

FINANCIAL STATEMENTS

CENTRAL BANK OF BELIZE 2006 FINANCIAL STATEMENTS

CONTENTS

	PAGE
Auditors' report	1
Balance sheet	2 - 3
Statement of income	4
Statement of changes in equity	5
Statement of cash flows	6 - 7
Notes to the financial statements	8 -23

**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 2006, and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Bank's 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. 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 2006, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Horwath Belize

14 February 2007

CENTRAL BANK OF BELIZE
BALANCE SHEET
 At 31 December 2006

In Belize dollars.

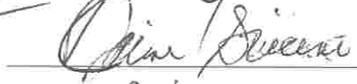
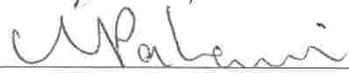
Assets	Notes	2006	2005
APPROVED EXTERNAL ASSETS			
Balances and deposits with foreign bankers and Crown Agents	4	39,709,976	63,882,197
Reserve Tranche and balances with the International Monetary Fund	5	18,505,883	17,087,886
Other foreign credit instruments	6	129,000,000	20,800,000
Accrued interest and cash intransit	7,2k	798,866	11,401,682
Marketable securities issued or guaranteed by foreign government and international financial institutions.	8	2,000,000	2,000,000
	3b	190,014,725	115,171,765
BELIZE GOVERNMENT SECURITIES	9	139,979,534	92,184,594
BELIZE GOVERNMENT CURRENT ACCOUNT	10	77,215,718	88,536,782
LOANS TO PUBLIC SECTOR	11	-	27,521,712
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		153,314	68,795
OTHER ASSETS	12	7,126,279	8,496,710
PROPERTY AND EQUIPMENT	13,2f	30,083,887	30,633,964
TOTAL ASSETS		444,573,457	362,614,322

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

CENTRAL BANK OF BELIZE
BALANCE SHEET
 At 31 December 2006 (Continued)

In Belize dollars.

LIABILITIES, CAPITAL AND RESERVES	NOTES	2006	2005
DEMAND LIABILITIES			
Notes and coins in circulation		169,354,339	143,089,348
Deposits by licensed financial institutions	14	152,283,691	112,341,444
Deposits by and balances due to Government and public sector entities in Belize		85,031,994	73,416,067
Deposits by international agencies	15	2,188,311	2,440,333
		408,858,335	331,287,192
BALANCES DUE TO CARICOM CENTRAL BANKS		197,880	295,942
OTHER LIABILITIES	16	4,183,765	3,184,518
COMMERCIAL BANK DISCOUNT FUND	17	2,745,321	1,480,663
TOTAL LIABILITIES		415,985,301	336,248,315
REVALUATION ACCOUNT	18,2i	3,011,360	2,081,924
CAPITAL ACCOUNT			
Paid up capital (Authorized capital \$10,000,000)		10,000,000	10,000,000
GENERAL RESERVE FUND	19	15,576,796	14,284,083
TOTAL LIABILITIES, CAPITAL AND RESERVES		444,573,457	362,614,322


 _____) GOVERNOR

 _____) DIRECTOR

 _____) DEPUTY GOVERNOR

The accompanying notes form an integral part of this financial statement.

CENTRAL BANK OF BELIZE
STATEMENT OF INCOME
For the year ended 31 December 2006

In Belize dollars.

	NOTES	2006	2005
INCOME			
Interest			
Approved external assets		5,856,110	5,019,698
Advances to government		13,330,420	9,497,530
Local securities	2e	2,803,990	954,282
Loans to statutory bodies		-	697,900
		21,990,520	16,169,410
Discounts on local securities		2,183,670	2,100,659
Commission and other income		1,608,139	1,481,748
		25,782,329	19,751,817
TOTAL INCOME			
LESS: Interest expense		(1,642,742)	(832,743)
		24,139,587	18,919,074
EXPENDITURE			
Printing of notes and minting of coins		(1,547,726)	(1,361,288)
Salaries and wages, including superannuation contributions and gratuities		(5,884,117)	(5,698,289)
Depreciation	13	(1,111,255)	(860,755)
Administrative and general		(2,669,362)	(2,548,460)
		(11,212,460)	(10,468,792)
Total expenditure			
		12,927,127	8,450,282
NET PROFIT			
NET PROFIT TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED FUND			
		12,927,127	8,450,282
Transfer to general reserve fund in accordance with section 9(1) of the Act	19	(1,292,713)	(845,028)
		11,634,414	7,605,254
Balance credited to the accountant general for the consolidated revenue fund			
		11,634,414	7,605,254

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

CENTRAL BANK OF BELIZE
STATEMENT OF CHANGES IN EQUITY
 At 31 December 2006

In Belize dollars.

	Share capital	Revaluation account	General reserve	Accumulated profits
At 1 January 2005	10,000,000	3,658,886	13,439,055	-
Net profit	-	-	-	8,450,282
Loss on revaluation	-	(1,576,962)	-	-
Transfer to Government of Belize	-	-	-	(7,605,254)
Transfer to General Reserve Fund	-	-	845,028	(845,028)
At 31 December 2005	10,000,000	2,081,924	14,284,083	-
Net profit	-	-	-	12,927,127
Gain on revaluation	-	929,436	-	-
Transfer to Government of Belize	-	-	-	(11,634,414)
Transfer to General Reserve Fund	-	-	1,292,713	(1,292,713)
At 31 December 2006	10,000,000	3,011,360	15,576,796	-

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 2006

In Belize dollars.

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit transferred to the general reserve fund	1,292,713	845,028
Adjustment to reconcile net profit to net cash provided by operating activities:		
Amortization	57,815	57,815
Depreciation	1,111,255	860,755
Loss/(gain) on disposal	14,326	16,327
Changes in assets and liabilities that provided (used) cash:		
Other assets	1,312,616	(1,755,056)
Other liabilities	999,247	(797,180)
Revaluation account	929,436	(1,576,962)
Net cash provided by/(used in) operating activities	5,717,408	(2,349,273)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Belize Government current account	11,321,064	(7,877,207)
Loans to public sector/commercial bank	27,521,712	5,000,000
Acquisition of property and equipment	(580,155)	(412,204)
Proceeds from sale of assets	4,651	43,726
Reserve tranche in the IMF	(633,737)	1,043,772
Collateral deposits with foreign bankers	24,303,115	(61,255,724)
Net cash provided by/(used in) investing activities	61,936,650	(63,457,637)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	26,264,991	1,139,664
Deposits by licensed financial institutions	39,942,247	24,447,792
Deposits by and balances due to Government and Public Sector entities	11,615,927	59,669,184
Government sinking fund	-	(20,210,971)
Deposits by international agencies	(252,022)	(263,441)
Balances due to Caricom central banks	(98,062)	208,025
Commercial Bank Discount Fund	1,264,658	(175,461)
Belize credit facility	-	(8,653,769)
Loan repayment made to foreign institutions	-	(2,500,000)
Net cash provided by financing activities	78,737,739	53,661,023

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 2006 (Continued)

In Belize dollars.

	2006	2005
NET INCREASE IN CASH AND CASH EQUIVALENTS	146,391,797	(12,145,887)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	124,113,252	136,259,139
CASH AND CASH EQUIVALENTS, END OF YEAR	270,505,049	124,113,252
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers and Crown Agents	4,757,367	4,626,473
Other foreign credit instruments	129,000,000	20,800,000
Accrued interest and cash intransit	798,866	11,401,682
Balance with the International Monetary Fund	5,815,968	5,031,708
	140,372,201	41,859,863
LOCAL ASSETS:		
Cash and bank balances	153,314	68,795
Government of Belize Treasury Bills	85,736,534	73,184,594
Government of Belize Treasury Notes	44,243,000	9,000,000
	270,505,049	124,113,252

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

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

In Belize dollars.

1. GENERAL INFORMATION

The Central Bank of Belize, (the “Bank”), was established by the Central Bank of Belize Act 1982 (the Act) and has its principal place of business in Belize City, Belize.

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 and the Central Bank of Belize Act. Certain prior year amounts have been reclassified to conform with the 2006 presentation.

a. Measurement base

The financial statements are prepared on the historical cost basis, modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

b. 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 business and in maintaining property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and accrued discount on treasury bills and other discounted instruments. Interest income is suspended when loans become doubtful of collection. Such income is excluded from interest income until received.

Miscellaneous income and expenses are recognized on an accrual basis.

c. Inventories

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

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Changes 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.

e. Financial instruments

Financial assets and financial liabilities are recognized on the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument.

International Monetary Fund balances

The Bank transacts with the International Monetary Fund (IMF) in its own right rather than as an agent for the Government of Belize. All transactions by the Bank with the IMF have been included in these financial statements on that basis.

Quota with the IMF is recorded by the Bank as an asset. Exchange gains and losses arising on revaluation of IMF assets at the exchange rate applying at the balance sheet date as published by the IMF are recognized in the Revaluation account in accordance with section 49 of the Act.

Foreign marketable securities

These consist of debentures issued by the Government of Dominica and 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 Defense Bonds purchased from Government of Belize all of which the Bank has the positive intent and ability to hold to maturity. Treasury bills are carried at amortized cost. All other investments are carried at cost which approximates market value.

Loans to government

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

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

Loans to public sector

Loans to the public sector are carried at the original amount less an allowance for any uncollectable 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.

f. 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% - 25%
Vehicles	20%

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Employee benefits

Pension

The Bank operates a defined benefit pension scheme for employees. 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 balance sheet equivalent to an amount calculated on 20% of the annual salary for each completed year of service, commencing from the first year of service. The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt within the income statement. The gratuity liability is neither funded nor actually valued. This item is grouped under other liabilities in the Balance Sheet.

h. 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.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. 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 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 49 of the Act stipulates that gains or losses from any revaluation of the Bank's net assets or liabilities in gold, special drawings rights (SDR), foreign exchange or foreign securities as a result of any change in the par value of the Belize dollar or any change in the par value of the currency unit of any other country shall be excluded from the computation of the annual profits and losses of the Bank. All such gains or losses are credited in a special account called Revaluation Account. Profit is not carried to the General Reserve Fund or paid to the Government under Section 9 (see note 19) when the Revaluation Account shows a net loss, but is first credited to the Revaluation Account in an amount sufficient to cover the loss.

j. 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.

k. Accrued interest and cash intransit

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

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

In Belize dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. 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.

m. Cash and cash equivalents

The Bank classifies as cash equivalents financial instruments with an original maturity of three months or less, and deposits and other balances that are readily marketable or convertible. The Banks' cash management and investment policies restrict investments to investment grade highly liquid securities. The carrying value of cash and cash equivalents approximates fair value.

3. CENTRAL BANK OF BELIZE ACT SECTION 5 COMPLIANCE

Section 5 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 2006 and 2005 total approved external assets approximated 46 percent and 35 percent of such liabilities respectively.

4. BALANCES AND DEPOSITS WITH FOREIGN BANKERS

Included in foreign deposits is \$36,952,609 (2005 - \$61,255,724) of restricted collateral deposits which are held in designated reserve accounts with Bank of New York and are primarily used to secure payments on notes payable to international lenders by Government of Belize.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

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 1,320,600 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 31 December 2006, Belize's subscriptions to the International Monetary Fund amounted to SDR 1,932,986 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\$3.0088 to SDR 1.0 at 31 December 2006 (2005 - BZ\$2.8585 to SDR 1.0).

6. OTHER FOREIGN CREDIT INSTRUMENTS

These instruments comprise overnight deposits held with the Federal Reserve Bank.

7. ACCRUED INTEREST AND CASH TRANSIT

Accrued interest and cash intransit consist of:

	2006	2005
Accrued interest	331,190	277,201
Cash intransit	467,676	11,124,481
	798,866	11,401,682
	798,866	11,401,682

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

These securities, which are carried at cost, consist of 3.5% debentures issued by the Government of Dominica and maturing in 2034. The Bank has the positive intent and ability to hold these securities to maturity.

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

In Belize dollars.

9. BELIZE GOVERNMENT SECURITIES

Belize Government securities consist of:

	2006	2005
3.25% Treasury Bills	85,736,534	73,184,594
9% Treasury Notes	44,243,000	9,000,000
8% Belize Defense Bonds	10,000,000	10,000,000
	139,979,534	92,184,594
	139,979,534	92,184,594

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

	2006	2005
Due within 1 year	99,012,534	82,184,594
Due within 1 year through 5 years	30,967,000	-
Due within 5 years through 10 years	10,000,000	10,000,000
	139,979,534	92,184,594
	139,979,534	92,184,594

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 that time of the paid up capital and general reserves of the Bank, subsequently amended to seven times in April 2006. At 31 December 2006 and 2005 the Bank's aggregate holding of Belize Government securities approximated 5.47 times and 3.80 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 positive intent and ability to hold the securities to maturity. The carrying amount of these investments approximates fair value due to their short maturity and/or market-sensitive interest rates.

10. 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 2006 and 2005 advances to Government represent approximately 73 percent and 99 percent of the authorized limit respectively.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

11. LOANS TO THE PUBLIC SECTOR

	2006	2005
11% p.a. short-term loan maturing on 30 June 2006, guaranteed by the Government of Belize. Interest has been waived since February 2005.	-	27,521,712
	-	27,521,712

12. OTHER ASSETS

Other assets consist of:

	2006	2005
Inventory of notes and coins	3,003,514	3,673,027
Prepayments and accrued interest	1,966,617	3,011,275
Accounts receivable	1,473,234	1,198,956
Museum endowment fund	520,335	520,335
Other	278,209	150,932
	7,241,909	8,554,525
Less: amortization	(115,630)	(57,815)
	7,126,279	8,496,710

Museum endowment fund is amortized over 10 years commencing 2004.

Included in accounts receivable is an amount of \$585,945 due from Guyana under the Caricom Multilateral Clearing Facility. The loan is being restructured and management believes the carrying amount of the loan will be repaid in full. Interest has not been recognized on the loan since October 2004.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

13. PROPERTY AND EQUIPMENT

Cost	Property	Furniture	Equipment	Vehicles	Total
At 1 January 2006	30,441,554	1,048,149	4,938,529	379,339	36,807,571
Additions	-	33,647	546,508	-	580,155
Disposals	-	-	(73,397)	-	(73,397)
At 31 December 2006	30,441,554	1,081,796	5,411,640	379,339	37,314,329
Accumulated Depreciation					
At 1 January 2006	(1,987,102)	(759,919)	(3,237,688)	(188,898)	(6,173,607)
Depreciation charge for the year	(280,626)	(79,704)	(696,934)	(53,991)	(1,111,255)
Disposals	-	-	54,420	-	54,420
At 31 December 2006	(2,267,728)	(839,623)	(3,880,202)	(242,889)	(7,230,442)
Net book value					
At 1 January 2005	28,454,452	288,230	1,700,841	190,441	30,633,964
At 31 December 2006	28,173,826	242,173	1,531,438	136,450	30,083,887

14. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 13 of the Banks and Financial Institutions Act 1995, licensed financial institutions are required to keep on deposit with the Bank an amount equivalent to at least 9% effective 1 January 2006, subsequently amended to 10% effective 2 September 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.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

15. DEPOSITS BY INTERNATIONAL AGENCIES

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

	2006	2005
Commission of the European Communities	271,188	1,036,584
International Monetary Fund	144,218	137,015
Caribbean Development Bank	70,522	32,641
Inter-American Development Bank	985,933	324,263
International Bank for Reconstruction and Development	716,450	716,450
European Union	-	193,380
	<hr/> 2,188,311	<hr/> 2,440,333
	<hr/> <hr/>	<hr/> <hr/>

16. OTHER LIABILITIES

	2006	2005
Severance and gratuities	813,443	709,726
Abandoned property	2,208,394	1,622,430
Other	1,161,928	852,362
	<hr/> 4,183,765	<hr/> 3,184,518
	<hr/> <hr/>	<hr/> <hr/>

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

17. COMMERCIAL BANK 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 30 June 1987, to finance this facility. The facility enabled commercial banks in Belize to discount with the Bank up to 100% of loans made to sub-borrowers for projects approved by the Bank and USAID. The Bank is expected to accumulate significant net interest earnings over the repayment term of the USAID loan to form a permanent fund. In 1993, USAID and the Bank agreed that Bz \$2 million and Bz \$1.5 million from the reflows to the Discount Fund could be used as a line of credit to National Development Foundation of Belize (the Foundation) and Development Finance Corporation (DFC), respectively.

The USAID loan has the following terms:

Interest rate of 2% for the first ten years and 3% thereafter. The loan is repayable within 25 years with a grace period of 9-1/2 years and 31 equal semi-annual principal payments for 15-1/2 years.

At 31 December 2006, reflows onlent to the Foundation amounted to nil (2005 - \$1.6 million). Reflows onlent to DFC amount to \$107,730 net of repayments (2005 - \$215,462).

At 31 December 2006, the Fund is comprised as follows:

	2006	2005
Loan payable to USAID	(1,321,989)	(1,737,051)
Loans receivable from institutions	107,730	1,825,148
	<hr/>	<hr/>
	(1,214,259)	88,097
Interest paid to USAID	2,241,051	2,192,029
Interest received from institutions	(3,772,113)	(3,760,789)
	<hr/>	<hr/>
	(2,745,321)	(1,480,663)
	<hr/> <hr/>	<hr/> <hr/>

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

18. REVALUATION ACCOUNT

The Revaluation Account has been set up in compliance with Section 49 of the Act, in accordance with which profits are not credited to the General Reserve Fund or paid to the consolidated Revenue Fund whenever the Revaluation Account shows a net loss. Such profits are credited to the Revaluation Account in an amount sufficient to cover the loss.

	2006	2005
Net gain on revaluation of Reserve Tranche in the International Monetary Fund	912,943	1,462,169
Net gain on revaluations during the year	2,098,417	619,755
	<u>3,011,360</u>	<u>2,081,924</u>

19. 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.

	2006	2005
Balance at beginning of year	14,284,083	13,439,055
Transfer from net profit	1,292,713	845,028
Balance at end of year	<u>15,576,796</u>	<u>14,284,083</u>

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize dollars.

20. PENSION SCHEME

The Bank operates a defined benefit pension scheme which receives contributions from the Bank and its eligible employees. During the year under review, the Bank contributed \$190,774 (2005 - \$179,828) to the scheme. The scheme is financially separate from the Bank and is managed by a Board of Trustees. The cost of plan benefits is determined using an accrued benefit valuation method.

The last actuarial valuation done at 31 December 2004 reported the present value of past service liabilities and plan assets to be \$4,386,000 and \$6,477,000, 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. Pensions will not increase in the course of payments.

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

21. 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.

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

In Belize dollars.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

- c. The Bank does not ordinarily collect any commission, fees, or other charges for services it renders to the government or related entities, except in the case of banking and financial services.
- d. Acting as the agent of government, the Bank issues government securities, purchases unsubscribed portions of any issue and amounts set aside for the Bank.
- e. As the agent of the government, the Bank manages public debt and foreign reserves.

Compensation of key management personnel

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

	2006	2005
Short-term benefits	786,559	888,078
Post-employment benefits	21,375	79,426
Termination benefits	82,037	20,448
	889,971	987,952

Loans and advances to key management personnel

As at 31 December 2006, an amount of \$111,639 (2005 - \$110,059) was receivable from key managerial personnel as approved advances made by the Bank.

22. 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:

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

In Belize dollars.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Currency in circulation

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

Deposits

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

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

23. CREDIT RISK

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligations. The Bank manages credit risk by selecting counterparties of high credit ratings. Credit risk is monitored, reviewed and analyzed to minimize the risk of loss.

24. COMMITMENTS AND CONTINGENCIES

- a. The Bank is contingently liable as co-signer with the Government of Belize on promissory notes amounting to US\$52.6 million with International Bank of Miami.

25. The financial statements were approved for issue by the Board of Directors on 30 March 2007.