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June 28, 2016

Dear Mr. Vasquez

Enclosed kindly find three (3) finalized copies of the audited financial statements for Social Security Board for the years ended December 31, 2015 and 2014 along with an "Office Copy" of the same.

Kindly sign all copies of the financial statements and return the "Office Copy" to us.

If you have any questions please feel free to call us.

Sincerely
Grant Thornton, LLP

Claude Burrell
Client Service Partner

Enc



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Social Security Board

***Financial Statements for the Years
Ended December 31, 2015 and 2014 and
Independent Auditors' Report***

SOCIAL SECURITY BOARD

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
SOCIAL SECURITY BOARD:

Report on the Financial Statements

We have audited the accompanying financial statements of Social Security Board, which comprise the statements financial position as at December 31, 2015 and 2014 and statements of profit, statements of other comprehensive income, statements of changes in reserves and statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the Social Security Act and requirement of the Financial and Accounting Regulations, Chapter 44, Revised Edition 2000 – 2003. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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Independent Auditors' Report

Page 2

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Social Security Board as of December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, the Social Security Act and requirement of the Financial and Accounting Regulations, Chapter 44, Revised Edition 2000 – 2003.

Chartered Accountants

Belize City, Belize

April 8, 2016

SOCIAL SECURITY BOARD


STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| <u>ASSETS</u> | <u>Notes</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|-----------------------------|-----------------------------|
| Current assets: | | | |
| Cash and cash equivalents | 2g, 2h, 4 | \$ 18,343,369 | \$ 24,516,052 |
| Short term investments | 2g, 5 | 118,842,662 | 114,794,553 |
| Investment income receivable | 2g, 6 | 9,564,239 | 8,297,294 |
| Office supplies | 2j | 165,247 | 222,263 |
| Accounts receivable | 2g, 2i, 7 | 1,381,327 | 1,399,747 |
| Prepayments | 2k | 394,334 | 352,180 |
| Total current assets | | <u>148,691,178</u> | <u>149,582,089</u> |
| Non-current assets: | | | |
| Advances to employees | 2g | 1,188,924 | 1,171,888 |
| Pension asset | 2l, 8 | 64,129 | 1,041,569 |
| Investment in associates | 2g, 2m, 9 | 162,932,986 | 171,652,371 |
| Long term investments | 2g, 10 | 157,295,463 | 122,535,686* |
| Held for sale | 11 | 11,287,013 | 11,287,013* |
| Other asset | 12 | 1,111,200 | 1,125,600* |
| Intangible asset | 2o, 13 | 1,540,689 | 1,548,759 |
| Fixed assets | 2n, 14 | 26,136,459 | 26,741,850 |
| Total non-current assets | | <u>361,556,863</u> | <u>337,104,736</u> |
| TOTAL ASSETS | | <u>\$510,248,041</u> | <u>\$486,686,825</u> |
| <u>LIABILITIES AND RESERVES</u> | | | |
| Current liabilities: | | | |
| Accounts payable and accruals | 2g, 15 | \$ 9,005,602 | \$ 7,896,629 |
| Severance payable current portion | | 101,378 | - |
| Total current liabilities | | <u>9,106,980</u> | <u>7,896,629</u> |
| Long term liabilities: | | | |
| Severance payable | | 574,207 | - |
| Total long term liabilities | | <u>574,207</u> | <u>-</u> |
| Reserves: | | | |
| Short term benefits branch | | 16,936,818 | 18,109,235 |
| Long term benefits branch | | 348,696,702 | 338,333,175 |
| Employment injury benefits reserve | | 114,400,739 | 99,002,403 |
| Disablement and death benefits reserves | | 16,510,148 | 16,468,982 |
| National health insurance fund | | 1,888,631 | 3,557,995 |
| Natural disaster fund | | 1,801,076 | 1,551,076 |
| Social development fund | | 268,611 | 725,761 |
| Pension reserve | 2l, 8 | 64,129 | 1,041,569 |
| Total reserves | | <u>500,566,854</u> | <u>478,790,196</u> |
| TOTAL LIABILITIES AND RESERVES | | <u>\$510,248,041</u> | <u>\$486,686,825</u> |

The financial statements on pages 3 to 8 were approved and authorized for issue by the Board of Directors on June 23, 2016 and are signed on its behalf by:


Chairman


Director

* Reclassified for comparative purposes.

The notes on pages 9 to 38 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

STATEMENTS OF PROFIT YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | <u>Notes</u> | <u>2015</u> | <u>2014</u> |
|------------------------------------|--------------|----------------------|----------------------|
| INCOME | 2p | | |
| Contributions: | | | |
| Employers and employed persons | | \$ <u>77,377,011</u> | \$ <u>72,069,579</u> |
| Other income: | | | |
| Net investment income | 16 | 24,791,972 | 26,186,332 |
| Other income – net | 17 | 1,082,892 | 1,105,808 |
| GOB contribution to NHI Fund | 2q | <u>17,025,004</u> | <u>15,834,472</u> |
| Total other income | | <u>42,899,868</u> | <u>43,126,612</u> |
| TOTAL INCOME | | <u>120,276,879</u> | <u>115,196,191</u> |
| EXPENDITURES | | | |
| Benefits: | 2s | | |
| Short term benefits branch | | 13,195,481 | 11,987,281 |
| Long term benefits branch | | 39,686,805 | 36,366,577 |
| Employment injury benefits branch | | 4,283,748 | 4,647,877 |
| Disablement and death benefits | | 2,089,371 | 1,966,216 |
| National health insurance benefits | | <u>17,936,941</u> | <u>14,299,110</u> |
| Total benefits | | <u>77,192,346</u> | <u>69,267,061</u> |
| Operating expenses: | | | |
| Administration | 18 | 18,853,531 | 18,143,784 |
| Establishment | 19 | 1,090,947 | 1,106,767 |
| Financial | | <u>137,902</u> | <u>143,968</u> |
| Total operating expenses | | <u>20,082,380</u> | <u>19,394,519</u> |
| TOTAL EXPENDITURES | | <u>97,274,726</u> | <u>88,661,580</u> |
| Excess of income over expenditures | | \$ <u>23,002,153</u> | \$ <u>26,534,611</u> |

The notes on pages 9 to 38 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

STATEMENTS OF OTHER COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------------|-----------------------------|
| EXCESS OF INCOME OVER EXPENDITURES | \$ 23,002,153 | \$ 26,534,611 |
| OTHER COMPREHENSIVE INCOME: | 2t | |
| APV disablement benefits | 722,083 | 476,479 |
| APV death benefits | <u>543,257</u> | <u>486,394</u> |
| | 1,265,340 | 962,873 |
| Re-measurements-pension asset | <u>(977,440)</u> | <u>(930,732)</u> |
| Other comprehensive income for the year | <u>287,900</u> | <u>32,141</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | \$ <u>23,290,053</u> | \$ <u>26,566,752</u> |

The notes on pages 9 to 38 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

STATEMENTS OF CHANGES IN RESERVES YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | Short term Benefits Branch | Long term Benefits Branch | Employment Injury Benefits Branch | Disablement and Death Benefits Reserve | National Health Insurance Fund | Natural Disaster Fund | Social Development Assistance Account | Pension Reserve | Total |
|---|----------------------------------|---------------------------------|---|--|---|-----------------------------|--|--------------------|----------------------|
| Balance, December 31, 2014 | \$18,109,255 | \$338,333,175 | \$99,002,403 | \$46,468,982 | \$3,557,995 | \$1,531,076 | \$725,761 | \$1,041,569 | \$478,790,196 |
| Transfer to Social Development Account and Assistance Fund | - | - | (1,306,245) | - | - | 250,000 | 1,056,245 | - | - |
| Transfer to Short Term Benefit Branch | - | - | - | - | - | - | - | - | - |
| Natural Disaster Fund Expenditure | - | - | - | - | - | - | - | - | - |
| Social Development Account and Assistance Fund Expenditures | - | - | - | - | - | - | (1,513,395) | - | (1,513,395) |
| Excess of (expenditures over income) income over expenditures | (1,172,417) | 10,363,527 | 16,704,581 | (1,224,174) | (1,669,364) | - | - | - | 23,002,153 |
| Other Comprehensive Income | - | - | - | 1,265,340 | - | - | - | (977,440) | 287,900 |
| Balance, December 31, 2015 | \$16,936,838 | \$348,696,702 | \$114,400,739 | \$16,510,148 | \$1,888,631 | \$1,801,076 | \$268,611 | \$64,129 | \$500,566,854 |

Continued on Page 7

SOCIAL SECURITY BOARD

STATEMENTS OF CHANGES IN RESERVES (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | Short term Benefits Branch | Long term Benefits Branch | Employment Injury Benefits Branch | Disablement and Death Benefits Reserve | National Health Insurance Fund | Natural Disaster Fund | Social Development Assistance Account | Pension Reserve | Total |
|---|----------------------------------|---------------------------------|---|--|---|-----------------------------|--|--------------------|----------------------|
| Balance, December 31, 2013 | \$ 1,765,403 | \$325,815,373 | \$102,391,569 | \$16,504,329 | \$2,751,373 | \$1,301,076 | \$ 500,673 | \$1,972,301 | \$453,002,097 |
| Transfer to Social Development Account and Assistance Fund | - | - | (1,253,741) | - | - | 250,000 | 1,003,741 | - | - |
| Transfer to Short Term Benefit Branch | 18,000,000 | - | (18,000,000) | - | - | - | - | - | - |
| Natural Disaster Fund Expenditure | - | - | - | - | - | - | - | - | - |
| Social Development Account and Assistance Fund Expenditures | - | - | - | - | - | - | (778,653) | - | (778,653) |
| Excess of (expenditures over income) income over expenditures | (1,656,168) | 12,517,802 | 15,864,575 | (998,220) | 806,622 | - | - | - | 26,534,611 |
| Other Comprehensive Income | - | - | - | 962,873 | - | - | - | (930,732) | 32,141 |
| Balance, December 31, 2014 | \$18,109,235 | \$338,333,175 | \$ 99,002,403 | \$16,468,982 | \$3,557,995 | \$1,551,076 | \$ 725,761 | \$1,041,569 | \$478,790,196 |

The notes on pages 9 to 38 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Excess of income over expenditures | \$23,002,153 | \$26,534,611 |
| Adjustments to reconcile excess of income over expenditures to net cash provided by operating activities: | | |
| Amortization – intangible asset | 219,980 | 212,130 |
| Depreciation | 1,199,242 | 1,260,166 |
| Loss on sale of fixed asset | <u>13,171</u> | <u>2,588</u> |
| Operating profit before working capital changes | 24,434,546 | 28,009,495 |
| Changes in current assets and liabilities: | | |
| Increase in investment income receivable | (1,266,945) | (1,065,875) |
| Decrease (increase) in office supplies | 57,016 | (95,039) |
| Decrease in accounts receivable | 18,420 | 429,665 |
| (Increase) decrease in prepayments | (42,154) | 56,368 |
| Increase in advances to employees | (17,036) | (10,460) |
| Decrease in other asset | 14,400 | 18,000 |
| Increase (decrease) in liabilities | <u>1,784,558</u> | <u>(332,151)</u> |
| Total adjustment | <u>548,259</u> | <u>(999,492)</u> |
| Net cash provided by operating activities | <u>24,982,806</u> | <u>27,010,003</u> |
| Cash flows from investing activities: | | |
| Investment in associates | 8,719,385 | (20,938,096) |
| Loan to associate | - | 10,000,000 |
| Long and short term investments | (38,807,886) | (12,024,683) |
| Additions to fixed assets | (610,020) | (476,405) |
| Decrease in intangible asset | (211,910) | (128,493) |
| Proceeds from sale of fixed assets | <u>2,997</u> | <u>-</u> |
| Net cash used in investing activities | <u>(30,907,434)</u> | <u>(23,567,677)</u> |
| Cash flows from financing activities: | | |
| Change in death and disablement reserve | 1,265,340 | 962,873 |
| Change in social development fund | <u>(1,513,395)</u> | <u>(778,653)</u> |
| Net cash (used in) provided by financing activities | <u>(248,055)</u> | <u>184,220</u> |
| Net (decrease) increase in cash and cash equivalents | (6,172,683) | 3,626,546 |
| Cash and cash equivalents, January 1 | <u>24,516,052</u> | <u>20,889,506</u> |
| Cash and cash equivalents, December 31 | <u>\$18,343,369</u> | <u>\$24,516,052</u> |

The notes on pages 9 to 38 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

1. STATUS

Status – Social Security Board (Board/SSB) is a statutory body which came into existence with the enactment of the Social Security Act, Chapter 44, Laws of Belize 1980. Social Security Board was established to provide various financial benefits to insured persons residing in Belize. Funding of these benefits is provided through contributions from employers and employees and self-employed persons. The corporate headquarters is located at Bliss Parade, Belmopan, Belize.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance – The financial statements of Social Security Board have been prepared from the records maintained in the financial accounting system of the Board, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), while the form and content are specified in the Social Security Act, and requirements of the Financial and Accounting Regulations, Chapter 44, Revised Edition 2000 – 2003.
- b. Basis of presentation – The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.
- c. Functional and presentation currency – The financial statements are presented in Belize dollars, which is also the functional currency of the Social Security Board.
- d. Use of estimates and judgments – The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Board's accounting policies.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Board based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Board. Such changes are reflected in the assumptions when they occur.

The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All valuations are made by an actuary.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

| Standard | Pronouncement | When Effective | Response |
|--|---|----------------|---|
| Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) | Amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contribution, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. | July 1, 2014 | The amendment was adopted, but has no current impact on the financial statements. |

| <i>Annual Improvements 2010-2012 Cycle made amendment to the following standard for periods beginning on or after July 1, 2014.</i> | Response |
|---|--|
| IFRS 13 - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only). | Short-term receivables and payables are measured on an undiscounted basis. Revisions have been made to Note 2g and 20. |
| IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. | The amendment was adopted, but has no current impact on the financial statements. |

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 Board's financial statements are disclosed below. The Board intends to adopt these standards, if applicable, when they become effective.

| Standard | Pronouncement | When Effective | Response |
|---|---|-----------------|--|
| Disclosure Initiative (Amendments to IAS 1) | Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports. | January 1, 2016 | The amendment will be adopted when it becomes effective and its effect, if any, will be quantified at that time. |

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Changes in accounting policies (continued)

| Standard | 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 effects will be quantified at that time. |
| Equity Method in Separate Financial Statements (Amendments to IAS 27) | Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. | January 1, 2016 | The amendment is not expected to have an impact on the financial statements. |
| Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) | Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. | January 1, 2016 | The amendment is not expected to have an impact on the financial statements. |

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Changes in accounting policies (continued)

| <i>Annual Improvements 2012-2014 Cycle makes amendments to the following standards for periods beginning on or after July 1, 2016.</i> | Response |
|--|--|
| IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued | Improvements will not have an impact on the financial statement. |
| IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference | Improvements will not have an impact on the financial statement. |

- f. Foreign currency transactions and balances – Transactions in foreign currencies are initially recorded by the Board at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

- g. Financial instruments – A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Initial recognition and measurement

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of the financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Board initially recognizes, accounts receivables, deposits, and debt instruments on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Board becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables.' The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Note 20 outlines the categories of the Board's financial assets.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Board's financial assets classified as loans and receivable are outlined in Note 20. Due to their short term nature some financial assets are held on an undiscounted basis.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probably that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Board's past experience of collections, an increase in number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the profit or loss.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial instruments (continued)

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

The Board derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Board neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Board recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Board retains substantially all the risks and rewards of ownership of a transferred financial asset, the Board continues to recognize the financial asset and also recognizes a collateralized borrowing for proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in the other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Board retains an option to repurchase part of the transferred asset), the Board allocates the previous carrying amount of the financial asset between the part it continues to recognise under the continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount and part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities at amortized cost'.

Note 20 outlines the categories of the Board's financial liabilities.

Other financial liabilities at amortized cost

Interest-bearing loans and borrowings are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument, and are subsequently recognized at amortized costs. Financial liabilities included in trade and other payables are recognized initially at fair value and subsequently at amortized cost using the effective interest method.

The Board classifies its financial liabilities as measured at amortised cost or fair value through profit or loss. The Board's financial liabilities are outlined in Note 20. Due to their short term nature some financial liabilities are held on an undiscounted basis.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial instruments (continued)

Derecognition of financial liabilities

The Board derecognizes financial liabilities when and only when, the Board's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and is payable is recognized in profit or loss.

- h. Cash and cash equivalents – Cash and cash equivalents represent cash on hand, bank deposits and short term highly liquid investments with original maturity of three months or less.
- i. Accounts receivables – Accounts receivables represent amounts receivable from the sale of products and services of the Board. The receivables are initially recorded at fair value and subsequently measured at amortized cost, net of estimates of potential losses. The estimated losses from doubtful accounts are provided in an amount considered sufficient to cover potential losses. The value of the loss estimated for doubtful debts is made based on experience of defaults that occurred in the past.
- j. Office supplies – Office supplies are stated at the lower of cost and net realizable value, cost being determined on the actual cost of the supplies.
- k. Prepayments – Prepayments represents insurance, license, property tax and other cost paid in advance of their intended use or coverage. Prepayments are expensed in the period the service is received.
- l. Pension fund – The Board, as of January 1, 1991, operates a pension scheme which is separately administered by a Board of Trustees. The scheme, which is a defined benefit plan, is funded by contributions from the Board in amounts recommended by the actuaries, and from employees at the rate of 2.8% of annual pensionable salaries. The Board's contributions of 4.3% of pensionable salaries are charged against income in the year they become payable.

Actuarial gains and losses for both defined benefit plans are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

- m. Investments in associates – Associates are investments in entities where the Board has the power to exercise a significant influence, but they do not have control or joint control through participation in the financial and operational decisions of the entity.

Usually the stockholding is 20% to 50% of the voting rights. Investments in associated entities are accounted for under the equity method and include goodwill identified on acquisition, net of any accumulated impairment loss.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Board's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the Board's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Board recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Board and the associate are eliminated to the extent of the interest in the associate.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Investments in associates (continued)

The Board's share of profit of an associate is included in the income statement as Investment Income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates of the Board are prepared for the same reporting period as the Board. When necessary, adjustments are made to bring the accounting policies in line with those of the

Board. After application of the equity method, the Board determines whether it is necessary to recognize an additional impairment loss on its investment in its associates.

The Board determines at each reporting date, whether there is any objective evidence that the investment in each associate is impaired. If this is the case, the Board calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit of an associate' in the income statement.

Upon loss of significant influence over the associate, the Board measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

n. Fixed assets – Fixed assets are recorded at cost and, other than land, are depreciated using the straight line method over the estimated useful life of the assets as follows:

| | |
|--|----------|
| Buildings | 50 years |
| Furniture, fixtures and equipment | 10 years |
| Computers and accessories, hardware and software | 5 years |
| Motor vehicles | 4 years |

Repairs and maintenance are charged against income. Improvements which extend the useful life of the assets are capitalized. When fixed assets are disposed of by sale or are scrapped, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

o. Intangible assets – Intangible assets comprise basically the contractual rights and expenses incurred on specific projects with future economic value, are valued at cost, less accumulated amortization and losses by reducing the recoverable amount where applicable. Intangible assets are recognized only if it is likely that they will generate economic benefits to the Board, are controllable under the Board's control and their respective value can be measured reliably.

Intangible assets that have finite useful lives are amortized over their effective use or a method that reflects their economic benefits, while those with indefinite useful lives are not amortized; consequently these assets are tested at least annually as to their recovery (impairment test).

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Intangible assets (continued)

The estimated useful life and amortization methods are reviewed at the end of each financial year and the effect of any changes in estimates are recorded in a prospective manner.

Internally generated intangible assets, during the research phase, have their expenditure recorded in expenses of the period when incurred. Expenditure on development activities (or stage of development of an internal project) is recorded as intangible assets if and only if it meets all of the requirements of the standard. Initial recognition of this asset corresponds to the sum of the expenditures incurred from when the intangible asset has passed to meet the recognition criteria required by the standard.

Intangible assets generated internally, are recorded at cost value less amortization and loss on the accumulated impairment. The Board's intangible assets comprise mainly of acquired software licenses. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

p. Income recognition – Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Board, and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Board assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Board has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized.

- i. Investment income – is accounted for on the accrual basis, except for dividends, which are recognized when received. Income from associates is accounted for by the equity method.
- ii. Interest income – For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in Investment Income and Other income in the income statement.
- iii. Dividends – Revenue is recognized when the Board's right to receive the payment is established.
- iv. Rental income – Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Income recognition (continued)

Basis of apportionment of income –

(i) Contributions

Section 14(1) of the Financial and Accounting Regulations, 1980 provides that all contributions shall be distributed among the Benefits Branches in the following proportions:

| | | <u>2015</u> | <u>2014</u> |
|-----|-----------------------------------|-------------|-------------|
| (1) | Short term Benefits Branch | 19.25% | 19.25% |
| (2) | Long term Benefits Branch | 56.25% | 56.25% |
| (3) | Employment Injury Benefits Branch | 24.50% | 24.50% |

(ii) Other income

Section 14(2) of the Financial and Accounting Regulation, 1980 provides that income from investment of the Reserves is allocated to each branch on the basis of their respective reserves at the end of the previous financial year.

Section 14(3) of the Financial and Accounting Regulations, 1980 provides that all other income to the fund which cannot be identified with any specific branch shall be distributed among the three benefit branches in equal parts.

- q. Government contributions – Government contributions and support are accounted for when the Board complies with reasonable security conditions set by the government related to contributions, and assistance received. The Board records via the statement of income, as reducing spending according to the nature of the item, and through the distribution of results on statement of income, or earnings in reserve accounts.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Board receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. When loans or similar assistance are provided by government or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grants.

r. Taxes –

Income and property tax and stamp duty

Section 64 (2) of the Social Security Act, Chapter 44, Revised Edition 2003 exempts the Board from income tax and property tax, and stamp duty.

General sales tax

Revenues, expenses and assets are recognized net of the amount of general sales tax.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s. Benefit payments –

- i. SSB recognizes costs associated with payments in the period the beneficiary or recipient is entitled to receive the payment.
- ii. Liabilities are accrued on benefits for past periods that have not completed processing by the close of the fiscal year, such as benefit payments due but not paid pending receipt of pertinent information.

t. Disablement and death benefit reserves – The Disablement and Death Benefits Reserve is made up as provided by Section 16(3) of the Financial and Accounting Regulations, 1980 by transferring thereto at the end of each financial year the balance outstanding in the current account after the actuarial present value of the periodically payable disablement and death benefits awarded in that year have been charged against income for that year in the Income and Expenditure Account of the Employment Injury Benefit Branch and credited to a current account, which is also credited with the income from the investment of the said reserve, and debited with actual payment of the current periodical disablement and death benefit effected during that year.

u. Basis of apportionment of expenditure.

- i. Section 15(1) of the Financial and Accounting Regulation, 1980 states that the expenditures of each benefit branch shall be ascribed to that Branch under which the benefit is grouped, namely: Short Term Benefits Branch, Long Term Benefits Branch and Employment Injury Benefits Branch.
- ii. Section 15(2) of these regulations states that the administrative expenditures of the Board shall be distributed among the three benefit branches in such a manner that the proportion allocated to a particular branch shall be equal to the proportion which the sum of the contribution income and benefit expenditure shown in the Income and Expenditure Account of that branch bears to the sum of the contribution income and benefit expenditure of the Board as a whole.
- iii. Administrative expenses are taken to mean all expenses properly incurred in the administration of the Board.

All other expenditures that are not attributable to any specific branch are distributed among the three benefit branches in equal parts.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

3. FINANCIAL RISKS

Financial risk factors

The Board's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Board's overall risk management program seeks to maximize the returns derived for the level of risk to which the Board is exposed and seeks to minimize potential adverse effects on the Board's financial performance. The Board's policy allows it to use financial instruments to both moderate and create certain risk exposures.

All securities investments present a risk of loss of capital. The maximum loss of capital on purchased long term equity and debt securities is limited to the fair value of those positions.

The management of these risks is carried out by the investment manager under policies approved by the Investment Committee and Board of Directors and the General Manager of Finance. The Board has specific limits on these instruments to manage the overall potential exposure.

In accordance with IFRS 7, an entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date.

The Board uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below:

Market risk

a. Price risk

The Board's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the Social Security Act (Chapter 44) of the Laws of Belize, the Investment Committee and the Board of Directors.

A summary analysis of investments by asset class at December 31, 2015 is presented below:

| Investment Mix | % of Total Investment |
|-------------------------------------|------------------------------|
| Belize City Council Municipal bonds | 1.78 |
| Debentures | 1.41 |
| Treasury notes | 2.39 |
| Mortgages | 1.61 |
| Private Sector Loans | 25.11 |
| Shares | 3.53 |
| Term Deposits | 27.07 |
| Investment in Associates | <u>37.11</u> |
| Total | <u>100.00</u> |

The Act also limits a single investment to be no more than 20% of the total amount of the Reserves, including economically targeted investments. The majority of the Board's equity investments are publicly traded. The Board's policy requires that the overall market position is monitored on a weekly basis by the Board's Investment Manager and is reviewed on a quarterly basis by the Investment Committee and Board of Directors. Compliance with the Board's investment policies are reported to the Investment Committee on a monthly basis.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

3. FINANCIAL RISKS (Continued)

b. Foreign exchange risk

The Board does not operate internationally and does not hold monetary and non-monetary assets denominated in currencies other than the Belize Dollar, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk.

c. Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Board holds fixed interest securities that expose the Board to fair value interest rate risk. The Board also holds cash and cash equivalents that expose the Board to cash flow interest rate risk. The Board's policy requires the General Manager of Finance to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities. The Board's policy is to hold no more than 20% of the Board's net assets in interest bearing assets and liabilities.

The Board has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Board invests and impact on the valuation of certain over-the-counter derivative products that use interest rates as an input in their valuation model.

In accordance with the Board's policy, the Investment Manager monitors the Board's overall interest sensitivity on a weekly basis; the Investment Committee reviews it on a monthly basis.

d. Credit risk

The Board is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. The main concentration to which the Board is exposed arises from the Board's investments in debt securities. The Board is also exposed to counterparty credit risk on trading derivative products, cash and cash equivalents, amounts due from associates, debtors and other receivable balances.

The Board manages credit risk by setting limits on the amount loaned, ensuring the loan is properly collateralized, considering the borrower's leverage and the seasonality of the business by restriction in the loan agreements.

In accordance with the Board's policy, the Investment Manager monitors the Board's credit position on a daily basis, and the Investment Committee reviews it on a monthly basis.

Collateral

Collateral is held to mitigate credit risk exposures and risk mitigation policies determine the eligibility of collateral types. The Board defines collateral as the assets or rights provided to the Board by the borrower or a third party in order to secure a credit facility. The Board would have the rights of secured creditor in respect of the assets/contracts offered as security for the obligations of the borrower/obligor.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

3. FINANCIAL RISKS (Continued)

d. Credit risk (continued)

The Board ensures that the underlying documentation for the collateral provides the Board appropriate rights over the collateral or other forms of credit enhancement including the right to liquidate, retain or take legal possession of it in a timely manner in the event of default by the counterparty. The Board also endeavors to keep the assets provided as security to the Board under adequate insurance during the tenor of the Board's exposure. The collateral value is monitored periodically.

Types of collateral taken by the Board

Collateral types that are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as land, plant and machinery; marketable securities; third party guarantees; and letters of credit.

Types of collateral taken by the Board (continued)

The Board determines the appropriate collateral for each facility based on the type of product and risk profile of the counterparty. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally taken. In addition, in some cases, additional security such as pledge of shares, cash collateral, charge on receivables with an escrow arrangement and guarantees is also taken.

For personal loans, the security to be taken is defined in the investment policy for the respective types of loans. Housing loans and automobile loans are secured by the security of the property/automobile being financed. The valuation of the properties is carried out by an empanelled appraiser at the time of sanctioning the loan.

The Board extends unsecured facilities to clients for certain products such as derivatives, credit cards and personal loans. The limits with respect to unsecured facilities have been approved by the Board of Directors. The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Board of Directors. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

For certain types of lending – typically mortgages, asset financing – the right to take charge over physical assets is significant in terms of determining appropriate pricing and recoverability in the event of default.

Collateral is reported in accordance with our risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Where appropriate collateral values are adjusted to reflect current market conditions, its probability of recovery and the period of time to realize the collateral in the event of possession. The collateral values reported are also adjusted for the effects of over-collateralization.

Loans and advances

The requirement for collateral is not a substitute for the ability to pay, which is the primary consideration for any lending decisions. In determining the financial effect of collateral held against loans neither past due nor impaired, we have assessed the significance of the collateral held in relation to the type of lending. For loans and advances to Board's employees and customers (including those held at fair value through profit or loss), the Board held the following amounts of collateral, adjusted where appropriate as indicated above.

SOCIAL SECURITY BOARD

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)**

3. FINANCIAL RISKS (Continued)

| Value | CONSUMER LOANS | | | COMMERCIAL LOANS | | | TOTAL | | |
|--------------------------|----------------|---------------------------------|-----------------------------|------------------|---------------------------------|-----------------------------|-------------|---------------------------------|-----------------------------|
| | Total | Not Individually Impaired Loans | Individually Impaired Loans | Total | Not Individually Impaired Loans | Individually Impaired Loans | Total | Not Individually Impaired Loans | Individually Impaired Loans |
| | | | | | | | | | |
| December 31, 2015 | | | | | | | | | |
| Collateral | 6,954,037 | 5,458,553 | 1,459,484 | 114,790,873 | 113,528,934 | 1,261,939 | 121,708,910 | 118,987,487 | 2,721,423 |
| Loans | 6,983,465 | 5,458,553 | 1,524,912 | 114,790,873 | 113,528,934 | 1,261,939 | 121,774,338 | 118,987,487 | 2,786,851 |

| Value | CONSUMER LOANS | | | COMMERCIAL LOANS | | | TOTAL | | |
|--------------------------|----------------|---------------------------------|-----------------------------|------------------|---------------------------------|-----------------------------|------------|---------------------------------|-----------------------------|
| | Total | Not Individually Impaired Loans | Individually Impaired Loans | Total | Not Individually Impaired Loans | Individually Impaired Loans | Total | Not Individually Impaired Loans | Individually Impaired Loans |
| | | | | | | | | | |
| December 31, 2014 | | | | | | | | | |
| Collateral | 7,409,289 | 5,529,762 | 1,879,527 | 79,867,542 | 78,367,542 | 1,500,000 | 87,276,831 | 83,897,304 | 3,379,527 |
| Loans | 7,438,717 | 5,529,762 | 1,908,955 | 79,867,542 | 77,941,055 | 1,926,487 | 87,306,259 | 83,470,817 | 3,835,442 |

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

3. FINANCIAL RISKS (Continued)

e. Liquidity risk

Liquidity risk is the risk that the Board may not be able to generate sufficient cash, resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

As a result, the Board may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. At December 31, 2015 and 2014, the Board held no investments that it considered illiquid.

The Board manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form. At December 31, 2015, current assets exceeded current liabilities by \$139,584,198 (2014 - \$141,685,460).

In accordance with the Board's policy, the General Manager of Finance monitors the Board's liquidity position on a weekly basis, and the Investment Manager reviews it on a daily basis.

The table below analyses current assets and current liabilities of the Board into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date.

Net liquidity gap, December 31, 2015

| | Within 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Total |
|---|--------------------|--------------------------|------------------|--------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Current Assets | | | | | |
| Cash and cash equivalent | 18,343,369 | - | - | - | 18,343,369 |
| Short term investments | 38,439,327 | 78,323,335 | 2,080,000 | - | 118,842,662 |
| Investment income receivable | 3,050,603 | 6,513,636 | - | - | 9,564,239 |
| Office supplies | 39,819 | 125,428 | - | - | 165,247 |
| Accounts receivable | 124,251 | 53,343 | 1,203,733 | - | 1,381,327 |
| Prepayments | - | 394,334 | - | - | 394,334 |
| Total current assets | 59,997,369 | 85,410,076 | 3,283,733 | - | 148,691,178 |
| Current Liabilities | | | | | |
| Accounts payables and accruals | 3,989,795 | 5,015,807 | - | - | 9,005,602 |
| Severance current portion | - | 101,378 | - | - | 101,378 |
| Total current liabilities | 3,989,795 | 5,117,185 | - | - | 9,106,980 |
| Net liquidity gap, December 31, 2015 | 56,007,574 | 80,292,891 | 3,283,733 | - | 139,584,198 |

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

3. FINANCIAL RISKS (Continued)

Net liquidity gap, December 31, 2014

| | Within 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Total |
|---|--------------------|--------------------------|-------------------|--------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Current Assets | | | | | |
| Cash and cash equivalent | 24,299,844 | - | - | - | 24,299,844 |
| Central Bank of Belize | 216,208 | - | - | - | 216,208 |
| Short term investments | 41,496,135 | 50,778,699 | 22,519,719 | - | 114,794,553 |
| Investment income receivable | 1,846,417 | 6,450,877 | - | - | 8,297,294 |
| Office supplies | 222,263 | - | - | - | 222,263 |
| Accounts receivable and prepayments | 41,790 | 352,180 | 1,357,957 | - | 1,751,927 |
| Total current assets | 68,122,657 | 57,581,756 | 23,877,676 | - | 149,582,089 |
| Current Liabilities | | | | | |
| Accounts payables and accruals | 3,085,572 | 4,811,057 | - | - | 7,896,629 |
| Total current liabilities | 3,085,572 | 4,811,057 | - | - | 7,896,629 |
| Net liquidity gap, December 31, 2014 | 65,037,085 | 52,770,699 | 23,877,676 | - | 141,685,460 |

f. Operational risk

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

4. CASH AND CASH EQUIVALENTS

| | 2015 | 2014 |
|---------------------|---------------------|---------------------|
| Cash on hand | \$ 7,342 | \$ 7,252 |
| Cash at local banks | <u>18,336,027</u> | <u>24,508,800</u> |
| | <u>\$18,343,369</u> | <u>\$24,516,052</u> |

5. SHORT TERM INVESTMENTS

| | 2015 | 2014 |
|---------------|----------------------|----------------------|
| Term deposits | <u>\$118,842,662</u> | <u>\$114,794,553</u> |
| | <u>\$118,842,662</u> | <u>\$114,794,553</u> |

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

6. INVESTMENT INCOME RECEIVABLE

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|--------------------|--------------------|
| Sunshine Holdings Limited | \$6,513,636 | \$5,312,283 |
| Other loans and mortgage portfolios | 1,018,169 | 1,137,345 |
| Certificate of deposits | <u>2,032,434</u> | <u>1,847,666</u> |
| | <u>\$9,564,239</u> | <u>\$8,297,294</u> |

Under the terms of the loan note between Sunshine Holdings Limited and SSB issued September 19, 2005, interest earned up to July 31, 2010 was capitalized.

7. ACCOUNTS RECEIVABLE

| | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|
| Accounts receivable | \$ 281,080 | \$ 131,066 |
| Assessment of contributions | <u>2,227,110</u> | <u>2,483,658</u> |
| Total receivable | <u>2,508,190</u> | <u>2,614,724</u> |
| Beginning balance as at January 1 | (1,214,975) | (975,580) |
| provisions for loss on uncollectible assessments | (44,257) | (258,383) |
| Less Waiver on interest assessment | 103,841 | 105,675 |
| provisions for loss on accounts receivable | <u>28,528</u> | <u>(86,687)</u> |
| Ending balance as at December 31 | <u>(1,126,863)</u> | <u>(1,214,975)</u> |
| Receivable- Net | <u>\$1,381,327</u> | <u>\$1,399,747</u> |

8. PENSION ASSET

The Board sponsors a defined benefit pension scheme in accordance with a Trust Deed signed by the Board and the Trustees on April 24, 1996, but deemed to have been established under irrevocable trust with effect from January 1, 1991. The scheme is contributory (funded on a bipartite basis by the SSB and the employees. The Board pays fixed contributions into the separate trust which is managed by a Board of Trustees nominated by the employer. These contributions are expensed in the period in which they accrue.

The terms of the defined benefit pension scheme define the amount that employees will receive on retirement. These amounts are dependent on factors such as age, years of service and compensation, and are determined independently of the contributions payable or the investments of the scheme.), and past services are recognized as from January 1, 1991.

An asset or liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated by independent actuaries every three years using the projected unit cost method. Actuarial gains and losses are recognized in full in the year in which they occur within other comprehensive income.

The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related liability. Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives. On a going concern basis and taking into consideration projected salaries as retirement rather than static salaries, the funded status is as follows, as at December 31, 2015:

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

8. PENSION ASSET (Continued)

Projected Benefit Obligation and Funded Status

| Funded Status | 2015 | 2014 |
|--|---------------|---------------|
| Accumulated benefit obligation | \$(6,614,274) | \$(5,112,999) |
| Projected benefit obligation ^{a/} | (8,685,618) | (7,357,513) |
| Net assets | 8,749,747 | 8,399,082 |
| Pre-paid Surplus | \$ 64,129 | \$1,041,569 |

^{a/} Of which \$6,457,640 are vested

Liability (Surplus) to be recognized in the Statement of Financial Position (at December 31) ^{b/}

| | 2015 | 2014 |
|--------------------------------------|-------------|---------------|
| Present value of the obligation | \$8,685,618 | \$7,357,513 |
| Fair value of plan assets | (8,749,747) | (8,399,082) |
| Net obligations (surplus) | (64,129) | (1,041,569) |
| Unrecognized past service cost | - | - |
| Unrecognized actuarial gain | - | - |
| Liability (surplus) to be recognized | \$ (64,129) | \$(1,041,569) |

^{a/} IAS-19, paragraph 54

^{b/} Unaudited

Changes in Benefit Obligations and Net Assets

The changes in benefit obligations are as follows:

| Change in Projected Obligations | 2015 | 2014 |
|---|-------------|-------------|
| Projected benefit obligation at January 1 | \$7,375,513 | \$6,217,803 |
| Service cost | 549,365 | 503,191 |
| Interest cost | 358,694 | 362,775 |
| Benefits and expenses | (367,277) | (343,122) |
| Actuarial (gain) loss – obligations | 769,323 | 616,866 |
| Projected benefit obligation at December 31 | \$8,685,618 | \$7,357,513 |
| Change in Plan Assets | | |
| Assets at January 1 | \$8,399,082 | \$8,190,268 |
| Expected return on assets | 414,680 | 487,673 |
| Contributions | 261,807 | 182,364 |
| Benefit payments | (367,277) | (343,122) |
| Actuarial (loss) gain – assets | 41,455 | (118,101) |
| Assets at December 31 | 8,749,747 | 8,399,082 |
| Consolidated gain | \$ 64,129 | \$1,041,569 |

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

| | 2015 | 2014 |
|--------------------------------------|-------------|---------------|
| Present value of the obligation | \$8,685,618 | \$7,357,513 |
| Fair value of plan assets | (8,749,747) | (8,399,082) |
| Net surplus | (64,129) | (1,041,569) |
| Unrecognized past service cost | - | - |
| Unrecognized actuarial gain | - | - |
| Liability (surplus) to be recognized | \$(64,129) | \$(1,041,569) |

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

8. PENSION ASSET (Continued)

Expenses to be recognized

| | <u>2015</u> | <u>2014</u> |
|----------------------------|------------------|--------------------|
| Current service cost | \$549,365 | \$ 503,191 |
| Interest cost | 358,694 | 362,775 |
| Expected return on assets | 414,680 | 487,673 |
| Net gain recognized | <u>(343,122)</u> | <u>(343,122)</u> |
| Total | 979,617 | 1,010,517 |
| Employees contributions | <u>-</u> | <u>-</u> |
| Net SSB expenses (surplus) | <u>\$979,617</u> | <u>\$1,010,517</u> |

9. INVESTMENT IN ASSOCIATES

| | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|
| Belize Electricity Limited (26.92% ownership) | | |
| Balance, beginning of year | \$101,770,252 | \$ 83,501,156 |
| Additional shares | - | 10,000,000 |
| Redemption of shares | <u>(10,000,000)</u> | - |
| Income from associate | 6,689,619 | 9,755,498 |
| Dividend received from associate | <u>(2,787,004)</u> | <u>(1,486,402)</u> |
| Balance, end of year | <u>\$ 95,672,867</u> | <u>\$101,770,252</u> |
| Belize Telecommunications Limited (20.18% ownership) | | |
| Balance, beginning of year | \$ 69,882,119 | \$ 67,213,119 |
| Income from associate | 4,528,000 | 2,669,000 |
| Dividend received from associate | <u>(7,150,000)</u> | - |
| Balance, end of year | <u>\$ 67,260,119</u> | <u>\$ 69,882,119</u> |
| Total investment in associate, end of year | <u>\$162,932,986</u> | <u>\$171,652,371</u> |

By the Belize Telecommunications (Assumption of Control over Belize Telemedia Limited) Order, Statutory Instrument No. 104 of 2009, the Government of Belize (GOB) acquired for and on behalf of itself 46,845,513 ordinary shares in Belize Telemedia Limited (BTL). Thereafter GOB issued an Offer for Sale in respect of 22,069,687 of the above mentioned shares in BTL to the Belizean public at a price of \$5.00 per share. On November 23, 2010, a share purchase agreement was signed between GOB and the SSB to purchase 10,000,000 ordinary shares in the BTL.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

10. LONG TERM INVESTMENT

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|----------------------|----------------------|
| Belize City Council Municipal bonds | \$ 7,802,000 | \$ 7,802,000 |
| Debentures | 6,200,000 | 6,200,000 |
| Government of Belize loan | - | 193,086 |
| Government of Belize treasury notes | 10,500,000 | 10,500,000 |
| Mortgages | 7,053,120 | 7,253,511 |
| Private sector loans | 110,240,530 | 75,124,776 |
| Shares | <u>15,499,813</u> | <u>15,462,313</u> |
| | <u>\$157,295,463</u> | <u>\$122,535,686</u> |

At December 31, 2015, non-performing investments amounted to 0.61% of total long and short term investments (December 31, 2014 – 0.88%).

Mortgages received from the Ministry of Housing at December 31, 2015 totaled \$488,650 (December 31, 2014- \$629,550).

11. HELD FOR SALE

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| HELD FOR SALE | | |
| Vista Del Mar Housing Project | | |
| Remaining lots acquired from Vista Del Mar Development Company Ltd. | \$ 475,764 | \$ 475,764 |
| Rocky Point | 175,015 | 175,015 |
| San Pedro, Ambergris Caye | | |
| 3,491 acres land | <u>10,636,234</u> | <u>10,636,234</u> |
| | <u>\$11,287,013</u> | <u>\$11,287,013</u> |

Land properties held in the name of Social Security Board that are held for sale. These properties are measured at the lower of carrying amount and fair value less costs to sell.

12. OTHER ASSETS

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|--------------------|--------------------|
| Homeland Development Limited | | |
| 926 plots of land | <u>\$1,111,200</u> | <u>\$1,125,600</u> |
| | <u>\$1,111,200</u> | <u>\$1,125,600</u> |

An agreement was signed with Social Security Board and Homeland Development Limited dated May 7, 2002 for service that should be delivered to such person that are insured under the funeral scheme. As per agreement Homeland shall sell Social Security Board 1,000 plot licenses permitting the use by Social Security Board. The purchase price was BZ \$1,200,000.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

13. INTANGIBLE ASSET

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|--------------------|--------------------|
| Cost | | |
| Brought forward, January 1 | \$2,155,151 | \$2,026,658 |
| Cost capitalized during the year | <u>211,911</u> | <u>128,493</u> |
| Carried forward, December 31 | <u>2,367,062</u> | <u>2,155,151</u> |
| Accumulated amortization | | |
| Brought forward, January 1 | 606,392 | 394,262 |
| Amortization | <u>219,981</u> | <u>212,130</u> |
| Carried forward, December 31 | <u>826,373</u> | <u>606,392</u> |
| Total | <u>\$1,540,689</u> | <u>\$1,548,759</u> |

14. FIXED ASSETS

| Cost | Land | Buildings | Furniture and fixtures | Office equipment | Computers and accessories, hardware and software | Motor vehicles | Work in progress | Total |
|------------------------------------|--------------------|---------------------|------------------------|--------------------|--|------------------|------------------|---------------------|
| Brought forward, January 1, 2015 | \$6,591,004 | \$23,913,474 | \$2,893,803 | \$2,873,340 | \$5,674,146 | \$674,922 | \$ 200,823 | \$42,821,512 |
| Additions | - | 41,578 | 55,802 | 79,175 | 300,820 | 76,318 | 56,326 | 610,019 |
| Disposals | - | - | (76,030) | (22,961) | (449,241) | - | - | (548,232) |
| Transfers | - | 120,983 | - | - | - | - | (120,983) | - |
| Carried forward, December 31, 2015 | <u>6,591,004</u> | <u>24,076,035</u> | <u>2,873,575</u> | <u>2,929,554</u> | <u>5,525,725</u> | <u>751,240</u> | <u>136,166</u> | <u>42,883,299</u> |
| Accumulated depreciation | | | | | | | | |
| Brought forward, January 1, 2015 | - | 6,221,294 | 2,478,076 | 1,849,902 | 4,985,625 | 544,766 | - | 16,079,663 |
| Additions | - | 479,583 | 111,736 | 220,733 | 294,374 | 92,816 | - | 1,199,242 |
| Disposals | - | - | (65,441) | (30,090) | (446,534) | - | - | (532,065) |
| Transfers | - | - | - | - | - | - | - | - |
| Carried forward, December 31, 2015 | <u>-</u> | <u>6,700,877</u> | <u>2,524,371</u> | <u>2,050,545</u> | <u>4,833,465</u> | <u>637,582</u> | <u>-</u> | <u>16,746,840</u> |
| Net book value | | | | | | | | |
| December 31, 2015 | <u>\$6,591,004</u> | <u>\$17,375,158</u> | <u>\$ 349,204</u> | <u>\$ 879,009</u> | <u>\$ 692,260</u> | <u>\$113,658</u> | <u>\$136,166</u> | <u>\$26,136,459</u> |
| December 31, 2014 | <u>\$6,591,004</u> | <u>\$17,692,180</u> | <u>\$ 415,726</u> | <u>\$1,023,434</u> | <u>\$ 688,522</u> | <u>\$130,156</u> | <u>\$197,404</u> | <u>\$26,741,850</u> |

15. ACCOUNTS PAYABLE AND ACCRUALS

| | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|
| Mortgage securitization program | \$4,749,923 | \$4,749,979 |
| Benefits payable | 1,518,528 | 703,044 |
| Accrued expenses and other liabilities | <u>2,737,151</u> | <u>2,443,606</u> |
| | <u>\$9,005,602</u> | <u>\$7,896,629</u> |

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

16. NET INVESTMENT INCOME

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Long and short term investments income | \$14,058,620 | \$14,722,308 |
| Income from associates | 11,217,619 | 12,424,498 |
| Mortgage securitization program | - | - |
| Investment expenses | (142,116) | (386,029) |
| Loan losses bad debt | <u>(342,151)</u> | <u>(574,445)</u> |
| | <u>\$24,791,972</u> | <u>\$26,186,332</u> |

17. OTHER INCOME – NET

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|--------------------|--------------------|
| Interest on assessments | \$ 467,992 | \$ 561,940 |
| Interest on late contributions | 309,987 | 300,616 |
| Interest on staff advances | 59,134 | 72,322 |
| Rental income | 10,076 | 13,758 |
| Loss on disposal of fixed assets | (13,171) | (2,588) |
| Others | <u>248,874</u> | <u>159,760</u> |
| | <u>\$1,082,892</u> | <u>\$1,105,808</u> |

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

18. ADMINISTRATION EXPENSES

| | <u>2015</u> | <u>2014</u> |
|------------------------------------|---------------------|---------------------|
| Actuarial expenses | \$ 117,229 | \$ 118,676 |
| Amortization (intangible asset) | 219,981 | 212,130 |
| Appeals Tribunal expenses | 16,483 | 16,560 |
| Audit cost | 105,522 | 111,163 |
| Bad debt expenses | 3,511 | 62,856 |
| Board expenses | 297,434 | 275,600 |
| Cleaning and sanitation | 272,995 | 280,194 |
| Committees expense | 150,860 | 120,943 |
| Compliance project | 17,250 | 17,656 |
| Depreciation | 719,661 | 788,124 |
| Insurance | 70,126 | 76,959 |
| Legal and professional fees | 54,882 | 191,382 |
| Medical and group health insurance | 296,618 | 299,198 |
| Motor vehicle expenses | 85,952 | 96,655 |
| Overseas conference | 22,459 | 54,011 |
| Postage | 40,956 | 39,245 |
| Premises repairs and maintenance | 581,216 | 371,256 |
| Printing, stationery and supplies | 690,590 | 645,389 |
| Publicity and promotion | 307,574 | 226,417 |
| Recruitment | 13,783 | 11,588 |
| Registration expenses | 157,848 | 128,487 |
| Salaries | 9,432,441 | 9,817,354 |
| Security | 932,043 | 927,428 |
| Severance | 675,585 | - |
| Social security contributions | 251,068 | 236,234 |
| Subscriptions | 52,829 | 55,075 |
| Telephones and cables | 556,547 | 474,425 |
| Training | 416,471 | 649,055 |
| Transfer and other allowances | 1,588,284 | 1,178,885 |
| Traveling and subsistence | <u>705,333</u> | <u>677,121</u> |
| | <u>\$18,853,531</u> | <u>\$18,143,784</u> |

19. ESTABLISHMENT EXPENSES

| | <u>2015</u> | <u>2014</u> |
|------------------------|--------------------|--------------------|
| Light, power and water | \$ 503,097 | \$ 556,298 |
| Depreciation | 479,582 | 472,042 |
| Rent | <u>108,268</u> | <u>78,427</u> |
| | <u>\$1,090,947</u> | <u>\$1,106,767</u> |

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

20. CATEGORIES OF FINANCIAL INSTRUMENTS

| Financial assets | Fair value through profit or loss | | Loans and receivable | |
|---|--|---------------------|---|---------------------|
| | <u>December 31,</u> | <u>December 31,</u> | <u>December 31,</u> | <u>December 31,</u> |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| | \$ | \$ | \$ | \$ |
| Cash and cash equivalents (undiscounted) | - | - | 18,343,369 | 24,516,052 |
| Short term investments | - | - | 118,842,662 | 114,794,553 |
| Investment income receivable | - | - | 9,564,239 | 8,297,294 |
| Accounts receivable (undiscounted) | - | - | 1,381,327 | 1,399,747 |
| Advances to employees | - | - | 1,188,924 | 1,171,888 |
| Long term investments | 40,001,813 | 39,964,313 | 117,293,650 | 82,378,287 |
| Investment in associates | <u>162,932,986</u> | <u>171,652,371</u> | - | - |
| Total financial assets | <u>202,934,799</u> | <u>211,616,684</u> | <u>266,614,171</u> | <u>232,557,821</u> |
| Financial liabilities | | | | |
| | Financial liabilities at fair value through profit or loss | | Other financial liabilities at amortised cost | |
| | <u>December 31,</u> | <u>December 31,</u> | <u>December 31,</u> | <u>December 31,</u> |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| | \$ | \$ | \$ | \$ |
| Accounts payable and accruals | <u>4,808,941</u> | <u>4,811,057</u> | <u>4,196,661</u> | <u>3,085,572</u> |
| Total (undiscounted) financial liabilities | <u>4,808,941</u> | <u>4,811,057</u> | <u>4,196,661</u> | <u>3,085,572</u> |

21. SEGMENT REPORTING

In accordance with IFRS 8 and for management purposes, the Board's activities are organized into three main operating segments prescribed in the Social Security Act, Chapter 44, Revised Edition 2003. These are as follows:

a) *Short Term Benefits Branch: Covers*

- **Maternity Benefits** which are paid to insured women who are on Maternity leave from work because of their pregnancy and confinement.
- **Sickness Benefit** is paid for up to 26 weeks to an insured person under 65 years who is temporarily unable to work because of an illness and who is employed when he or she becomes ill.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

21. SEGMENT REPORTING (Continued)

b) *Long-term Benefits Branch: Covers*

- **Retirement Benefits** paid to insured persons who are 65 years of age (and older) or 60 to 64 and not employed.
- **Invalidity Benefits** paid to insured persons under 60 years who are medically certified by Social Security Medical Board as permanently unable to do any type of work because of an illness.
- **Survivors' Benefits** paid to the widow/widower, children or parents of a deceased insured person whose death was not caused by a work-related injury.

c) *Employment Injury Benefits Branch:* This branch of benefits provides coverage for an insured person who suffers an employment injury, that is a personal injury or death by way of an accident at work or a disease caused by the type of work he or she does.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. The result of operations for each Branch is disclosed in pages 45 to 49. Revenues and expenses are allocated based on formula prescribed by law (See note 2r and 2w).

22. COMMITMENTS AND CONTINGENCIES

i. Mortgage Securitization – Tranche A

On April 21, 1999, the Board entered into an agreement for the Assignment of Mortgages (Tranche A). The Board, the Development Finance Corporation (DFC), and the Government of Belize (GOB) signed the agreement with the Royal Merchant Bank and Finance Company of Trinidad and Tobago (RMB). Under the agreement, the Board assigned a total of \$18,906,359 worth of mortgages. The Board's commitment under this agreement is for \$293,640 monthly.

In October 2004, GOB, through a Fixed Rate Non-Callable Bond Issue refinanced the existing agreement with RMB. The Board did not participate in the refinancing agreement, however, under the new arrangement the Board is committed to continue making monthly payments of \$293,640 to GOB. The Board's responsibility under the new agreement expired on April 30, 2013. Commitments to GOB will be settled in 2016.

Mortgage Securitization – Tranche B

On December 23, 1999, a second Assignment of Mortgages (Tranche B) agreement was signed between the Board, DFC and RMB. The total value of mortgages assigned by the Board in this transaction is \$15,473,754. The Board's commitment under this agreement is for \$175,200 monthly payable to DFC, for further payment to RMB, and shall remain in force until December 30, 2013.

In October 2004, GOB, through a Fixed Rate Non-Callable Bond Issue refinanced the existing agreement with RMB. The Board did not participate in the refinancing agreement, however, under the new arrangement the Board is committed to continue making monthly payments of \$175,200 to GOB. The Board's responsibility under the new agreement expired on December 30, 2013. Commitments to GOB will be settled in 2016.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

22. COMMITMENTS AND CONTINGENCIES (Continued)

Mortgage Securitization – Tranche C and D

On March 21, 2000 and August 30, 2000, a third (Tranche C) and fourth (Tranche D) agreement was signed between the Board, DFC and RMB. Under these two agreements, the mortgages assigned by the Board came from the Saint James National Building Society (SJNBS), and totaled \$27,731,240. Under these agreements, the SJNBS pays the Board a total of \$1,221,720 on a quarterly basis. The Board then pays that amount to DFC for further payment to RMB. As signatory to these agreements the Board is responsible to ensure collections from SJNBS, this responsibility remained in force until March 21, 2009 for Tranche C, and August 30, 2010 for Tranche D. Under a default scenario the Board is responsible to effect payment to DFC. Commitments under this agreement will be settled in 2016.

ii. Claims

The Government of Belize gave notice of its acquisition of Belize Telemedia Limited (BTL) by order of the Belize Telecommunications (Assumption of Control Over Belize Telemedia Limited) Amendment Order, 2009, Statutory Instrument No. 130 of 2009. Subsequently, in a notice dated December 7, 2009, and Gazetted on December 12, 2009, the Government required all those who may have claims to compensation to submit their claims to the Financial Secretary. The Notice of Acquisition specifically included the shares of BTL held by Sunshine Holdings, as well as the outstanding shares of Sunshine Holdings itself.

As a consequence of the acquisition of Sunshine Holdings, and by letter dated October 13, 2009, the Social Security Board filed a claim with the Financial Secretary, Ministry of Finance, indicating that “Pursuant to Belize Gazette Notice 529, dated August 27, 2009, the Social Security Board (SSB) hereby makes a claim for payment of the sums evidence as to SSB by a Loan Note between Sunshine Holdings Ltd. and SSB dated September 19, 2005.”

The Company has defaulted on principal and an interest payment, the first interest payment date was October 31, 2010. However, principal and interest accrued to date has been guaranteed by the Government of Belize.

iii. Litigations

Pending proceedings before the Court of Appeal

Civil Appeal No. 39 of 2010 Social Security Board vs. Ida Herrera

This is a case for breach of contract. By written contract dated July 1, 2009 the SSB engaged Ida Herrera as an independent contractor to provide cleaning services to the SSB’s premises. The contract provided for termination in two ways: either for “no cause” upon the giving of thirty days written notice, or “for cause” in case of poor performance and following a grievance procedure in which the Claimant was to be given an opportunity to remedy any fault. The SSB became dissatisfied with the Claimant’s performance and so it terminated the contract.

The termination letter specified a reason for termination (poor performance), but instead of following the grievance procedure the SSB opted to terminate the contract under the provisions for “no cause” and the SSB paid the Claimant an amount in lieu of notice.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

22. COMMITMENTS AND CONTINGENCIES (Continued)

The Claimant thereafter filed a claim dated April 6, 2010 claiming damages for wrongful termination. The Claimant alleges that because there were allegations of poor performance the SSB could only properly terminate the contract after following the grievance procedure. The SSB filed a defense to the claim and at the same time filed an application for summary judgment or, alternatively, for an order to strike out the claim as an abuse of process. The basis for the application is that there was no breach of contract because the SSB was entitled to terminate the contract in the manner in which it did (by giving notice) and even if there was a breach of contract the damages are limited to the notice period of thirty days.

The application for summary judgment was dismissed by Justice Hafiz in the Supreme Court and the SSB is appealing that dismissal. The appeal was heard on June 10, 2011 and we the Board is awaiting the decision of the Court of Appeal.

If, on the other hand, the appeal fails then the matter of the claim is to continue in the Supreme Court.

Claim No. 499 of 2014: Anna Gonzales vs Social Security Board

The claimant in this action seeks damages for unfair, wrongful and unlawful termination. SSB is defending the claim and there is a high prospect of success. SSB has challenged the jurisdiction of the Supreme Court to hear this matter on account of the arbitration clause in the employment contract which stipulates that disputes are to be referred to arbitration. SSB is awaiting the Court's decision on this preliminary issue.

Pending proceedings before the Supreme Court.

Supreme Court Claim No. 341 of 2001 Social Security Board vs. Sunshine Holdings Ltd

This is a claim for breach of contract. By a written loan note dated September 19, 2005 the SSB extended an unsecured credit facility of \$14,000,000.00 to Sunshine Holdings Ltd. Sunshine Holdings Ltd. has defaulted in the loan note by failing to pay interest as agreed and the SSB commenced a claim dated May 30, 2011 for the full loan balance of \$15,221,766.27 (which it is entitled to do under the terms of the loan note). This figure includes interest and costs. The SSB obtained judgment on admission dated June 9, 2011 and is proceeding to enforce the judgment.

Sunshine Holdings Ltd. owned shares in Belize Telemedia Limited. All shares in Sunshine Holdings Ltd. and all shares that Sunshine Holdings Ltd. owned in Belize Telemedia Limited were acquired by the Government of Belize pursuant to the Belize Telecommunications (Assumption of Control Over Belize Telemedia Limited) Order, Statutory Instrument No. 104 of 2009. The SSB sought to enforce the judgment obtained against Sunshine Holdings Ltd. against the proceeds to be paid to Sunshine Holdings Ltd. as compensation for the acquisition of their share in Belize Telemedia Limited. The Defendant has however applied for judgment to be set aside. Dean Boyce and the Trustees of the BTL Employees Trust have also applied to be joined as parties to the claim and to stay the proceedings or enforcement of the judgments until the determination to the Court of Appeal and the CCJ in the cases relating to the acquisition of BTL. The Court had set the Decision down on the 13th of December 2013, however it has been adjourned to a date to be set by the Honourable Chief Justice.

Pending proceedings before the Magistrate's Court.

Social Security Board vs. Hearts International & Emy Ramirez

This claim is for failure to pay Social Security contributions. SSB is claiming the sum of \$22,639.70. Proceedings have commenced in the Magistrate's Court in Corozal Town, Corozal District and the matter has been adjourned to May 29, 2013 pending a statement on calculation of interest to be submitted by SSB by May 15, 2013.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

22. COMMITMENTS AND CONTINGENCIES (Continued)

On August 1, 2013 we appeared in the Corozal Magistrate's Court for the trial of this matter. Magistrate Hurl Hamilton was of the view that he could not proceed to hear the matter in spite of a memorandum issued by the office of the Chief Justice on or about the 20th day of March, 2012, which sought to clarify the jurisdiction of the magistrate court to hear claims in excess of \$15,000.00 brought by the Social Security Board. Magistrate Hamilton has requested that we obtain a signed copy of the memorandum and that the same is submitted to his attention. The Magistrate set the matter down for Trial on January 30, 2014, however, it was adjourned as the Defendant claimed that it was not served with notice of hearing. On the return date, the Trial commenced and during the said hearing the Defendant indicated that she was not in receipt of all the documentation upon which the Claimant sought to rely. The matter was once again adjourned for the Defendant to be served with the relevant material. The Trial is expected to continue on April 1, 2015.

On April 10, 2015 court ruled in favor of SSB in the sum \$21,450.40 (figures had to be adjusted due to employment declarations). Emy Gilharry of Hearts International was ordered to pay \$2,000.00 a month with effect from April 30, 2015. Employer has since paid \$4000. Judgement summons case was heard for \$17,503.40 with employer was ordered to pay \$2000.00 monthly with effect from December 31, 2015.

Social Security Board vs. Arlo Bodden

This is a claim for failure to pay Social Security contributions. The Defendant is being represented by Attorney Dean Lindo. The matter was heard on February 17, 2011 and SSB obtained judgment for the full amount. It was ordered that judgment of \$20,304.80 was to be paid in monthly installments of \$4,000. The Defendant has appealed and the matter is to be brought up for hearing.

The matter remains pending. Magistrate who presided over case retired and Case report remains pending.

Social Security Board vs. HL's Limited

This is a claim for failure to pay Social Security contributions. SSB claimed the sum of \$22,154.63. The Defendant is being represented by Attorney Hubert Ellington. SSB obtained judgment for the full amount and HL's Limited was ordered to pay the sum owed in thirty days and in default distress. HL's Limited has not made payment and have filed for bankruptcy and SSB has made representations in the bankruptcy court to ensure payment based on priority. This matter is continuing.

On December 13, 2014, the assets of HL's Enterprises Limited were auctioned by Kevin Castillo. The sale realized \$4600.00 in cash, and after expenses of \$866.37 for advertising and auctioneer fees the balance of \$3,733.63 was paid to Social Security.

Social Security Board vs. National Transport Services Ltd.

This is a claim for failure to pay Social Security contributions. SSB obtained judgment in the amount of \$47,834.20, \$12,938.00 and \$19,153.60 respectively. The Defendant is in receivership and it is expected that judgment is to be settled once the assets have been sold.

The matter remains pending.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

22. COMMITMENTS AND CONTINGENCIES (Continued)

Social Security Board vs. Sanitation Enterprises Ltd and Rupert Marin

This is a claim for failure to pay Social Security contributions. The matter was heard on May 20, 2008 and SSB obtained judgment in the amount of \$293,644.48. The Defendant has appealed the judgment order obtained and no date has been set for the hearing of the appeal. The Defendants have paid a substantial sum to the judgment debt and continues to make payment.

Matter has been settled in full. \$170,000 was garnished from Belize City Council for Sanitation Enterprises Ltd during January to April 2016.

Social Security Board vs. Richard Hoare

This is a claim for failure to pay Social Security contributions. SSB claims the amount of \$8,673.60. The Defendant is deceased but his estate is being represented by Attorney Robertha Magnus-Usher. The matter is to proceed to court for collections, but inquiries have been made of the estate (through its Attorneys) for payment in full.

Matter remains pending. It is likely that the claim amount will be written off as the estate has no assets.

Social Security Board vs. Southern Transport Limited

This is a claim for failure to pay Social Security contributions. SSB is claiming the sum of \$7,529.67. Proceedings have commenced in the Magistrates Court in Dangriga. SSB is awaiting a date for trial.

Claim was dismissed then written off since it was already statute barred.

Social Security Board vs. Belize National LPG Limited

This is a claim for failure to pay Social Security contributions. The amount being claimed is \$49,570.78. The matter has been adjourned without a further date for hearing.

Case in court pending hearing; was adjourned December 15, 2015.



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**To the Board of Directors of
SOCIAL SECURITY BOARD:**

SUPPLEMENTARY AUDIT REPORT

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Our report on the examinations of the financial statement of the Social Security Board as of December 31, 2015 appears on pages 1 and 2. These examinations were made primarily for the purpose of expressing an opinion on the financial statements taken as whole. The supplementary information accompanying the financial statements is not necessary for fair presentation of the financial statements of the financial position or results of operations in accordance with International Financial Reporting Standards. The supplementary information is presented in accordance with Sections 13 and 21 of S.I. No. 86 of 1980, Social Security (Financial and Accounting) Regulations, 1980. The supplementary information has been subjected to the auditing procedures applied in the examinations of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

**Chartered Accountants
Belize City, Belize
April 8, 2016**

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – SHORT TERM BENEFITS BRANCH YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | <u>2015</u> | <u>2014</u> |
|---|------------------------------|------------------------------|
| INCOME | | |
| Contributions: | | |
| Employers and employed persons | <u>\$14,895,075</u> | <u>\$13,873,394</u> |
| Total contributions | <u>14,895,075</u> | <u>13,873,394</u> |
| Other income: | | |
| Net investment income | <u>951,368</u> | <u>103,544</u> |
| Others | <u>360,964</u> | <u>368,603</u> |
| Total other income | <u>1,312,332</u> | <u>472,147</u> |
| TOTAL INCOME | <u>16,207,407</u> | <u>14,345,541</u> |
| EXPENDITURES | | |
| Benefits: | | |
| Maternity | <u>1,004,297</u> | <u>959,480</u> |
| Sickness | <u>8,674,700</u> | <u>7,882,005</u> |
| Maternity grants | <u>3,516,484</u> | <u>3,145,796</u> |
| Total benefits | <u>13,195,481</u> | <u>11,987,281</u> |
| Operating expenses: | | |
| Administration | <u>3,784,004</u> | <u>3,606,333</u> |
| Establishment | <u>354,644</u> | <u>360,458</u> |
| Financial | <u>45,695</u> | <u>47,637</u> |
| Total operating expenses | <u>4,184,343</u> | <u>4,014,428</u> |
| TOTAL EXPENDITURE | <u>17,379,824</u> | <u>16,001,709</u> |
| EXCESS OF EXPENDITURES OVER INCOME | <u>\$ (1,172,417)</u> | <u>\$ (1,656,168)</u> |

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – LONG TERM BENEFITS BRANCH YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | <u>2015</u> | <u>2014</u> |
|---|----------------------------|----------------------------|
| INCOME | | |
| Contributions: | | |
| Employers and employed persons | \$43,524,569 | \$40,539,138 |
| Total contributions | 43,524,569 | 40,539,138 |
| Other income: | | |
| Net investment income | 17,774,320 | 19,109,418 |
| Others | <u>360,964</u> | <u>368,603</u> |
| Total other income | 18,135,284 | 19,478,021 |
| TOTAL INCOME: | <u>61,659,853</u> | <u>60,017,159</u> |
| EXPENDITURES | | |
| Benefits: | | |
| Retirement | 26,607,593 | 23,837,687 |
| Invalidity | 3,509,176 | 3,071,765 |
| Survivors | 5,597,329 | 5,329,184 |
| Funeral | 1,218,468 | 1,094,529 |
| Non-contributory pension | <u>2,754,239</u> | <u>3,033,412</u> |
| Total benefits | 39,686,805 | 36,366,577 |
| Operating expenses: | | |
| Administration | 11,209,182 | 10,724,686 |
| Establishment | 354,644 | 360,457 |
| Financial | <u>45,695</u> | <u>47,637</u> |
| Total operating expenses | 11,609,521 | 11,132,780 |
| TOTAL EXPENDITURES | <u>51,296,326</u> | <u>47,499,357</u> |
| EXCESS OF INCOME OVER EXPENDITURES | <u>\$10,363,527</u> | <u>\$12,517,802</u> |

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – EMPLOYMENT INJURY BENEFITS BRANCH YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | <u>2015</u> | <u>2014</u> |
|---|----------------------------|----------------------------|
| INCOME | | |
| Contributions: | | |
| Employers and employed persons | <u>\$18,957,367</u> | <u>\$17,657,047</u> |
| Total contributions | 18,957,367 | 17,657,047 |
| Other income: | | |
| Net investment income | 5,201,087 | 6,005,374 |
| Others | <u>360,964</u> | <u>368,602</u> |
| Total other income | 5,562,051 | 6,373,976 |
| TOTAL INCOME | <u>24,519,418</u> | <u>24,031,023</u> |
| EXPENDITURES | | |
| Benefits: | | |
| Disablement grants | 496,042 | 583,854 |
| APV disablement benefits | 722,083 | 476,479 |
| APV death benefits | 543,257 | 486,394 |
| Employment injury | 2,517,866 | 3,098,317 |
| Funeral grants | <u>4,500</u> | <u>2,833</u> |
| Total benefits | 4,283,748 | 4,647,877 |
| Operating expenses: | | |
| Administration | 3,130,748 | 3,110,475 |
| Establishment | 354,645 | 360,458 |
| Financial | <u>45,696</u> | <u>47,638</u> |
| Total operating expenses | 3,531,089 | 3,518,571 |
| TOTAL EXPENDITURES | <u>7,814,837</u> | <u>8,166,448</u> |
| EXCESS OF INCOME OVER EXPENDITURES | <u>\$16,704,581</u> | <u>\$15,864,575</u> |

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – DISABLEMENT AND DEATH BENEFITS RESERVES YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | <u>2015</u> | <u>2014</u> |
|--|------------------|--------------------|
| INCOME | | |
| Contributions: | | |
| APV disablement benefits | \$ 722,083 | \$ 476,479 |
| APV death benefits | <u>543,257</u> | <u>486,394</u> |
| Total contributions | 1,265,340 | 962,873 |
| Net investment income | <u>865,197</u> | <u>967,996</u> |
| TOTAL INCOME | <u>2,130,537</u> | <u>1,930,869</u> |
| EXPENDITURES | | |
| Benefits: | | |
| Disablement pension | 1,356,724 | 1,315,631 |
| Death benefits | <u>732,647</u> | <u>650,585</u> |
| TOTAL EXPENDITURES | <u>2,089,371</u> | <u>1,966,216</u> |
| EXCESS OF INCOME OVER EXPENDITURES (EXPENDITURES OVER INCOME) | <u>\$ 41,166</u> | <u>\$ (35,347)</u> |

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – NATIONAL HEALTH INSURANCE FUND YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------|---------------------|
| INCOME | | |
| Contributions: | | |
| Government of Belize | <u>\$17,025,004</u> | <u>\$15,834,472</u> |
| Total contributions | <u>17,025,004</u> | <u>15,834,472</u> |
| EXPENDITURES | | |
| Benefits: | | |
| National health insurance benefits | <u>17,936,941</u> | <u>14,299,110</u> |
| Total benefits | <u>17,936,941</u> | <u>14,299,110</u> |
| Operating expenses: | | |
| Administration | 729,597 | 702,290 |
| Establishment | 27,014 | 25,394 |
| Financial | <u>816</u> | <u>1,056</u> |
| Total operating expenses | <u>757,427</u> | <u>728,740</u> |
| TOTAL EXPENDITURES | <u>18,694,368</u> | <u>15,027,850</u> |
| EXCESS OF (EXPENDITURES OVER INCOME) INCOME OVER EXPENDITURES | <u>\$ (1,669,364)</u> | <u>\$ 806,622</u> |

SOCIAL SECURITY BOARD

INVESTMENTS LISTINGS

YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| SHORT TERM INVESTMENTS | 2015 | 2014 |
|-----------------------------------|-----------|--------------|
| TERM DEPOSITS | | |
| Heritage Bank Limited: | | |
| 3.5% Maturing March 14, 2015 | \$ - | \$ 2,322,630 |
| 3.5% Maturing March 14, 2015 | - | 4,035,425 |
| 3.5% Maturing July 03, 2015 | - | 1,313,811 |
| 3.5% Maturing July 03, 2015 | - | 1,661,618 |
| 3.5% Maturing July 16, 2015 | - | 1,000,000 |
| 3.5% Maturing July 25, 2015 | - | 2,962,650 |
| 3.5% Maturing August 03, 2015 | - | 1,553,256 |
| 3.5% Maturing August 07, 2015 | - | 1,940,558 |
| 3.5% Maturing August 24, 2015 | - | 3,078,343 |
| 3.5% Maturing December 05, 2015 | - | 2,736,853 |
| 3.5% Maturing December 06, 2015 | - | 4,782,547 |
| 3.5% Maturing December 10, 2015 | - | 2,517,615 |
| 3.5% Maturing December 19, 2015 | - | 4,598,299 |
| 2% Maturing December 04, 2016 | 2,832,643 | - |
| 2% Maturing December 05, 2016 | 4,949,936 | - |
| 2% Maturing December 09, 2016 | 2,605,732 | - |
| 2% Maturing December 18, 2016 | 4,759,239 | - |
| 3.5% Maturing March 13, 2016 | 2,362,719 | - |
| 3.5% Maturing March 13, 2016 | 4,105,078 | - |
| 2% Maturing July 14, 2016 | 1,359,794 | - |
| 2% Maturing July 14, 2016 | 1,719,774 | - |
| 2% Maturing July 15, 2016 | 1,000,000 | - |
| 2% Maturing July 24, 2016 | 3,066,342 | - |
| 2% Maturing August 02, 2016 | 1,607,620 | - |
| 2% Maturing August 06, 2016 | 2,008,477 | - |
| 2% Maturing August 23, 2016 | 3,186,085 | - |
| 2% Maturing September 27, 2016 | 2,000,000 | - |
| Belize Bank Limited | | |
| 3.5% Maturing January 15, 2015 | - | 1,761,331 |
| 3.5% Maturing January 20, 2015 | - | 1,760,987 |
| 3.5% Maturing March 3, 2015 | - | 2,541,584 |
| 3.5% Maturing March 12, 2015 | - | 2,564,290 |
| 3.5% Maturing March 17, 2015 | - | 2,914,759 |
| 3.5% Maturing March 17, 2015 | - | 1,165,904 |
| 3.5% Maturing March 26, 2015 | - | 1,611,360 |
| 3.5% Maturing April 2, 2015 | - | 2,073,643 |
| 3.25% Maturing July 6, 2015 | - | 2,645,643 |
| 3.5% Maturing August 18, 2015 | - | 1,286,575 |
| 3.56% Maturing September 30, 2015 | - | 5,793,158 |
| 3.56% Maturing October 21, 2015 | - | 2,489,392 |

SOCIAL SECURITY BOARD

INVESTMENTS LISTINGS (CONTINUED)

YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|-------------|--------------|
| TERM DEPOSITS (CONTINUED) | | |
| 3.56% Maturing November 5, 2015 | \$ - | \$ 5,121,111 |
| 2% Maturing April 01, 2016 | 2,146,220 | - |
| 2% Maturing July 05, 2016 | 2,732,098 | - |
| 2% Maturing August 17, 2016 | 1,331,605 | - |
| 2% Maturing January 15, 2016 | 1,822,977 | - |
| 2% Maturing January 20, 2016 | 1,822,622 | - |
| 2% Maturing March 02, 2016 | 2,630,540 | - |
| 2% Maturing March 11, 2016 | 2,654,040 | - |
| 2% Maturing March 16, 2016 | 3,016,776 | - |
| 2% Maturing March 16, 2016 | 1,206,710 | - |
| 2% Maturing March 25, 2016 | 1,667,757 | - |
| 3.56% Maturing September 30, 2016 | 5,793,158 | - |
| 3.56% Maturing October 21, 2016 | 2,489,393 | - |
| 3.56% Maturing November 3, 2016 | 5,121,111 | - |
| Atlantic Bank Limited | | |
| 4.35% Maturing February 18, 2015 | - | 2,402,918 |
| 4.35% Maturing February 25, 2015 | - | 3,277,749 |
| 4.35% Maturing February 25, 2015 | - | 1,372,926 |
| 4.35% Maturing March 25, 2015 | - | 2,504,171 |
| 4.35% Maturing March 26, 2015 | - | 4,452,391 |
| 4.35% Maturing March 26, 2015 | - | 4,807,710 |
| 4.35% Maturing June 24, 2015 | - | 1,180,700 |
| 4.35% Maturing October 14, 2015 | - | 1,628,723 |
| 4.35% Maturing October 24, 2015 | - | 5,000,000 |
| 4.35% Maturing October 30, 2015 | - | 2,194,513 |
| 4.35% Maturing November 2, 2015 | - | 1,500,000 |
| 4.35% Maturing November 2, 2015 | - | 1,500,000 |
| 4.35% Maturing December 11, 2015 | - | 518,624 |
| 4.35% Maturing November 9, 2016 | - | 3,345,505 |
| 4.35% Maturing November 9, 2016 | - | 3,345,505 |
| 3.85% Maturing February 18, 2016 | 2,402,918 | - |
| 3.85% Maturing February 25, 2016 | 3,277,749 | - |
| 3.85% Maturing February 25, 2016 | 1,372,926 | - |
| 3.85% Maturing March 25, 2016 | 2,504,171 | - |
| 3.85% Maturing March 27, 2016 | 4,452,392 | - |
| 3.85% Maturing March 28, 2016 | 4,807,710 | - |
| 3.85% Maturing June 24, 2016 | 1,180,700 | - |
| 3.85% Maturing October 14, 2016 | 1,628,723 | - |
| 3.85% Maturing October 26, 2016 | 5,000,000 | - |
| 3.85% Maturing October 30, 2016 | 2,194,513 | - |

SOCIAL SECURITY BOARD

INVESTMENTS LISTINGS (CONTINUED)

YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | <u>2015</u> | <u>2014</u> |
|---|-----------------------------|-----------------------------|
| TERM DEPOSITS (CONTINUED) | | |
| 4.35% Maturing November 1, 2016. | \$ 1,500,000 | \$ - |
| 4.35% Maturing November 1, 2016. | 1,500,000 | - |
| 4.35% Maturing November 10, 2016. | 3,345,505 | - |
| 4.35% Maturing November 10, 2016. | 3,345,505 | - |
| St. John's Credit Union Ltd. | | |
| 4% Maturing March 28, 2015 | - | 2,000,000 |
| 4% Maturing April 25, 2015 | - | 3,104,728 |
| 3.25% Maturing December 3, 2016 | - | 1,197,952 |
| 3.25% Maturing December 17, 2016 | - | 1,227,096 |
| 3.25% Maturing April 24, 2016 | 3,228,918 | - |
| 3.25% Maturing December 05, 2016 | 1,236,886 | - |
| 3.25% Maturing December 19, 2016 | 1,266,977 | - |
| 3.25% Maturing March 27, 2017 | <u>2,080,000</u> | <u>-</u> |
| TOTAL SHORT TERM INVESTMENTS | <u>\$118,842,662</u> | <u>\$114,794,553</u> |
| INVESTMENT IN ASSOCIATES | | |
| Belize Electricity Limited | | |
| 18,580,028 ordinary shares, BZ\$ 2 par value | \$ 95,672,867 | \$ 91,770,252 |
| Belize Electricity Limited | | |
| 5,000,000 preference shares, BZ\$ 2 par value | - | 10,000,000 |
| Belize Telemedia Limited | | |
| 10,000,000 ordinary shares, BZ\$ 1 par value | <u>67,260,119</u> | <u>69,882,119</u> |
| TOTAL INVESTMENT IN ASSOCIATES | <u>\$162,932,986</u> | <u>\$171,652,371</u> |
| LONG TERM INVESTMENTS | | |
| MUNICIPAL BONDS | | |
| Belize City Council | | |
| 2 years bond @ 3.5% | \$ - | \$ - |
| 5 years bond @ 5.5% | 319,800 | 319,800 |
| 10 years bond @8% | 2,882,200 | 2,882,200 |
| 5 years bond @ 5.5% | 1,000,000 | 1,000,000 |
| 10 years bond @8% | 1,000,000 | 1,000,000 |
| 5 years bond @8% | 1,000,000 | 1,000,000 |
| 10 years bond @8% | <u>1,600,000</u> | <u>1,600,000</u> |
| | <u>7,802,000</u> | <u>7,802,000</u> |

SOCIAL SECURITY BOARD

INVESTMENTS LISTINGS (CONTINUED)

YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| DEBENTURES | | |
| Belize Electricity Limited | | |
| 12% debentures maturing December 31, 2012 | \$ - | \$ - |
| 10% debentures maturing July 31, 2022 | - | - |
| 7% debentures maturing December 31, 2024 | 5,500,000 | 5,500,000 |
| 6.5% debentures maturing December 31, 2030 | <u>700,000</u> | <u>700,000</u> |
| | 6,200,000 | 6,200,000 |
| LOAN | | |
| Government of Belize loan | | |
| 9 years loan @ 7.5% interest | - | 193,086 |
| TREASURY NOTES | | |
| Government of Belize | | |
| 7.5% maturing July 31, 2016 | 9,500,000 | 9,500,000 |
| 3.25% maturing December 10, 2017 | <u>1,000,000</u> | <u>1,000,000</u> |
| | 10,500,000 | 10,500,000 |
| MORTGAGES AND HOUSING | | |
| Housing/RECONDEV Mortgages | | |
| 10 to 20 years mortgages @ 8.5% interest | 488,654 | 676,755 |
| RECONDEV | | |
| 30 years loan @ 8% interest | 395,655 | 432,847 |
| Civil Service Credit Union Limited | | |
| 15 years loan @ 7.5% interest | 1,261,939 | 1,261,939 |
| Belize National Teachers Union | | |
| 20 years loans @ 8.5% interest | - | 145,997 |
| BNBS Assigned Mortgages | | |
| 20 years loans @ 8.5% interest | 872,202 | 996,060 |
| Housing Mortgages – BNBS | | |
| District and Secondary, 10 – 20 years loans @ 8.5% interest | 282,712 | 299,364 |
| Vista Del Mar Project | | |
| Secondary mortgages, 20 years @ 8.5% | 347,628 | 257,182 |
| P.S.U. Housing Scheme | | |
| Middle income, 20 years loans @ 8.5% | 829,514 | 690,493 |
| Housing, 20 years loans @ 8.5% | 58,538 | 62,487 |
| St. James National Building Society Ltd. | | |
| Assigned mortgages, 5 – 20 years loan @ 8.5% interest | 541,222 | 580,286 |

SOCIAL SECURITY BOARD

INVESTMENTS LISTINGS (CONTINUED)

YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | <u>2015</u> | <u>2014</u> |
|---|--------------------|--------------------|
| MORTGAGES AND HOUSING (CONTINUED) | | |
| Staff Housing And Other Mortgage Loans | | |
| 10 – 20 years @ 8% interest | \$ 2,685,967 | \$ 2,882,494 |
| Previous Staff Housing Loans | | |
| 10 – 20 years @ 8% interest | 992,909 | 963,261 |
| Vista Del Mar - Other | <u>103,191</u> | <u>114,918</u> |
| | 8,860,131 | 9,540,699 |
| Less: provisions for loss on investment | <u>(1,807,009)</u> | <u>(2,287,188)</u> |
| | 7,053,122 | 7,253,511 |
| PRIVATE SECTOR LOANS | | |
| Development Finance Corporation | | |
| 6 years loan @ 7% interest | 840,338 | 1,100,000 |
| 7.5 years loan @ 6% interest | 1,666,667 | 2,277,675 |
| 14 years loan @ 5.5% interest | 18,500,000 | 8,000,000 |
| Belize Airport Authority | | |
| 16 years loan @ 6% interest | 10,050,342 | 5,732,791 |
| Belize Odyssey Limited | | |
| 12 years loan @ 12% interest | - | 1,926,487 |
| Sunshine Holdings Limited | | |
| 15 years loan @ 8.5% interest | 14,133,562 | 14,133,562 |
| Belize Water Services Limited | | |
| 21 years loan @ 6% interest | 25,633,344 | 16,133,344 |
| Belize Elementary School | | |
| 14 years loan @ 7% interest | 498,620 | 528,522 |
| Urbina Brothers | | |
| 5 ½ years loan @ 12% interest | 29,428 | 29,428 |
| Banana Growers Association | | |
| 10 years loan @ 6.5% interest | 4,438,764 | 2,016,627 |

SOCIAL SECURITY BOARD

INVESTMENTS LISTINGS (CONTINUED)

YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| | <u>2015</u> | <u>2014</u> |
|--|--------------------|----------------------|
| PRIVATE SECTOR LOANS (CONTINUED) | | |
| Citrus Company of Belize 7 years loan @ 7.5% interest | \$ 12,410,399 | \$ 14,599,326 |
| CGA - Citrus Growers 5 years loan @ 5% | 5,013,547 | 496,352 |
| Marie Sharp Fine Foods 10 years loan @ 7.5% interest | 3,426,383 | 2,625,825 |
| Royal Mayan Shrimp Farm 8 years loan @ 7.5% interest | 4,417,938 | 2,998,215 |
| Border Management Agency 12 years loan @ 7.5% interest 8 years loan @ 8.5% interest | 5,295,238 - | 3,479,499 201,766 |
| Stann Creek- Ecumenical High School 11 years loan @ 6% | 487,570 | 450,052 |
| Belmopan Comprehensive School 4 years loan @ 6% | 203,904 | 311,758 |
| Independence High School 5 years loan @ 6% | 294,651 | 391,025 |
| Mountain View 7 year loan @ 6.5% | 1,825,303 | - |
| Hot Mamas 3 year loan @ 7.5% | 500,000 | - |
| Diverse Development 3 year loan @ 7.5% | 221,341 | - |
| Meridian Enterprise 3 year loan @ 7.5% | 30,525 | - |
| Caribbean Home & Exports 6 year loan @ 7.0% | 3,066,150 | - |
| Karl Huesner Memorial Hospital 2.5 years loan @ 6.00% | <u>187,671</u> | <u>427,834</u> |
| | 113,171,685 | 77,860,088 |
| Less: Provision for loss on investments | <u>(2,931,155)</u> | <u>(2,735,312)</u> |
| | 110,240,530 | 75,124,776 |

SOCIAL SECURITY BOARD

INVESTMENTS LISTINGS (CONTINUED)

YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

| SHARES | <u>2015</u> | <u>2014</u> |
|---|--------------------------------|--------------------------------|
| Belize Water Services Limited 4,000,000 shares, BZ\$1.50 par value | \$ 6,000,000 | \$ 6,000,000 |
| Atlantic Bank Limited 786 shares, BZ\$165 par value | 129,690 | 129,690 |
| 1,541 shares, BZ\$100 par value | <u>151,400</u> | <u>113,900</u> |
| | 281,090 | 243,590 |
| Citrus Products of Belize Limited 7,947,175 shares, BZ\$1.16 fair value | <u>9,218,723</u> 15,499,813 | <u>9,218,723</u> 15,462,313 |
| TOTAL LONG TERM INVESTMENT | <u>\$157,295,463</u> | <u>\$122,535,686</u> |
