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Social Security Board

***Financial Statements for the Years Ended
December 31, 2018 and 2017 and
Independent Auditors' Report***

SOCIAL SECURITY BOARD

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors:
Social Security Board:**

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Opinion

We have audited the financial statements of Social Security Board, which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of profit, statement of other comprehensive income, statements of changes in reserves and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Social Security Board as at December 31, 2018 and 2017, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs), and requirement of the Financial and Accounting Regulations of the Social Security Act, Chapter 44, Revised Edition 2000-2003.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the financial reporting process of Social Security Board.



Independent Auditors' Report

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

CSB & Associates, LLP

Chartered Accountants

Belize City, Belize

April 30, 2019

SOCIAL SECURITY BOARD

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

<u>ASSETS</u>	<u>Notes</u>	<u>2018</u>	<u>Restated</u> <u>2017</u>	<u>Restated</u> <u>2016</u>
Current assets:				
Cash and cash equivalents	2g, 2h, 4	\$ 35,934,184	\$ 30,943,472	\$ 29,345,288
Short term investments	2g, 2i, 5	23,988,181	27,272,010	80,269,005
Investment income receivable	2g, 6	12,808,149	10,320,025	10,145,635
Office supplies	2j	240,019	254,056	248,526
Accounts receivable	2g, 2k, 7	1,469,147	1,395,773	4,013,378
Prepayments	2l	417,533	429,999	335,926
Current portion loans receivables	2g, 10	14,861,313	13,744,300	12,065,148
Total current assets		<u>89,718,526</u>	<u>84,359,635</u>	<u>136,422,906</u>
Non-current assets:				
Investment in associates	2m, 8	193,263,669	194,729,384	141,394,929
Long term investments	2g, 9	118,049,646	94,892,402	74,811,153
Loan principal receivable – net	2g, 10	106,284,364	113,489,016	116,443,190
Held for sale	11	11,233,205	11,268,477	11,278,013
Other assets	12	1,050,000	1,066,800	1,082,400
Intangible asset	2n, 13	1,558,354	1,720,678	1,586,157
Fixed assets – net	2o, 14	26,126,476	25,225,551	25,557,486
Total non-current assets		<u>457,565,714</u>	<u>442,392,308</u>	<u>372,153,328</u>
TOTAL ASSETS		<u>\$547,284,240</u>	<u>\$526,751,943</u>	<u>508,576,234</u>
<u>LIABILITIES AND RESERVES</u>				
Current liabilities:				
Accounts payable and accruals	2g, 15	\$ 10,315,034	\$ 10,907,343	\$ 7,784,489
Severance payable current portion	2g, 16	231,685	220,084	204,337
Total current liabilities		<u>10,546,719</u>	<u>11,127,427</u>	<u>7,988,826</u>
Long term liabilities:				
Pension liability	2p, 17	990,758	293,767	488,766
Severance payable	2g, 16	2,375,097	2,383,098	1,157,909
Total long term liabilities		<u>3,365,855</u>	<u>2,676,865</u>	<u>1,646,675</u>
Total liabilities		<u>13,912,574</u>	<u>13,804,292</u>	<u>9,635,501</u>
Reserves:				
Short term benefits branch		11,848,391	12,835,358	15,892,967
Long term benefits branch		424,737,974	419,595,497	416,733,459
Employment injury benefits reserve		79,401,068	62,977,882	48,574,480
Disablement and death benefits reserves	2u	13,655,200	14,123,869	15,174,003
National health insurance fund		2,543,354	2,206,294	1,960,173
Natural disaster fund		1,551,076	1,301,076	1,051,076
Social development fund		625,361	201,442	43,342
Pension reserve	2p, 17	(990,758)	(293,767)	(488,767)
Total reserves		<u>533,371,666</u>	<u>512,947,651</u>	<u>498,940,733</u>
TOTAL LIABILITIES AND RESERVES		<u>\$547,284,240</u>	<u>\$526,751,943</u>	<u>\$508,576,234</u>

The financial statements on pages 3 to 8 were approved and authorized for issue by the Board of Directors on April 29, 2019 and are signed on its behalf by:


Chairman


Director

Restated 2017 and 2016 figures include modifications as described in Note 22.
The notes on pages 9 to 46 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

STATEMENTS OF PROFIT

YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
INCOME	2q		
Contributions:			
Employers and employed persons		\$ <u>87,043,419</u>	\$ <u>82,610,532</u>
Other income:			
Net investment income	18	20,453,617	23,888,586
Other income – net	19	1,262,823	1,084,835
GOB contribution to NHI Fund	2r, 25	<u>17,600,004</u>	<u>17,000,004</u>
Total other income		<u>39,316,444</u>	<u>41,973,425</u>
TOTAL INCOME		<u>126,359,863</u>	<u>124,583,957</u>
EXPENDITURES			
Benefits:	2t		
Short term benefits branch		14,356,574	15,232,967
Long term benefits branch		54,032,583	49,859,411
Employment injury benefits branch		3,662,783	3,308,764
Disablement and death benefits		2,092,614	2,100,889
National health insurance benefits		<u>16,305,209</u>	<u>15,822,665</u>
Total benefits		<u>90,449,763</u>	<u>86,324,696</u>
Operating expenses:			
Administration	20	22,028,413	22,441,977
Establishment	21	1,084,908	1,094,820
Financial		<u>260,048</u>	<u>185,857</u>
Total operating expenses		<u>23,373,369</u>	<u>23,722,654</u>
TOTAL EXPENDITURES		<u>113,823,132</u>	<u>110,047,350</u>
EXCESS OF INCOME OVER EXPENDITURES		\$ <u>12,536,731</u>	\$ <u>14,536,607</u>

The notes on pages 9 to 46 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

STATEMENTS OF OTHER COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	<u>2018</u>	<u>2017</u>
EXCESS OF INCOME OVER EXPENDITURES	\$12,536,731	\$14,536,607
OTHER COMPREHENSIVE INCOME:		
APV disablement benefits	599,349	108,717
APV death benefits	<u>222,683</u>	<u>211,772</u>
	822,032	320,489
Actuarial (loss) gain on defined benefits plan	<u>(575,555)</u>	<u>198,388</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$12,783,208</u>	<u>\$15,055,484</u>

The notes on pages 9 to 46 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

STATEMENTS OF CHANGES IN RESERVES YEARS ENDED DECEMBER 31, 2018 AND 2017 (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, 2017	\$12,835,358	\$419,595,497	\$62,977,882	\$14,123,869	\$2,206,294	\$1,301,076	\$ 201,442	\$(293,767)	\$512,947,651
Adjustment for the adoption of IFRS 9 (See Note 2g)	213,520	6,980,086	1,047,655	234,954	-	-	-	-	8,476,215
Adjusted balance as at January 1, 2018	13,048,878	426,575,583	64,025,537	14,358,823	2,206,294	1,301,076	201,442	(293,767)	521,423,866
Transfer to Social Development Account and Assistance Fund	-	-	(1,509,327)	-	-	250,000	1,259,327	-	-
Transfer to Long Term Benefit Branch	-	-	-	-	-	-	-	-	-
Natural Disaster Fund Expenditure	-	-	-	-	-	-	-	-	-
Social Development Account and Assistance Fund Expenditures	-	-	-	-	-	-	(835,408)	-	(835,408)
Excess of (expenditures over income) income over expenditures	(1,200,487)	(1,837,609)	16,884,858	(1,525,655)	337,060	-	-	(121,436)	12,536,731
Other Comprehensive Income	-	-	-	822,032	-	-	-	(575,555)	246,477
Balance, December 31, 2018	\$11,848,391	\$424,737,974	\$79,401,068	\$13,655,200	\$2,543,354	\$1,551,076	\$ 625,361	\$(990,758)	\$533,371,666

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SOCIAL SECURITY BOARD

STATEMENTS OF CHANGES IN RESERVES (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (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, 2016	\$16,335,484	\$428,336,829	\$49,926,971	\$15,596,503	\$1,960,173	\$1,051,076	\$ 43,342	\$(488,767)	\$512,761,611
Restatement (See Note 22)	(442,517)	(11,603,370)	(1,352,491)	(422,500)	-	-	-	-	(13,820,878)
Restated Balance, December 31, 2016	15,892,967	416,733,459	48,574,480	15,174,003	1,960,173	1,051,076	43,342	(488,767)	498,940,733
Transfer to Social Development Account and Assistance Fund	-	-	(1,456,667)	-	-	250,000	1,206,667	-	-
Transfer to Long Term Benefit Branch	-	-	-	-	-	-	-	-	-
Natural Disaster Fund Expenditure	-	-	-	-	-	-	-	-	-
Social Development Account and Assistance Fund Expenditures	-	-	-	-	-	-	(1,048,567)	-	(1,048,567)
Excess of (expenditures over income) income over expenditures	(3,057,609)	2,862,038	15,860,069	(1,370,623)	246,121	-	-	(3,388)	14,536,608
Other Comprehensive Income	-	-	-	320,489	-	-	-	198,388	518,877
Balance, December 31, 2017	\$12,835,358	\$419,595,497	\$62,977,882	\$14,123,869	\$2,206,294	\$1,301,076	\$ 201,442	\$(293,767)	\$512,947,651

The notes on pages 9 to 46 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Excess of income over expenditures	\$12,536,731	\$14,536,608
Adjustments to reconcile excess of income over expenditures to net cash provided by operating activities:		
- Amortization expense – intangible asset	369,432	287,719
- Depreciation	1,139,742	1,142,839
- Interest and dividend income	(20,453,617)	(23,888,586)
- Loss on sale of fixed asset	14,221	21,485
- Bad debt expense	672,108	301,194
- Service cost of defined benefit plan	106,748	(11,300)
- Net interest on defined benefit liability	14,688	14,688
- Result from equity accounted investments	<u>(6,159,401)</u>	<u>(10,622,661)</u>
Operating loss before working capital changes	(11,759,348)	(18,218,014)
Net changes in working capital:		
Office supplies	14,037	(5,530)
Accounts receivable	(73,374)	2,617,605
Prepayments	12,466	(94,075)
Held for sale	35,272	9,536
Other asset	16,800	15,600
Accounts payable and accruals	(592,309)	3,122,854
Severance liability	3,600	1,240,936
Net cash used in operating activities	<u>(12,342,856)</u>	<u>(11,311,088)</u>
INVESTING ACTIVITIES		
Investment in associates	-	(50,000,000)
Long term investments	(14,681,029)	(20,081,249)
Loan principal receivable	5,415,531	973,828
Short term investments	3,283,829	52,996,995
Additions to fixed assets	(2,058,412)	(832,389)
Increase in intangible asset	(207,108)	(422,240)
Proceeds from sale of fixed assets	3,524	-
Interest received	17,965,493	23,714,197
Dividends received	<u>7,625,116</u>	<u>7,288,208</u>
Net cash provided by investing activities	<u>17,346,944</u>	<u>13,637,350</u>
FINANCING ACTIVITIES		
Change in death and disablement reserve	822,032	320,489
Change in social development fund	<u>(835,408)</u>	<u>(1,048,567)</u>
Net cash used in financing activities	<u>(13,376)</u>	<u>(728,078)</u>
Net increase in cash and cash equivalents	4,990,712	1,598,184
Cash and cash equivalents, January 1	<u>30,943,472</u>	<u>29,345,288</u>
Cash and cash equivalents, December 31	<u>\$35,934,184</u>	<u>\$30,943,472</u>

The notes on pages 9 to 46 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017 (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 any 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 plan 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 a qualified actuary.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- e. 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.

Standards/ Amendments	Pronouncement	When effective	Response
IFRS 9	<p>IFRS 9, as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015.</p> <p>The release of IFRS 9 (2014) on July 24, 2014 moved the mandatory effective date of IFRS 9 to January 1, 2018. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 1, 2015.</p>	January 1, 2018	<p>The standard has been adopted and has had the following impact:</p> <ol style="list-style-type: none"> 1. The classification of financial assets from the loans and receivables and held to maturity category under IAS 39 to the amortised cost category under IFRS 9. Financial liabilities were also classified from other financial liabilities to the amortised cost category. 2. The impairment of financial assets applying the expected credit loss model. This affects primarily loan principal, and, interest receivable measured at amortised cost. <p>When adopting IFRS 9, SSB has applied transitional relief and opted not to restate prior periods. See note 2g.</p>
IAS 28	IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.	January 1, 2018	The amendment was adopted, but has no current impact on the financial statements.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Change in accounting policies (continued)

Standards/ Amendments	Pronouncement	When effective	Response
Clarification to IFRS 15 'Revenue from Contracts with Customers'	Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018	The amendment was adopted, but has no current impact on the financial statements.
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: (1) an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; (2) an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.	January 1, 2018	The amendment was adopted, but has no current impact on the financial statements.
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

The following are standards or, amendments to standards which have been issued but are not yet effective up to the date of issuance of the financial statements.

Standards/ Amendments	Pronouncement	When effective	Response
Definition of Material (Amendments to IAS 1 and IAS 8)	The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.	January 1, 2020	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Change in accounting policies (continued)

Standards/ Amendments	Pronouncement	When effective	Response
IFRS 16 Leases	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
Amendments to References to the Conceptual Framework in IFRS Standards	Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.	January 1, 2020	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 recognized 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 recognized in profit or loss.

- g. Financial instruments – When adopting IFRS 9, the Board has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognized in retained earnings.

The adoption of IFRS 9 has impacted the following areas:

The classification and measurement of the Board's financial assets. Management holds financial assets to hold and collect the associated cash flows. The bonds previously classified as held-to maturity (HTM) investments under IAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS 9.

The impairment of financial assets applying the expected credit loss model. This affects the Board's trade receivables and investments in debt-type assets measured at amortised cost.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial instruments (continued)

On the date of initial application, January 1, 2018, the financial instruments of the Board were reclassified as follows:

	Measurement category			Carrying Amount	
	Original IAS 39 category	New IFRS 9 category	Closing balance December 31, 2017 (IAS 39)	Adoption IFRS 9	Opening balance January 1, 2018 (IFRS 9)
Non-current Financial assets					
Other long-term financial assets					
Investment income receivable					
Accounts receivable (undiscounted)	Loans and receivables	Amortized cost	\$ 10,320,025	\$ -	\$ 10,320,025
Long term investments:	Loans and receivables	Amortized cost	1,395,773	-	1,395,773
Bonds	Held to Maturity	Amortized cost	7,482,200	-	7,482,200
Debentures	Held to Maturity	Amortized cost	6,200,000	-	6,200,000
Treasury Notes	Held to Maturity	Amortized cost	65,664,389	-	65,664,389
Shares	FVTPL	FVTPL	15,545,813	8,476,215	24,022,028
Loan principal receivable	Loans and receivables	Amortized cost	113,489,016	-	113,489,016
Current Financial assets					
Cash and cash equivalents (undiscounted)	Loans and receivables	Amortized cost	30,943,472	-	30,943,472
Short term investments	Loans and receivables	Amortized cost	27,272,010	-	27,272,010
Total financial assets			\$278,312,698	\$8,476,215	\$286,788,913

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial instruments (continued)

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

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Board becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are initially measured at fair value.

i. *Classification and initial measurement of financial assets*

Except for those receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

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

ii. *Subsequent measurement of financial assets*

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. SSBs cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial instruments (continued)

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The category also contains an equity investment. The Board accounts for the equity investments at FVTPL and did not make the irrevocable election to account for the investment in ABL, CPBL and BWSL Ltd at fair value through other comprehensive income (FVOCI).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by using a valuation technique where no active market exists.

iii. *Impairment of financial assets*

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables.

Recognition of credit losses is no longer dependent on the Board first identifying a credit loss event. Instead the Board considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
- '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial instruments (continued)

Definition of default and credit-impaired assets

The SSB defines a financial instrument as in default, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments
- The borrower is in long-term forbearance
- The borrower is deceased
- It is becoming probable that the borrower will enter bankruptcy

This criteria has been applied to all financial instruments held by the SSB and are consistent with the definition of default used for internal risk management purposes. The default definition has been applied consistently to model the Probability of Default, Exposure at Default, and Loss given Default throughout the SSB's expected loss calculations.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation.
- EAD is based on the amounts the SSB expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

LGD represents the SSB's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime bases.

Previous financial asset impairment under IAS 39

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

Trade and other receivables and contract assets

The Board makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

In calculating, the Board uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial instruments (continued)

The Board assess impairment of Accounts receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

iv. *Classification and measurement of financial liabilities*

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Board's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The SSB's financial liabilities include accounts payables and severance payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the SSB designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within Interest on borrowing expenses or finance income.

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.

- 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. Short term investments – Short term investments represent term deposits, Government of Belize Treasury notes and any other investment with original maturity dates of more than three months but less than one year.
- 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. Accounts receivables – includes assessments of contributions, dividends receivable and other miscellaneous receivables recorded on the accrual basis. 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.
- l. Prepayments – Prepayments represent 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.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

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.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- n. 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).

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.

- o. 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	40-50 years
Furniture & fixtures	5-10 years
Office equipment	3-10 years
Computers and accessories, hardware and software	3-5 years
Motor vehicles	4 years
Building renovations – major	20 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.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- p. 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 the defined benefit plan is 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.

- q. 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 amortized 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.

Interest non-accrual policy – The Board does not take credit for interest income on any loan having principal or interest arrears in excess of 90 days, which loans are considered non-performing. To ensure that borrowers' accounts reflect all interest owed, interest continues to be accrued but the interest on non-performing loans is credited to a provision against loan interest receivable (see note 6) rather than to interest income.

- 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, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. 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:

(1)	Short Term Benefits Branch	19.25%
(2)	Long Term Benefits Branch	56.25%
(3)	Employment Injury Benefits Branch	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.

- r. 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 recognized 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 recognized 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 instalments.

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 favourable interest is regarded as additional government grants.

s. Taxes –

Income tax, property tax and stamp duty

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

General sales tax

General Sales Tax of 12.5% is a tax on consumer spending that is collected at the point of sale of a business' good or service. SSB pays General Sales Tax as a regular consumer.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- t. 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.
- u. 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.
- v. 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, 2018 AND 2017 (IN BELIZE DOLLARS)

3. FINANCIAL RISKS

Financial risk factors

The Board's activities expose it to a variety of risks in relation to financial instruments: market risk (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 financial 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 Substantive Laws of Belize, the Investment Committee and the Board of Directors.

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 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.

b. 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 to maturity that expose the Board minimally 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.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

3. FINANCIAL RISKS (Continued)

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.

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.

c. 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 cash and cash equivalents, amounts receivable from associates, debtors and other receivable balances.

The Board manages credit risk by holding funds with reputable financial institutions and also setting limits on the amount loaned. They ensure the loan is properly collateralized, considering the borrower's leverage and the seasonality of the business by including restrictions 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.

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 endeavours 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.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

3. FINANCIAL RISKS (Continued)

c. Credit risk (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, 2018 AND 2017 (IN BELIZE DOLLARS)**

3. FINANCIAL RISKS (Continued)

c. Credit risk (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, 2018									
Collateral	8,324,687	6,374,845	1,949,842	146,614,824	141,195,824	5,419,000	154,939,511	147,570,669	7,368,842
Loans	7,408,257	5,606,844	1,801,413	118,982,916	117,211,107	1,771,809	126,391,173	122,817,951	3,573,222
December 31, 2017									
Collateral	7,804,087	7,113,028	691,059	127,190,824	125,271,824	1,919,000	134,994,911	132,384,852	2,610,059
Loans	7,428,944	6,762,816	666,128	124,314,316	123,332,354	981,962	131,743,260	130,095,170	1,648,090

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

3. FINANCIAL RISKS (Continued)

d. 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.

The Board manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form with staggered maturity dates, separating short term investments and long-term investments. The Board's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30 to 90 day periods at a minimum. At December 31, 2018, current financial assets exceeded current financial liabilities by \$78,514,255 (2017: \$72,548,153).

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 only the current financial assets and current financial 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, 2018

	Within 1 month \$	1 to 3 months \$	3 months to 1 year \$	Total \$
Current Assets				
Cash and cash equivalent	35,934,184	-	-	35,934,184
Short term investments	586,912	4,253,921	19,147,348	23,988,181
Investment income receivable	905,602	584,432	11,318,115	12,808,149
Accounts receivable	28,982	46,651	1,393,514	1,469,147
Current portion loans receivable	835,620	2,886,444	11,139,249	14,861,313
Total current assets	38,291,300	7,771,448	42,998,226	89,060,974
Current Liabilities				
Accounts payables and accruals	1,788,522	361,837	8,164,675	10,315,034
Severance payable current portion	-	-	231,685	231,685
Total current liabilities	1,788,522	361,837	8,396,360	10,546,719
Net liquidity gap, December 31, 2018	36,502,778	7,409,611	34,601,866	78,514,255

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

3. FINANCIAL RISKS (Continued)

d. Liquidity risk (continued)

Net liquidity gap, December 31, 2017

	Within 1 month \$	1 to 3 months \$	3 months to 1 year \$	Total \$
Current Assets				
Cash and cash equivalent	30,943,472	-	-	30,943,472
Short term investments	9,012,790	7,485,223	10,773,997	27,272,010
Investment income receivable	398,896	556,437	9,364,692	10,320,025
Accounts receivable	254,208	619,385	522,180	1,395,773
Current portion loans receivable	339,322	2,376,143	11,028,835	13,744,300
Total current assets	40,948,688	11,037,188	31,689,704	83,675,580
Current Liabilities				
Accounts payables and accruals	2,054,223	755,587	8,097,533	10,907,343
Severance payable current portion	-	-	220,084	220,084
Total current liabilities	2,054,223	755,587	8,317,617	11,127,427
Net liquidity gap, December 31, 2017	38,894,465	10,281,601	23,372,087	72,548,153

e. 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

	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 6,866	\$ 7,020
Cash at local banks	<u>35,927,318</u>	<u>30,936,452</u>
	<u>\$35,934,184</u>	<u>\$30,943,472</u>

5. SHORT TERM INVESTMENTS

	<u>2018</u>	<u>2017</u>
Government of Belize Treasury Notes	\$ 4,000,000	\$ 4,150,000
Term Deposits	<u>19,988,181</u>	<u>23,122,010</u>
	<u>\$23,988,181</u>	<u>\$27,272,010</u>

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

6. INVESTMENT INCOME RECEIVABLE

	<u>2018</u>	<u>2017</u>
Sunshine Holdings Limited	\$10,120,985	\$ 8,919,633
Other loans and mortgage portfolios	2,067,744	1,076,962
Certificate of deposits	428,087	130,347
Floating rate notes	191,333	193,083
	<u>\$12,808,149</u>	<u>\$10,320,025</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>2018</u>	<u>2017</u>
Accounts receivable	\$ 142,504	\$ 177,645
Assessment of contributions	2,701,476	2,432,339
Total receivable	2,843,980	2,609,984
Less: Provision for credit losses	(1,374,833)	(1,214,211)
	<u>\$1,469,147</u>	<u>\$1,395,773</u>
Provision for credit losses is comprised of:		
Beginning balance as at January 1	\$(1,214,211)	\$(1,067,643)
Provisions for loss on uncollectible assessments	(160,622)	(165,597)
Less waiver on interest assessment	-	62,804
Provisions for loss on accounts receivable	-	(43,775)
Ending balance as at December 31	<u>\$(1,374,833)</u>	<u>\$(1,214,211)</u>

8. INVESTMENT IN ASSOCIATES

	<u>2018</u>	<u>2017</u>
Belize Electricity Limited (31.26% ownership)		
Balance, beginning of year	\$110,591,940	\$ 95,672,867
Additional shares	-	15,000,000
Income from associate	(1,079,001)	5,307,281
Dividend received from associate	(4,140,116)	(5,388,208)
Balance, end of year	<u>\$105,372,823</u>	<u>\$110,591,940</u>
Belize Telecommunications Limited (34.31% ownership)		
Balance, beginning of year	\$ 84,137,444	\$ 45,722,064
Additional shares	-	35,000,000
Income from associate	7,238,402	5,315,380
Dividend received from associate	(3,485,000)	(1,900,000)
Balance, end of year	<u>87,890,846</u>	<u>84,137,444</u>
Total investment in associates, end of year	<u>\$193,263,669</u>	<u>\$194,729,384</u>

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

8. INVESTMENT IN ASSOCIATES (Continued)

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.

Summarized financial information of Belize Electricity Limited (in thousands of dollars)

	<u>2018</u>	<u>2017</u>
Total current assets	\$ 70,610	\$ 87,721
Total non-current assets	<u>475,527</u>	466,466
Total assets	<u>\$546,137</u>	<u>\$554,187</u>
Total current liabilities	\$ 54,580	\$ 46,368
Total non-current liabilities	<u>149,529</u>	148,400
Total liabilities	204,109	194,768
Total equity	<u>342,028</u>	<u>359,419</u>
Total liabilities and equity	<u>\$546,137</u>	<u>\$554,187</u>
Profit before tax	\$ 235	\$ 21,459
Business tax	<u>(3,822)</u>	<u>(3,686)</u>
(Loss) Profit from continuing operations	(3,587)	17,773
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive (loss) income	<u>\$ (3,587)</u>	<u>\$ 17,773</u>

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

8. INVESTMENT IN ASSOCIATES (Continued)

Summarized financial information of Belize Telemedia Limited (in thousands of dollars)

	<u>2018</u>	<u>2017</u>
Total current assets	\$ 57,545	\$ 64,826
Total non-current assets	<u>292,572</u>	<u>249,619</u>
Total assets	<u>\$350,117</u>	<u>\$314,445</u>
Total current liabilities	\$ 82,380	\$100,567
Total non-current liabilities	<u>2,498</u>	<u>10,268</u>
Total liabilities	84,878	110,835
Total equity	<u>265,239</u>	<u>203,610</u>
Total liabilities and equity	<u>\$350,117</u>	<u>\$314,445</u>
Profit before tax	\$ 34,757	\$ 37,063
Business tax	<u>(12,213)</u>	<u>(16,473)</u>
Profit from continuing operations	<u>22,544</u>	<u>20,590</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 22,544</u>	<u>\$ 20,590</u>

9. LONG TERM INVESTMENT

	<u>2018</u>	<u>2017</u>
Belize City Council Municipal Bonds	\$ 5,482,200	\$ 7,482,200
Debentures	6,200,000	6,200,000
Government of Belize Treasury Notes	71,627,550	65,664,389
Term Deposit	10,000,000	-
Shares	<u>24,739,896</u>	<u>15,545,813</u>
Total long term investments	<u>\$118,049,646</u>	<u>\$94,892,402</u>

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

10. LOAN PRINCIPAL RECEIVABLE

	<u>2018</u>	<u>2017</u>
Mortgages	\$ 7,423,666	\$ 7,421,748
Private Sector	117,732,988	123,062,523
Staff loans	<u>1,177,528</u>	<u>1,267,738</u>
Total Loans	126,334,182	131,752,009
Less: Provision for credit losses	<u>(5,188,505)</u>	<u>(4,518,693)</u>
Total Loans - Net	121,145,677	127,233,316
Less: Current Portion	<u>(14,861,313)</u>	<u>(13,744,300)</u>
Total long term loans - Net	<u>\$106,284,364</u>	<u>\$113,489,016</u>
Provision for credit losses is comprised of:		
Beginning balance	\$ 4,518,693	\$ 4,217,499
Additional provision for bad debts	672,108	319,887
Reversal of previous provisions	-	(18,693)
Write off	<u>(2,296)</u>	<u>-</u>
Ending Balance	<u>\$ 5,188,505</u>	<u>\$ 4,518,693</u>

At December 31, 2018, non-performing loans amounted to 1.82% of total loan receivables (December 31, 2017: 1.22%).

Mortgages received from the Ministry of Housing at December 31, 2018 totalled \$300,006 (December 31, 2017: \$403,654).

11. HELD FOR SALE

	<u>2018</u>	<u>2017</u>
Vista Del Mar Housing Project		
Remaining lots acquired from Vista Del Mar Development Company Ltd.	\$ 421,956	\$ 457,228
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>\$11,233,205</u>	<u>\$11,268,477</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.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

12. OTHER ASSETS

	<u>2018</u>	<u>2017</u>
Homeland Development Limited - 926 plots of land	<u>\$1,050,000</u>	<u>\$1,066,800</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.

13. INTANGIBLE ASSET

	<u>2018</u>	<u>2017</u>
Cost		
Brought forward, January 1	\$3,084,143	\$2,661,903
Cost capitalized during the year	<u>207,108</u>	<u>422,240</u>
Carried forward, December 31	<u>3,291,251</u>	<u>3,084,143</u>
Accumulated amortization		
Brought forward, January 1	1,363,465	1,075,746
Amortization	<u>369,432</u>	<u>287,719</u>
Carried forward, December 31	<u>1,732,897</u>	<u>1,363,465</u>
Total	<u>\$1,558,354</u>	<u>\$1,720,678</u>

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

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, 2018	\$6,591,004	\$23,372,951	\$3,025,608	\$2,921,235	\$5,841,415	\$926,994	\$289,108	\$42,968,315
Additions	124,495	97,122	9,375	96,791	445,067	-	1,285,562	2,058,412
Disposals	-	-	(54,828)	(282,694)	(208,770)	(16,500)	-	(562,792)
Carried forward, December 31, 2018	6,715,499	23,470,073	2,980,155	2,735,332	6,077,712	910,494	1,574,670	44,463,935
Accumulated depreciation								
Brought forward, January 1, 2018	-	7,259,870	2,624,543	2,125,120	4,965,682	767,549	-	17,742,764
Additions	-	468,323	15,223	168,771	431,032	56,393	-	1,139,742
Disposals	-	-	(51,316)	(276,504)	(200,728)	(16,499)	-	(545,047)
Carried forward, December 31, 2018	-	7,728,193	2,588,450	2,017,387	5,195,986	807,443	-	18,337,459
Net book value								
December 31, 2018	\$6,715,499	\$15,741,880	\$ 391,705	\$ 717,945	\$ 881,726	\$103,051	\$1,574,670	\$26,126,476
Cost								
Brought forward, January 1, 2017	\$6,591,004	\$23,286,894	\$2,964,054	\$3,091,349	\$5,747,120	\$914,520	\$223,528	\$42,818,469
Additions	-	109,778	165,953	139,025	329,640	22,413	65,580	832,389
Disposals	-	(23,721)	(104,399)	(309,139)	(235,345)	(9,939)	-	(682,543)
Carried forward, December 31, 2017	6,591,004	23,372,951	3,025,608	2,921,235	5,841,415	926,994	289,108	42,968,315
Accumulated depreciation								
Brought forward, January 1, 2017	-	6,799,039	2,630,839	2,260,996	4,870,605	699,504	-	17,260,983
Additions	-	466,290	95,760	172,279	329,725	78,785	-	1,142,839
Disposals	-	(5,459)	(102,056)	(308,155)	(234,648)	(10,740)	-	(661,058)
Carried forward, December 31, 2017	-	7,259,870	2,624,543	2,125,120	4,965,682	767,549	-	17,742,764
Net book value								
December 31, 2017	\$6,591,004	\$16,113,081	\$ 401,065	\$ 796,115	\$ 875,733	\$159,445	\$289,108	\$25,225,551

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

15. ACCOUNTS PAYABLE AND ACCRUALS

	<u>2018</u>	<u>2017</u>
Mortgage securitization program	\$ 4,718,873	\$ 4,735,200
Benefits payable	2,473,083	2,897,203
Accrued expenses and other liabilities	<u>3,123,078</u>	<u>3,274,940</u>
	<u>\$10,315,034</u>	<u>\$10,907,343</u>

16. SEVERANCE PAYABLE

The movement in the provision is as follows:

	<u>2018</u>	<u>2017</u>
Beginning balance, January 1	\$2,603,182	\$1,362,246
Addition – net	<u>3,600</u>	<u>1,240,936</u>
Ending balance, December 31	2,606,782	2,603,182
Less: current portion	<u>(231,685)</u>	<u>(220,084)</u>
Long term portion	<u>\$2,375,097</u>	<u>\$2,383,098</u>

SSB recognizes a severance provision comprising of the present value of obligations to be settled directly with employees upon termination of services in accordance with the Belize Labour Law Act.

17. PENSION LIABILITY

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. By Statutory Instrument No. 45, dated May 29, 2017, the Prime Minister formally exempted the Social Security Board Staff Pension Scheme from the provisions of the Private Pensions Act.

The scheme is contributory (funded on a bipartite basis by the SSB and the employees). The Board and participants pay fixed contributions into the separate trust which is managed by a Board of Trustees nominated by the employer. These Board's contributions are expensed in the period in which they are accrued. The funding arrangements are as follows, with any liability or surplus recognized in the Board's financial statements:

	Contribution		Contribution	
	Rate ^{a/} 2018	Amount	Rate ^{a/} 2017	Amount
Employees	2.8%	\$257,979	2.8%	\$244,135
Employer ^{b/}	4.3%	382,619	4.3%	343,941
Total	7.1%	\$640,598	7.1%	\$588,076

^{a/} Of basic salaries

^{b/} Contributions at the rate of 4.3% of salaries suspended as from September 1, 2011, in recognition of the surplus status of the Fund, and re-instated as from January 1, 2017.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

17. PENSION LIABILITY (Continued)

The terms of the defined benefit pension scheme allow for 5 different types of benefits to participants and define the amount that participants will receive. 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. Currently the Scheme has 3 active pensioners and 246 active participants (2016: 4 pensioners and 251 active participants).

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 reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Management estimates the DBO annually with the assistance of an independent actuary. Actuarial gains and losses resulting from re-measurements of the net defined benefit liability are included in other comprehensive income. Any past services are recognized as from January 1, 1991.

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. Re-measurements 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, 2018 and 2017:

a) Projected Benefit Obligation and Funded Status (IAS-19R)

Funded status	2018	2017
Projected benefit obligation	10,414,389	9,668,816
Net assets	(9,423,631) ^{a/}	(9,375,049) ^{a/}
Unfunded liability	990,758 ^{b/}	293,767 ^{b/}

^{a/}Unaudited

^{b/}Deficit (surplus) recognized

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

17. PENSION LIABILITY (Continued)

b) Changes in Benefit Obligations and Net Assets

	2018	2017
Change in Projected Obligations		
Projected benefit obligation at January 1	\$9,668,816	\$9,609,041
Service cost	591,416	582,252
Interest cost	475,094	464,830
Benefits paid and expenses	(974,457)	(624,881)
Actuarial (gain) loss – obligations	653,520	(362,426)
Projected benefit obligation at December 31	10,414,389	\$9,668,816
Change in Plan Assets		
Assets at January 1	\$9,375,049	\$9,120,775
Expected return on assets ^{a/}	460,406	455,118
Contributions	640,598	588,076
Benefit paid and expenses	(974,457)	(624,881)
Actuarial gain (loss) – assets	(77,965)	(164,039)
Assets at December 31	9,423,631	9,375,049
Consolidated deficit (surplus)	\$ 990,758	\$ 293,767

^{a/} Actual return: \$382,442 (2018)

c) Expenses to be Recognized (IAS-19R)

	2018	2017
Current service cost	\$ 591,416	\$582,252
Net interest expense (income)	14,688	14,688
Sub-total (P&L)	606,104	596,940
<u>Re-measurement</u>		
Liability (gain) / loss	653,520	(362,426)
Asset (gain) / loss	(77,965)	164,039
Sub-Total (OCI)	575,555	(198,387)
Total	\$1,181,659	\$398,553

P&L: Profit / loss

OCI: Other comprehensive income

d) Actuarial Bases

	2018	2017
Mortality Table	GAM-83	GAM-83
Rate of Return(long-term)	5%	5%
Salary Scale	2%	3%
Real Rate of Discount	3%	2%
Annuity Rates	5%	5%

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

17. PENSION LIABILITY (Continued)

e) Actual and Expected Return on Assets

	<u>2018</u>	<u>2017</u>
Expected return	\$460,406	\$ 455,118
Actual return	382,441	313,433
Surplus (deficit) ^{a/}	\$ (77,965)	\$(141,685)

^{a/}Excludes contingent capital gains in BTL shares

f) Sensitivity Analysis (Projected Benefit Obligations)

The analysis shows the following results in the projected obligation:

<u>Discount rate</u>	<u>Variation in benefit obligations</u>
-1%	+13.2%
+1%	-11.6%

18. NET INVESTMENT INCOME

	<u>2018</u>	<u>2017</u>
Long and short term investments income	\$15,124,078	\$13,964,430
Income from associates	6,159,401	10,622,661
Investment expenses	(63,774)	(378,619)
Loan losses – bad debt	(766,088)	(319,886)
	<u>\$20,453,617</u>	<u>\$23,888,586</u>

19. OTHER INCOME – NET

	<u>2018</u>	<u>2017</u>
Interest on assessments	\$ 638,897	\$ 535,235
Interest on late contributions	362,970	341,600
Rental income	4,600	4,400
Loss on disposal of fixed assets	(14,221)	(21,485)
Others	<u>270,577</u>	<u>225,086</u>
	<u>\$1,262,823</u>	<u>\$1,084,836</u>

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

20. ADMINISTRATION EXPENSES

	<u>2018</u>	<u>2017</u>
Actuarial expenses	\$ 129,195	\$ 124,919
Amortization (intangible asset)	369,431	287,719
Appeals Tribunal expenses	16,548	18,102
Audit cost	81,313	84,638
Bad debt expenses	-	28,589
Board expenses	370,340	361,439
Cleaning and sanitation	278,131	276,601
Committees expense	150,713	140,750
Compliance project	8,195	8,660
Depreciation	669,206	676,548
Donation	6,358	38,121
Insurance	65,040	70,607
Legal and professional fees	158,994	440,720
Medical and group health insurance	325,858	320,877
Motor vehicle expenses	99,629	114,527
Overseas conference	96,866	64,447
Penalties and fees	4,070	-
Pensions – defined contribution	454,615	312,312
Postage	46,075	42,420
Premises repairs and maintenance	523,517	440,530
Printing, stationery and supplies	921,852	809,623
Publicity and promotion	389,910	393,807
Recruitment	11,627	20,368
Registration expenses	228,715	200,805
Salaries	11,941,113	11,213,888
Security	639,931	633,484
Severance	197,764	1,240,936
Social security contributions	272,729	262,542
Subscriptions	20,796	54,567
Telephones and cables	599,597	584,890
Training	853,180	824,994
Transfer and other allowances	1,331,094	1,594,110
Traveling and subsistence	766,011	755,437
	<u>\$22,028,413</u>	<u>\$22,441,977</u>

21. ESTABLISHMENT EXPENSES

	<u>2018</u>	<u>2017</u>
Light, power and water	\$ 480,924	\$ 489,295
Depreciation	470,536	466,291
Rent	133,448	139,234
	<u>\$1,084,908</u>	<u>\$1,094,820</u>

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

22. RESTATEMENT

Opening balances of the Statement of Financial Position of the Board as of January 1, 2017 were restated to reflect reimbursement to the Government of Belize (GOB) for its settlement of debt for associate – Belize Telemedia Limited (BTL).

In July 2007, prior to the acquisition of BTL by GOB, the associate had secured a US\$22.5 million (BZ\$45 million) loan from the British Caribbean Bank. Consequently, in its acquisition of BTL, GOB acquired the liability and later settled the debt and paid the loan plus interest to the bank. GOB then advised BTL that the settlement amount was recoverable from the associate which resulted in a \$68.5 million adjustment to the retained earnings.

Based on the Board's equity adjustment in BTL as at March 31, 2016 the total of all prior period adjustments resulted in a \$13.8 million charge to the reserves. The net effect follows:

	December 31, 2016	Adjustment	December 31, 2016, as restated	December 31, 2017, as restated
Investment in associates	155,215,807	(13,820,878)	141,394,929	194,729,384
Short term benefits branch	(16,335,484)	442,517	(15,892,967)	(12,835,358)
Long term benefits branch	(428,336,829)	11,603,370	(416,733,459)	(419,595,497)
Employment injury benefits reserve	(49,926,971)	1,352,491	(48,574,480)	(62,977,882)
Disablement and death benefits reserves	(15,596,503)	422,500	(15,174,003)	(14,123,869)

23. EMPLOYEE REMUNERATION

	<u>2018</u>	<u>2017</u>
Wages, salaries	\$11,941,113	\$11,213,888
Social Security costs	639,931	262,542
Pensions-defined benefit plans	454,615	312,312
Total employee remuneration	<u>\$13,035,659</u>	<u>\$11,788,742</u>

SOCIAL SECURITY BOARD

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)**

24. CATEGORIES OF FINANCIAL INSTRUMENTS

	At December 31, 2018			At December 31, 2017			
	Fair value through profit and loss	Amortized costs	Total	Fair value through profit and loss	Loans and receivables	Held to Maturity	Total
	\$	\$	\$	\$	\$	\$	\$
Financial assets							
Cash and cash equivalents (undiscounted)	-	35,934,184	35,934,184	-	30,943,472	-	30,943,472
Short term investments	-	23,988,181	23,988,181	-	27,272,010	-	27,272,010
Investment income receivable	-	12,808,149	12,808,149	-	10,320,025	-	10,320,025
Accounts receivable (undiscounted)	-	1,469,147	1,469,147	-	1,395,773	-	1,395,773
Long term investments	24,739,896	93,309,750	118,049,646	15,545,813	-	79,346,589	94,892,402
Loan principal receivable – net	-	121,145,677	121,145,677	-	127,233,316	-	127,233,316
Total financial assets	24,739,896	288,655,088	313,394,984	15,545,813	197,164,596	79,346,589	292,056,998
Financial liabilities							
		Amortized cost					
		2018	2017				
Accounts payable and accruals		\$ 10,315,017	\$ 10,907,343				
Severance payable		2,606,782	2,603,182				
Total (undiscounted) financial liabilities		12,921,799	13,510,525				

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

25. GOVERNMENT SUBVENTION TO NHI PROGRAM

The Government of Belize assists the National Health Insurance through an annual subvention which is allocated in the annual GOB budget. In 2018 and 2017, \$17,600,004 and \$17,000,004 respectively were given to the Board by the Government of Belize for the National Health Insurance.

26. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Social Security Board's capital management objectives are:

- to ensure its's ability to continue as a going concern
- to obtain an adequate return on investments to maintain healthy reserves
- to meet its commitments to all insured persons

by managing and investing prudently the contribution received from employers and employees. This is balanced with the risk appetite of SSB.

Social Security Board monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position.

SSB's goal in capital management is to maintain a capital-to-overall financing ratio of 1:1 to 1:2.

Management assesses SSB's capital requirements in order to maintain an efficient overall financing structure. To date SSB has not had the need to obtain loans from other institutions (debt). SSB manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, SSB may adjust by selling assets or cashing in investments.

The amounts managed as capital by SSB for the reporting periods under review are summarized as follows:

	<u>2018</u>	<u>2017</u>
Total equity	\$533,371,666	\$512,947,651
Cash and cash equivalents – unrestricted	<u>35,934,184</u>	<u>30,943,472</u>
Capital	<u>\$569,305,850</u>	<u>\$543,891,123</u>
Total equity	\$533,371,666	\$512,947,651
Borrowings (debt)	-	-
Overall Financing	<u>\$533,371,666</u>	<u>\$512,947,651</u>
Capital-to-overall financing ratio	<u>1.07%</u>	<u>1.06%</u>

Social Security Board has adequate capital ratios and continues to monitor its benefit reserves.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

27. 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*

- a. **Maternity Benefits** which are paid to insured women who are on Maternity leave from work because of their pregnancy and confinement.
- b. **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.

b) *Long-term Benefits Branch: Covers*

- a. **Retirement Benefits** paid to insured persons who are 65 years of age (and older) or 60 to 64 and not employed.
- b. **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.
- c. **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).

28. 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 is expected to be settled in 2019.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

28. COMMITMENTS AND CONTINGENCIES (Continued)

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 remained 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 is expected to be settled in 2019.

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 totalled \$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 to GOB is expected to be settled in 2019.

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. As a result of Supreme Court Claim No. 341 of 2001 Social Security Board vs. Sunshine Holdings Ltd, Government confirms that it will continue to wholly own Sunshine Holdings Ltd. in which the liability for the payment of the Loan balance now becomes that of Government. All other outstanding sums including interest is to be paid by the Government of Belize.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

29. EVENTS AFTER THE REPORTING PERIOD

At April 29, 2019, the date of approval for issue of the Financial Statements by the Board of Directors, the Board has no subsequent events which warrant a modification of the value of its assets and liabilities. There are no subsequent events which require any additional disclosure.



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SUPPLEMENTARY AUDIT REPORT

**To the Board of Directors:
Social Security Board:**

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Our report on the examinations of the financial statement of the Social Security Board as of December 31, 2018 and 2017 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 the Financial and Accounting Regulations of the Social Security Act, Chapter 44, Revised Edition 2000-2003. 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.

CSBQ Associates, LLP

**Chartered Accountants
Belize City, Belize
April 30, 2019**

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – SHORT TERM BENEFITS BRANCH YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	<u>2018</u>	<u>2017</u>
INCOME		
Contributions:		
Employers and employed persons	<u>\$16,755,857</u>	<u>\$15,902,527</u>
Total contributions	<u>16,755,857</u>	<u>15,902,527</u>
Other income:		
Net investment income	<u>515,236</u>	764,866
Others	<u>420,946</u>	<u>361,612</u>
Total other income	<u>936,176</u>	<u>1,126,478</u>
TOTAL INCOME	<u>17,692,033</u>	<u>17,029,005</u>
EXPENDITURES		
Benefits:		
Maternity	<u>4,013,175</u>	3,604,593
Sickness	<u>9,348,033</u>	10,656,948
Maternity grants	<u>995,366</u>	<u>971,426</u>
Total benefits	<u>14,356,574</u>	<u>15,232,967</u>
Operating expenses:		
Administration	<u>4,109,820</u>	4,446,736
Establishment	<u>345,889</u>	350,406
Financial	<u>80,237</u>	<u>56,505</u>
Total operating expenses	<u>4,535,946</u>	<u>4,853,647</u>
TOTAL EXPENDITURE	<u>18,892,520</u>	<u>20,086,614</u>
EXCESS OF EXPENDITURES OVER INCOME	<u>\$ (1,200,487)</u>	<u>\$ (3,057,609)</u>

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – LONG TERM BENEFITS BRANCH YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	<u>2018</u>	<u>2017</u>
INCOME		
Contributions:		
Employers and employed persons	<u>\$48,961,924</u>	<u>\$46,468,425</u>
Total contributions	<u>48,961,924</u>	<u>46,468,425</u>
Other income:		
Net investment income	<u>16,843,369</u>	<u>20,055,754</u>
Others	<u>420,941</u>	<u>361,612</u>
Total other income	<u>17,264,310</u>	<u>20,417,366</u>
TOTAL INCOME	<u>66,226,234</u>	<u>66,885,791</u>
EXPENDITURES		
Benefits:		
Retirement	<u>39,405,171</u>	<u>35,453,108</u>
Invalidity	<u>3,630,584</u>	<u>3,588,154</u>
Survivors	<u>7,627,724</u>	<u>7,159,864</u>
Funeral	<u>1,359,717</u>	<u>1,360,915</u>
Non-contributory pension	<u>2,009,387</u>	<u>2,297,370</u>
Total benefits	<u>54,032,583</u>	<u>49,859,411</u>
Operating expenses:		
Administration	<u>13,605,132</u>	<u>13,757,431</u>
Establishment	<u>345,890</u>	<u>350,406</u>
Financial	<u>80,238</u>	<u>56,505</u>
Total operating expenses	<u>14,031,260</u>	<u>14,164,342</u>
TOTAL EXPENDITURES	<u>68,063,843</u>	<u>64,023,753</u>
EXCESS OF EXPENDITURES OVER INCOME	<u>\$ (1,837,609)</u>	<u>\$ 2,862,038</u>

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – EMPLOYMENT INJURY BENEFITS BRANCH YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	<u>2018</u>	<u>2017</u>
INCOME		
Contributions:		
Employers and employed persons	<u>\$21,325,638</u>	<u>\$20,239,580</u>
Total contributions	<u>21,325,638</u>	<u>20,239,580</u>
Other income:		
Net investment income	<u>2,528,053</u>	<u>2,337,700</u>
Others	<u>420,941</u>	<u>361,612</u>
Total other income	<u>2,948,994</u>	<u>2,699,312</u>
TOTAL INCOME	<u>24,274,632</u>	<u>22,938,892</u>
EXPENDITURES		
Benefits:		
Disablement grants	<u>483,701</u>	<u>518,250</u>
APV disablement benefits	<u>599,349</u>	<u>108,717</u>
APV death benefits	<u>222,683</u>	<u>211,772</u>
Employment injury	<u>2,348,050</u>	<u>2,468,525</u>
Funeral grants	<u>9,000</u>	<u>1,500</u>
Total benefits	<u>3,662,783</u>	<u>3,308,764</u>
Operating expenses:		
Administration	<u>3,300,863</u>	<u>3,363,148</u>
Establishment	<u>345,890</u>	<u>350,406</u>
Financial	<u>80,238</u>	<u>56,505</u>
Total operating expenses	<u>3,726,991</u>	<u>3,770,059</u>
TOTAL EXPENDITURES	<u>7,389,774</u>	<u>7,078,823</u>
EXCESS OF INCOME OVER EXPENDITURES	<u>\$16,884,858</u>	<u>\$15,860,069</u>

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – DISABLEMENT AND DEATH BENEFITS RESERVES YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	<u>2018</u>	<u>2017</u>
INCOME		
Contributions:		
APV disablement benefits	\$ 599,349	\$ 108,717
APV death benefits	<u>222,683</u>	<u>211,772</u>
Total contributions	<u>822,032</u>	<u>320,489</u>
Net investment income	<u>566,959</u>	<u>730,266</u>
TOTAL INCOME	<u>1,388,991</u>	<u>1,050,755</u>
EXPENDITURES		
Benefits:		
Disablement pension	1,446,074	1,453,451
Death benefits	<u>646,540</u>	<u>647,438</u>
TOTAL EXPENDITURES	<u>2,092,614</u>	<u>2,100,889</u>
EXCESS OF EXPENDITURES OVER INCOME	<u>\$ (703,623)</u>	<u>\$(1,050,134)</u>

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – NATIONAL HEALTH INSURANCE FUND

YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	<u>2018</u>	<u>2017</u>
INCOME		
Contributions:		
Government of Belize	<u>\$17,600,004</u>	<u>\$17,000,004</u>
Total contributions	<u>17,600,004</u>	<u>17,000,004</u>
EXPENDITURES		
Benefits:		
National health insurance benefits	<u>16,305,209</u>	<u>15,822,665</u>
Total benefits	<u>16,305,209</u>	<u>15,822,665</u>
Operating expenses:		
Administration	905,850	885,962
Establishment	47,239	43,602
Financial	<u>4,646</u>	<u>1,654</u>
Total operating expenses	<u>957,735</u>	<u>931,218</u>
TOTAL EXPENDITURES	<u>17,262,944</u>	<u>16,753,883</u>
EXCESS OF INCOME OVER EXPENDITURES	<u>\$ 337,060</u>	<u>\$ 246,121</u>

SOCIAL SECURITY BOARD

INVESTMENTS LISTINGS

YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

SHORT TERM INVESTMENTS	<u>2018</u>	<u>2017</u>
<u>Term Deposits</u>		
Heritage Bank Limited:		
2% Maturing January 10, 2019	\$ 1,000,000	\$ -
2% Maturing January 19, 2019	3,254,170	-
1.5% Maturing January 28, 2019	1,706,094	-
1.5% Maturing February 1, 2019	2,131,505	-
1.5% Maturing March 27, 2019	2,122,416	-
2% Maturing January 11, 2018	-	1,000,000
2% Maturing January 20, 2018	-	3,190,223
2% Maturing January 29, 2018	-	1,672,568
2% Maturing February 2, 2018	-	2,089,620
2% Maturing February 19, 2018	-	3,314,803
2% Maturing March 26, 2018	-	2,080,800
Atlantic Bank Limited		
2.85% Maturing December 12, 2019	518,624	-
2.85% Maturing October 16, 2019	1,628,732	-
3.5% Maturing November 2, 2019	1,500,000	-
3.5% Maturing November 2, 2019	1,500,000	-
3% Maturing October 16, 2018	-	1,628,723
3% Maturing November 2, 2018	-	1,500,000
3% Maturing November 2, 2018	-	1,500,000
3% Maturing December 12, 2018	-	518,624
National Bank of Belize		
3% Maturing on January 8, 2019	2,038,636	-
3% Maturing on January 8, 2019	2,588,014	-
3% Maturing on December 28, 2018	-	2,038,634
3% Maturing on December 28, 2018	-	2,588,015
Total Term Deposits	19,988,181	23,122,010
<u>Treasury notes</u>		
Government of Belize		
3.00% Maturing September 14, 2019	4,000,000	-
3.25% Maturing December 31, 2018	-	3,150,000
1.50% Maturing May 19, 2018	-	1,000,000
Total Treasury Notes	4,000,000	4,150,000
TOTAL SHORT TERM INVESTMENTS	23,988,181	27,272,010

SOCIAL SECURITY BOARD

INVESTMENTS LISTINGS

YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	<u>2018</u>	<u>2017</u>
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INVESTMENT IN ASSOCIATES

Belize Electricity Limited

21,580,028 (2016: 18,580,028) ordinary shares, BZ\$ 2 par value

\$105,372,823	\$110,591,940
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Belize Telemedia Limited

17,000,000 (2016: 10,000,000) ordinary shares, BZ\$ 1 par value

87,890,846	84,137,444
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TOTAL INVESTMENT IN ASSOCIATES

193,263,669	194,729,384
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LONG TERM INVESTMENTS

Municipal bonds

Belize City Council

10 years bond @ 8% maturing December 22, 2022

2,882,200	2,882,200
------------------	------------------

5 years bond @ 5.5% maturing November 6, 2018

-	1,000,000
---	------------------

10 years bond @ 8% maturing May 22, 2023

1,000,000	1,000,000
------------------	------------------

5 years bond @ 5.5% maturing May 23, 2018

-	1,000,000
---	------------------

10 years bond @ 8% maturing November 5, 2023

1,600,000	1,600,000
------------------	------------------

Total Municipal bonds

5,482,200	7,482,200
------------------	------------------

SHARES

Belize Water Services Limited

4,000,000 shares, held at fair value
(2017: BZ\$1.50 par value)

16,720,000	6,000,000
-------------------	------------------

Atlantic Bank Limited

786 and 1,974 shares held at fair value
(2017: BZ\$165 and \$100 par value respectively)

708,495	327,090
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Citrus Products of Belize Limited

7,947,175 shares, held at fair value
(2017: BZ\$1.16 par value)

7,311,401	9,218,723
------------------	------------------

Total shares

24,739,896	15,545,813
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DEBENTURES

Belize Electricity Limited

7% debentures maturing December 31, 2024

5,500,000	5,500,000
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6.5% debentures maturing December 31, 2030

700,000	700,000
----------------	----------------

6,200,000	6,200,000
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SOCIAL SECURITY BOARD

INVESTMENTS LISTINGS

YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	<u>2018</u>	<u>2017</u>
TREASURY NOTES		
Government of Belize		
4.50% Maturing July 13, 2023	\$ 4,000,000	\$ -
5.25% Maturing July 13, 2026	4,000,000	-
4.00% maturing July 13, 2021	2,000,000	-
5.25% Maturing January 13, 2026	10,000,000	10,000,000
4% Maturing August 1, 2021	9,500,000	9,500,000
4% Maturing August 1, 2021	7,850,000	7,850,000
3% Maturing Sep 14, 2019	-	4,000,000
	<u>37,350,000</u>	<u>31,350,000</u>
Floating rate notes		
3.75%+IR Maturing May 19, 2022	2,000,000	2,000,000
4.50%+IR Maturing May 19, 2024	7,000,000	7,000,000
5%+IR Maturing May 19, 2027	25,277,550	25,314,389
	<u>34,277,550</u>	<u>34,314,389</u>
Total Treasury Notes	71,627,550	65,664,389
TERM DEPOSITS		
Belize Bank Limited		
2.00% maturing February 6, 2020	3,000,000	-
2.00% maturing February 6, 2020	3,000,000	-
2.00% maturing February 6, 2020	4,000,000	-
	<u>10,000,000</u>	<u>-</u>
TOTAL LONG TERM INVESTMENTS	<u>118,049,646</u>	<u>94,892,402</u>
LOAN PRINCIPAL RECEIVABLE		
Mortgages and Housing		
Housing/MoH Mortgages		
10 to 20 years mortgages @ 8.5% interest	300,006	403,654
RECONDEV		
30 years loan @ 8% interest	265,787	312,588
Civil Service Credit Union Limited		
15 years loan @ 7.5% interest	938,342	938,342

SOCIAL SECURITY BOARD

INVESTMENTS LISTINGS

YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	<u>2018</u>	<u>2017</u>
LOAN PRINCIPAL RECEIVABLE (Continued)		
Mortgages and Housing		
BNBS Assigned Mortgages		
20 years loans @ 8.5% interest	\$ 508,350	\$ 552,182
Housing Mortgages – Tranche B		
District and Secondary, 10 – 20 years loans @ 8.5% interest	126,653	126,778
P.S.U. Housing Scheme		
Middle Income, 20 years @ 8.5%	887,661	1,056,686
St. James National Building Society Ltd.		
Assigned mortgages, 5 – 20 years loan @ 8.5% interest	366,639	381,734
Staff Housing Loans		
10 – 20 years @ 8% interest	2,598,498	2,174,297
Previous Staff Loans		
10 – 20 years @ 8% interest	1,037,864	1,046,745
Other	393,866	428,741
Staff Loans	1,177,528	1,267,739
	<u>8,601,192</u>	<u>8,689,486</u>
Less: provisions for loss on investment	<u>(1,240,652)</u>	<u>(1,154,166)</u>
	7,360,540	7,535,320
Private Sector Loans		
Development Finance Corporation		
12 months loan @ 3.5% interest	4,203,760	5,000,000
6 years loan @ 7% interest	232,248	449,103
14 years loan @ 5.5% interest	17,504,632	18,473,647
Belize Airport Authority		
16 years loan @ 6% interest	18,882,374	16,150,718
Sunshine Holdings Limited		
15 years loan @ 8.5% interest	14,133,562	14,133,562
Belize Water Services Limited		
21 years loan @ 6% interest	25,821,259	26,664,965

SOCIAL SECURITY BOARD

INVESTMENTS LISTINGS

YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	<u>2018</u>	<u>2017</u>
LOAN PRINCIPAL RECEIVABLE (Continued)		
Private Sector Loans		
Belize Elementary School		
14 years loan @ 7% interest	\$ 394,995	\$ 432,895
Banana Growers Association		
10 years loan @ 6.5% interest	3,718,127	4,163,077
Citrus Company of Belize Limited		
7 years loan @ 7.5% interest	6,277,303	8,477,165
CGA - Citrus Growers Association		
5 years loan @ 6% Plant	1,456,901	2,026,907
4 years loan @ 6.5% Fertilizer	1,309,948	2,691,030
Marie Sharp Fine Foods		
10 years loan @ 7.5% interest	3,191,792	3,556,385
Royal Mayan Shrimp Farm		
8 years loan @ 7.5% interest	6,195,886	6,195,886
Border Management Agency		
12 years loan @ 7.5% interest	4,235,675	5,037,967
	743,000	-
Stann Creek- Ecumenical High School		
11 years loan @ 6%	355,403	402,272
Independence High School		
5 years loan @ 6%	-	94,699
Mountain View Farms Ltd.		
7 years loan @ 6.5% interest	-	1,569,670
Hot Mama's Belize Ltd.		
7 years loan @ 7.5% interest	581,601	581,601
Diverse Development Limited		
1 Year Revolving loan @7.5% interest	221,341	221,341
Meridian Enterprise Ltd.		
1 Year Revolving loan @7.5% interest	-	30,525

SOCIAL SECURITY BOARD

INVESTMENTS LISTINGS

YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	<u>2018</u>	<u>2017</u>
LOAN PRINCIPAL RECEIVABLE (Continued)		
Private Sector Loans		
Caribbean Homes & Export Limited		
6 years loan @ 7% interest	\$ 2,610,954	\$ 3,244,361
Belize City Council		
3 years loan @ 6% interest	62,227	164,747
Citrus Productions of Belize		
4 years loan @ 8.5% Pine	1,170,000	710,000
8 years loan @ 8.5% Citrus	4,430,000	2,590,000
	<u>117,732,988</u>	<u>123,062,523</u>
Less: Provision for loss on investments	<u>(3,364,527)</u>	<u>(3,364,527)</u>
	<u>114,368,461</u>	<u>119,697,996</u>
TOTAL LOAN PRINCIPAL RECEIVABLE NET	<u>121,145,677</u>	<u>\$127,233,316</u>
TOTAL INVESTMENTS	<u>\$456,447,173</u>	<u>\$444,127,112</u>

A summary analysis of investments listed above by asset class at December 31, 2018 is presented below:

Investment Mix	% of Total Investment
Bonds	1.20%
Debentures	1.36%
Investment in associates	43.34%
Mortgages	1.61%
Private sector loans	24.93%
Shares	5.42%
Term deposits	6.57%
Treasury Notes	<u>16.57%</u>
Total	<u>100.00%</u>

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