

SOCIAL SECURITY BOARD

REPORT ON EXAMINATIONS OF FINANCIAL STATEMENTS
for the years ended December 31, 2006 and 2005

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AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF
SOCIAL SECURITY BOARD

I have audited the accompanying balance sheets of Social Security Board as of December 31, 2006 and 2005 and the related combined statements of income and expenditures, changes in reserves and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with International Standards on Auditing. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Social Security Board as of December 31, 2006 and 2005 and of the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Belize City, Belize
April 30, 2007

SOCIAL SECURITY BOARD

BALANCE SHEETS

December 31, 2006 and 2005

	2006	2005
ASSETS		
Current assets:		
Cash and bank	\$ 14,449,727	\$ 8,431,317
Central Bank of Belize, 6% interest bearing deposit account	32,584,102	14,059,754
Short-term investments (Note 4)	54,494,480	69,954,228
Investment income receivable (Note 5)	2,207,984	6,908,297
Accounts receivable and prepayments (Note 6)	3,128,436	2,955,625
Total current assets	106,864,729	102,309,221
Advances to employees	1,207,462	1,185,894
Fixed assets, net (Notes 2a and 3)	27,068,096	25,187,300
Investment in associates (Note 7)	58,843,862	34,781,874
Long-term investments (Notes 2g and 8)	138,978,934	150,082,458
Total assets	\$332,963,083	\$313,546,747
LIABILITIES AND RESERVES		
Current liabilities:		
Accounts payable & accruals (Note 9)	\$ 6,110,735	\$ 5,613,545
Total current liabilities	6,110,735	5,613,545
Deferred income (Note 2i)	14,566,182	16,778,966
Commitments and contingencies (Note 14)	-	-
Reserves:		
Short-term benefits branch	5,955,693	8,313,452
Long-term benefits branch	231,816,830	214,501,736
Employment injury benefits branch	53,718,550	48,344,716
Disability & death benefits reserve	14,455,407	14,764,902
National health insurance fund	5,970,869	5,000,000
Natural disaster fund	400,000	200,000
Social development account	(31,183)	29,430
Total liabilities and reserves	312,286,166	291,154,236
	\$332,963,083	\$313,546,747

Chairman

Director

The accompanying notes are an integral
part of the financial statements.

SOCIAL SECURITY BOARD

COMBINED STATEMENTS OF INCOME AND EXPENDITURES

for the years ended December 31, 2006 and 2005

	2006	2005
INCOME		
Contributions:		
Employers and employed persons	\$50,160,260	\$50,327,886
Total contributions	<hr/> 50,160,260	<hr/> 50,327,886
Other income:		
Net investment income (Note 10)	19,782,380	13,099,456
Other income (Note 12)	2,243,746	1,898,481
Total other income	<hr/> 22,026,126	<hr/> 14,997,937
Total income	<hr/> 72,186,386	<hr/> 65,325,823
EXPENDITURES		
Benefits:		
Short-term benefits branch	8,032,219	7,912,055
Long-term benefits branch	16,532,228	14,543,802
Employment injury benefits branch	2,333,327	2,276,397
Disablement and death benefits	1,643,509	1,654,964
National health insurance benefits	3,281,514	4,904,818
Total benefits	<hr/> 31,822,797	<hr/> 31,292,036
Operating Expenses:		
Administration (Note 11)	17,349,897	14,564,655
Establishment (Note 13)	1,046,256	799,102
Financial	17,506	15,100
Total operating expenses	<hr/> 18,413,659	<hr/> 15,378,857
Total expenditures	<hr/> 50,236,456	<hr/> 46,670,893
Excess of income over expenditures	<hr/> \$21,949,930	<hr/> \$18,654,930

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The accompanying notes are an integral part of the financial statements.

SOCIAL SECURITY BOARD
STATEMENTS OF CHANGES IN RESERVES
For the years ended December 31, 2006 and 2005

	2006	2006	2006	2006	2006	2006	2006	2006
	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	Total
Balance at January 1, 2006	\$ 8,313,452	\$214,501,736	\$48,344,716	\$14,764,902	\$5,000,000	\$200,000	\$ 29,430	\$291,154,236
Transfer to Social Development Account and Assistance Fund	(957,387)	-	-	-	-	-	957,387	-
Transfer to Natural Disaster Fund	-	-	-	-	-	200,000	(200,000)	-
Social Development Account and Assistance Fund Expenditures	-	-	-	-	-	-	(818,000)	(818,000)
Transfer to National Health Insurance Fund	-	-	(5,000,000)	-	5,000,000	-	-	-
Excess of (expenditures over income) income over expenditures	(1,400,372)	17,315,094	10,373,834	(309,495)	(4,029,131)	-	-	21,949,930
Balance at December 31, 2006	\$ 5,955,693	\$231,816,830	\$53,718,550	\$14,455,407	\$5,970,869	\$400,000	\$ (31,183)	\$312,286,166
Balance at December 31, 2005	<u>\$ 8,313,452</u>	<u>\$214,501,736</u>	<u>\$48,344,716</u>	<u>\$14,764,902</u>	<u>\$5,000,000</u>	<u>\$200,000</u>	<u>\$ 29,430</u>	<u>\$291,154,236</u>

The accompanying notes are an integral part of the financial statements.

SOCIAL SECURITY BOARD

STATEMENTS OF CASH FLOWS

for the years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Excess of income over expenditures	\$21,949,930	\$18,654,930
Adjustments to reconcile excess of income over expenditures to net cash provided by operating activities:		
Depreciation	1,638,294	1,663,078
Income from associates	(7,021,448)	(5,004,813)
Amortization of deferred income	(2,212,784)	(2,212,783)
Provision for loss on investments	1,261,859	5,242,000
Changes in current assets and liabilities		
Decrease (increase) in investment income receivable	4,700,313	(1,489,443)
(increase) decrease in accounts receivable and prepayments	(172,811)	576,980
(Accruals) in employees' advances	(21,568)	(41,992)
(Decrease) increase in accounts payable and accruals	497,190	2,222,929
Total adjustments	(1,330,955)	955,956
Net cash provided by operations	20,618,975	19,610,886
Cash flows from investing activities:		
Decrease in long and short-term investments	25,301,413	3,086,604
Purchase of share in associate	(18,248,242)	-
Dividends received from associate	1,207,702	-
Net additions to fixed assets	(3,519,090)	(5,663,321)
Net cash provided by (used in) investing activities	4,741,783	(2,576,717)
Cash flows from financing activities:		
Social Development Fund disbursements	(818,000)	(1,081,386)
Net cash (used in) financing activities	(818,000)	(1,081,386)
Net increase in cash and bank	24,542,758	15,952,783
Cash and bank, beginning of year	22,491,071	6,538,288
Cash and bank, end of year	\$47,033,829	\$22,491,071

The accompanying notes are an integral part of the financial statements.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2006 and 2005

1. ORGANIZATION

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

The financial statements are presented in Belize dollars and have been prepared in accordance with International Financial Reporting Standards and the requirements of the Financial and Accounting Regulations, 1980 of the Social Security Act.

a. Fixed assets

Fixed assets are recorded at cost and, other than land, are depreciated using the straight line method based 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.

b. Foreign currencies

Transactions in foreign currency during the year have been converted into Belize dollars 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.

c. 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.

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2006 and 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

c. Income recognition

(ii) Investment income is accounted for on the accrual basis, except for dividends, which are recognized on the cash basis, and income from associates which is accounted for on the equity method.

d. 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	18.75%
(2) Long-Term Benefits Branch	56.25%
(3) Employment Injury Benefits Branch	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.

e. 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.

Continued

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2006 and 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

f. 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. 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.

g. 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.

h. Pension Fund

The Board, as of January 1, 1991, operates and administers a pension scheme. 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 contribution are charged against income in the year they become payable.

i. 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 8)" 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.

SOCIAL SECURITY BOARD
NOTES TO FINANCIAL STATEMENTS
for the years ended December 31, 2006 and 2005

3. FIXED ASSETS

	2006	2005
Fixed assets consist of:		
Land	\$ 3,735,990	\$ 3,735,990
Buildings	21,654,305	17,419,563
Furniture & fixtures	2,687,330	2,470,973
Office equipment	2,616,255	2,105,737
Computers and accessories, hardware and software	8,692,611	8,218,293
Motor vehicles	246,738	178,011
	-----	-----
	39,633,229	34,128,567
Less accumulated depreciation	13,074,840	11,523,594
	-----	-----
	26,558,389	22,604,973
Work-in-progress	509,707	2,582,327
	-----	-----
	\$27,068,096	\$25,187,300
	=====	=====

Work-in-progress consists of:

	2006	2005
Orange Walk administration building	\$ -	\$1,951,903
Belmopan administration building	-	454,247
Corozal administration building	371,518	450
Others	138,189	175,727
	-----	-----
	\$509,707	\$2,582,327
	=====	=====

4. SHORT-TERM INVESTMENTS

	2006	2005
Short-term investments consist of:		
Term deposits	\$49,164,618	\$65,339,446
Citrus Growers Association crop loan	5,329,862	4,614,782
	-----	-----
	\$54,494,480	\$69,954,228
	=====	=====

Continued

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2006 and 2005

5. INVESTMENT INCOME RECEIVABLE

	2006	2005
Investment income receivable consist of:		
Loan and mortgage portfolios	\$1,847,073	\$6,224,215
Certificate of deposits	330,263	669,511
Savings account	30,648	14,571
	-----	-----
	\$2,207,984	\$6,908,297
	=====	=====

6. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2006	2005
Accounts receivable and prepayments consist of:		
Accounts receivable	\$ 252,988	\$ 261,208
Prepayments and other assets	1,733,733	1,710,099
Belize National Building Society *	3,000,000	3,000,000
Arrears contributions receivable	-	751,194
GOB - returned mortgages	1,301,715	233,124
Accounts receivable - mortgages	421,859	-
	-----	-----
	6,710,295	5,955,625
Less: Provision for loss on investments	(3,581,859)	(3,000,000)
	-----	-----
	\$3,128,436	\$2,955,625
	=====	=====

* Amount transferred from term deposits on maturity

7. INVESTMENT IN ASSOCIATE

	2006	2005
Investment in associate consist of:		
Belize Electricity Limited, 26.92% ownership	\$58,843,862	\$34,781,874
	-----	-----
	\$58,843,862	\$34,781,874
	=====	=====

Income from investment in associate for fiscal 2006 and 2005 amounted to \$7,021,448 and \$5,004,813 respectively.

Continued

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2006 and 2005

8. LONG-TERM INVESTMENTS

	2006	2005
Long-term investments consist of:		
Shares	\$ 6,152,490	\$ 6,152,490
Private sector loans	61,782,743	72,185,625
Mortgages	35,910,401	40,667,127
Restricted mortgages (Note 2 (i))	15,227,294	17,918,159
Real estate	13,128,922	13,159,057
Other loan	6,777,084	-
	-----	-----
	\$138,978,934	\$150,082,458
	=====	=====

At December 31, 2006, non-performing investments amounted to 14.78% of total long and short-term investments (December 31, 2005 3.78%).

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, 2006 amounted to \$24,415,353 (December 31, 2005 - \$25,305,035). In fiscal 2006, a general provision for loss on investment of \$840,000 was made against these mortgages pending the outcome of an approach made by the Board to GOB to negotiate the return of these mortgages.

9. ACCOUNTS PAYABLE AND ACCRUALS

	2006	2005
Accounts payable and accruals consist of:		
Mortgage securitization programme	\$5,012,218	\$4,575,766
Benefits payable	291,044	387,595
Accrued expenses and other liabilities	807,473	650,184
	-----	-----
	\$6,110,735	\$5,613,545
	=====	=====

10. NET INVESTMENT INCOME

	2006	2005
Net investment income consist of:		
Long and short-term investments income	\$15,096,814	\$15,326,595
Income from associates (Note 7)	7,021,448	5,004,813
Mortgage securitization programme (Note 2i)	(628,081)	(1,085,658)
Investment expenses	(445,942)	(904,294)
Provision for loss on investments	(1,261,859)	(5,242,000)
	-----	-----
	\$19,782,380	\$13,099,456
	=====	=====

Continued

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2006 and 2005

11. ADMINISTRATION EXPENSES

Administration expenses consist of:	2006	2005
Salaries	\$ 8,250,075	\$ 6,992,673
Depreciation	1,197,367	1,347,921
Transfer and other allowances	1,116,673	941,390
Security	638,280	595,077
Telephones and cables	502,336	478,003
Traveling and subsistence	624,861	566,305
Publicity and promotion	594,859	321,797
Legal and professional fees	624,505	702,896
Appraisal and survey fees	-	384,151
Premises repairs and maintenance	335,614	296,876
Printing, stationery and supplies	552,241	400,335
Medical and group health insurance	340,214	120,770
Insurance	132,251	80,367
Training	326,014	210,621
Social security contributions	237,825	222,181
Pension contribution and expenses	203,075	201,701
Board expenses	229,515	176,975
Cleaning and sanitation	252,631	165,046
Registration expenses	184,923	6,903
Conference expense	236,539	-
Bad debt expense	160,000	-
Anniversary expenses	143,331	-
Actuarial fees	102,315	-
Overseas conferences	35,192	69,378
Audit fee	42,000	42,000
Motor vehicle expenses	78,510	51,699
Postage	41,111	45,152
Subscriptions	33,394	48,510
Investment committee expenses	39,554	39,345
Compliance project	36,528	-
Sundries	4,426	7,765
Appeals Tribunal expenses	23,412	12,373
Recruitment	5,575	10,761
Non-contributory pension committee expenses	24,751	25,684
	-----	-----
	\$17,349,897	\$14,564,655
	=====	=====

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2006 and 2005

12. OTHER INCOME

	2006	2005
Other income consist of:		
Interest on late contributions	\$1,429,160	\$ 984,157
Interest on savings	95,632	56,604
Interest on staff advances	332,356	293,135
Rental income	154,033	176,913
Gain sale of fixed assets	29,000	14,621
Others	203,565	373,051
	-----	-----
	\$2,243,746	\$1,898,481
	=====	=====

13. ESTABLISHMENT EXPENSES

	2006	2005
Establishment expenses consist of:		
Light, power and water	\$ 549,329	\$400,705
Depreciation	440,927	315,157
Rent	56,000	83,000
Property tax	-	240
	-----	-----
	\$1,046,256	\$799,102
	=====	=====

14. COMMITMENTS AND CONTINGENCIES

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.

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SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2006 and 2005

14. COMMITMENTS AND CONTINGENCIES, CONTINUED

Mortgage Securitization - Tranche A, continued

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.

Mortgage Securitization - Tranche C and D

On March 21, 2000 and August 30, 2000, a third (Tranche C) and forth (Tranche D) agreement was signed between the Board, DFC and RMB. Under these two agreements, the mortgages assigned by the Board came from the 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 remains 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. At December 31, 2004, the Board advanced to DFC \$325,855 for SJNBS, under these agreements (Note 6).

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SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2006 and 2005

14. COMMITMENTS AND CONTINGENCIES, CONTINUED

Other Securitization

In January 2000, the Board entered into an agreement for the Assignment of Mortgages. The agreement is between the Board, the Saint James National Building Society (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. At December 31, 2004, the Board advanced to DFC \$801,566 for SJNBS facilitated mortgages, under this agreement (Note 6).

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.

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 were

Continued

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2006 and 2005

14. COMMITMENTS AND CONTINGENCIES , CONTINUED

North American Securitization, continued

subsequently securitized with RMB (Tranche C & D) and BMC (North American Securitization).

Guarantee

On May 5, 2003, the Board gave a guarantee on borrowings by the Citrus Products of Belize Limited (CPBL) amounting to US\$4,500,000 with a further consideration that CPBL may at any time request the Board to provide a similar guarantee not exceeding BZ\$6,000,000 and the Board shall give favorable consideration to every such request. In the event the Board is called upon to make good on any default of payment by the CPBL, the CPBL shall issue debentures to the Board, those debentures to carry the option for the Board to convert it to ordinary shares. A 1.5% fee is payable on an annual basis on the guaranteed amount.

This guarantee was cancelled in January 2007.

Litigation

The Board is one of several defendants involved in civil litigation initiated in the Supreme Court of Belize by First Caribbean International Bank (FCIB). FCIB claims first legal mortgage on security properties sold for BZ\$1,600,000 by the Board and by the other defendants pursuant to various legal documents. In the Board's opinion, this action can be successfully defended or resolved without any material adverse effect on the Board or the Fund. At December 31, 2006, the Board has made no provision for any loss resulting from this action.

Other Commitment

Under Deed dated September 19, 2005, between the Board and GOB, the Board agreed to co-finance the national roll-out of the National Health Insurance Program committing a total sum of BZ\$15,000,000 to the Program. At December 31, 2006, total transferred from the Employment Injury Benefits Branch to the National Health Insurance Fund amounted to BZ\$10,000,000 and total expended from the Fund amounted to BZ\$4,029,131.

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SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2006 and 2005

15. 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 equivalents, investments in associates and equity investments and loans and other receivables. Financial liabilities have been determined to include accounts payable and accruals.

(a) Fair value

Fair value represents the estimate of the arm's length consideration that would currently be agreed between knowledgeable, willing parties who are under no obligation to act and is best evidenced by quoted market price, if one exists.

The carrying value of each class of financial instruments approximates its fair value.

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rate. The Board manages this risk by monitoring interest-earning assets and procuring the most advantageous interest rates.

(c) Credit risk

The Board faces credit risk in respect of its cash and cash equivalents, loans and other receivables. However this risk is controlled by close monitoring of these assets by the Board. In addition, cash and cash equivalents are maintained with licensed financial institutions considered to be stable.

(d) Liquidity risk

Liquidity risk is the risk that the Board will encounter difficulty in raising funds to meet its commitments associated with financial instruments. The Board manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form. At December 31, 2006, current assets exceeded current liabilities by \$100,753,994 (2005 - \$96,695,676).

SUPPLEMENTARY AUDIT REPORT

My report on the examinations of the financial statement of The Social Security Board as of December 31, 2006 and 2005 appears on page 1. These examinations were made primarily for the purpose of expressing an opinion on the financial statements taken as a 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 my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Belize City, Belize
April 30, 2007

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES - SHORT-TERM BRANCH

for the years ended December 31, 2006 and 2005

	2006	2005
INCOME		
Contributions:		
Employers and employed persons	\$ 9,405,049	\$ 9,436,478
-----	-----	-----
Total contributions	9,405,049	9,436,478
-----	-----	-----
Other income:		
Net investment income	575,185	747,031
Others	747,915	632,827
-----	-----	-----
Total other income	1,323,100	1,379,858
-----	-----	-----
Total income	10,728,149	10,816,336
-----	-----	-----
EXPENDITURES		
Benefits:		
Maternity	2,644,679	2,506,045
Sickness	4,417,664	4,412,500
Maternity grants	969,876	993,510
National health insurance	-	4,904,818
-----	-----	-----
Total benefits	8,032,219	12,816,873
-----	-----	-----
Operating Expenses:		
Administration	3,741,715	3,207,133
Administration - NHI	-	469,078
Establishment	348,752	266,368
Financial	5,835	5,033
-----	-----	-----
Total operating expenses	4,096,302	3,947,612
-----	-----	-----
Total expenditures	12,128,521	16,764,485
-----	-----	-----
Excess (expenditures over income)	\$(1,400,372)	\$(5,948,149)
	=====	=====

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES - LONG-TERM BRANCH

for the years ended December 31, 2006 and 2005

	2006	2005
INCOME		
Contributions:		
Employers and employed persons	\$28,215,146	\$28,309,436
-----	-----	-----
Total contributions	28,215,146	28,309,436
-----	-----	-----
Other income:		
Net investment income	14,840,808	9,516,804
Others	747,915	632,827
-----	-----	-----
Total other income	15,588,723	10,149,631
-----	-----	-----
Total income	43,803,869	38,459,067
-----	-----	-----
EXPENDITURES		
Benefits:		
Retirement	8,827,106	7,873,354
Invalidity	1,759,732	1,459,284
Survivors	2,970,306	2,409,361
Funeral	763,690	669,848
Non-contributory pension	2,211,394	2,131,955
-----	-----	-----
Total benefits	16,532,228	14,543,802
-----	-----	-----
Operating Expenses:		
Administration	9,601,959	7,922,055
Establishment	348,752	266,367
Financial	5,836	5,034
-----	-----	-----
Total operating expenses	9,856,547	8,193,456
-----	-----	-----
Total expenditures	26,488,775	22,737,258
-----	-----	-----
Excess of income over expenditures	\$17,315,094	\$15,721,809
	=====	=====

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES
-EMPLOYMENT INJURY BENEFIT BRANCH

for the years ended December 31, 2006 and 2005

	2006	2005
INCOME		
Contributions:		
Employers and employed persons	\$12,540,065	\$12,581,972
Total contributions	<hr/> 12,540,065	<hr/> 12,581,972
Other income:		
Net investment income	3,344,843	2,139,693
Others	747,916	632,827
Total other income	<hr/> 4,092,759	<hr/> 2,772,520
Total income	<hr/> 16,632,824	<hr/> 15,354,492
EXPENDITURES		
Benefits:		
Disablement grants	④ 376,156	362,274
APV disablement benefits	<139,180>	643,168
APV death benefits	<173,290>	544,731
Employment injury	④ 1,954,240	1,909,623
Funeral grants	④ 2,931	4,500
Total benefits	<hr/> 2,645,797	<hr/> 3,464,296
Operating Expenses:		
Administration	3,258,606	2,966,389
Establishment	348,752	266,367
Financial	5,835	5,033
Total operating expenses	<hr/> 3,613,193	<hr/> 3,237,789
Total expenditures	<hr/> 6,258,990	<hr/> 6,702,085
Excess of income over expenditures	<hr/> \$10,373,834	<hr/> \$ 8,652,407

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES
-DISABLEMENT & DEATH BENEFITS RESERVE

for the years ended December 31, 2006 and 2005

	2006	2005
INCOME		
Contributions:		
APV disablement benefits	\$ 139,180	\$ 643,168
APV death benefits	173,290	544,731
	-----	-----
Total contributions	312,470	1,187,899
	-----	-----
Net investment income	1,021,544	695,928
	-----	-----
Total income	1,334,014	1,883,827
	-----	-----
EXPENDITURES		
Benefits:		
Disablement pension	1,078,768	1,052,517
Death benefits	564,741	602,447
	-----	-----
Total expenditures	1,643,509	1,654,964
	-----	-----
Excess of income over expenditures	\$ (309,495)	\$ 228,863
	=====	=====

SOCIAL SECURITY BOARD

INVESTMENTS LISTING

for the years ended December 31, 2006 and 2005

INVESTMENTS CONSIST OF:

	2006	2005
TERM DEPOSITS		
Alliance Bank Limited		
8.0% maturing January 26, 2007	\$ 612,393	\$ 612,393
8.5% maturing January 21, 2007	4,213,917	4,213,917
8.5% maturing January 28, 2007	1,017,588	1,000,000
8.5% maturing January 28, 2007	2,035,177	2,000,000
8.5% maturing January 31, 2006	-	5,546,402
8.5% maturing January 24, 2006	-	5,430,252
8.5% maturing January 28, 2007	6,474,017	6,362,119
8.5% maturing January 20, 2007	2,442,249	2,438,698
8.5% maturing January 28, 2007	548,985	-
8.5% maturing January 25, 2007	506,126	-
Scotiabank (Belize) Limited		
9.0% maturing December 17, 2007	1,000,000	-
9.0% maturing December 13, 2007	6,000,000	-
8.5% maturing February 6, 2006, restricted	-	2,522,312
8.5% maturing January 2, 2006	-	2,083,836
8.5% maturing March 19, 2006	-	2,927,964
8.5% maturing March 28, 2006	-	1,041,918
8.5% maturing February 25, 2006	-	1,000,000
8.5% maturing March 28, 2006	-	2,000,000
First Caribbean International Bank		
8.5% maturing February 7, 2007	2,041,918	-
8.5% maturing March 29, 2006	-	1,041,918
8.0% maturing January 6, 2006	-	616,484
8.5% maturing March 20, 2006	-	2,400,000
Belize Bank Limited		
6.25% maturing January 11, 2007	168,843	-
8.5% maturing January 2, 2007	2,041,918	-
8.5% maturing February 7, 2007	2,575,765	-
8.5% maturing February 6, 2007	5,547,667	5,547,667
8.5% maturing January 2, 2006	-	4,346,033
8.5% maturing March 27, 2007	554,786	543,273
8.55 maturing February 15, 2006	-	680,991
Atlantic Bank Limited		
8.5% maturing February 13, 2007	5,550,452	5,550,452
8.5% maturing March 5, 2007	5,432,817	5,432,817
9.0% maturing December 11, 2007	400,000	-

Continued

SOCIAL SECURITY BOARD

INVESTMENTS LISTING

for the years ended December 31, 2006 and 2005

INVESTMENTS, CONTINUED

	2006	2005
TERM DEPOSITS, continued		
	49,164,618	65,339,446
	-----	-----

INVESTMENTS IN ASSOCIATES

Belize Electricity Limited 18,580,028 Ordinary Shares, BZ \$2 par value	58,843,862	34,781,874
	-----	-----
	58,843,862	34,781,874
	-----	-----

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 at 8.5% interest	7,184,878	7,917,511
✓ Development Finance Corporation 20-years loan @ 8.5% interest	2,806,776	2,830,000
Belize Odyssey Limited 12-years loan @ 12% interest	1,749,438	1,744,318
St. James National Building Society Ltd 5-years loan @ 9.5% interest	619,447	619,447
Development Finance Corporation 10-years loan @ 9% interest	-	4,644,860

SOCIAL SECURITY BOARD

INVESTMENTS LISTING

for the years ended December 31, 2006 and 2005

INVESTMENTS, CONTINUED	2006	2005
PRIVATE SECTOR LOANS, continued		
National Development Foundation of Belize, 15-years loan @ 8.5% interest	388,006	386,207
12-years loans @ 8% interest	2,511,470	2,511,470
Sunshine Holdings Limited 15-years loan @ 8.5% interest	10,000,000	10,000,000
✓ Belize Water Services Limited 7 1/2 years loan @ 12% interest	10,000,000	-
Belize Elementary School 9-years loan @ 10% interest	458,095	493,025
Urbina Brothers 5 1/2-years loan @ 12% interest	2,477	6,477
Universal Travel Service Limited 5-years loan @ 13% interest	19,568	19,568
Banana Growers Association 3-years loan @ 10% interest	4,442,477	4,675,715
5-years loan @ 9% interest	3,394,738	3,655,748
Belize Airport Authority 10-years loan @ 8.5% interest	1,268,448	1,701,016
DFC/CDB Counterpart 12-years loan @ 9% interest	-	1,723,742
Citrus Growers Association crop loan @ 10% interest	5,329,862	4,614,782
Citrus Growers Association 15-years loan @ 8.5% interest	1,700,000	1,700,000
Citrus Growers Association 3-years loan @ 10% interest	1,741,296	4,130,885
Citrus Growers Association 2-years loan @ 11% interest	-	65,802

Continued

SOCIAL SECURITY BOARD

INVESTMENTS LISTING

for the years ended December 31, 2006 and 2005

INVESTMENTS, CONTINUED	2006	2005
PRIVATE SECTOR LOANS, continued		
Development Finance Corporation 3 to 15-years student loans @ 8% interest	5,652,264	12,605,745
Development Finance Corporation 15-years Yarborough loan @ 8.5% interest	-	523,708
Border Management Agency 10-years loan @ 8.5% interest	3,565,527	3,619,247
Toledo Fish Farming Company Limited 3-years loan @ 10% interest	542,000	2,142,552
Development Finance Corporation agriculture and industrial 11-years loan @ 8.5% interest	-	900,158
Belize Cane Farmers Association 3-years loan @ 8.5% interest	1,851,629	1,654,524
Belize Cane Farmers Association 5-years loan @ 8.5% interest	2,068,109	2,016,474
Development Finance Corporation 20-years loan @ 8.5% interest	1,970,472	1,997,609
CGA Workers Union 5-years loan @ 8.5% interest	87,628	141,817
	-----	-----
	69,354,605	79,042,407
Less: Provision for loss on investments	(2,242,000)	(2,242,000)
	-----	-----
	67,112,605	76,800,407
	-----	-----

Continued

SOCIAL SECURITY BOARD

INVESTMENTS LISTING

for the years ended December 31, 2006 and 2005

INVESTMENTS, CONTINUED	2006	2005
MORTGAGES AND HOUSING		
Development Finance Corporation		
15-years housing loan @ 8% interest	-	2,083,333
20-years mortgage loan @ 8% interest	711,565	1,022,975
20-years loan @ 6% interest	435,711	465,298
Freshpond Pond Mortgages		
20-years loans @ 8% to 8.5% interest	1,008,600	1,292,853
Housing/RECONDEV Mortgages		
10 to 20-years mortgages @ 8% to 12%	24,415,353	25,304,035
Recondev		
10-years loan @ 8% interest	643,724	661,877
Civil Service Credit Union Limited		
20-years loan @ 9% interest	307,431	330,419
Civil Service Credit Union Limited		
10-years loan @ 8.5% interest	1,496,517	1,604,698
St. Martin's Credit Union		
10-years loan @ 8.5% interest	874,560	946,749
St. Martin's Credit Union Limited		
20-years loan @ 9% interest	329,020	350,922
12-years loan @ 8.5% interest	558,932	641,927
St. John's Credit Union Limited		
15-years loan @ 8.5% interest	2,064,594	2,238,787
St. Francis Xavier Credit Union Limited		
10-years loans @ 8.5% interest	780,315	1,010,609
Evangelical Credit Union Limited		
10-years loan @ 8.5% interest	10,555	24,364
Belize National Teachers Union		
20-years loans @ 10% interest	262,203	272,102
BNBS Assigned Mortgages		
20-years loans @ 10-12%	2,133,818	2,165,970

Continued

SOCIAL SECURITY BOARD

INVESTMENTS LISTING

for the years ended December 31, 2006 and 2005

INVESTMENTS, CONTINUED

	2006	2005
MORTGAGES AND HOUSING, continued		
Housing Mortgages - BNBS:		
District and Secondary, 10 - 20 years loans @ 12%	2,591,568	3,394,964
Vista Del Mar Project:		
Secondary mortgages, 20 years @ 12%	2,246,047	2,643,193
Police housing loans, 20 years @ 12%	161,407	188,519
Belize Defense Force loans, 20 years @ 12%	228,942	233,219
Teachers' general loans, 20 years @ 12%	86,415	115,675
St. James National Building Society Ltd assigned mortgages, 5-20 years loans @ 10 to 12% interest	3,596,608	3,974,755
P.S.U. Housing Scheme		
Middle income, 20-year loans @ 12% interest	2,387,635	2,891,909
Housing, 20-year loans @ 12% interest	560,034	704,971
Home improvement loans @ 12% interest	-	15,875
Staff housing and other mortgage loans, 10-20 years @ 8% interest	2,937,406	2,799,923
Previous staff housing loans 10-20 years @ 8% interest	1,148,735	1,180,625
Cohune Walk Project	-	24,740
	-----	-----
	51,977,695	58,585,286
Less: Provision for loss on investment	(840,000)	-
	-----	-----
	51,137,695	58,585,286
	-----	-----
REAL ESTATE		
Vista Del Mar Housing Project		
Remaining lots acquired from Vista Del Mar Development Company Ltd	922,799	937,783
San Pedro, Ambergris Caye Lots acquired from Sunset Cove Ltd	51,889	81,540

Continued

SOCIAL SECURITY BOARD

INVESTMENTS LISTING

for the years ended December 31, 2006 and 2005

INVESTMENTS, CONTINUED	2006	2005
REAL ESTATE, continued		
Dinger Enterprise Limited Cottage Colony property	320,000	320,000
Homeland Development Limited 1,200 plots of land	1,198,000	1,200,000
San Pedro, Ambergris Caye 3,491 acres land	10,636,234	10,613,734
	-----	-----
	13,128,922	13,159,057
	-----	-----
OTHER LOANS		
Government of Belize 9 years loan @ 7.5% interest	6,777,084	-
	-----	-----
	6,777,084	-
	-----	-----
Total Investments	\$252,317,276	\$254,818,560
	=====	=====