

CENTRAL BANK OF BELIZE
2003 Financial Statements
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Chartered Accountants

PO Box 756
Belize City
Belize
www.kpmgbelize.com

Jasmine Court
35A Regent Street
Suite 201
Belize City, Belize

Telephone 501-227-6860
501-227-6861
501-227-6629
Fax 501-227-6072
E-mail marwick@btl.net

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

We have audited the accompanying balance sheet of Central Bank of Belize as of 31 December 2003 and the related statements of income, and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of Central Bank of Belize as of 31 December 2003, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board.

KPMG

20 February 2004



CENTRAL BANK OF BELIZE
BALANCE SHEET
 At 31 December 2003

In Belize dollars.

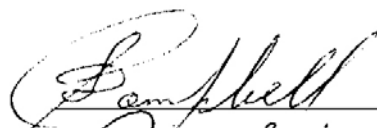
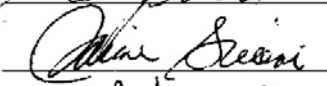
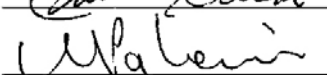
	Note	2003	2002
ASSETS			
APPROVED EXTERNAL ASSETS			
Balances and deposits with foreign bankers and Crown Agents		119,873,204	95,399,943
Reserve Tranche and balances with the International Monetary Fund	5	17,164,707	15,431,305
Other foreign credit instruments		10,000,000	70,260,000
Accrued interest and cash intransit	6, 2e	2,665,371	30,600,564
Marketable securities issued or guaranteed by foreign government and international financial institutions.	7	2,000,000	-
	4b	151,703,282	211,691,812
BELIZE GOVERNMENT SECURITIES	8	91,412,770	63,794,873
BELIZE GOVERNMENT CURRENT ACCOUNT	9	72,444,782	-
LOANS TO PUBLIC SECTOR	10	10,000,000	15,000,000
LOANS TO COMMERCIAL BANKS	11	5,124,086	-
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		177,421	36,548
OTHER ASSETS	12	5,252,510	3,896,148
PROPERTY AND EQUIPMENT	2a, 13	32,373,445	30,839,608
TOTAL ASSETS		368,488,296	325,258,989

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

CENTRAL BANK OF BELIZE
BALANCE SHEET
 At 31 December 2003 (Continued)

In Belize dollars.

	Note	2003	2002
LIABILITIES, CAPITAL AND RESERVES			
DEMAND LIABILITIES			
Notes and coins in circulation		127,626,959	132,673,605
Deposits by licensed financial institutions	14	75,071,727	57,007,542
Deposits by and balances due to Government and public sector entities in Belize		55,553,007	34,944,093
Deposits by international agencies	15	4,969,109	4,464,131
		263,220,802	229,089,371
BALANCES DUE TO CARICOM CENTRAL BANKS		820,132	1,499,704
OTHER LIABILITIES	16	7,241,963	3,131,614
COMMERCIAL BANK DISCOUNT FUND	17	1,815,643	1,959,445
GOVERNMENT SINKING FUND	18	54,210,070	40,170,058
BELIZE CREDIT FACILITY	19	7,961,159	7,227,477
LOANS PAYABLE TO FOREIGN INSTITUTIONS	20	7,500,000	12,500,000
CONSTRUCTION BONDS	21	-	6,000,000
TOTAL LIABILITIES		342,769,769	301,577,669
REVALUATION ACCOUNT	2c, 22	2,872,621	1,188,317
CAPITAL ACCOUNT			
Paid up capital (Authorized capital \$10,000,000)		10,000,000	10,000,000
GENERAL RESERVE FUND	23	12,845,906	12,493,003
TOTAL LIABILITIES, CAPITAL AND RESERVES		368,488,296	325,258,989

) GOVERNOR
) DIRECTOR
) DEPUTY GOVERNOR

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

CENTRAL BANK OF BELIZE
STATEMENT OF INCOME
For the year ended 31 December 2003

In Belize dollars.

	Note	2003	2002
INCOME			
Interest			
Approved external assets		3,432,725	4,104,824
Advances to government		6,316,883	5,667,937
Local securities	2d	800,000	801,527
Loans to statutory bodies		1,407,996	4,408,738
		11,957,604	14,983,026
Discounts on local securities		1,919,806	350,654
Commission and other income		2,445,846	2,329,141
		16,323,256	17,662,821
TOTAL INCOME			
LESS: Interest expense		(2,753,468)	(5,826,802)
		13,569,788	11,836,019
Income from operations			
EXPENDITURE			
Printing of notes and minting of coins	2b	(1,107,715)	(1,017,542)
Salaries and wages, including superannuation contributions and gratuities		(5,406,102)	(4,315,727)
Depreciation		(849,185)	(813,121)
Administrative and general		(2,677,755)	(2,607,913)
		(10,040,757)	(8,754,303)
Total expenditure			
		3,529,031	3,081,716
NET PROFIT			
NET PROFIT TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED FUND			
		3,529,031	3,081,716
Transfer to general reserve fund in accordance with Section 9(1) of the Act	23	(352,903)	(308,172)
		3,176,128	2,773,544
Balance credited to the accountant general for the consolidated revenue fund			
		3,176,128	2,773,544

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

CENTRAL BANK OF BELIZE
STATEMENT OF CASH FLOWS
For the year ended 31 December 2003

In Belize dollars.

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit transferred to the general reserve fund	352,903	308,172
Adjustment to reconcile net profit to net cash provided by operating activities:		
Depreciation	849,185	813,121
Loss on disposal	30,852	-
Changes in assets and liabilities that provided (used) cash:		
Other assets	(1,356,361)	1,405,517
Other liabilities	4,110,349	(857,491)
Revaluation account	1,684,303	1,188,317
Net cash provided by operating activities	5,671,231	2,857,636
CASH FLOWS FROM INVESTING ACTIVITIES:		
Belize Government current account	(72,444,782)	61,274,654
Loans to public sector/commercial bank	(124,086)	69,000,000
Acquisition of property and equipment	(2,413,874)	(518,262)
Reserve tranche in the IMF	(1,106,444)	(836,606)
Construction bonds	(6,000,000)	(6,000,000)
Belize Government securities	-	2,188,000
Net cash (used in) provided by investing activities	(82,089,186)	125,107,786
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	(5,046,646)	7,393,231
Deposits by licensed financial institutions	18,064,185	(23,710,584)
Deposits by and balances due to Government and public sector entities	20,608,916	(29,998,385)
Government sinking fund	14,040,012	40,170,058
Deposits by international agencies	504,978	2,148,399
Balances due to Caricom central banks	(679,572)	877,507
Commercial Bank Discount Fund	(143,803)	13,497
Belize credit facility	733,682	799,757
Loan repayment made to foreign institutions	(5,000,000)	(69,000,000)
Net cash provided by (used in) financing activities	43,081,752	(71,306,520)

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

CENTRAL BANK OF BELIZE
STATEMENT OF CASH FLOWS
For the year ended 31 December 2003 (Continued)

In Belize dollars.

	2003	2002
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(33,336,203)	56,658,902
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	254,095,222	197,436,320
CASH AND CASH EQUIVALENTS, END OF YEAR	220,759,019	254,095,222
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balance and deposits with foreign bankers and Crown Agents	121,873,204	95,399,943
Other foreign credit instruments	10,000,000	70,260,000
Accrued interest and cash intransit	2,665,371	30,600,564
Balance with the International Monetary Fund	4,630,253	4,003,295
	139,168,828	200,263,802
LOCAL ASSETS:		
Cash and bank balances	177,421	36,548
Government of Belize Treasury Bills	81,412,770	53,794,872
	220,759,019	254,095,222

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

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

In Belize dollars.

1. ORGANIZATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Property, plant and equipment depreciation and amortization –

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

Depreciation is charged at the following rates:

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

b. Sale of special coins –

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

c. Foreign currency translation and exchange gains and losses –

i. Assets and liabilities

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

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Foreign currency translation and exchange gains and losses –

ii. Income and expenses

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

iii. Revaluation

Section 49 of the Act stipulates that gains and 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 currency unit of any other country shall be excluded from the computation of the annual profits and losses of the Bank. All such gains or losses shall be credited in a special account called Revaluation Account. However, no profits shall first be carried to the General Reserve Fund or paid to the Government under Section 9 (see Note 22) whenever the Revaluation Account shows a net loss. Such profits shall first be credited to the Revaluation Account in an amount sufficient to cover the loss.

d. Valuation of securities –

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

e. Accrued interest and cash intransit –

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

f. Pension –

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

g. Taxation –

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

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

In Belize dollars.

3. INTEREST ON CENTRAL BANK BUILDING CONSTRUCTION BONDS

Interest is payable semi-annually on the Bank's Construction Bonds, and is charged against the annual earnings of the Bank (See Note 21).

4. CENTRAL BANK OF BELIZE ACT SECTION 5 COMPLIANCE

Section 25 of the Act stipulates that:

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

At 31 December 2003 and 2002 total approved external assets approximated 58 percent and 92 percent of such liabilities respectively.

5. INTERNATIONAL MONETARY FUND – RESERVE TRANCHE

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

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

At 31 December 2003, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000 and the Bank's Reserve Tranche amounted to SDR 4,238,690. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of Bz\$2.9719 to SDR 1.0 at 31 December 2003 (2002 – Bz\$2.7096 to SDR 1.0).

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

In Belize dollars.

6. ACCRUED INTEREST AND CASH INTRANSIT

Accrued interest and cash intransit consist of:

	2003	2002
Accrued interest	1,265,538	263,414
Cash intransit	1,399,833	30,337,150
	2,665,371	30,600,564

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

These securities consist of 3% debentures issued by the Government of Dominica and maturing in 2006.

8. BELIZE GOVERNMENT SECURITIES

Belize Government securities consist of:

	2003	2002
Treasury Bills	81,412,770	53,794,873
Belize Defense Bonds	10,000,000	10,000,000
	91,412,770	63,794,873

Section 35(2) of the Act stipulates that the Bank shall not at any time hold Belize Government securities in an aggregate amount exceeding five times the aggregate amount at the time of the paid up capital and general reserves of the Bank. At 31 December 2003 and 2002 the Bank's aggregate holding of Belize Government securities approximated 4 times and 2.84 times, respectively, of the amount of paid up capital and general reserves of the Bank.

9. BELIZE GOVERNMENT CURRENT ACCOUNT

In accordance with Section 34 of the Act, the Bank may make direct advances to the Government provided that at any one time the total outstanding amount of direct advances shall not exceed twenty percent of the current revenues of the Government collected during the preceding financial year or the sum of fifty million dollars, whichever is greater. At 31 December 2003 and 2002, advances to Government represent approximately 90 percent and zero percent of the authorized limit respectively.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

10. LOANS TO THE PUBLIC SECTOR

	2003	2002
11% p.a. loan with semi-annual payment of interest, and payment of first installment of principal 18 months after 16 August 2000 and every 6 months thereafter until maturity on 1 November 2005. The loan is guaranteed by the Government of Belize.	10,000,000	15,000,000
	<u>10,000,000</u>	<u>15,000,000</u>

11. LOANS TO COMMERCIAL BANK

	2003	2002
11.5% p.a. short-term loan due from a commercial bank maturing on 25 February 2004. The loan is secured by the assignment of a DFC Bond maturing in 2007 for the same amount.	2,500,000	-
11.5% p.a. short-term loan due from a commercial bank maturing on 12 March 2004. The loan is secured by a promissory note signed by the Government of Belize.	2,624,086	-
	<u>5,124,086</u>	<u>-</u>

12. OTHER ASSETS

	2003	2002
Other assets consist of:		
Inventory of notes and coins	3,210,169	1,245,158
Prepayments and accrued interest	941,221	1,451,780
Accounts receivable	1,017,114	1,116,236
Other	84,006	82,974
	<u>5,252,510</u>	<u>3,896,148</u>

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

In Belize dollars.

13. PROPERTY AND EQUIPMENT

	2003	2002
Property and equipment consist of:		
Property	31,019,704	29,170,058
Furniture	1,024,817	1,022,669
Equipment	4,439,120	4,210,684
Vehicles	390,071	365,924
Work in progress	135,237	-
	<hr/>	<hr/>
	37,008,949	34,769,335
Less: accumulated depreciation	4,635,504	3,929,727
	<hr/>	<hr/>
	32,373,445	30,839,608
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14. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 13 of the Banks Financial Institutions Act 1995, licensed financial institutions are required to keep on deposit with the Bank an amount equivalent to at least 6% 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.

15. DEPOSITS BY INTERNATIONAL AGENCIES

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

	2003	2002
Commission of the European Communities	2,001,572	75,148
International Monetary Fund	142,451	129,877
Caribbean Development Bank	99,538	67,041
Inter-American Development Bank	317,035	294,199
International Bank of Reconstruction and Development	716,450	716,450
European Union	1,682,063	3,181,416
	<hr/>	<hr/>
	4,969,109	4,464,131
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CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

16. OTHER LIABILITIES

	2003	2002
Interest payable (including construction bonds)	1,093,033	545,760
Severance and gratuities	622,002	586,955
Abandoned property	1,174,068	929,651
Retention payable	-	24,730
Other	4,352,860	1,044,518
	7,241,963	3,131,614
	7,241,963	3,131,614

17. COMMERCIAL BANK DISCOUNT FUND

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

The USAID loan has the following terms:

Interest rate of 2% for the first ten years and 3% thereafter. The loan is repayable in 25 years with a grace period of 9½ years and 31 equal semi-annual principal payments for 15½ years.

At 31 December 2003, outstanding loans discounted by commercial banks through the facility amounted to \$.3 million (2002 - \$.4 million) net of repayments, against a total drawdown of \$5.7 million from USAID. On that date the amount drawn down by the Foundation was \$1.5 million (2002 - \$1.5 million) net of repayments and the amount drawn down by DFC was \$743,095 (2002 - \$1.0 million) net of repayments.

18. GOVERNMENT SINKING FUND

Government Sinking Fund consists of US\$20,449,036 and US\$6,656,000 invested by the Bank on behalf of the Government for a bond issue maturing in 2005.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

19. BELIZE CREDIT FACILITY

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

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

20. LOANS PAYABLE TO FOREIGN INSTITUTIONS

	2003	2002
Loans payable to foreign institutions consist of:		
Due to a foreign institution repayable in 8 installments commencing 4 November 2001 and every 6 months thereafter. Interest accrues at 2.82% per annum above LIBOR for the first 2 years and thereafter at 2% per annum above LIBOR. The loan was negotiated for US\$5,000,000 for project financing and is secured by a first-priority charge lien or security interest on a deposit of US\$3,750,000 placed by the borrower with the foreign institution.	3,750,000	6,250,000
Due to a foreign institution repayable in 8 installments commencing 4 November 2001 and every 6 months thereafter. Interest accrues at 2.82% per annum above LIBOR for the first 2 years and thereafter at 2% per annum above LIBOR. The loan was negotiated for project financing and is secured by the first-priority charge, lien or security interest on a deposit of US\$3,750,000 placed by the borrower with the foreign institution.	3,750,000	6,250,000
	<u>7,500,000</u>	<u>12,500,000</u>

These loans are guaranteed by the Government of Belize

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

21. CONSTRUCTION BONDS

	2003	2002
\$24,000,000 construction bonds secured by a guarantee from the Belize Government. Interest at 11.75% per annum is payable semi-annually. Principal repayable by 8 semi annual installments of US\$1,500,000 beginning 15 January 2001.	-	6,000,000
	-	6,000,000

22. REVALUATION ACCOUNT

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

	2003	2002
Net gain on revaluation of Reserve Tranche in the International Monetary Fund	1,509,227	836,603
Net gain on revaluations during the year	1,363,394	351,714
Transfer (to)/from profits	-	-
Balance at end of year (Note 2c. iii)	2,872,621	1,188,317

23. GENERAL RESERVE FUND

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

	2003	2002
Balance at beginning of year	12,493,003	12,184,831
Transfer from profits at 10%	352,903	308,172
Balance at end of year	12,845,906	12,493,003

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

24. PENSION SCHEME

The Bank operates a defined pension scheme which receives contributions from the Bank and its eligible employees. During the year under review, the Bank contributed \$144,302 (2002 - \$135,000) to the scheme. The scheme is financially separate from the Bank and is managed by a Board of Trustees. The cost of plan benefits is determined using an accrued benefit valuation method.

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

Significant actuarial assumptions used in the valuation were:

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

25. FINANCIAL INSTRUMENTS

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

26. COMMITMENTS AND CONTINGENCIES

- a. The Bank is guarantor to the Government of Belize in a USD/Yen currency swap agreement with Citicorp. This agreement will terminate in June 2005. Periodically, the swap agreement is valued and potential margin calls can be made.
- b. The Bank is contingently liable as cosigner with the Government of Belize on promissory notes to International Bank of Miami totaling US\$114 million.