Social Security Board

Financial Statements for the Years Ended December 31, 2009 and 2008 and Independent Auditors' Report

SOCIAL SECURITY BOARD

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
SOCIAL SECURITY BOARD:

Report on the Financial Statements

We have audited the accompanying financial statements of Social Security Board which comprise the statements financial position as at December 31, 2009 and 2008 and statements of income, statements of comprehensive income, statements of changes in reserves and statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Social Security Board as of December 31, 2009 and 2008 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, the Social Security Act and requirement of the Financial and Accounting Regulations, Chapter 44, Revised Edition 2000 – 2003.

Castillo Sanchez Burrell, LLP

Chartered Accountants
April 8, 2010

SOCIAL SECURITY BOARD

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS	**Notes**	**2009**	2008
Current assets:			
Cash and bank		**$ 4,325,808**	$ 3,625,771
Central Bank of Belize, 6% interest bearing deposit account		**25,686,614**	32,522,395
Short term investments	2h, 6	**139,776,946**	113,697,398
Investment income receivable	7	**8,766,439**	5,595,346
Accounts receivable and prepayments	8	**1,056,300**	1,505,368
Office supplies		**69,920**	129,330
Total current assets		**179,682,027**	157,075,608
Advances to employees		**1,021,361**	1,163,153
Fixed assets – net	2i, 4	**29,639,880**	29,419,843
Pension asset	5	**2,724,529**	-
Investment in associate	9	**61,250,097**	58,855,793
Long term investments	2h, 10	**103,310,419**	112,431,046
TOTAL ASSETS		**$377,628,313**	$358,945,443
LIABILITIES AND RESERVES			
Current liabilities:			
Accounts payable and accruals	11	**$ 3,515,690**	$ 7,220,670
Total current liabilities		**3,515,690**	7,220,670
Deferred income	2k	**7,927,832**	10,140,615
Reserves:			
Short term benefits branch		**10,793,474**	13,489,761
Long term benefits branch		**276,936,918**	262,044,642
Employment injury benefits reserve		**57,020,430**	49,242,895
Disablement and death benefits reserves		**16,215,585**	15,573,206
National health insurance fund		**2,043,982**	1,067,339
National disaster fund		**381,076**	160,250
Social development fund		**68,797**	6,065
Pension reserve	5	**2,724,529**	-
Total liabilities and reserves		**366,184,791**	341,584,158
TOTAL LIABILITIES AND RESERVES		**$377,628,313**	$358,945,443

The financial statements on pages 3 to 7 were approved and authorized for issue by the Board of Directors on June 1, 2010 and are signed on its behalf by:

________________________) Chairman
)
)
)
________________________) Director

The notes on pages 8 to 29 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008

	Notes	2009	2008
INCOME			
Contributions:			
Employers and employed persons	2e	**$59,886,197**	$57,582,065
Total contributions		**59,886,197**	57,582,065
Other income:			
Net investment income	12	**21,315,293**	18,298,240
Other income	13	**696,957**	1,590,391
GOB contribution to NHI Fund		**12,754,140**	4,885,260
Total other income		**34,766,390**	24,773,891
TOTAL INCOME		**$94,652,587**	$82,355,956
EXPENDITURES			
Benefits:			
Short term benefits branch		**$10,825,484**	$10,099,211
Long term benefits branch		**24,414,517**	23,422,911
Employment injury benefits branch		**5,126,269**	5,835,155
Disablement and death benefits		**1,874,425**	1,876,022
National health insurance benefits		**11,085,853**	9,386,111
Total benefits		**53,326,548**	50,619,410
Operating expenses:			
Administration	14	**19,059,984**	19,908,941
Establishment	15	**1,108,236**	1,083,758
Financial		**25,686**	24,629
Total operating expenses		**20,193,906**	21,017,328
TOTAL EXPENDITURES		**$73,520,454**	$71,636,738
Excess of income over expenditure		**$21,132,133**	$10,719,218

The notes on pages 8 to 29 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
EXCESS OF INCOME OVER EXPENDITURES	**$21,132,133**	$10,719,218
OTHER COMPREHENSIVE INCOME:		
APV disablement benefits	**1,107,688**	1,019,310
APV death benefits	**433,777**	500,956
	1,541,465	1,520,266
Actuarial gains on defined benefits plan	**2,724,529**	-
Other comprehensive income for the year	**4,265,994**	1,520,266
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**$25,398,127**	$12,239,484

The notes on pages 8 to 29 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

STATEMENTS OF CHANGES IN RESERVES
YEARS ENDED DECEMBER 31, 2009 AND 2008

	Short term Benefits Branch	Long term Benefits Branch	Employment Injury Benefits Branch	Disablement and Death Benefits Reserve	National Health Insurance Fund	National Disaster Fund	Social Development Assistance Account	Pension Reserve	Total
Balance, January 1, 2009	$13,489,761	$262,044,642	$49,242,895	$15,573,206	$1,067,339	$160,250	$ 6,065	$ -	$341,584,158
Transfer to Social Development Account and Assistance Fund	(1,820)	-	(1,079,231)	-	-	-	1,079,231	-	(1,820)
Transfer to Short Term Benefit Branch	-	-	-	-	-	-	-	-	-
National Disaster Fund Expenditure	-	-	-	-	-	250,000	-	-	250,000
Social Development Account and Assistance Fund Expenditures	-	-	-	-	-	(29,174)	(1,016,499)	-	(1,045,673)
Excess of (expenditures over income) income over expenditures	(2,694,467)	14,892,276	8,856,766	(899,085)	976,643	-	-	-	21,132,133
Other Comprehensive Income	-	-	-	1,541,465	-	-	-	2,724,529	4,265,994
Balance, December 31, 2009	**$10,793,474**	**$276,936,918**	**$57,020,430**	**$16,215,585**	**$2,043,982**	**$381,076**	**$ 68,797**	**$2,724,529**	**$366,184,791**

The notes on pages 8 to 29 are an integral part of these financial statements.

SOCIAL SECURITY BOARD

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Cash flows from operating activities:		
Excess of income over expenditures	**$21,132,133**	$12,239,484
Adjustments to reconcile excess of income over expenditures to net cash provided by operating activities:		
Depreciation	**1,711,135**	1,724,978
(Income) loss from associates	**(2,394,304)**	2,917,532
Amortization of deferred income	**(2,212,783)**	(2,212,784)
Provision for loss (gain) on investment	**390,351**	(1,166,553)
Loss on sale of fixed asset	**267,749**	12,375
Changes in current assets and liabilities:		
Increase in investment income receivable	**(3,171,093)**	(1,731,511)
Decrease in accounts receivable and prepayments	**58,717**	2,217,505
Decrease (increase) in office supplies	**59,410**	(55,096)
Decrease in employees' advances	**141,792**	237,041
Decrease in accounts payable and accruals	**(3,704,980)**	(351,243)
Total adjustment	**8,854,006)**	1,592,244
Net cash provided by operating activities	**12,278,127**	13,831,728
Cash flows from investing activities:		
Increase in long and short term investments	**(16,958,921)**	(16,329,869)
Dividends received from associates	**-**	1,021,902
Net additions to fixed assets	**(2,302,302)**	(1,067,404)
Proceeds from disposal	**103,380**	4,111
Net cash used in investing activities	**(19,157,843)**	(16,371,260)
Cash flows from financing activities:		
Change in short term reserve	**(1,820)**	-
Change in social development fund	**62,732**	(999,203)
Change in employment injury reserve	**(1,079,231)**	-
Change in national disaster fund	**220,826**	(114,750)
Change in death and disablement reserve	**1,541,465**	-
Net cash provided by (used in) financing activities	**743,972**	(1,113,953)
Net decrease in cash and bank	**(6,135,744)**	(3,653,485)
Cash and bank, January 1	**36,148,166**	39,801,651
Cash and bank, December 31	**$30,012,422**	$36,148,166

The notes on pages 8 to 29 are an integral part of these financial statements.

1. STATUS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Social Security Board (Board) is a statutory body which came into existence with the enactment of the Social Security Act, Chapter 44, Laws of Belize 1980. Social Security 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation – The financial statements of Social Security Board have been prepared in accordance with International Financial Reporting Standards (IFRS) and the form and content specified in the Social Security Act, Chapter 44, Revised Edition 2003. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

   Use of estimates – The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting 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.

b. 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 any effect on the financial performance or position of the Board. They did, however, give rise to additional disclosures.

   – **Adoption of New Standards, Amendments and Interpretations Effective from January 1, 2009**

   - *IFRS 8: Operating Segments (effective from 1st January 2009):*
     IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This standard has no impact on the number of reportable segments presented, since the Board's segments have been reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

   - *IAS 1: "Presentation of Financial Statements" – revised 2008 (effective from January 1st, 2009):*
     The fundamental change in IAS 1 is concerned with the segregated presentation of the changes in the owners' equity in those which are due to transactions with owners and because of their capacity as owners (e.g. dividends, capital increase), from those which are due to other changes in equity (e.g. reserves).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The revision of the Standard produces changes in both the terminology and the presentation of financial statements. However, the new terms do not affect the rules of recognition, measurement or disclosure of specific transactions and all other events which are required by other standards. The adoption of the revised standard is expected to transform the structure and description in the presentation of financial statements without, however, causing any alternations to the financial position of the Board.

- *IAS 23: (Revised 2008) "Borrowing Costs" (effective from January 1st, 2009):*
  The revised IAS 23 removes the option of immediate expensing of borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset as part of the cost of that asset. The adoption of the revised IAS will have no significant impact on the Board's financial statements.

- *IAS 39: Revision: Eligible Hedged Items (effective from July 1st, 2009):*
  The amendment to IAS 39 provides guidance on the particular cases in which a hedged risks or segment of cash flows can constitute eligible hedged items in a hedging relationship. The application of the amendment is not expected to affect the Board's financial statements.

- *IFRIC 15: Agreements for the Construction of Real Estate (effective from January 1st, 2009)*
  IFRIC 15 provides guidance on whether agreements for construction of real estate are within the scope of IAS 11 or IAS 18 as well as when the income arising from agreements for construction of real estate shall be recognized. The Interpretation is not applicable to the Board's activities.

- *IFRIC 16: Hedges on a Net Investment in a Foreign Operation (effective for annual periods commencing on or after 1st October 2008)*
  The Interpretation provides guidance on the nature of hedged risks and the amount recognized in the hedged item for which hedged relationship has been defined as well as which amounts shall be reclassified from the equity to the income statements for both the hedging instrument and the hedged item. The current Interpretation is applied only to net investments in foreign operations while it does not apply to other types of hedges such as, for instance, fair value or cash flows hedges. The Interpretation is not applicable to the Board's activities.

- *IFRS 3: "Business Combinations" – Revised 2008 and subsequent amendments in IAS 27, 28 and 31 (effective the first annual reporting period beginning on or after July 1st, 2009):*
  The revised standard introduces significant amendments for the application of the acquisition method for business combinations. Among other changes the standard introduces the possibility of minority interests being measured at fair value. Furthermore, the revised standard requires that the acquirer of a subsidiary recognizes the assets acquired and liabilities assumed as a transaction with owners of the business and any difference should be recognized in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The revised IFRS 3 applies for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1st, 2009, while no consolidation adjustments are required for the period before the revised standard will become effective. The interpretation is not applicable to the Board's activities.

- *IFRS 2: "Share-based Payment" – Amendment 2008: Vesting Conditions and Cancellations (effective from January 1st, 2009):*
  This amendment clarifies that only service conditions and performance conditions are vesting conditions, while all other features need to be included in the grant date fair value. The adoption of the aforementioned amendment is not expected to have a significant impact on the Board's financial position.

- *IFRIC 13: "Customer Loyalty Programmes (effective for annual accounting periods beginning on or after July 1st, 2008)"*
  IFRIC 13 is applied on customer loyalty programmes. This Interpretation addresses the accounting by entities that provide their customers with incentives to buy goods or services by providing awards (called 'award credits' in the Interpretation) as part of a sales transaction. IFRIC 13 is applicable to annual periods beginning on or after 1 July 2008. This interpretation is applicable to customer loyalty programmes, nevertheless, its adoption will not have a significant impact on the Board's financial position.

- *Amendments of IAS 27: Consolidated and Separate Financial Statements and IFRS1 First-Time adoption of International Financial Reporting Standards with reference to cost of investments in subsidiaries, joint ventures and associates.*
  This amendment mainly addresses the issue that the cost of investments in subsidiaries, associates and joint ventures, in the standalone financial statements of an entity, is no longer affected by profit distribution formulated prior to the purchase date of these investments. This amendment has also led to changes in IAS 36: «Impairment of Assets», with the addition of indications on the impairment of investments based on the effect on equity due to dividend distribution of such companies to companies that have invested in them. As far as first-time adoption of IFRSs is concerned and in terms of simplifying the process of producing these financial statements, the amendment offers alternative ways for determining the cost of investments in subsidiaries, joint ventures and associates based on the fair value of these investments or their nominal value from previously effective accounting standards. The amendments are not applicable at present for the Board's activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- New standards, amendments, and interpretations effective in 2009 that is not applicable at present on the operations of the Board:

- *IAS 32: Financial Instruments: Presentation and IAS 1: Presentation of Financial Statements – Amendment 2008: Puttable Financial Instruments and Obligations Arising on Liquidation (effective from January 1st, 2009)*
  These amendments address the classifications of some puttable financial instruments as well as instruments or their components that impose to the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. This amendment is not applicable at present for the Board's activities.

- *IAS 39 Revision: Eligible Hedged Items (effective from July 1st, 2009):*
  The amendment to IAS 39 provides guidance on the particular cases in which a hedged risks or segment of cash flows can constitute eligible hedged items in a hedging relationship. The application of the amendment is not expected to affect the Board's financial statements.

- *IFRIC 17: Distribution of Non-Cash Assets to Owners (effective for annual periods commencing on or after 1st July 2009)*
  When an entity announces distribution of non-cash assets to owners, it shall recognize a liability for the distributed dividends. The Interpretation provides guidelines pertaining to when an entity shall recognize dividends payable, how they shall be measured and how it shall account for the difference between the carrying amount of distributed assets and the carrying amount of the dividends paid in case the entity settles dividends payment.

- New standards, amendments and interpretations issued but not yet adopted:

- *IFRIC 18: Transfers of Assets from Customers (effective for annual periods commencing on or after 1st July 2009)*
  IFRIC 18 is aimed at clarifying the requirements of IFRSs pertaining to agreements under which an entity receives from a client a segment of fixed assets (land plots, building facilities or equipment that the entity shall use either when a client constitutes a part of a network or a client shall obtain constant access to provision of goods or services (such as, for instance, provision of electricity or water). The IFRIC is applied mainly to utility entities and is not applicable to the Board's activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *IFRS 9: Financial Instrument (1 January 2013 is the effective date of IFRS 9, with early adoption permitted starting in 2009)*
  On 12 November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting 1 January 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment, and hedge accounting. By the end of 2010, then, IFRS 9 will be a complete replacement for IAS 39.

  IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortized cost and those measured at fair value, depending on the business model but also the characteristics of financial assets. The embedded derivative concept of IAS 39 is not included in IFRS 9. Consequently, embedded derivatives that under IAS 39 would have been separately accounted for at FVTPL because they were not closely related to the financial host asset will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed in their entirety, and the asset as a whole is measured at FVTPL if any of its cash flows do not represent payments of principal and interest. For debt instruments, reclassification is required between FVTPL and amortized cost, or vice versa, if and only if the entity's business model objective for its financial assets changes so its previous model assessment would no longer apply.

c. Functional and presentation currency – Transactions in foreign currency during the year have been converted into Belize dollars, the Board's functional and presentation currency, at the rates prevailing on the date of the transaction. Foreign currency balances outstanding at year end have been converted to Belize dollars at the rate of exchange prevailing at the end of the year. Any gains or losses are recorded in income.

d. Financial instruments – A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalent, investments in associate and equity investments and loans and other receivables. Financial liabilities have been determined to include accounts payable and accruals.

   The Board classifies its investments in debt and equity securities as financial assets or financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Financial instruments (continued) -

(i) Financial assets and liabilities held for trading:

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

(ii) Financial assets and liabilities designated at fair value through profit or loss at inception:

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Board's documented investment strategy. The Board's policy requires the Investment Manager and the Investment Committee to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information. These financial assets and liabilities are expected to be realized within 12 months of the balance sheet date.

Recognition, derecognition and measurement

Regular purchases and sales of investments are recognized on the trade date – the date on which the Board commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Board has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the income statement within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognized in the income statement within dividend income when the Board's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognized in the income statement within interest income based on the effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Financial instruments (continued) -

Fair value estimation

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Board uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Offsetting financial instruments - Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

e. Income recognition –

(i) Contributions are recorded on the cash basis. Accordingly, the Board does not accrue for contributions at December 31, which have not been collected.

(ii) 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.

a. 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:

		2009	2008
(1)	Short term Benefits Branch	**19.25%**	18.75%
(2)	Long term Benefits Branch	**56.25%**	56.25%
(3)	Employment Injury Benefits Branch	**24.50%**	25.00%

(ii) Other income

(1) 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.

(2) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. 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.

g. 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.

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 Fund 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 Fund as a whole.

(iii) Administrative expenses are taken to mean all expenses properly incurred in the administration of the Scheme.

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

h. Investments – Short term investments are stated at the lower of cost or market value. Long term investments are stated at cost less any permanent diminution in investment value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Buildings	50 years
Furniture, fixtures and equipment	10 years
Computers and accessories	5 years
Motor vehicles	4 years

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

j. 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 benefits 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.

k. Securitization – The Board sold portions of the flows from its mortgage investment portfolio. The financial instrument associated with these flows is carried in the financial statements as "restricted mortgages (Note 10)" and are stated at cost less impairment losses. Income derived from these transactions are treated as deferred income and amortized over the term of each agreement-governing disposal of mortgage flows. Where losses are sustained as a result of servicing mortgage portfolios under the securitization programme, such losses are charged directly to income.

3. FINANCIAL RISKS

Financial risk factors

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

The Board's overall risk management programme 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 derivative 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.

3. FINANCIAL RISKS (Continued)

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

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

Market risk

a. Price risk

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

A summary analysis of investments by asset class at December 31, 2009 is presented below:

Investment Mix	% of Total Investment
Term Deposits	39.93
Treasury notes	3.45
Debentures	0.07
Shares	2.02
Investment in Associates	20.13
Private Sector Loans	19.01
Mortgage and Housing	9.70
Real Estate	4.13
Other	1.56
Total	**100.00**

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

b. Foreign exchange risk

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

3. FINANCIAL RISKS (Continued)

c. Cash flow and fair value interest rate risk

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

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

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

d. Credit risk

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

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

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

e. Liquidity risk

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

As a result, the Board may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. At December 31, 2009 and 2008, the Board held no investments that it considered illiquid.

3. FINANCIAL RISKS (Continued)

e. Liquidity risk (continued) -

The Board manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form. At December 31, 2009, current assets exceeded current liabilities by $176,166,337 (2008 - $149,854,938).

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 assets and 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, 2009

	Within 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Total $
Current Assets					
Cash and bank	4,325,808	-	-	-	**4,325,808**
Central Bank of Belize, 6% interest bearing deposit account	25,686,614	-	-	-	**25,686,614**
Short term investments	-	130,276,946	9,500,000	-	**139,776,946**
Investment income receivable	741,850	8,024,589	-	-	**8,766,439**
Accounts receivable and prepayments	12,287	568, 276	545,657	-	**1,126,220**
Total current assets	30,766,559	138,869,811	10,045,657	-	**179,682,027**
Current Liabilities					
Accounts payable and accruals	2,797,495	718,195	-	-	**3,515,690**
Deferred income	-	-	7,927,832	-	**7,927,832**
Commitments and contingencies	68,797	381,076	-	2,724,529	**3,174,402**
Total current liabilities	2,866,292	1,099,271	7,927,832	2,724,529	**14,617,924**
Net liquidity gap, December 31, 2009	**27,900,267**	**137,770,540**	**2,117,825**	**(2,724,529)**	**165,064,103**

f. Operational risk

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

4. 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, 2009	$6,116,104	$23,391,515	$2,841,762	$2,903,548	$6,685,205	$437,485	$188,230	$42,563,849
Additions	415,030	62,230	86,649	180,930	776,215	118,135	663,112	2,302,302
Disposals	-	(446,796)	(3,390)	(979)	(3,455)	(70,229)	-	(524,849)
Transfers	-	314,842	-	148,068	-	-	(462,910)	-
Carried forward, December 31, 2009	6,531,134	23,321,791	2,925,021	3,231,567	7,457,965	485,391	388,432	44,341,302
Accumulated depreciation								
Brought forward, January 1, 2009	-	4,515,820	1,971,619	1,591,285	4,818,052	247,230	-	13,144,006
Additions	-	470,310	227,640	229,103	688,985	95,097	-	1,711,135
Disposals	-	(111,399)	(2,627)	(1,354)	(3,225)	(35,115)	-	(153,720)
Carried forward, December 31, 2009	-	4,874,731	2,196,632	1,819,034	5,503,812	307,214	-	14,701,421
Net book value								
December 31, 2009	**$6,531,134**	**$18,447,060**	**$ 728,390**	**$1,412,533**	**$1,954,153**	**$178,177**	**$388,433**	**$29,639,880**
December 31, 2008	$6,116,104	$18,875,695	$ 870,143	$1,312,263	$1,867,153	$190,255	$188,230	$29,419,843

5. PENSION ASSET

The Board sponsors a defined benefit pension scheme in accordance with a Trust Deed signed by the Board and the Trustees on April 24, 1996, but deemed to have been established under irrevocable trust with effect from January 1, 1991. The scheme is contributory (funded on a bipartite basis by the SSB and the employees. The Board pays fixed contributions into the separate trust which is managed by a Board of Trustees nominated by the employer. These contributions are expensed in the period in which they accrue. The terms of the defined benefit pension scheme define the amount that employees will receive on retirement. These amounts are dependent on factors such as age, years of service and compensation, and are determined independently of the contributions payable or the investments of the scheme.), and past services are recognized as from January 1, 1991.

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

The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives, where these amounts represent an excess over the 10% corridor.

5. PENSION ASSETS (Continued)

The Board's adoption of IAS 19 and IFRIC 14, IAS 19, effective January 1, 2009, herein referred to as the transition date, resulted in the recognition of a pension asset, based on a formal actuarial valuation was carried out as at December 31, 2008. It is noted that, as per IAS-19, paragraph 155(a), an immediate recognition of the surplus is recommended, rather than the gradual recognition set forth in paragraph 155(b).

On a going-concern basis and taking into consideration projected salaries at retirement rather than static salaries, the funded status is as follows, as at December 31, 2009:

Funded Status	**2009**
Projected benefit obligation	**$(3,634,934)** [a/]
Net Assets	**6,359,463** [b/]
Unfunded (Liability) or Pre-paid Surplus	**$ 2,724,529**

[a/] Projected
[b/] Unaudited

Changes in Benefit Obligations and Net Assets

The changes in benefit obligations are as follows:

Change in Projected Obligations	**2009**
Projected benefit obligation at January 1	**$3,365,097**
Service Cost	**218,961**
Interest Cost	**200,255**
Benefits and expenses	**(234,728)**
Actuarial (gain) loss – obligations	**85,349**
Projected benefit obligation at December 31	**$3,634,934**
Change in Plan Assets	
Assets at December 31	**$5,700,476**
Expected return on assets	**490,570**
Contributions	**354,760**
Benefit Payments	**(234,728)**
Actuarial gain (loss)- assets	**48,385**
Assets at December 31	**6,359,463**
Consolidated gain (loss)	**$2,724,529**

Liability (Surplus) to be recognized in the Balance Sheet

	December 31, 2009
Present Value of the obligation	**$ 3,634,934**
Fair value of plan assets	**(6,359,463)**
Net obligations (surplus)	**(2,724,529)**
Unrecognized past service cost	**-**
Unrecognized actuarial gain	**-**
Liability to be recognized (surplus)	**$(2,724,529)**

6. SHORT TERM INVESTMENTS

	2009	2008
Term deposits	**$121,709,411**	$105,837,546
Citrus Growers Association crop loan	**7,755,535**	7,859,852
GOB treasury notes	**10,500,000**	-
	139,964,946	$113,697,398
Provision – Small Farmers & Business Bank	**(188,000)**	-
	$139,776,946	$113,697,398

7. INVESTMENTS INCOME RECEIVABLE

	2009	2008
Sunshine Holdings Limited (See note 16ii)	**$3,639,863**	$2,789,863
Other loans and mortgage portfolios	**726,320**	930,765
Certificate of deposits	**4,384,726**	1,864,283
Savings account	**15,530**	10,435
	$8,766,439	$5,595,346

8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2009	2008
Accounts receivable	**$ 237,213**	$ 242,104
Prepayments and other assets	**968,036**	802,752
Belize National Building Society	**3,000,000**	3,000,000
* GOB – returned mortgages	**-**	257,162
Accounts receivable – mortgages	**873,864**	835,813
	5,079,113	5,137,831
Less: Provisions for loss on investments	**(4,022,813)**	(3,632,463)
	$1,056,300	$1,505,368

* In February 2008, the Board with GOB's approval set-off $1,638,326 of this receivable against amount owing to GOB under the securitization program, leaving a balance of $213,936. The account also includes $43,226 which represents insurance payments held in escrow. The outstanding balance of $257,162 was settled on July 1, 2009.

9. INVESTMENT IN ASSOCIATE

	2009	2008
Belize Electricity Limited 26.92%		
Balance, beginning of year	**$58,855,793**	$62,795,227
Income(loss) from associate	**2,394,304**	(2,917,532)
Dividend received from associate	**-**	(1,021,902)
Balance, end of year	**$61,250,097**	$58,855,793

On June 26, 2008, the Public Utilities Commission (PUC) issued a Final Decision for the 2008 Annual Review Proceeding for Belize Electricity Limited (BEL). As a result of this decision, BEL recorded a $36.2 million contingent liability and corresponding expense in 2008. Consequently, BEL incurred a net loss of $10.8 million for the year. BEL is legally challenging the PUC's Final Decision in the Supreme Court. If judgment is passed in BEL's favor, the Board will realize an income from associate of $6.8 million for 2008.

Additionally, in order to be in compliance with one of its loan covenants, the Board of Directors of BEL passed a resolution in 2008 to suspend the payment of dividends to its shareholders, until its debt service coverage ratio improves.

10. LONG TERM INVESTMENT

	2009	2008
Shares	**$ 6,152,490**	$ 6,152,490
Private sector loans	**50,101,126**	54,059,563
Mortgages	**19,597,416**	23,522,651
Restricted mortgages	**9,930,122**	10,082,873
Real estate	**12,575,338**	12,938,751
Government of Belize loan	**4,753,927**	5,474,718
Debentures	**200,000**	200,000
	$103,310,419	$112,431,046

At December 31, 2009, non-performing investments amounted to 4.81 % of total long and short term investments (December 31, 2008 – 5.27%). Under the Board's mortgage securitization programme, interest earned on restricted mortgages does not accrue to the Board.

Mortgages received from the Ministry of Housing at December 31, 2009 amounted to $14,085,509 (December 31, 2008 - $15,472,580).

11. ACCOUNTS PAYABLE AND ACCRUALS

	2009	2008
Mortgage securitization programme	**$ 826,885**	$3,528,222
Benefits payable	**786,706**	1,762,271
Accrued expenses and other liabilities	**1,902,099**	1,930,177
	$3,515,690	$7,220,670

12. NET INVESTMENT INCOME

	2009	2008
Long and short term investments income	**$20,050,537**	$20,320,842
(Loss) income from associates	**2,394,304**	(2,917,532)
Mortgage securitization programme	**639,351**	269,891
Investment expenses	**(909,048)**	(577,692)
Provision for (loss) gain on investments	**(859,851)**	1,202,731
	$21,315,293	$18,298,240

13. OTHER INCOME

	2009	2008
Interest on late contributions	**$605,312**	$ 566,654
Interest on staff advances	**82,873**	403,973
Rental income	**127,650**	97,900
Loss on disposal of fixed assets	**(267,749)**	(12,375)
Others	**148,871**	534,239
	$696,957	$1,590,391

14. ADMINISTRATION EXPENSES

	2009	2008
Actuarial expenses	**$ 88,865**	$ 132,827
Appeals Tribunal expenses	**26,670**	18,714
Audit fee	**75,116**	95,150
Bad debt	**-**	59,061
Board expenses	**148,064**	296,370
Cleaning and sanitation	**282,694**	306,464
Committees expense	**124,542**	127,120
Compliance project	**39,781**	11,586
Contribution project	**219,229**	141,076
Depreciation	**1,240,825**	1,262,284
Insurance	**108,405**	117,510
Legal and professional fees	**147,029**	251,667
Medical and group health insurance	**307,846**	278,601
Motor vehicle expenses	**46,631**	54,002
Overseas conference	**90,665**	73,506
Pension contribution and expenses	**214,204**	202,030
Postage	**47,844**	42,119
Premises repairs and maintenance	**457,436**	404,181
Printing, stationery and supplies	**1,095,568**	1,277,683
Publicity and promotion	**516,322**	1,017,534
Recruitment	**3,781**	17,721
Registration expenses	**127,822**	-
Salaries	**9,373,364**	9,756,617
Security	**899,050**	857,639
Social security contributions	**271,434**	268,000
Subscriptions	**13,260**	44,766
Sundries	**66**	230
Telephones and cables	**638,982**	636,334
Training	**292,033**	201,448
Transfer and other allowances	**1,374,442**	1,156,034
Traveling and subsistence	**788,014**	800,667
	$19,059,984	$19,908,941

15. ESTABLISHMENT EXPENSES

	2009	2008
Light, power and water	**$ 559,556**	$ 547,009
Depreciation	**470,310**	462,694
Rent	**78,370**	74,055
	$1,108,236	$1,083,758

16. 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. Under the Administrative Agreement, the monthly commitment is paid to DFC, for further payment to RMB, and shall remain in force until April 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 $293,640 to GOB. The Board's responsibility under the new agreement will continue until April 30, 2013.

Mortgage Securitization – Tranche B

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

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

16. COMMITMENTS AND CONTINGENCIES (Continued)

Mortgage Securitization – Tranche C and D

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

Other Securitization

In January 2000, the Board entered into an agreement for the Assignment of Mortgages. The agreement is between the Board, the SJNBS, and the Provident Bank and Trust of Belize Limited (PBT). The amount of mortgages assigned is $1,778,706 and originated from the SJNBS. Under this agreement, the Board is a facilitator of the process. Payments originate from SJNBS to the Board for further payment to PBT. In a default scenario by SJNBS, the Board is not responsible for payment.

North American Securitization

On April 1, 2002, the Board participated in an issue of Mortgage Loan Collateralized Bonds. Under this agreement, the Board sold a total of $16,358,586 worth of its mortgages to the DFC. The Board also facilitated the sale of SJNBS mortgages amounting to $17,500,000 to the DFC. The DFC sold those mortgages to the Belize Mortgage Company 2002-1 (BMC). The BMC issued mortgage Collateralized Bonds to investors in the North American Market. The bonds are collateralized by and payable from the assets of BMC, which include loans secured by mortgage on real property originated by the DFC (including the mortgages bought from the Board and facilitated mortgages from SJNBS). The Board continues to service the mortgages sold to DFC and is responsible for making monthly and quarterly payments on behalf of the Board's mortgages. The Board forwards payments received from SJNBS for facilitated SJNBS's mortgages to DFC. Under a default scenario the Board is responsible to effect payment to DFC.

Under the issuance of the collateralized Bonds, a pre-funding account, trustee reserve fund, insurance premium reserve fund account, debt service reserve fund account, and a liquidity reserve fund account were established. The Board participates in the reserves for a total of 12.5%. The DFC has signed a promissory note in favor of the Board that at the end of ten years the residual value of the mortgages it sold to DFC and the remainder of the reserve fund will revert to the Board.

16. COMMITMENTS AND CONTINGENCIES (Continued)

By letter dated February 6, 2006, GOB released and discharged the Board from all claims and liabilities which may be made against the Board in relation to mortgages assigned to the Board by SJNBS and which was subsequently securitized with RMB (Tranche C & D) and BMC (North American Securitization).

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 07 December 2009, and Gazetted on 12 December 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 13 October 2009, the Social Security Board filed a claim with the Financial Secretary, Ministry of Finance, indicating that "Pursuant to Belize Gazette Notice 529, dated 27th August 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 19th September 2005."

iii. Litigations

<u>Supreme Court Claim No. 771 of 2009 Amanda Mazareigos vs. Social Security Board</u>

The claimant filed a claim against SSB for permission to appeal a decision of the Appeal Tribunal dated July 7, 2009 to assess permanent partial disability at 7%, which was granted. The claimant is seeking an increase in the assessment.

Magistrate Court proceedings

<u>Social Security Board vs. Support Services of Belize Limited</u>

SSB is claiming the sum of $23,649.80. Preliminary objections to the proceedings by the defendant have been overcome and the matter is set for trial May 28, 2010. Legal Counsel is of the opinion that SSB is in a good position to successfully defend this claim.

<u>Social Security Board vs. Bel Cruise Limited</u>

SSB obtained judgment on May 17, 2010 in the amount of $26,827.20 to be paid within seven (7) days of the date of judgment and in default distress. Legal Counsel has communicated with debtor and is expecting settlement of said sum.

16. COMMITMENTS AND CONTINGENCIES (Continued)

Social Security Board vs. HL's Limited

SSB claimed the sum of $22,154.63. Judgment was granted and HL's Limited was ordered to pay the sum owed in thirty (30) days and in default distress. HL's Limited has filed for bankruptcy and SSB is making representations in these proceedings to enforce the judgment debt.

Social Security Board vs. National Transport Services Limited

SSB claimed the sum of $47,834.20. The defendant agreed to the amount owed and agreed to pay $3,000 per month until the debt is settled.

Social Security Board vs. Arlo Bodden

SSB is claiming the amount of $20,304.80. The matter is set for trial on May 28, 2010. Legal Counsel's preliminary assessments are that the prospect of success is high and the chances of recovery are good.

Social Security Board vs. SEL (Sanitation Enterprise Limited)

SSB claimed and won a judgment of $70,563.78 on June 1, 2009. The matter is under appeal to the Supreme Court, pending a hearing date. Counsel is of the opinion that there is the potential for the sums would be lost on the basis that SEL has no assets at this point in time.

Social Security Board vs. Banana Enterprise Limited

SSB claimed and won a judgment for $31,836.40 on January 14, 2010. BEL was ordered to pay the outstanding sum by January 31, 2010 and in default distress. BEL has appealed the decision in the Supreme Court.

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To the Board of Directors of
SOCIAL SECURITY BOARD:

SUPPLEMENTARY AUDIT REPORT

Our report on the examinations of the financial statement of the Social Security Board as of December 31, 2009 appears on page 1 and 2. These examinations were made primarily for the purpose of expressing an opinion on the financial statements taken as whole. The supplementary information accompanying the financial statements is not necessary for fair presentation of the financial statements of the financial position or results of operations in accordance with International Financial Reporting Standards. The supplementary information is presented in accordance with Sections 13 and 21 of S.I. No. 86 of 1980, Social Security (Financial and Accounting) Regulations, 1980. The supplementary information has been subjected to the auditing procedures applied in the examinations of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Castillo Sanchez & Burrell LLP

Chartered Accountants
April 8, 2010

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – SHORT TERM BENEFITS BRANCH
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
INCOME		
Contributions:	**$11,528,093**	$10,796,637
Employers and employed persons	**11,528,093**	10,796,637
Total contributions		
Other income:		
Net investment income	**844,220**	146,367
Others	**232,319**	530,130
Total other income	**1,076,539**	676,497
TOTAL INCOME	**$12,604,632**	$11,473,134
EXPENDITURES		
Benefits:		
Maternity	**$ 3,202,276**	$ 3,085,314
Sickness	**6,550,537**	5,954,169
Maternity grants	**1,072,671**	1,059,728
Total benefits	**10,825,484**	10,099,211
Operating expenses:		
Administration	**4,095,641**	4,098,876
Establishment	**369,412**	361,253
Financial	**8,562**	8,210
Total operating expenses	**4,473,615**	4,468,339
TOTAL EXPENDITURE	**15,299,099**	14,567,550
EXCESS EXPENDITURES OVER INCOME	**$ (2,694,467)**	$ (3,094,416)

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – LONG TERM BENEFITS BRANCH
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
INCOME		
Contributions:		
Employers and employed persons	**$33,685,986**	$32,389,912
Total contributions	**33,685,986**	32,389,912
Other income:		
Net investment income	**16,411,683**	14,116,908
Others	**232,319**	530,130
Total other income	**16,644,002**	14,647,038
TOTAL INCOME	**$50,329,988**	$47,036,950
EXPENDITURES		
Benefits:		
Retirement	**$13,065,933**	$11,908,989
Invalidity	**2,087,560**	2,032,367
Survivors	**3,661,039**	3,711,728
Funeral	**897,465**	835,367
Non-contributory pension	**4,702,520**	4,934,460
Total benefits	**24,414,517**	23,422,911
Operating expenses:		
Administration	**10,645,221**	10,948,099
Establishment	**369,412**	361,253
Financial	**8,562**	8,210
Total operating expenses	**11,023,195**	11,317,562
TOTAL EXPENDITURES	**35,437,712**	34,740,473
EXCESS OF INCOME OVER EXPENDITURES	**$14,892,276**	$12,296,477

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – EMPLOYMENT INJURY BENEFITS BRANCH YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
INCOME		
Contributions:		
Employers and employed persons	**$14,672,118**	$14,395,516
Total contributions	**14,672,118**	14,395,516
Other income:		
Net investment income	**3,084,050**	3,182,758
Others	**232,319**	530,130
Total other income	**3,316,369**	3,712,888
TOTAL INCOME	**$17,988,487**	$18,108,404
EXPENDITURES		
Benefits:		
National Health Insurance fund	**$ -**	$ -
Disablement grants	**543,787**	493,271
APV disablement benefits	**1,107,688**	1,019,310
APV death benefits	**433,777**	500,956
Employment injury	**3,030,517**	3,812,618
Funeral grants	**10,500**	9,000
Total benefits	**5,126,269**	5,835,155
Operating expenses:		
Administration	**3,627,478**	3,968,395
Establishment	**369,412**	361,252
Financial	**8,562**	8,209
Total operating expenses	**4,005,452**	4,337,856
TOTAL EXPENDITURES	**9,131,721**	10,173,011
EXCESS OF INCOME OVER EXPENDITURES	**$ 8,856,766**	$ 7,935,393

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES – DISABLEMENT AND DEATH BENEFITS RESERVES YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
INCOME		
Contributions:		
APV disablement benefits	**$1,107,688**	$1,019,310
APV death benefits	**433,777**	500,956
Total contributions	**1,541,465**	1,520,266
Net investment income	**975,340**	852,207
TOTAL INCOME	**$2,516,805**	$2,372,473
EXPENDITURES		
Benefits:		
Disablement pension	**$1,235,667**	$1,244,907
Death benefits	**638,758**	631,115
TOTAL EXPENDITURES	**1,874,425**	1,876,022
EXCESS OF INCOME OVER EXPENDITURES	**$ 642,380**	$ 496,451

SOCIAL SECURITY BOARD

**STATEMENTS OF INCOME AND EXPENDITURES –
NATIONAL HEALTH INSURANCE FUND
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
INCOME		
Contributions:		
Social Security Board,		
Employment Injury Benefits Branch	**$ -**	$ -
Government of Belize	**12,754,140**	4,885,260
Total contributions	**$12,754,140**	$ 4,885,260
EXPENDITURES		
Benefits:		
National health insurance benefits	**$11,085,853**	$ 9,386,111
Total benefits	**11,085,853**	9,386,111
Operating expenses:		
Administration	**691,644**	893,570
Total operating expenses	**691,644**	893,570
TOTAL EXPENDITURES	**11,777,497**	10,279,681
EXCESS OF INCOME OVER (EXPENDITURES)	**$ 976,643**	$ (5,394,421)

SOCIAL SECURITY BOARD

INVESTMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

SHORT TERM INVESTMENTS	2009	2008
TERM DEPOSITS		
Alliance Bank Limited		
9.0% maturing December 17, 2010	**$ 3,630,000**	$ -
9.0% maturing February 6, 2010	**2,231,081**	-
9.0% maturing February 15, 2010	**1,169,710**	-
9.0% maturing March 5, 2010	**1,500,000**	-
9.0% maturing March 13, 2010	**1,636,066**	-
9.0% maturing March 30, 2010	**1,684,543**	-
9.0% maturing March 30, 2010	**2,926,789**	-
9.0% maturing April 13, 2010	**963,076**	-
9.0% maturing April 13, 2010	**1,218,032**	-
9.0% maturing May 13, 2010	**1,637,649**	-
9.0% maturing May 20, 2010	**1,486,027**	-
9.0% maturing May 20, 2010	**2,000,000**	-
9.0% maturing September 25, 2010	**2,000,000**	-
9.0% maturing June 12, 2010	**2,000,000**	-
9.0% maturing December 14, 2010	**2,227,176**	-
9.5% maturing January 8, 2009	**-**	932,770
9.0% maturing February 16, 2009	**-**	1,500,000
9.0% maturing February 23, 2009	**-**	1,361,123
9.5% maturing March 26, 2009	**-**	1,185,047
9.5% maturing March 27, 2009	**-**	1,644,702
9.5% maturing March 29, 2009	**-**	2,859,055
9.5% maturing December 17, 2009	**-**	3,000,000
Scotiabank (Belize) Ltd.		
9.5% maturing January 1, 2010	**1,189,444**	-
9.25% maturing January 28, 2010	**1,500,000**	-
8.0% maturing October 21, 2010	**2,983,891**	-
8.0% maturing November 8, 2010	**2,997,563**	-
7.5% maturing November 30, 2010	**2,731,250**	-
9.25% maturing February 17, 2009	**-**	2,500,000
9.0% maturing April 15, 2009	**-**	1,500,000
9.0% maturing May 19, 2009	**-**	2,089,260
9.25% maturing October 21, 2009	**-**	2,731,250
9.5% maturing November 6, 2009	**-**	2,737,500
9.5% maturing November 30, 2009	**-**	2,731,250
9.5% maturing December 14, 2009	**-**	3,858,600
9.5% maturing January 1, 2010	**-**	1,189,444

SOCIAL SECURITY BOARD

INVESTMENTS CONTINUED
YEARS ENDED DECEMBER 31, 2009 AND 2008

		2009		2008
TERM DEPOSITS (CONTINUED)				
First Caribbean International Bank				
8.0% maturing January 4, 2010	**$**	**3,409,397**	$	-
8.0% maturing May 10, 2010		**2,957,736**		-
8.0% maturing May 13, 2010		**2,905,333**		-
7.75% maturing June 1,		**1,500,000**		-
8.0% maturing June 15, 2010		**2,284,512**		-
8.5% maturing January 9, 2009		**-**		3,141,288
8.75% maturing February 2, 2009		**-**		2,090,760
8.75% maturing February 12, 2009		**-**		2,718,624
8.5% maturing February 16, 2009		**-**		2,672,088
8.5% maturing February 22, 2009		**-**		1,095,136
8.5% maturing March 11, 2009		**-**		1,602,480
8.5% maturing June 15, 2009		**-**		2,191,623
Belize Bank Limited				
9.95% maturing February 8, 2010		**3,159,435**		-
9.95% maturing February 8, 2010		**2,816,722**		-
9.95% maturing March 10, 2010		**1,834,900**		-
9.95% maturing March 16, 2010		**6,019,471**		-
9.95% maturing March 24, 2010		**2,410,184**		-
9.00% maturing March 30, 2010		**1,500,000**		-
8.5% maturing May 3, 2010		**206,754**		-
9.95$ maturing May 11, 2010		**3,620,844**		-
9.95% maturing May 11,2010		**3,620,844**		-
7.50% maturing August 10, 2009		**5,000,000**		-
9.0% maturing June 21, 2010		**2,000,000**		-
6.25% maturing January 5, 2009		**-**		191,063
9.7% maturing January 30, 2009		**-**		2,683,184
9.7% maturing February 2, 2009		**-**		3,011,259
9.7% maturing February 9, 2009		**-**		3,451,029
9.7% maturing February 9, 2009		**-**		3,451,029
9.8% maturing March 9, 2009		**-**		1,748,966
9.8% maturing March 16, 2009		**-**		5,739,029
9.8% maturing March 24, 2009		**-**		2,297,895
7.5% maturing August 10, 2009		**-**		5,000,000
Atlantic Bank Limited				
8.25% maturing December 11, 2010		**518,624**		
8.25% maturing June 24, 2010		**1,090,716**		
8.5% maturing February 18, 2010		**2,011,330**		
8.75% maturing August 24, 2010		**2,784,316**		
8.75% maturing August 25, 2010		**1,166,245**		
8.5% maturing September 23, 2010		**2,504,171**		
8.5% maturing September 24, 2010		**4,452,392**		

SOCIAL SECURITY BOARD

INVESTMENTS CONTINUED
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
TERM DEPOSITS (CONTINUED)		
Atlantic Bank Limited (continued)		
8.5% maturing September 25, 2010	**$ 4,441,303**	$ -
8.5% maturing October 1, 2010	**2,511,654**	-
8.5% maturing October 13, 2010	**1,628,723**	-
8.5% maturing October 24, 2010	**5,000,000**	-
8.5% maturing October 30, 2010	**2,194,513**	-
8.5% maturing November 6, 2010	**4,506,413**	-
9.5% maturing February 5, 2009	**-**	4,401,869
9.5% maturing February 12, 2009	**-**	1,963,657
9.0% maturing March 18, 2009	**-**	4,154,236
9% maturing March 19, 2009	**-**	3,600,000
9.5% maturing March 21, 2009	**-**	2,190,000
9.5% maturing March 24, 2009	**-**	2,305,128
9.25% maturing March 30, 2009	**-**	2,300,000
9.5% maturing April 25, 2009	**-**	5,000,000
9.5% maturing April 30, 2009	**-**	2,194,512
8.75% maturing June 24, 2009	**-**	1,046,250
9.0% maturing December 11, 2009	**-**	476,440
Small Farmers Business Bank Limited		
7.5% maturing April 18, 2009	**940,585**	-
7.5% maturing January 15, 2009	**-**	1,000,000
Less: provision	**(188,000)**	-
	752,585	1,000,000
St. John's Credit Union Ltd.		
7.75% maturing December 2, 2010	**1,000,000**	-
Citrus Growers Association Crop loan @ 10% interest	**7,755,535**	7,859,852
TOTAL	**129,276,946**	113,697,398
TREASURY NOTES		
Government of Belize		
7% maturing June 10, 2010	**1,000,000**	-
9% maturing July 31, 2011	**1,500,000**	-
9.0% maturing July 31, 2011	**5,000,000**	-
9.0% maturing July 31, 2011	**3,000,000**	-
	10,500,000	-
TOTAL SHORT TERM INVESTMENTS	**139,776,946**	113,697,398

SOCIAL SECURITY BOARD

INVESTMENTS CONTINUED
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
INVESTMENT IN ASSOCIATES		
Belize Electricity Limited 18,580,028 ordinary shares, BZ$ 2 par value	**$ 61,250,097**	$ 58,855,793
	61,250,097	58,855,793
DEBENTURES		
Belize Electricity Limited 10% debentures maturing July 31, 2022	**200,000**	200,000
	200,000	200,000
SHARES		
Belize Water Services Limited 4,000,000 shares, BZ$1.50 par value	**6,000,000**	6,000,000
Atlantic Bank Limited 1,014 shares, BZ$100 par value	**152,490**	152,490
	6,152,490	6,152,490
PRIVATE SECTOR LOANS		
Development Finance Corporation 12 years loan @ 8.5% interest	**641,399**	1,578,516
Development Finance Corporation 20 years loan @ 8% interest	**641,399**	1,493,450
Belize Odyssey Limited 12 years loan @ 12% interest	**1,749,478**	1,749,478
St. James National Building Society Ltd. 5 years loan @ 9.5% interest	**-**	619,447
Sunshine Holdings Limited 15 years loan @ 8.5% interest	**10,000,000**	10,000,000

SOCIAL SECURITY BOARD

INVESTMENTS CONTINUED
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Belize Water Services Limited		
17 years loan @ 8.5% interest	**$ 22,000,000**	$ 22,000,000
Belize Elementary School		
15 years loan @ 8.5% interest	**339,213**	381,146
Urbina Brothers		
5 ½ years loan @ 12% interest	**31,728**	33,758
Peter Guenter		
3 years loan @ 12% interest	**24,163**	32,054
Banana Growers Association		
8 years loan @ 9% interest	**6,627,341**	7,334,658
3 years loan @ 10% interest	**-**	-
5 years loan @ 9% interest	**-**	-
Belize Airport Authority		
10 years loan @ 8.5% interest	**-**	292,648
Citrus Growers Association		
15 years loan @ 8.5% interest	**1,612,613**	1,612,613
Border Management Agency		
10 years loan @ 8.5% interest	**4,219,330**	4,068,821
Toledo Fish Farming Company Limited		
3 years loan @ 10% interest	**542,000**	542,000
Belize Cane Farmers Association		
4 years loan @ 10% interest	**1,188,351**	1,552,975
4 years loan @ 10% interest	**1,132,851**	1,583,514
Atlantic Bank Limited		
3 years loan @ 8.5% interest	**600,360**	1,001,595
YWCA		
5 year loan @ 7.5% interest	**22,900**	36,500
CGA Workers Union		
5 years loan @ 8.5% interest	**-**	40,836
	51,373,126	55,954,009
Less: Provision for loss on investments	**(1,272,000)**	(1,894,446)
	50,101,126	54,059,563

SOCIAL SECURITY BOARD

INVESTMENTS CONTINUED
YEARS ENDED DECEMBER 31, 2009 AND 2008

		2009		2008
MORTGAGES AND HOUSING				
Development Finance Corporation				
20 years loan @ 6% interest	**$**	**387,089**	$	422,914
Fresh Pond Mortgages				
20 years loans @ 8% to 8.5% interest		**773,294**		892,417
Housing/RECONDEV Mortgages				
10 to 20 years mortgages @ 8% to 12% interest		**13,744,211**		14,948,204
RECONDEV				
30 years loan @ 8% interest		**579,909**		602,537
Civil Service Credit Union Limited				
20 years loan @ 9% interest		**213,853**		250,120
15 years loan @ 8.5% interest		**1,336,838**		1,353,403
St. Martin's Credit Union				
10 years loan @ 8.5% interest		**598,324**		697,639
20 years loan @ 9% interest		**242,521**		273,735
12 years loan @ 8.5% interest		**251,347**		362,031
St. John's Credit Union Limited				
15 years loan @ 8.5% interest		**542,621**		1,084,207
St. Francis Xavier Credit Union Limited				
10 years loans @ 8.5% interest		**38,898**		257,612
Belize National Teachers Union				
20 years loans @ 10% interest		**227,705**		240,035
BNBS Assigned Mortgages				
20 years loans @ 10 – 12% interest		**2,525,086**	$	2,435,049
Housing Mortgages – BNBS:				
District and Secondary, 10 – 20 years loans @ 12% interest		**2,682,790**		3,240,357
Vista Del Mar Project:				
Secondary mortgages, 20 years @ 12%		**856,492**		1,049,899
Police housing loans, 20 years @ 12%		**86,621**		91,220
Belize Defense Force loans, 20 years @ 12%		**206,212**		214,284
Teachers' general loans, 20 years @ 12%		**52,254**		66,874

INVESTMENTS CONTINUED
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
MORTGAGES AND HOUSING (CONTINUED)		
P.S.U. Housing Scheme		
Middle income, 20 years loans @ 12%	**$ 1,768,106**	$ 2,143,809
Housing, 20 years loans @ 12%	**375,685**	421,924
St. James National Building Society Ltd.		
Assigned mortgages, 5 – 20 years loan @ 10 – 12% interest	**1,678,582**	1,887,352
Staff housing and other mortgage loans		
10 – 20 years @ 8% interest	**3,753,088**	3,726,687
Previous staff housing loans		
10 – 20 years @ 8% interest	**1,101,611**	1,049,215
	34,023,138	37,711,524
Less: provisions for loss on investment	**(4,495,600)**	(4,106,000)
	29,527,538	33,605,524
REAL ESTATE		
Vista Del Mar Housing Project		
Remaining lots acquired from Vista Del Mar Development Company Ltd.	**742,304**	778,304
San Pedro, Ambergris Caye		
Lots acquired from Sunset Cove Ltd.	**-**	7,413
Dinger Enterprise Limited		
Cottage Colony property	**-**	320,000
Homeland Development Limited		
1,198 plots of land	**1,196,800**	1,196,800
San Pedro, Ambergris Caye		
3,491 acres land	**10,636,233**	10,636,234
	12,575,337	12,938,751
OTHER LOANS		
Government of Belize		
9 years loan @ 7.5% interest	**4,753,927**	5,474,718
	4,753,927	5,474,718
TOTAL INVESTMENTS	**$304,337,462**	$284,984,237

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