 31, 2009	30,441,554	1,280,637	6,232,735	396,031	38,350,957
Accumulated depreciation					
Balance at January 1, 2009	2,829,749	999,927	4,778,950	206,864	8,815,490
Depreciation charge for the year	280,626	35,724	372,422	47,400	736,171
Disposal	-	(9,496)	(44,363)	-	(53,859)
Balance at, December 31, 2009	3,110,375	1,026,155	5,107,009	254,264	9,497,802
Net book value					
December 31, 2009	**$27,331,179**	**$ 254,482**	**$1,125,726**	**$141,767**	**$28,853,155**
December 31, 2008	$27,611,805	$ 249,860	$1,176,689	$189,167	$29,227,521

13. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 13 of the Banks and Financials Institutions Act 1995, licensed financial institutions are required to keep on deposits with the Bank an amount equivalent to at least 10%, effective September 2, 2006, of their average deposit liabilities.

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

These deposits are interest free and are comprised as follows:

	2009	2008
Commercial banks	**$235,529,608**	$187,228,842
International financial institutions	**1,800,000**	2,000,000
	$237,329,608	$189,228,842

14. DEPOSITS BY INTERNATIONAL AGENCIES

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

	2009	2008
Commission of the European Communities	**$ -**	$ 586,866
Caribbean Development Bank	**-**	103,910
International Monetary Fund	**150,285**	147,656
Inter-American Development Bank	**74,859**	876,100
IDB	**472,316**	472,316
IBRD	**31,931**	31,931
EU Banana Support Escrow	**157,670**	-
	$887,061	$2,218,779

15. OTHER LIABILITIES

	2009	2008
Severance and gratuities	**$1,017,789**	$ 881,626
Abandoned property	**1,028,482**	479,369
Other	**1,139,189**	934,673
	$3,185,460	$2,295,668

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 weekly 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, 2009, the loan was revalued at 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, 2009, the allocations were revalued at SDR 3.13538 to the BZD.

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

	2009	2008
Loan payable to USAID	**$ -**	$ 453,848
Interest paid to USAID	**(2,311,316)**	(2,301,079)
Interest received from institutions	**3,778,234**	3,776,977
Loan receivable from DFC	**(488,000)**	-
	$ 978,918	$1,929,746

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.

	2009	2008
Balance at beginning of year	**$4,015,306**	$4,015,306
Prior year exchange gains	**(1,871,054)**	(2,591,291)
Current year exchange gains	**(1,531,284)**	(1,871,054)
Loss from revaluation	**339,770**	720,237
Transfers in accordance with section 50 – current period	**-**	(720,237)
Balance at end of year	**$3,675,536**	$4,015,306

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.

	2009	2008
Balance at beginning of year	**$17,432,196**	$16,541,921
Transfer from net profit	**703,836**	890,275
Balance at end of year	**$18,136,032**	$17,432,196

21. INTEREST ON APPROVED EXTERNAL ASSETS

	2009	2008
Interest earned on overnight deposits	**$2,460,436**	$5,073,344
Interest earned on marketable securities	**759,411**	116,575
Interest earned on balances and deposits with foreign bankers	**123,761**	551,249
	$3,343,608	$5,741,168

22. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

Expense recognized for employee benefits is analyzed below:

	2009	2008
Wages and salaries	**$7,154,434**	$7,041,093
Social security costs	**131,783**	127,171
Pensions - defined benefit plans	**293,718**	283,973
Employee benefits expense	**$7,579,935**	$7,452,237

23. ADMINISTRATIVE AND GENERAL EXPENSES

	2009	2008
Advertising	**$ 30,384**	$ 23,251
Audit fees	**45,540**	45,513
Bad debt write off	**180,827**	180,827
Bank charges	**97,610**	28,815
Bank publications	**18,309**	16,414
Books and publication	**40,905**	22,617
Building repairs and maintenance	**389,716**	441,672
Cash shipment	**24,663**	44,714
Computer software license	**72,067**	85,634
Conference	**83,282**	-
Directors' fees	**30,600**	25,600
Donations	**40,113**	69,282
Entertainment	**9,056**	15,737
Equipment maintenance	**21,383**	43,104
Security supplies	**10,341**	5,183
Freight charges	**17,578**	9,666
Hurricane preparedness	**19,614**	5,261
Insurance expense	**120,950**	116,234
Legal fees	**39,308**	113,703
Membership fees	**83,300**	67,608
Motor vehicle	**43,126**	67,617
Other miscellaneous expense	**196,438**	451,478
Overseas meeting and conferences	**147,863**	228,853
Professional services and technical support	**226,079**	149,899
Small equipment purchases	**26,316**	4,954
Supplies	**250,870**	197,487
Surveys	**30,327**	63,596
Travel (local)	**11,473**	7,407
Utilities expense	**808,678**	852,827
	$3,116,716	$3,384,953

24. 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.

25. PENSION ASSET

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 retirement benefits varying between 60 and 70 percent of final salary on attainment of a retirement age of 60. No other post-retirement benefits are provided.

During the year under review, the Bank contributed $293,718 (2008 - $283,973) 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 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, 2007 reported the present value of past service liabilities and plan assets to be $7,039,000 and $9,092,000 respectively.

Significant actuarial assumptions used in the valuation were:

I. A valuation rate of interest of 7% p.a.
II. A rate of escalation of pensionable salaries of 5% p.a.
III. 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 recognition of a pension asset, based on a formal actuarial valuation that was carried out as at December 31, 2007. The next actuarial valuation will be completed for December 2010.

25. PENSION ASSET (Continued)

Liability (Surplus) to be recognized in the Statement of Financial Position

	December 31, 2007
Present value of the obligation	$ 7,039,000
Fair value of plan assets	(9,092,000)
Net surplus	(2,053,000)
Unrecognized past service cost	-
Unrecognized actuarial losses	-
Surplus to be recognized	$(2,053,000)

26. 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.

26. RELATED PARTY TRANSACTIONS (Continued)

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:

	Social Security Board	Development Finance Corporation	SSB Mortgage Securitization Proceeds	DFC Mortgage Securitization Proceeds	Financial Intelligence Unit	Belize Tourism Board	SSB Deposit Account	GOB Current Acct.
Opening Balances	$ (1,991)	$ (202,680)	$ (379,337)	$ (2,266)	$ (46,485)	$ (292,080)	$(32,141,070)	$ 122,947,200
Deposits	(1,186,711)	(3,249,916)	(1,412,650)	(3,206,266)	(1,117,875)	(7,415,963)	(4,790,799)	1,056,096,457
Disbursements	1,188,000	3,401,680	1,791,000	3,207,522	684,544	7,464,471	11,246,942	1,060,609,593
Closing Balances	$ (702)	$ (50,916)	$ (987)	$ (1,009)	$ (479,816)	$ (243,572)	$(25,684,927)	$ 118,434,064

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, 2009 and 2008, the number of key management personnel was 17.

Compensations of key management personnel

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

	2009	2008
Short-term benefits	**$1,261,932**	$1,156,614
Post-employment benefits	**43,364**	34,280
Termination benefits	**24,005**	84,862
	$1,329,301	$1,275,756

Loans and advances to key management personnel

As at December 31, 2009 an amount of $401,129 (2008 - $279,815) was receivable from key managerial personnel as approved advances made by the Bank. No provisions have been recognised in respect of loans given to related parties.

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

27. 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.

28. 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.

28. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

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

The following tables break down the Bank's main credit exposure at their carrying amounts, as categorised by geographical regions as of December 31, 2009. 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

Balance & Money at Call	USA	Canada	Europe	Total
Depository Accounts & Money at call	$ 688,539	$63,849	$ 6,552,794	**$ 7,305,182**
Overnight Deposits	143,480,000	-	-	**143,480,000**
Fixed Deposits	48,000,000	-	112,582,057	**160,582,057**
Total Exposure	**$192,168,539**	**$63,849**	**$119,134,851**	**$311,367,239**

Schedule B
Outline of other Local and Foreign Investments

Securities	Local		Foreign	
	GOB	**CDB**	**Barbados**	**Dominica**
Treasury Notes	$35,096,000	$ -	$ -	$ -
Treasury Bills	157,945	-	-	-
Bonds	10,000,000	20,000,000	8,000,000	
Debentures	-	-	-	2,000,000
Total Exposure	**$45,253,945**	**$20,000,000**	**$8,000,000**	**$2,000,000**

28. FINANCIAL RISK MANAGEMENT (Continued)

Market and interest rate risk

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

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

Foreign Assets	**Average rate of return**	**Average rate of return**
	2009	**2008**
Depository Accounts & Money at Call	1.544%	1.711%
Overnight Deposits	0.113%	1.655%
Term Deposits	1.602%	2.773%
Bonds	5.150%	2.500%
Debentures	3.500%	3.500%

Currency risk

The Bank takes on exposure to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Because of its conservative nature, the Bank's exposure is limited 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.

28. FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

The table below indicates the different fund allocations as of December 31, 2009:

	FOREIGN CURRENCY	YEAR-END RATE	BELIZE DOLLAR VALUE
Euro Fund	(221,122)	2.88320	(637,539)
Canadian Fund	(33,453)	1.90860	(63,849)
SDR Fund	(1,747,453)	3.13538	(5,478,929)
USD Fund	(169,965,246)	2.00000	(339,930,492)
Sterling Fund	(71,486)	3.22800	(230,757)
BZ$ Fund	344,810,282	1.00000	344,810,282
Current Year Revaluation Gains			**(1,531,284)**
Revaluation balance, January 1			$(4,015,306)
Prior Year Revaluation Gains			(1,871,054)
Current Year Revaluation Gains			(1,531,284)
Loss on revaluation			339,770
Revaluation balance, December 31			**$(3,675,536)**

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.

28. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (continued)

Maturities of assets and liabilities at December 31, 2009

Asset Type	1 Month	1-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 Years
	$	$	$	$	$	$
Depository Accounts & Money at Call	7,894,933	-	-	-	-	-
Fixed Deposits	-	20,000,000	20,000,000	120,582,058	-	-
Overnight Deposits	143,480,000	-	-	-	-	-
Treasury Bills	-	158,000	-	-	-	-
Treasury Notes	-	-	-	13,081,000	22,015,000	-
Bonds	-	-	-	-	20,000,000	8,000,000
Debentures	-	-	-	-	-	2,000,000
	151,374,933	**20,158,000**	**20,000,000**	**133,663,058**	**42,015,000**	**10,000,000**

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.

* * * * * *