



# ***Central Bank of Belize***

***Financial Statements for the Years  
Ended December 31, 2017 and 2016 and  
Independent Auditors' Report***

# CENTRAL BANK OF BELIZE

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## INDEPENDENT AUDITORS' REPORT

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

### Grant Thornton, LLP

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### Opinion

We have audited the financial statements of Central Bank of Belize, (the Bank) which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of profit, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Bank of Belize as at December 31, 2017 and 2016, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

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

### Emphasis of Matter

We draw attention to the Statements of Other Comprehensive Income and Note 18 to the financial statements, which show the effects of Section 50 of the Central Bank of Belize Act Revised Edition 2011 which requires the profits or losses from any revaluation of the Bank's net assets or foreign securities to be excluded from the computation of the annual profits and losses of the Bank. International Financial Reporting Standards requires any foreign exchange gains and losses on monetary assets and liabilities to be recognized in profit or loss contrary to Section 50 of the Central Bank of Belize Act. Considering the immaterial effects on the financial statements, our opinion is not modified in respect of this matter.

#### Partners

Claude Burrell CPA CISA  
Giacomo Sanchez CPA

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**Independent Auditors' Report**  
**Page 2****Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

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

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

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

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



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- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Chartered Accountants**  
**Belize City, Belize**  
**April 27, 2018**

**Partners**

Claude Burrell CPA CISA  
Giacomo Sanchez CPA

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# CENTRAL BANK OF BELIZE

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

<b>ASSETS</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
APPROVED EXTERNAL ASSETS:			
Bank balances and deposits with foreign bankers – unrestricted	2h, 2i, 3	\$ 4,623,803	\$ 8,995,178
Reserve Tranche and balances with the International Monetary Fund	2h, 2j, 4	74,769,792	70,493,178
Other foreign credit instruments	2h, 2k, 5	514,306,159	598,098,673
Accrued interest and cash-in-transit	2h, 2L, 6	3,793,085	4,031,512
Marketable securities issued or guaranteed by foreign governments and international financial institutions	2h, 2m, 7	<u>14,285,714</u>	<u>59,428,571</u>
Total approved external assets		611,778,553	741,047,112
BALANCES WITH LOCAL BANKERS AND CASH ON HAND			
	2h, 2n	301,986	262,849
GOVERNMENT OF BELIZE SECURITIES			
	2h, 2o, 8	340,922,789	322,269,225
CONSOLIDATED REVENUE FUND			
	2h, 2p	41,024,157	48,220,569
OTHER ASSETS			
	2h, 2q, 9	18,372,352	19,166,550
EQUITY INSTRUMENTS			
	2h, 2r, 10	20,000,000	20,000,000
PROPERTY AND EQUIPMENT – NET			
	2s, 11	30,084,320	30,941,760
INTANGIBLE ASSETS – NET			
	2t, 12	<u>4,113,707</u>	<u>4,597,609</u>
<b>TOTAL ASSETS</b>		<b><u>\$1,066,597,864</u></b>	<b><u>\$1,186,505,674</u></b>

The notes on pages 11 to 45 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## STATEMENTS OF FINANCIAL POSITION (CONTINUED) DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	<u>Notes</u>	<u>2017</u>	<u>2016</u>
DEMAND LIABILITIES:			
Notes and coins in circulation		\$ 383,392,538	\$ 369,502,797
Deposits by licensed financial institutions	2h, 2u	476,818,877	624,817,243
Deposits by and balances due to Government and Public sector entities in Belize	2h, 2u	91,736,331	68,608,100
Deposits by international agencies	2h, 2u, 13	<u>1,210,294</u>	<u>1,585,403</u>
Total demand liabilities		<b>953,158,040</b>	1,064,513,543
BALANCES DUE TO CARICOM CENTRAL BANKS	2h	<b>561,529</b>	9,056
OTHER LIABILITIES	2h, 14	<b>15,244,552</b>	28,914,879
DEFINED BENEFIT PLAN NET OBLIGATION	2v, 26	-	877,855
IMF SDR ALLOCATIONS	2h, 15	<b>51,028,399</b>	48,128,947
COMMERCIAL BANKS' DISCOUNT FUND	2h, 16	<u>1,085,750</u>	<u>923,383</u>
<b>TOTAL LIABILITIES</b>		<b><u>1,021,078,270</u></b>	<b><u>1,143,367,663</u></b>
CAPITAL ACCOUNT:			
Paid - up capital (Authorized capital \$20,000,000)	2x, 17	<b>20,000,000</b>	19,809,790
REVALUATION ACCOUNT	2y, 18	<b>2,387,028</b>	968,038
ASSET REVALUATION RESERVE	19	<b>164,531</b>	103,431
POST EMPLOYMENT OBLIGATION RESERVE	2v, 26	<b>(37,327)</b>	(37,327)
GENERAL RESERVE	2z, 20	<u>23,005,362</u>	<u>22,294,079</u>
<b>TOTAL LIABILITIES, CAPITAL AND RESERVES</b>		<b><u>\$1,066,597,864</u></b>	<b><u>\$1,186,505,674</u></b>

The financial statements on pages 4 to 10 were approved and authorized for issue by the Board of Directors on April 27, 2018 and are signed on its behalf by:



CHAIRMAN



GOVERNOR



SENIOR MANAGER,  
CORPORATE SERVICES

The notes on pages 11 to 45 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## STATEMENTS OF PROFIT

YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b><u>CONTINUING OPERATIONS</u></b>			
<b>INTEREST INCOME:</b>			
Approved external assets	2aa 21	\$ 8,542,084	\$ 7,372,596
Advances to Government of Belize		4,497,527	6,042,393
Local securities		<u>11,128,244</u>	<u>13,136,679</u>
		<b>24,167,855</b>	<b>26,551,668</b>
<b>Other income:</b>			
Discount on local securities		778,995	10,861
Dividends on equity instruments	10	760,000	1,120,000
Commissions and other income	22	2,923,393	3,213,405
(Loss) gain on disposal of securities		<u>(394,515)</u>	<u>778,799</u>
<b>Total income</b>		<b>28,235,728</b>	<b>31,674,733</b>
LESS: Interest expense		<u>(281,994)</u>	<u>(57,991)</u>
<b>Total income</b>		<b><u>27,953,734</u></b>	<b><u>31,616,742</u></b>
<b>EXPENDITURE:</b>			
Printing of notes and minting of coins	23	(2,360,160)	(2,827,437)
Salaries and wages, including superannuation contribution and gratuities	2w, 24	(11,334,535)	(11,512,592)
Depreciation and amortization expenses	2s, 2t, 11, 12	(1,886,218)	(1,397,510)
Administrative and general expenses	2bb, 25	<u>(5,259,996)</u>	<u>(4,979,436)</u>
<b>Total expenditure</b>		<b><u>(20,840,909)</u></b>	<b><u>(20,716,975)</u></b>
<b>PROFIT FOR THE YEAR</b>		<b><u>\$ 7,112,825</u></b>	<b><u>\$10,899,767</u></b>
<b>Profit for the year attributable to:</b>			
Owner of the Bank		<b><u>\$ 7,112,825</u></b>	<b><u>\$10,899,767</u></b>
<b>Transfers:</b>			
General Reserve Fund	2z, 2p	\$ 711,283	\$ 1,089,977
Capital Account	2x	190,210	9,809,790
Consolidated Revenue Fund	2z	<u>6,211,332</u>	<u>-</u>
		<b><u>\$ 7,112,825</u></b>	<b><u>\$10,899,767</u></b>

The notes on pages 11 to 45 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## STATEMENTS OF OTHER COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b>PROFIT FOR THE YEAR</b>		<b>\$ 7,112,825</b>	\$10,899,767
<b>Other comprehensive income (loss):</b>			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement losses	2v, 26	-	(3,378,501)
Appraisal of artwork		<b>61,100</b>	-
Items that will be reclassified subsequently to profit or loss			
Revaluation of financial assets	18	<u><b>1,418,990</b></u>	<u>(770,779)</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>		<u><b>1,480,090</b></u>	<u>(4,149,280)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>\$ 8,592,915</b></u>	<u>\$ 6,750,487</u>
<b>Total comprehensive income attributable to:</b>			
Owner of the Bank		<u><b>\$ 8,592,915</b></u>	<u>\$ 6,750,487</u>

The notes on pages 11 to 45 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

	Capital account	Revaluation account	Asset revaluation reserve	Post- employment obligation reserve	General reserve	Total
<b>January 1, 2016</b>	\$10,000,000	\$1,738,817	\$103,431	\$3,341,174	\$21,204,102	\$36,387,524
<b>Comprehensive Income:</b>						
Profit for the year	-	-	-	-	10,899,767	10,899,767
Other comprehensive income	-	(770,779)	-	(3,378,501)	-	(4,149,280)
<b>Total comprehensive income</b>	-	(770,779)	-	(3,378,501)	10,899,767	6,750,487
<b>Transactions with owners of the Bank recognized directly in equity:</b>						
Transfer to Capital Account	9,809,790	-	-	-	(9,809,790)	-
<b>Transactions with owner of the Bank</b>	9,809,790	-	-	-	(9,809,790)	-
<b>December 31, 2016</b>	<b>19,809,790</b>	<b>968,038</b>	<b>103,431</b>	<b>(37,327)</b>	<b>22,294,079</b>	<b>43,138,011</b>
<b>January 1, 2017</b>	19,809,790	968,038	103,431	(37,327)	22,294,079	\$43,138,011
<b>Comprehensive Income:</b>						
Profit for the year	-	-	-	-	7,112,825	7,112,825
Other comprehensive income	-	1,418,990	61,100	-	-	1,480,090
<b>Total comprehensive income</b>	-	1,418,990	61,100	-	7,112,825	8,592,915
<b>Transactions with owner of the Bank recognized directly in equity:</b>						
Transfer to Capital Account	190,210	-	-	-	(190,210)	-
Transfer to Consolidated Revenue Fund	-	-	-	-	(6,211,332)	(6,211,332)
<b>Transactions with owner of the Bank</b>	190,210	-	-	-	(6,401,542)	(6,211,332)
<b>December 31, 2017</b>	<b>\$20,000,000</b>	<b>\$2,387,028</b>	<b>\$164,531</b>	<b>\$(37,327)</b>	<b>\$23,005,362</b>	<b>\$45,519,594</b>

The notes on pages 11 to 45 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit for the year		\$ 7,112,825	\$ 10,899,767
Adjustments to reconcile comprehensive income to net cash provided by operating activities:			
- Amortization and impairment of intangible assets	12	537,684	297,042
- Depreciation of property and equipment	11	1,348,534	1,100,468
- Loss (gain) on disposal of property and equipment	22	<u>(6,938)</u>	<u>1,905</u>
Cash provided by operating activities before operating assets and liabilities		8,992,105	12,299,182
Changes in:			
Consolidated revenue fund		7,196,412	7,661,205
Government of Belize securities		67,375,000	(77,149,850)
Securities		45,142,857	81,142,858
Reserve tranche in the International Monetary Fund		(988,363)	(4,960,911)
Other assets		855,298	(3,901,015)
Other liabilities		(13,670,324)	1,750,441
Defined benefit plan net obligation		(877,855)	877,855
Revaluation account		<u>1,418,990</u>	<u>(770,779)</u>
Net cash provided by operating activities		<u>115,444,120</u>	<u>16,948,986</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of intangible assets		(53,782)	(3,625,212)
Acquisition of property and equipment		(523,256)	(3,143,398)
Proceeds from sale of assets		<u>39,100</u>	<u>-</u>
Net cash used in investing activities		<u>(537,938)</u>	<u>(6,768,610)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Balances due to Caricom Central Banks		552,473	(417,132)
Commercial Bank Discount Fund		162,367	162,367
Deposits by and balances due to Government and Public sector entities in Belize		23,128,231	20,710,642
Deposits by international agencies		(375,109)	110,176
Deposits by licensed financial institutions		(147,998,366)	(37,664,081)
IMF SDR allocations		2,899,452	(1,468,399)
Notes and coins in circulation		13,889,741	24,422,303
Pension reserve		-	(37,327)
Transfer to consolidated reserve fund		<u>(6,211,335)</u>	<u>-</u>
Net cash (used in) provided by financing activities		<u>\$(113,952,546)</u>	<u>\$ 5,818,549</u>

Continued on page 10.

The notes on pages 11 to 45 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## STATEMENTS OF CASH FLOWS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

	<u>2017</u>	<u>2016</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>\$753,324,794</b>	\$737,325,869
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u><b>953,636</b></u>	<u>15,998,925</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><b>\$754,278,430</b></u>	<u>\$753,324,794</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:</b>		
<b>EXTERNAL ASSETS:</b>		
Balances and deposits with foreign bankers	\$ 4,623,803	\$ 8,995,178
Other foreign credit instruments	514,306,159	598,098,673
Accrued interest	3,701,813	3,515,983
Cash-in-transit	91,272	515,529
Balance with the International Monetary Fund	<u>57,131,608</u>	<u>53,843,357</u>
	<u><b>579,854,655</b></u>	<u>664,968,720</u>
<b>LOCAL ASSETS:</b>		
Cash and bank balances	301,986	262,849
Current portion of Government of Belize securities	<u>174,121,789</u>	<u>88,093,225</u>
	<u><b>174,423,775</b></u>	<u>88,356,074</u>
	<u><b>\$754,278,430</b></u>	<u>\$753,324,794</u>

The notes on pages 11 to 45 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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### 1. GENERAL INFORMATION

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

The principal objectives of the Bank are to foster monetary stability especially in regards to the exchange rate, and to promote banking, credit and exchange conditions conducive to the growth of the economy of Belize. The address of the Bank's registered office is Gabourel Lane, Belize City, Belize.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance – The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and the financial reporting provisions of the Central Bank of Belize Act. These and any amendments thereto have been used as a model for the presentation and disclosure framework to provide additional information and analysis of key items in the financial statements.
- b. Basis of preparation – The financial statements have been prepared on an accrual basis and under the historical cost convention except for the revaluation of properties, investments, and derivatives. Monetary amounts are expressed in Belize Dollars (BZD).
- c. Functional and presentation currency – The financial statements are presented in Belize dollars, which is the Bank's functional currency.
- d. Foreign currency transactions and translations – Transactions in foreign currencies are translated into Belize dollars at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in the Statement of Other Comprehensive Income.

Non-monetary items are not retranslated at year-end and are measured at historical cost, except for non-monetary items measured at fair value which are translated using the exchange rates when fair value was determined.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

- e. Foreign investment policy – Section 25(1) of the Act requires that 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. As at December 31 2017, the value of total assets was \$1,066,597,866 (2016: \$1,186,505,674) while the value of notes and coins in circulation was \$383,392,538 (2016: \$369,502,797).

Section 25(2) of the Act requires that the Bank maintain at all times a reserve of external assets of not less than 40 percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect of its sights and time deposits. At December 31, 2017 and 2016 total approved external assets approximated 64.0 percent and 70.0 percent of such liabilities respectively.

Section 25(3) of the Act requires that the reserve shall consist of any of the following:

- Gold in any form and at such a valuation as may be determined by the Bank,
  - Foreign exchange in the form of demand or time deposits with foreign central banks, agents and correspondents, documents and instruments customarily used for making payments or transfers in international transactions,
  - Notes and coins
  - Securities of, or guaranteed by foreign governments or international financial institutions.
  - Belize's drawing facility equivalent to its reserve position in the International Monetary Fund
  - Belize's holdings of special drawing rights in the International Monetary Fund.
- f. Significant accounting judgments and estimates – The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from those estimates.

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### Defined benefit obligation (DBO)

The estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

#### Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change IT equipment and software.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

#### f. Significant accounting judgments and estimates (continued)

##### Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

- g. Change in accounting policies – The accounting policies adopted are consistent with those used in the previous financial year except that the Bank has adopted the following standards, amendments and interpretations which did not have a significant effect on the financial performance or position of the Bank. Some, however, may give rise to additional disclosures or changes to the presentation of the financial statements in future periods.

##### Standards issued but not yet effective

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

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

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

#### g. Change in accounting policies (continued)

Standards/ Amendments	Pronouncement	When effective	Response
IFRS 15 Revenue from Contracts with Customers	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. These include identifying the contract, performance obligations, and transaction price as well as allocating transaction price to the performance obligations and recognizing revenue when these are satisfied.	January 1, 2018	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
Clarification to IFRS 15 'Revenue from Contracts with Customers'	Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	The interpretation addresses foreign currency transactions or parts of transactions where: - there is consideration that is denominated or priced in a foreign currency; and - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; - the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: - The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. - If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.	January 1, 2018	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
IFRS 17 Insurance Contracts	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	January 1, 2021	The amendment is not expected to have an impact on the financial statements.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

#### g. Change in accounting policies (continued)

Standards/ Amendments	Pronouncement	When effective	Response
IFRIC 23 Uncertainty over Income Tax Treatments	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: - Whether tax treatments should be considered collectively - Assumptions for taxation authorities' examinations - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates - The effect of changes in facts and circumstances	January 1, 2019	The amendment is not expected to have an impact on the financial statements.
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019	The amendment is not expected to have an impact on the financial statements.
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

<i>Annual Improvements 2015-2017 Cycle - Makes amendments to the following standards for periods beginning on or after January 1, 2019.</i>	When Effective	Response
IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.	January 1, 2019	The amendment is not expected to have an impact on the financial statements.
IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.	January 1, 2019	The amendment is not expected to have an impact on the financial statements.
IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	January 1, 2019	The amendment is not expected to have an impact on the financial statements.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

#### h. Financial instruments –

##### Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires

##### Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Bank's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

##### Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

#### h. Financial instruments (continued)

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

#### HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Bank has the intention and ability to hold them until maturity. The Bank currently holds listed bonds designated into this category.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

#### AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

The equity investment in Belize Telemedia Limited is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit or loss and any subsequent increase in fair value is recognised in other comprehensive income.

#### Classification and subsequent measurement of financial liabilities

The Bank's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

#### h. Financial instruments (continued)

Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

i. Bank balances and deposits with foreign bankers – unrestricted – Comprises of cash at overseas correspondent banks and demand deposits including highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

j. Reserve Tranche and balances with the International Monetary Fund (IMF) – The Reserve Tranche represents the difference between the assigned quota and the IMF currency holdings. The Reserve Tranche can be accessed at any time without fees or economic reform conditions. The remainder of the quota is held in Special Drawing Rights (SDR) which is a supplementary international reserve asset.

The SDR interest rate provides the basis for calculating the interest charged and the interest paid to members of the IMF for the use of their resources for regular (non-concessional) IMF loans. It is also the interest paid to members on their SDR holdings and charged on their SDR allocation. The SDR interest rate is determined weekly and is based on a weighted average of representative interest rates on short-term debt instruments in the money markets of the SDR basket currencies.

k. Other foreign credit instruments – Comprises of short term financial assets including fixed deposits and overnight deposits held at overseas financial institutions with maturities of a year or less. The Bank's intention is to hold these until maturity.

Other foreign credit instruments are measured at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, by reference to external credit ratings, the instrument is then measured at the present value of its estimated future cash flows.

l. Accrued interest and cash in transit – Comprises of interest earned but not yet received on other foreign credit instruments and marketable securities issued or guaranteed by foreign governments and international financial institutions along with and cash on hand held for shipment and in transit.

m. Marketable securities issued or guaranteed by foreign governments and international financial institutions – Comprises of short term financial assets including bonds and debentures with maturities beyond a year.

n. Balances with local bankers and cash on hand – Comprises of cash on hand and deposits held at local financial institutions that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

- o. Government of Belize securities - Comprises of locally held financial assets including treasury bills and treasury notes issued and guaranteed by the Government of Belize.

Section 35 of the Act permits the Bank to purchase or sell treasury bills or notes issued or guaranteed by the Government of Belize for a period of maturity not exceeding 10 years. The Central Bank of Belize Amendment Act No. 28 of 2017 amends Section 35(2) of the principal Act on March 31, 2017 to stipulate that the Bank shall not at any time hold Government of Belize securities in an aggregate amount exceeding thirty times the aggregate amount at that time of the paid up capital and general reserves of the Bank. At December 31 the Bank's aggregate holding of these Government of Belize Securities approximated 7.90 times (2016: 7.70), respectively, the amount of paid up capital and general reserves of the Bank.

- p. Consolidated revenue fund – Comprises of advances made to the Government of Belize as governed by section 33 and 34 of the Act. All amounts are short term and their net carrying value is considered a reasonable approximation of fair value as these financial assets are callable.

- q. Other assets –

#### Loans and other receivables

Loans are recognized when cash is advanced. It is stated at amortised cost using the effective interest method. Loans receivable are derecognized when the rights to receive cash flows from the financial assets have expired or extinguished. Their net carrying value is considered a reasonable approximation of fair value as these financial assets are callable.

Provision for doubtful debt is recognized using the allowance method. Provisions for the full amount impaired are established one year after amounts due and unpaid.

#### Inventory of notes and coins

Inventory of notes and coins are measured at cost upon initial recognition. After initial recognition, they are measured at the lower of cost and net realizable value. Cost is determined on the weighted average cost method.

#### Supplies

Stationary, computer, building, kitchen and administrative supplies are held at cost expensed when used.

#### Collectible coins inventory

Collectible coins, which are minted or packaged as collector items, are legal tender. However, no liability is recorded in respect of these coins since they are not expected to be placed in circulation as currency. Minting cost is charged against income in the year incurred. Income is recognized when sales are made. As of January 1, 2011, new purchases of special coins are held as inventory and are charged against income when they are sold.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

- r. Equity instruments – Equity instruments are measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.
- s. Property & equipment –

#### Land

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

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

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

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

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

- t. Intangible assets –

#### Initial recognition of other intangible assets

#### Application software and licenses

Costs that are directly attributable to acquiring application software and licenses asset are recognised as intangible assets, provided they meet the following recognition requirements:

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

t. Intangible assets (continued)

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

Costs not meeting these criteria for capitalisation are expensed as incurred.

Subsequent measurement

All finite-lived intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing annually.

Application software are amortized over a useful life of 3-10 years. Application licenses are amortized over the period the license is granted. Amortisation has been included within depreciation, amortisation and impairment of non-financial assets

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

- u. Deposits – comprised of deposits accepted on behalf of licensed banks, other licensed financial institutions including Government of Belize and Public Sector entities. Their carrying value is considered a reasonable approximation of fair value.

Under the revised provisions of Domestic Banks and Financial Institutions Act (No. 11 of 2012), it stipulates that every licensed bank shall maintain on account in its name with the Central Bank a minimum balance which on average shall be equivalent to at least five per centum of its average deposit liabilities represented by demand deposits, plus at least three per centum of its average deposit liabilities not represented by demand deposits, or such higher proportion of such demand deposits or other deposit liabilities as may from time to time be prescribed or specified by the Central Bank.

- v. Defined benefit plan - Under the Bank's defined benefit plan, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Bank, even if plan assets for funding the defined benefit plan have been set aside.

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO every 3 years with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth rate and mortality.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

#### v. Defined benefit plan (continued)

Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Service cost on the Bank's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs. Gains and losses resulting from remeasurements of the net defined benefit liability are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

#### w. Short term employee benefits –

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.

Severance benefits payable - Severance obligations are recognized at the point of not being able to withdraw from provision of the benefit to qualifying employees. The provision is calculated in accordance with the Labour Act of Belize Chapter 297.

Other short term employee benefits - Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

#### x. Capital account – Section 8 the Act specifies that the authorized capital of the bank shall be \$10,000,000.

The Central Bank of Belize Amendment Act No. 19 of 2016 amends section 8 of the principal Act on October 12, 2016 to increase the authorized capital of the Bank to \$20,000,000 and that the increase shall be paid from the retention of the share of the net profits of the Bank that would have otherwise been paid into the Consolidated Revenue fund until such time as the increase in capital is fully paid up. Consequently, \$190,210 of the Bank's profit for the year ended December 31, 2017 was allocated to the Bank's paid up capital thereby increasing it to \$20,000,000.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

- y. Revaluation account – Section 50 of the Act permits the Bank to exclude profits or losses from any revaluation of the Bank's net assets or liabilities from the computation of the annual profits and losses of the Bank. All such profits or losses are carried in a special account called the Revaluation Account.

The Act also requires that no profits shall be credited to the General Reserve Fund or paid to Government of Belize under section 9 of the Act 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.

- z. General reserve fund – The profits of the Bank shall be distributed in accordance with the Central Bank of Belize Act, Chapter 262, Section 8(4) (Amendment 2016) and Section 9(1).

As at December 31, 2017, the Bank's General Reserve Fund was at \$23,005,362 which exceeded the paid up capital of \$20,000,000. In accordance with the Act, transfer from the net profit of 10% was made to the General Reserve Fund.

- aa. Interest income and expense - Interest income and expense for all interest-bearing financial instruments are recognised in the statement of profit or loss at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

- bb. Administrative and general expense - Administrative and general expense are recognised in the profit or loss upon utilization of the service or as incurred.
- cc. 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.
- dd. Segment reporting – Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the Board of Directors as its chief operating decision maker. The Bank has one operating segment for financial reporting purposes.

### 3. BANK BALANCES AND DEPOSITS WITH FOREIGN BANKERS – UNRESTRICTED

	<u>2017</u>	<u>2016</u>
Balances with other central banks and foreign banks	\$4,333,289	\$8,725,268
Foreign currency notes	<u>290,514</u>	<u>269,910</u>
	<u>\$4,623,803</u>	<u>\$8,995,178</u>

### 4. RESERVE TRANCHE AND BALANCES WITH THE INTERNATIONAL MONETARY FUND

Belize joined the International Monetary Fund on March 16, 1982. As at December 31, 2017 and 2016, its financial position in the IMF is as follows:

	<u>2017</u>	<u>2016</u>
SDR Holdings	\$57,131,608	\$53,843,357
Reserve Tranche	<u>17,638,184</u>	<u>16,649,821</u>
	<u>\$74,769,792</u>	<u>\$70,493,178</u>

SDRs are converted at an exchange rate of BZ\$2.84827 to SDR 1.0 at December 31, 2017 (2016: BZ\$2.688664 to SDR 1.0).

### 5. OTHER FOREIGN CREDIT INSTRUMENTS

	<u>2017</u>	<u>2016</u>
Fixed Deposits	\$357,731,405	\$521,429,448
Overnight Deposits	<u>156,574,754</u>	<u>76,669,225</u>
	<u>\$514,306,159</u>	<u>\$598,098,673</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

	<u>2017</u>	<u>2016</u>
Accrued Interest	\$3,701,813	\$3,515,983
Cash-in-Transit	<u>91,272</u>	<u>515,529</u>
	<u>\$3,793,085</u>	<u>\$4,031,512</u>

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

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

	<u>2017</u>	<u>2016</u>
US Treasury Notes	\$ -	\$44,000,000
Debentures	2,000,000	2,000,000
Bonds	<u>12,285,714</u>	<u>13,428,571</u>
	<u>\$14,285,714</u>	<u>\$59,428,571</u>

### 8. GOVERNMENT OF BELIZE SECURITIES

	<u>2017</u>	<u>2016</u>
Treasury Bills	\$106,822,789	\$ 51,792,075
Treasury Notes	<u>234,100,000</u>	<u>270,477,150</u>
	<u>\$340,922,789</u>	<u>\$322,269,225</u>

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

	<u>2017</u>	<u>2016</u>
Due within 1 year	\$174,121,789	\$ 88,093,225
Due within 1 year through 5 years	65,576,000	72,277,000
Due within 5 years through 10 years	<u>101,225,000</u>	<u>161,899,000</u>
	<u>\$340,922,789</u>	<u>\$322,269,225</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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### 9. OTHER ASSETS

	<u>2017</u>	<u>2016</u>
Other assets consist of:		
Accounts receivable	\$ 102,938	\$ 106,773
Dividends receivable	760,000	1,120,000
Inventory of circulation notes and coins	6,783,679	4,084,590
Other	434,327	387,225
Prepayments and accrued interest	4,936,176	8,178,190
Collectible coins inventory	1,109,936	1,127,963
Staff loans receivable	<u>4,261,398</u>	<u>4,188,139</u>
	<u>18,388,454</u>	<u>19,192,880</u>
Less impairment for doubtful receivables and amortization of museum endowment fund:	<u>(16,102)</u>	<u>(26,330)</u>
	<u>\$18,372,352</u>	<u>\$19,166,550</u>
Impairment for doubtful receivables and amortization:		
Beginning balance, January 1	\$ 26,330	\$ 23,341
Additional impairment and amortization	-	12,704
Write-offs	<u>(10,228)</u>	<u>(9,715)</u>
Ending balance, December 31	<u>\$ 16,102</u>	<u>\$ 26,330</u>

### 10. EQUITY INSTRUMENTS

The equity instruments represent the Bank's investment of 4,000,000 shares in Belize Telemedia Limited at a value of \$5.00 per share totaling \$20,000,000. Share certificates numbered 3165, 3166, 3167, 2668 and 2669 dated June 17, 2011 for 800,000 shares have been received by the Bank. The Bank is committed not to dispose of the shares for at least four years after the date of purchase under a "Share Purchase" agreement. Thereafter the Bank can dispose of the shares at the rate of one million shares per annum. If the Bank chooses to sell the shares, it shall offer the Government of Belize the right of the first refusal and the right to object to any buyer before concluding the sale of any of the shares. Belize Telemedia Limited declared dividends of \$0.19 per share to shareholders on record on September 27, 2017.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

### 11. PROPERTY AND EQUIPMENT

Cost	Property	Furniture	Equipment	Vehicles	Work in Progress	Total
Balance at, January 1, 2017	\$31,044,130	\$1,589,298	\$11,331,564	\$652,375	\$24,424	\$44,641,791
Additions	49,772	63,743	184,931	106,310	118,500	523,256
Disposals	(21,293)	(26,938)	(328,290)	(88,973)	-	(465,494)
Transfers	-	11,439	12,985	-	(24,424)	-
Balance at, December 31, 2017	31,072,609	1,637,542	11,201,190	669,712	118,500	44,699,553
<b>Accumulated depreciation</b>						
Balance at January 1, 2017	5,165,272	1,304,777	6,850,470	379,512	-	13,700,031
Depreciation charge for the year	326,316	64,095	886,448	71,675	-	1,348,534
Disposal	-	(26,443)	(317,916)	(88,973)	-	(433,332)
Transfers	(134,687)	-	134,687	-	-	-
Balance at, December 31, 2017	5,356,901	1,342,429	7,553,689	362,214	-	14,615,233
<b>Net book value</b>						
December 31, 2017	<b>\$25,715,708</b>	<b>\$ 295,113</b>	<b>\$3,647,501</b>	<b>\$307,498</b>	<b>\$118,500</b>	<b>\$30,084,320</b>

Cost	Property	Furniture	Equipment	Vehicles	Work in Progress	Total
Balance at, January 1, 2016	\$30,926,558	\$1,511,887	\$ 8,701,160	\$374,860	\$ 4,215	\$41,518,680
Additions	117,572	79,801	2,644,084	277,515	24,424	3,143,396
Disposals	-	(2,390)	(17,895)	-	-	(20,285)
Transfers	-	-	4,215	-	(4,215)	-
Balance at, December 31, 2016	31,044,130	1,589,298	11,331,564	652,375	24,424	44,641,791
<b>Accumulated depreciation</b>						
Balance at January 1, 2016	4,842,787	1,253,674	6,188,531	332,953	-	12,617,945
Depreciation charge for the year	322,485	53,493	677,931	46,559	-	1,100,468
Disposal	-	(2,390)	(15,990)	-	-	(18,380)
Balance at, December 31, 2016	5,165,272	1,304,777	6,850,470	379,512	-	13,700,033
<b>Net book value</b>						
December 31, 2016	<b>\$25,878,858</b>	<b>\$ 284,521</b>	<b>\$ 4,481,094</b>	<b>\$272,863</b>	<b>\$24,424</b>	<b>\$30,941,760</b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

### 12. INTANGIBLE ASSETS

December 31, 2017:	Application Software and Licenses	Work in Progress	Total
<b>Cost</b>			
Balance at, January 1, 2017	\$5,674,043	\$ -	\$5,674,043
Additions	24,776	29,006	53,782
Balance at, December 31, 2017	5,698,819	29,006	5,727,825
<b>Accumulated Depreciation</b>			
Balance at, January 1, 2017	1,076,434	-	1,076,434
Amortization charge for the year	537,684	-	537,684
Balance at, December 31, 2017	1,614,118	-	1,614,118
<b>Net Book Value</b>			
December 31, 2017	<b>\$4,084,701</b>	<b>\$29,006</b>	<b>\$4,113,707</b>
<b>December 31, 2016:</b>			
	Application Software and Licenses	Work in Progress	Total
<b>Cost</b>			
Balance at, January 1, 2016	\$1,923,228	\$125,603	\$2,048,831
Additions	3,481,440	143,772	3,625,212
Transfers	269,375	(269,375)	-
Balance at, December 31, 2016	5,674,043	-	5,674,043
<b>Accumulated Depreciation</b>			
Balance at, January 1, 2016	779,392	-	779,392
Amortization charge for the year	297,042	-	297,042
Balance at, December 31, 2016	1,076,434	-	1,076,434
<b>Net Book Value</b>			
December 31, 2016	<b>\$4,597,609</b>	<b>\$ -</b>	<b>\$4,597,609</b>

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

### 13. DEPOSITS BY INTERNATIONAL AGENCIES

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

	<u>2017</u>	<u>2016</u>
Caribbean Development Bank	\$ 90,602	\$ 476,514
International Monetary Fund	192,777	181,974
Inter-American Development Bank	897,175	897,175
Int'l Bank for Reconstruction & Development	29,740	29,740
	<b><u>\$1,210,294</u></b>	<b><u>\$1,585,403</u></b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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### 14. OTHER LIABILITIES

	<u>2017</u>	<u>2016</u>
Abandoned property	\$ 6,645,234	\$ 6,364,389
Accounts payable	335,412	592,320
Belize City Municipal Bonds – Sinking Fund	1,037,474	694,138
Bond discount	45,064	884,726
Corozal Freezone Municipal Bonds – Sinking Funds	122,411	178,073
Deferred income	790,425	722,815
License international offshore financial institutions*	2,606,000	16,312,481
Other staff costs payable	76,361	729,364
Severance and gratuities	3,539,786	2,390,185
Unclaimed balances of Belize Unit Trust	46,388	46,388
	<u>\$15,244,555</u>	<u>\$28,914,879</u>

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

### 15. IMF SDR ALLOCATIONS

	<u>2017</u>	<u>2016</u>
A general allocation of Special Drawing Rights (SDRs) equivalent to approximately USD \$250 billion became effective on August 28, 2009. The allocation is designed to provide liquidity to the global economic system by supplementing the Fund's member countries' foreign exchange reserves. The general SDR allocation was made to IMF members that are participants in the Special Drawing Rights Department (currently all 186 members) in proportion to their existing quotas in the Fund, which are based broadly on their relative size in the global economy. The Quota for the country of Belize is SDR 26,700,000 million. Based on this quota, the Bank received allocations of SDR 17,890,000. At December 31, 2017, the SDR's were revalued at SDR 2.848268 to BZD \$1.00 (2016: 2.688664 to BZD \$1.00).		
Interest payable on the facility	\$50,967,634	\$48,111,639
	<u>60,765</u>	<u>17,308</u>
	<u>\$51,028,399</u>	<u>\$48,128,947</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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### 16. COMMERCIAL BANKS' DISCOUNT FUND

Commercial Bank Discount Fund (Fund) is a facility which was established by an agreement signed in March 1983 by the Government of Belize and the United States of America, providing for a discount fund to be operated through the Bank. The United States Government acting through United States Agency for International Development (USAID) earmarked US\$5 million in loan funds up to June 30, 1987 to finance this facility. The facility enabled commercial banks in Belize to discount with the Bank up to 100% of loans made to sub-borrowers for projects approved by the Bank and USAID. The Bank is expected to accumulate significant net interest earnings over the repayment term of the USAID loan to form a permanent fund. In 1993, USAID and the Bank agreed that BZ\$2 million and BZ\$1.5 million from the reflows to the Discount Fund could be used as a line of credit to National Development Foundation of Belize (the Foundation) and Development Finance Corporation (DFC), respectively.

The USAID loan has the following terms:

Interest rate of 2% for the first ten years and 3% thereafter. The loan was repayable within 25 years with a grace period of 9-12 years and 31 equal semi-annual principal payments for 15 ½ years. Final payment to USAID was made in 2009.

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

	<u>2017</u>	<u>2016</u>
Loans receivable from institution	\$ (546,218)	\$ (695,419)
Interest paid to USAID	(2,311,316)	(2,311,316)
Interest received from institution	<u>3,943,284</u>	<u>3,930,118</u>
	<u>\$1,085,750</u>	<u>\$ 923,383</u>

### 17. CAPITAL ACCOUNT

	<u>2017</u>	<u>2016</u>
<b>Authorized and issued share capital</b>		
Authorized	<u>\$20,000,000</u>	\$20,000,000
Issued paid up capital as at December 31	<u>\$20,000,000</u>	<u>\$19,809,790</u>

### 18. REVALUATION ACCOUNT

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	\$ 968,038	\$1,738,817
Gain (loss) from revaluations during the year	<u>1,418,990</u>	<u>(770,779)</u>
Balance at end of year	<u>\$2,387,028</u>	<u>\$ 968,038</u>

### 19. ASSET REVALUATION RESERVE

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.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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### 20. GENERAL RESERVE FUND

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	\$22,294,079	\$21,204,102
Transfer from net profit	<u>711,283</u>	<u>1,089,977</u>
Balance at end of year	<u>\$23,005,362</u>	<u>\$22,294,079</u>

### 21. INTEREST ON APPROVED EXTERNAL ASSETS

	<u>2017</u>	<u>2016</u>
Interest earned on overnight deposits	\$2,293,693	\$ 393,759
Interest earned on marketable securities	<u>488,291</u>	<u>1,566,781</u>
Interest earned on balances and deposits with foreign bankers	<u>5,760,100</u>	<u>5,412,056</u>
	<u>\$8,542,084</u>	<u>\$7,372,596</u>

### 22. COMMISSIONS AND OTHER INCOME

	<u>2017</u>	<u>2016</u>
Commissions	\$1,672,830	\$1,843,347
Collectible coins sales	<u>8,020</u>	<u>10,636</u>
Interest on loans	<u>191,725</u>	<u>187,766</u>
License and examination fees	<u>908,795</u>	<u>919,070</u>
Cash shipment and other miscellaneous income	<u>135,085</u>	<u>254,491</u>
Gains (loss) on disposal of assets	<u>6,938</u>	<u>(1,905)</u>
	<u>\$2,923,393</u>	<u>\$3,213,405</u>

### 23. PRINTING OF NOTES AND MINTING OF COINS

	<u>2017</u>	<u>2016</u>
Currency notes	\$1,333,987	\$1,670,733
Circulation coins	<u>987,852</u>	<u>1,110,015</u>
Currency publicity campaign	<u>38,321</u>	<u>46,689</u>
	<u>\$2,360,160</u>	<u>\$2,827,437</u>

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

	<u>2017</u>	<u>2016</u>
Current service cost	\$ -	\$ 720,746
Net interest defined benefit plan	-	119,782
Pensions contributions	<u>446,908</u>	<u>424,788</u>
Salaries and wages	<u>10,734,162</u>	<u>10,099,494</u>
Social security costs	<u>153,465</u>	<u>147,782</u>
Employee benefits expense	<u>\$11,334,535</u>	<u>\$11,512,592</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

### 25. ADMINISTRATIVE AND GENERAL EXPENSES

	<u>2017</u>	<u>2016</u>
Advertising	\$ 64,562	\$ 49,587
Amortization and impairment of other assets (P&L)	-	12,704
Audit fees	73,776	65,000
Bank charges	368,274	134,378
Bank publications	45,550	43,813
Books and publication	30,783	16,074
Building repairs and maintenance	370,783	452,082
Cash shipment	4,210	3,832
Computer software license	595,405	294,929
Conference	76,791	-
Directors' fees	93,300	92,429
Donations	24,058	49,530
Entertainment	27,747	10,872
Equipment maintenance	59,987	55,050
Firearm license and ammunition	12,377	5,399
Freight charges	41,120	39,173
Hurricane preparedness	12,774	13,184
Insurance expense	93,598	106,452
Legal fees	219,286	199,879
Membership fees	110,495	142,122
Motor vehicle	65,181	69,203
Other miscellaneous expense	225,165	193,858
Overseas meeting and conferences	233,285	220,554
Professional services and technical support	1,154,723	1,265,183
Small equipment purchases	10,251	13,334
Subscriptions	89,933	82,302
Supplies	335,477	312,278
Surveys	12,275	223,366
Travel (local)	54,127	34,075
Utilities expense	754,703	778,794
	<u>\$5,259,996</u>	<u>\$4,979,436</u>

### 26. DEFINED BENEFIT PLAN NET OBLIGATIONS

The Bank operates a defined benefit pension scheme which receives contributions from the Bank and its eligible employees. The scheme is financially separate from the Bank and is managed by a Board of Trustees. Under the plan, the employees are entitled to annual retirement benefits capped at a maximum of 66 percent of final pensionable salary on attainment of the retirement age of 60. In addition, the Bank provides an optional post-retirement medical benefit. During the year under review, the Bank contributed \$446,908 (2016: \$424,788) to the scheme.

#### Significant actuarial assumptions used in the valuation were:

	<u>2016</u>	<u>2014</u>
I. Discount rate at the end of year (pa)	5.0%	5.0%
II. Future salary increases (pa)	3.5%	3.5%
III. Future pension increases (pa)	0.0%	0.0%

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

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

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

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

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

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

#### Reconciliation of actuarial losses as at December 31, 2016:

Present value of the obligation at start of year	\$19,542,000
Interest cost	1,023,470
Current service cost	1,213,834
Benefits paid	(572,872)
Remeasurement gain on obligation through OCI	(1,339,432)
Present value of the obligation at end of year	<u>19,867,000</u>
Fair value of the plan assets at start of year	18,113,646
Interest income on plan assets	903,688
Contributions	493,088
Benefits paid	(572,872)
Remeasurement gain on assets through OCI	51,595
Fair value of the plan assets at end of year	<u>18,989,145</u>
Net change in non-current pension liability for year ended December 31, 2016	<u><b>877,855</b></u>

Non-current pension liability January 1, 2016	1,428,354
Net interest cost	119,782
Current service cost	1,101,762
Contributions to the pension as per actuarial report	(381,016)
Remeasurement gain on obligation through OCI	(1,339,432)
Remeasurement gain on assets through OCI	(51,595)
<b>Non-current pension liability December 31, 2016</b>	<u><b>877,855</b></u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

#### Reconciliation of pension reserve:

Reserve as at December 31, 2012	\$ 3,341,174
Actuarial losses December 31, 2014	(4,769,528)
Remeasurement gain on obligation through OCI	1,339,432
Remeasurement gain on assets through OCI	51,595
	<u>(3,378,501)</u>
<b>Reserve as at December 31, 2016</b>	<b><u>\$ (37,327)</u></b>

#### Post-retirement Medical Benefit:

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

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

### 27. RELATED PARTY TRANSACTIONS

The Bank considers a party to be related if control or significant influence over the Bank is exercised. The Bank's related parties include key management personnel, Government of Belize and other related public sector entities and the Bank's Defined Benefit Plan. Unless otherwise stated, none of the transactions include special terms and conditions and no guarantees were given or received.

#### Transactions with key management personnel:

Transactions with key management personnel includes short-term benefits, post-employment benefits and termination benefits. The following is an analysis of these amounts:

	<u>2017</u>	<u>2016</u>
Short-term benefits	\$2,203,488	\$2,319,501
Post-employment benefits	56,038	51,390
Termination benefits	<u>541,014</u>	<u>478,511</u>
	<u>\$2,800,540</u>	<u>\$2,849,402</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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### 27. RELATED PARTY TRANSACTIONS (Continued)

As part of its normal operations, the Bank also makes loans and advances to key management personnel who are not members of the Board of Directors. As at December 31 an amount of \$640,857 (2016: \$542,952) was receivable from key management personnel as approved advances made by the Bank. No impairment has been recognized in respect of loans given to related parties. The Bank has a residential mortgage loan program for qualifying permanent staff. This facility is available for a maximum period of 15 to 20 years with a variable interest rate initially set at 4.5%.

#### **Transactions with Government of Belize:**

Receivables and payables to the Government of Belize and other related public sector entities arise mainly from the Bank carrying out one of its key functions as a fiscal agent for all transactions with International financial institutions (Section 31, 33, 34 and 35 of the Central Bank of Belize Act Revised Edition 2011). Section 24 also permits the Bank to make direct advances to the Government of Belize. Below is an analysis of the transactions with Government and other related public sector entities:

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

### 27. RELATED PARTY TRANSACTIONS (Continued)

	Social Security Board	Development Finance Corporation	SSB Mortgage Securitization Proceeds	DFC Mortgage Securitization Proceeds	Financial Intelligence Unit	Belize Tourism Board	Belize Electricity Ltd.	National Bank of Belize Ltd.	BCC Sinking Fund Account	SSB Deposit Account	International Financial Services Commission	Consolidated Revenue Fund
Opening Balances	\$(17,703)	\$ (502,073)	\$(367)	\$(5,447)	\$ (200,657)	\$ (513,191)	\$ (24,917)	\$(10,602,086)	\$ (694,138)	\$(1,118)	\$(13,996,372)	\$ 48,220,569
Disbursements	84,672	12,161,029	367	5,000	2,207,517	2,779,652	339,104	32,353,105	16,685,475	-	5,070,964	1,020,811,736
Deposits	(122,038)	(12,912,221)	-	-	(2,065,359)	(2,854,810)	(339,112)	(34,089,779)	(17,028,810)	-	-	(1,028,008,148)
Closing Balances	<b>\$ (55,069)</b>	<b>\$ (1,253,265)</b>	<b>\$ -</b>	<b>\$(447)</b>	<b>\$ (58,499)</b>	<b>\$ (588,349)</b>	<b>\$ (24,925)</b>	<b>\$(12,338,760)</b>	<b>\$(1,037,473)</b>	<b>\$(1,118)</b>	<b>\$(8,925,408)</b>	<b>\$ 41,024,157</b>

December 31, 2017:	January 1, 2017	Contributions paid by the Bank to the Scheme	Contributions due to the Scheme	December 31, 2017
<b>Contributions to the scheme</b>	-	(424,788)	424,788	-

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

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

**At December 31, 2017**

	Financial assets at fair value through profit or loss	Financial assets at amortized costs	Financial assets at fair value through other comprehensive income	Total
<b>Assets:</b>				
Balances and deposits with foreign bankers (undiscounted)	\$ -	\$ -	\$ 4,623,803	\$ 4,623,803
Reserve Tranche and balances with the International Monetary Fund (undiscounted)	-	-	74,769,792	74,769,792
Other foreign credit instruments (undiscounted)	-	514,306,159	-	514,306,159
Accrued interest and cash transit (undiscounted)	-	3,793,085	-	3,793,085
Marketable securities issued or guaranteed by foreign government and international institutions	-	14,285,714	-	14,285,714
Balances with local bankers and cash on hand (undiscounted)	-	301,986	-	301,986
Government of Belize securities	-	340,922,789	-	340,922,789
Equity instruments (undiscounted)	20,000,000	-	-	20,000,000
Government Current Account (undiscounted)	-	41,024,157	-	41,024,157
Accrued interest and cash-in-transit	-	3,793,085	-	3,793,085
Other assets (undiscounted)	-	9,288,109	-	9,288,109
<b>Total financial assets</b>	<b><u>\$20,000,000</u></b>	<b><u>\$927,715,084</u></b>	<b><u>\$79,393,595</u></b>	<b><u>\$1,027,108,679</u></b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

At December 31, 2017

	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	Total
<b><u>Liabilities:</u></b>			
Notes and coins in circulation (undiscounted)	\$383,392,538	\$ -	\$ 383,392,538
Deposits by licensed financial institutions (undiscounted)	476,818,877	-	476,818,877
Deposits by and balances due to Government and public sector entities in Belize (undiscounted)	91,736,331	-	91,736,331
Deposits by international agencies (undiscounted)	1,210,294	-	1,210,294
Balances due to CARICOM central banks (undiscounted)	561,529	-	561,529
Other liabilities (undiscounted)	15,244,552	-	15,244,552
IMF SDR allocations (undiscounted)	-	51,028,399	51,028,399
Commercial bank discount fund (undiscounted)	<u>1,085,750</u>	<u>-</u>	<u>1,085,750</u>
<b>Total financial liabilities</b>	<b><u>\$970,049,871</u></b>	<b><u>\$51,028,399</u></b>	<b><u>\$1,021,078,270</u></b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

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

**At December 31, 2016**

	Financial assets at fair value through profit or loss	Financial assets at amortized costs	Financial assets at fair value through other comprehensive income	Total
<b>Assets:</b>				
Balances and deposits with foreign bankers (undiscounted)	\$ -	\$ -	\$ 8,995,178	\$ 8,995,178
Reserve Tranche and balances with the International Monetary Fund (undiscounted)	-	-	70,493,178	70,493,178
Other foreign credit instruments (undiscounted)	-	598,098,673	-	598,098,673
Accrued interest and cash transit (undiscounted)	-	4,031,512	-	4,031,512
Marketable securities issued or guaranteed by foreign government and international institutions	-	59,428,571	-	59,428,571
Balances with local bankers and cash on hand (undiscounted)	-	262,849	-	262,849
Government of Belize securities	-	322,269,225	-	322,269,225
Equity instruments (undiscounted)	20,000,000	-	-	20,000,000
Government Current Account (undiscounted)	-	48,220,569	-	48,220,569
Accrued interest and cash-in-transit	-	4,031,512	-	4,031,512
Other assets (undiscounted)	-	11,352,600	-	11,352,600
<b>Total financial assets</b>	<b><u>\$20,000,000</u></b>	<b><u>\$1,047,695,511</u></b>	<b><u>\$79,488,356</u></b>	<b><u>\$1,147,183,867</u></b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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

At December 31, 2016

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

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

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### 29. FINANCIAL RISK MANAGEMENT

#### Credit risk

The Bank is exposed to credit risk, which is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. Credit risk arises in the Bank's management of its financial assets, for example in the investment of the Bank's own funds and in the course of the banking services it provides to its customers.

In providing liquidity via the Bank's operation of wholesale payment systems, credit risk is mitigated by dealing with counterparties that meet appropriate credit and functional criteria, and by ensuring that Cash Reserves and Liquid Asset Requirements for licensed financial institutions are met. In addition, credit risk on the securities held by the Bank is managed by holding only high-quality securities, issued chiefly by governments, government agencies and supranational organizations. The following tables break down the Bank's main credit exposure at their carrying amounts, as categorized by geographical regions as of December 31, 2017. In Schedule A, the Bank has allocated exposure to regions based on the country of domicile of the counter parties.

#### **Geographical concentration of assets:**

Schedule A

Depository and Money at Call, Overnight Deposits and Fixed Deposits by location:

<b>Balance &amp; Money at Call</b>	<b>USA</b>	<b>UK</b>	<b>Canada</b>	<b>Europe</b>	<b>Total</b>
Depository Accounts & Money at Call	\$ 3,075,351	\$ 469,615	\$138,768	\$ 940,068	\$ 4,623,802
Overnight Deposits	156,574,754	-	-	-	156,574,754
Fixed Deposits	98,880,785	87,789,682	-	171,060,938	357,731,405
<b>Total Exposure</b>	<b>\$258,530,890</b>	<b>\$88,259,297</b>	<b>\$138,768</b>	<b>\$172,001,006</b>	<b>\$518,929,961</b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

Schedule B  
Outline of other Local and Foreign Investments

Securities	Local		Foreign		
	GOB	Barbados	Dominica	IBRD/SEK	US
Treasury Bills	\$106,822,789	\$ -	\$ -	\$ -	\$ -
Treasury Notes	234,100,000	-	-	-	-
Bonds	-	2,285,714	-	-	-
Debentures	-	-	2,000,000	10,000,000	-
<b>Total Exposure</b>	<b>\$340,922,789</b>	<b>\$2,285,714</b>	<b>\$2,000,000</b>	<b>\$10,000,000</b>	<b>\$ -</b>

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

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

These disclosures have been reflected as follows for staff loans amounting to \$4,261,398.

Loan Type	Principal Outstanding	Collateral	
	Dec 31, 2017	Appraised Value	Stamped Value
Mortgage loans	\$2,876,221	\$6,695,122	\$4,179,806
<b>CONSUMER LOAN</b>			
Bills of Sale	62,833	222,305	196,587
Regular	1,322,344	-	-
<b>Totals</b>	<b>\$4,261,398</b>	<b>\$6,917,427</b>	<b>\$4,376,393</b>

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

#### Market and interest rate risk

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

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

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

Foreign Assets:	Average rate of return	Average rate of return
	<u>2017</u>	<u>2016</u>
Depository Accounts & Money at Call	0.29%	0.04%
Overnight Deposits	0.67%	0.18%
Fixed Deposits	1.6%	0.16%
Notes/Bonds	4.7%	3.18%
Debentures	3.5%	3.50%

#### Currency risk

The Bank takes on exposure to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Because of its conservative nature, the Bank's exposure is limited since a significant portion of its external assets are held in US funds and in SDR funds necessary to meet Belize's quota with the IMF, SDR Loan and Allocation obligations. Other external asset funds are kept at a minimum.

The table below indicates the different fund allocations as of December 31, 2017:

	FOREIGN CURRENCY	YEAR-END RATE	BELIZE DOLLAR VALUE
Euro Fund	\$ (230,242)	\$2.3968	\$ (551,844)
Canadian Fund	(94,992)	1.5940	(151,417)
SDR Fund	(26,348,964)	2.8483	(75,048,911)
USD Fund	(273,084,140)	2.0000	(546,168,280)
Sterling Fund	(52,459)	2.7046	(141,881)
BZ\$ Fund	623,481,323	1.0000	623,481,323
<b>Current Year Revaluation Loss</b>			<b>\$ 1,418,990</b>
			<b>BELIZE DOLLAR VALUE</b>
<b>Revaluation balance, January 1</b>			<b>\$ 968,038</b>
<b>Decrease in revaluation</b>			<b>1,418,990</b>
<b>Revaluation balance, December 31</b>			<b>\$2,387,028</b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### Liquidity risk

IFRS 7 requires an analysis of the Bank's assets and liabilities at the Statements of Financial Position date into relevant maturity groupings based on the remaining period to the contractual maturity date. This requirement is not relevant to the Central Bank which is the ultimate source of Belize dollar liquidity. In managing the foreign currency liquidity risk, the Bank makes every effort to hold appropriate cash balances by forecasting and monitoring liquidity through cash flow matching and holding a portfolio of liquid foreign exchange reserves. The table below analyses the Bank's assets into relevant maturity grouping based on the remaining period at the statements of financial position date to the contractual maturity date.

<u>Asset Type</u>	<u>1 Month</u>	<u>1-3 Months</u>	<u>3-6 Months</u>	<u>6-12 Months</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>
	\$	\$	\$	\$	\$	\$
Balances with local bankers and cash on hand	301,986	-	-	-	-	-
Depository Accounts & Money at Call	4,623,803	-	-	-	-	-
Fixed Deposits	-	173,840,200	-	183,891,204	-	-
Overnight Deposits	156,574,754	-	-	-	-	-
Treasury Bills	45,627,044	61,195,745	-	-	-	-
Treasury Notes	-	21,000,000	-	46,299,000	95,576,000	101,225,000
Bonds	-	-	-	-	2,285,714	-
Debentures	-	-	-	-	-	2,000,000
Equity instruments	-	-	-	-	-	20,000,000
	<b>207,127,587</b>	<b>256,035,945</b>	-	<b>230,190,204</b>	<b>97,861,714</b>	<b>123,225,000</b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

<u>Liability Type</u>	<u>1 Month</u>	<u>1-3 Months</u>	<u>3-6 Months</u>	<u>6-12 Months</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>
	\$	\$	\$	\$	\$	\$
Deposits by licensed financial institutions	-	-	-	476,818,877	-	-
Deposits by and balances due to Government and public sector entities in Belize	-	91,736,331	-	-	-	-
Deposits by international agencies		1,210,294	-	-	-	-
Balances due to CARICOM Central Banks	561,529	-	-	-	-	-
Commercial Bank discount fund	-	-	-	-	-	1,085,750
Other liabilities	-	15,244,555	-	-	-	-
IMF SDR Allocations	-	-	-	-	-	51,028,399
	<b>561,529</b>	<b>108,191,180</b>	-	<b>476,818,877</b>	-	<b>52,114,149</b>
	<b>206,566,058</b>	<b>147,844,765</b>	-	<b>(246,628,673)</b>	<b>97,861,714</b>	<b>71,110,851</b>

#### Operational risk

The Bank is exposed to operational risk which can lead to financial losses through error, fraud or inefficiencies. The Bank mitigates this risk by constantly revisiting internal controls, adhering to its fraud policy and reliance on the internal audit function.

### 30. POST – REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the December 31 reporting date and the date of authorisation.

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