

SOCIAL SECURITY BOARD

---

REPORT ON EXAMINATIONS OF FINANCIAL STATEMENTS  
for the years ended December 31, 2007 and 2006

# MARION J. USHER, C P A

## CHARTERED ACCOUNTANT

P.O. BOX 1053, BELIZE CITY, BELIZE  
PHONE (501) 223-1534 FAX: (501) 223-1523  
E-MAIL: mju-cpa@btl.net

### AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF  
SOCIAL SECURITY BOARD

I have audited the financial statements of Social Security Board, which comprise the balance sheet as at December 31, 2007 and 2006, the combined statements of income and expenditures, statement of changes in reserves and cash flow statements 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 and the requirements of The Financial and Accounting Regulations of the Social Security Act, 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 of 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

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 comply with ethical requirements and plan and perform the audits 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 judgement, including the assessments of the risk of material misstatement in the financial statement, 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 statement 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

In my opinion, the financial statements present fairly, in all material respect, the financial position of Social Security Board as at December 31, 2007 and 2006 and of its respective financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of the Financial and Accounting Regulations of the Social Security Act, Chapter 44, Revised edition 2000-2003.

  
Belize City, Belize  
May 21, 2008

## TABLE OF CONTENTS

	Page
Auditor's Report	1
Balance Sheets	2
Combined Statements of Income and Expenditures	3
Statements of Changes in Reserves	4
Statements of Cash Flows	5
Notes to Financial Statements	6 to 17
Supplemental schedules:	
Auditor's Report	18
Statements of Income and Expenditures:	
Short-Term Benefits Branch	19
Long-Term Benefits Branch	20
Employment Injury Benefits Branch	21
Disablement and Death Benefits Reserve	22
National Health Insurance Fund	23
Investments Listing	24 to 30

# SOCIAL SECURITY BOARD

## BALANCE SHEETS

December 31, 2007 and 2006

	2007	2006
<b>ASSETS</b>		
Current assets:		
Cash and bank	\$ 8,149,399	\$ 14,449,727
Central Bank of Belize, 6% interest bearing deposit account	31,652,252	32,584,102
Short-term investments (Notes 2g and 4)	85,576,058	54,494,480
Investment income receivable (Note 5)	3,863,835	2,207,984
Accounts receivable and prepayments (Note 6)	3,797,107	3,128,436
Total current assets	133,038,651	106,864,729
Advances to employees	1,400,194	1,207,462
Fixed assets, net (Notes 2a and 3)	30,093,903	27,068,096
Investment in associate (Note 7)	62,795,227	58,843,862
Long-term investments (Notes 2g and 8)	123,055,964	138,978,934
Total assets	\$350,383,939	\$332,963,083
	=====	=====
<b>LIABILITIES AND RESERVES</b>		
Current liabilities:		
Accounts payable & accruals (Note 9)	\$ 7,571,913	\$ 6,110,735
Total current liabilities	7,571,913	6,110,735
Deferred income (Note 2i)	12,353,399	14,566,182
Commitments and contingencies (Note 14)	-	-
Reserves:		
Short-term benefits branch	2,589,445	5,955,693
Long-term benefits branch	249,748,165	231,816,830
Employment injury benefits branch	56,307,502	53,718,550
Disablement & death benefits reserve	15,076,755	14,455,407
National health insurance fund	6,461,760	5,970,869
Natural disaster fund	275,000	400,000
Social development account	-	(31,183)
	330,458,627	312,286,166
Total liabilities and reserves	\$350,383,939	\$332,963,083
	=====	=====

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, 2007 and 2006

	2007	2006
<b>INCOME</b>		
Contributions:		
Employers and employed persons	\$52,793,870	\$50,160,260
	-----	-----
Total contributions	52,793,870	50,160,260
	-----	-----
Other income:		
Net investment income (Note 10)	22,443,604	19,782,380
Other income (Note 12)	1,515,250	2,243,746
GOB contribution to NHI Fund	5,046,405	3,209,207
	-----	-----
Total other income	29,005,259	25,235,333
	-----	-----
Total income	81,799,129	75,395,593
	-----	-----
<b>EXPENDITURES</b>		
Benefits:		
Short-term benefits branch	8,603,428	8,032,219
Long-term benefits branch	17,965,349	16,532,228
Employment injury benefits branch	3,229,205	2,333,327
Disablement and death benefits	1,694,606	1,643,509
National health insurance benefits	8,624,409	6,490,721
	-----	-----
Total benefits	40,116,997	35,032,004
	-----	-----
Operating Expenses:		
Administration (Note 11)	21,347,915	17,349,897
Establishment (Note 13)	1,038,127	1,046,256
Financial	35,940	17,506
	-----	-----
Total operating expenses	22,421,982	18,413,659
	-----	-----
Total expenditures	62,538,979	50,445,663
	-----	-----
Excess of income over expenditures	\$19,260,150	\$21,949,930
	=====	=====

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, 2007 and 2006

	2007	2007	2007	2007	2007	2007	2007	2007
	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, 2007	\$5,955,693	\$231,816,830	\$53,718,550	\$14,455,407	\$5,970,869	\$400,000	\$ (31,183)	\$312,286,166
Transfer to Social Development Account and Assistance Fund	(993,872)	-	-	-	-	-	993,872	-
Natural Disaster Fund Expenditure	-	-	-	-	-	(125,000)	-	(125,000)
Social Development Account and Assistance Fund Expenditures	-	-	-	-	-	-	(962,689)	(962,689)
Excess of (expenditures over income) income over expenditures	(2,372,376)	17,931,335	2,588,952	621,348	490,891	-	-	19,260,150
Balance at December 31, 2007	\$2,589,445	\$249,748,165	\$56,307,502	\$15,076,755	\$6,461,760	275,000	\$ -	\$330,458,627
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

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

# SOCIAL SECURITY BOARD

## STATEMENTS OF CASH FLOWS

for the years ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Excess of income over expenditures	\$19,260,150	\$21,949,930
	-----	-----
Adjustments to reconcile excess of income over expenditures to net cash provided by operating activities:		
Depreciation	2,458,268	1,638,294
Income from associates	(8,038,971)	(7,021,448)
Amortization of deferred income	(2,212,783)	(2,212,784)
Provision for loss on investments	2,928,464	1,261,859
Changes in current assets and liabilities		
(Increase) decrease in investment income receivable	(1,655,851)	4,700,313
(Increase) in accounts receivable and prepayments	(668,671)	(172,811)
(Increase) in employees' advances	(192,732)	(21,568)
Increase in accounts payable and accruals	1,461,178	497,190
	-----	-----
Total adjustments	(5,921,098)	(1,330,955)
	-----	-----
Net cash provided by operations	13,339,052	20,618,975
	-----	-----
Cash flows from investing activities:		
(Increase) decrease in long and short-term investments	(18,087,072)	25,301,413
Purchase of shares in associate	-	(18,248,242)
Dividends received from associate	4,087,606	1,207,702
Net additions to fixed assets	(5,484,075)	(3,519,090)
	-----	-----
Net cash (used in) provided by investing activities	(19,483,541)	4,741,783
	-----	-----
Cash flows from financing activities:		
Social Development Fund disbursements	(962,689)	(818,000)
National Disaster Fund disbursement	(125,000)	-
	-----	-----
Net cash (used in) financing activities	(1,087,689)	(818,000)
	-----	-----
Net increase in cash and bank	(7,232,178)	24,542,758
Cash and bank, beginning of year	47,033,829	22,491,071
	-----	-----
Cash and bank, end of year	\$39,801,651	\$47,033,829
	=====	=====

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



## SOCIAL SECURITY BOARD

### NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

#### 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 of the Social Security Act, Chapter 44, Revised edition 2000-2003.

##### 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.

Continued



SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

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, 2007 and 2006

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.

Continued



SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

3. FIXED ASSETS

	2007	2006
Fixed assets consist of:		
Land	\$ 6,095,104	\$ 3,735,990
Buildings	23,062,182	21,654,305
Furniture & fixtures	2,762,010	2,687,330
Office equipment	2,849,074	2,616,255
Computers and accessories, hardware and software	6,389,588	8,692,611
Motor vehicles	396,346	246,738
	-----	-----
	41,554,304	39,633,229
Less accumulated depreciation	11,554,428	13,074,840
	-----	-----
	29,999,876	26,558,389
Work-in-progress	94,027	509,707
	-----	-----
	\$30,093,903	\$27,068,096
	=====	=====

Work-in-progress consists of:

	2007	2006
Corozal administration building	\$ -	\$371,518
Others	94,027	138,189
	-----	-----
	\$94,027	\$509,707
	=====	=====

4. SHORT-TERM INVESTMENTS

	2007	2006
Short-term investments consist of:		
Term deposits	\$77,722,283	\$49,164,618
Citrus Growers Association crop loan	7,853,775	5,329,862
	-----	-----
	\$85,576,058	\$54,494,480
	=====	=====

Continued



# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

### 5. INVESTMENT INCOME RECEIVABLE

	2007	2006
Investment income receivable consists of:		
Sunshine Holdings Limited	\$1,937,146	\$1,087,534
Other Loans and mortgage portfolios	313,642	759,539
Certificate of deposits	1,585,146	330,263
Savings account	27,901	30,648
	-----	-----
	\$3,863,835	\$2,207,984
	=====	=====

### 6. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2007	2006
Accounts receivable and prepayments consist of:		
Accounts receivable	\$ 259,313	\$ 252,988
Prepayments and other assets	1,845,532	1,733,733
Belize National Building Society	3,000,000	3,000,000
GOB - returned mortgages *	1,852,262	1,301,715
Accounts receivable - mortgages	472,463	421,859
	-----	-----
	7,429,570	6,710,295
Less: Provision for loss on investments	(3,632,463)	(3,581,859)
	-----	-----
	\$3,797,107	\$3,128,436
	=====	=====

\* In February 2008, the Board with GOB approval set-off \$1,638,326 of this receivable against amount owing to GOB under the securitization program, leaving a balance of \$213,936.

### 7. INVESTMENT IN ASSOCIATE

	2007	2006
Investment in associate consists of:		
Belize Electricity Limited, 26.92% ownership		
Balance, beginning of year	\$58,843,862	\$34,781,874
Purchase of shares in associate	-	18,248,242
Income from associate	8,038,971	7,021,448
Dividend received from associate	(4,087,606)	(1,207,702)
	-----	-----
Balance, end of year	\$62,795,227	\$58,843,862
	=====	=====

Continued

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

### 8. LONG-TERM INVESTMENTS

	2007	2006
Long-term investments consist of:		
Shares	\$ 6,152,490	\$ 6,152,490
Private sector loans	58,280,800	61,782,743
Mortgages	27,200,190	35,910,401
Restricted mortgages (Note 2 (i))	12,021,679	15,227,294
Real estate	13,058,189	13,128,922
Government of Belize Loan	6,142,616	6,777,084
Debentures	200,000	-
	-----	-----
	\$123,055,964	\$138,978,934
	=====	=====

At December 31, 2007, non-performing investments amounted to 10.56% of total long and short-term investments (December 31, 2006 14.78%). 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, 2007 amounted to \$18,007,956 (December 31, 2006 - \$24,415,353). On September 30, 2007, the Board negotiated the return of \$6,881,336 of unsecured mortgages, inclusive of interest.

### 9. ACCOUNTS PAYABLE AND ACCRUALS

	2007	2006
Accounts payable and accruals consist of:		
Mortgage securitization programme	\$3,706,124	\$5,012,218
Benefits payable	1,937,965	291,044
Accrued expenses and other liabilities	1,927,824	807,473
	-----	-----
	\$7,571,913	\$6,110,735
	=====	=====

### 10. NET INVESTMENT INCOME

	2007	2006
Net investment income consists of:		
Long and short-term investments income	\$18,685,269	\$15,096,814
Income from associates (Note 7)	8,038,971	7,021,448
Mortgage securitization programme (Note 2i)	(992,832)	(628,081)
Investment expenses	(359,340)	(445,942)
Provision for loss on investments	(2,928,464)	(1,261,859)
	-----	-----
	\$22,443,604	\$19,782,380
	=====	=====

Continued



SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

11. ADMINISTRATION EXPENSES

	2007	2006
Administration expenses consist of:		
Salaries	\$ 8,793,818	\$ 8,250,075
Depreciation	2,030,068	1,197,367
Transfer and other allowances	1,520,522	1,116,673
Security	667,686	638,280
Telephones and cables	562,857	502,336
Traveling and subsistence	700,562	624,861
Publicity and promotion	1,107,422	594,859
Legal and professional fees	1,696,625*	606,505
Premises repairs and maintenance	406,482	335,614
Printing, stationery and supplies	853,623	552,241
Medical and group health insurance	279,535	340,214
Insurance	107,976	132,251
Training	840,440	326,014
Social security contributions	252,071	237,825
Pension contribution and expenses	210,169	203,075
Board expenses	279,792	229,515
Committees expense	159,958	64,305
Cleaning and sanitation	314,180	252,631
Overseas conferences	171,208	35,192
Audit fee	60,000	60,000
Motor vehicle expenses	59,914	78,510
Postage	47,340	41,111
Subscriptions	41,671	33,394
Compliance project	3,287	36,528
Appraisal and survey fees	42,975	-
Sundries	2,996	4,426
Appeals Tribunal expenses	30,149	23,412
Recruitment	12,270	5,575
Registration expense	462	184,923
Conference expense	-	236,539
Bad debt	10,992	160,000
Anniversary expense	-	143,331
Actuarial expenses	80,865	102,315
	-----	-----
	\$21,347,915	\$17,349,897
	=====	=====

\* Legal and professional fees include \$412,098 comprising the initial cost of the Corozal Complex that was abandoned in fiscal 2007.

Continued



# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

### 12. OTHER INCOME

	2007	2006
Other income consists of:		
Interest on late contributions	\$ 814,833	\$1,429,160
Interest on staff advances	391,372	332,356
Rental income	111,748	154,033
(Loss) gain sale of fixed assets	(2,787)	29,000
Others	200,084	299,197
	-----	-----
	\$1,515,250	\$2,243,746
	=====	=====

### 13. ESTABLISHMENT EXPENSES

	2007	2006
Establishment expenses consist of:		
Light, power and water	\$ 544,528	\$ 549,329
Depreciation	428,200	440,927
Rent	65,399	56,000
	-----	-----
	\$1,038,127	\$1,046,256
	=====	=====

### 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.

Continued

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

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.

Continued



SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

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.

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

Continued



SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

14. COMMITMENTS AND CONTINGENCIES, CONTINUED

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 claim 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, 2007, total transferred from the Employment Injury Benefits Branch to the National Health Insurance Fund amounted to BZ\$15,000,000.

Continued

SOCIAL SECURITY BOARD

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

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 associate 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, 2007, current assets exceeded current liabilities by \$125,466,738 (2006 - \$100,753,994).

Continued

# MARION J. USHER, C P A

## CHARTERED ACCOUNTANT

P.O. BOX 1053, BELIZE CITY, BELIZE  
PHONE (501) 223-1534 FAX: (501) 223-1523  
E-MAIL: mju-cpa@btl.net

### SUPPLEMENTARY AUDIT REPORT

My report on the examinations of the financial statement of The Social Security Board as of December 31, 2007 and 2006 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  
May 21, 2008



SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES - SHORT-TERM BRANCH

for the years ended December 31, 2007 and 2006

	2007	2006
INCOME		
Contributions:		
Employers and employed persons	\$ 9,898,851	\$ 9,405,049
	-----	-----
Total contributions	9,898,851	9,405,049
	-----	-----
Other income:		
Net investment income	436,897	575,185
Others	505,083	747,915
	-----	-----
Total other income	941,980	1,323,100
	-----	-----
Total income	10,840,831	10,728,149
	-----	-----
EXPENDITURES		
Benefits:		
Maternity	2,633,720	2,644,679
Sickness	4,954,811	4,417,664
Maternity grants	1,014,897	969,876
	-----	-----
Total benefits	8,603,428	8,032,219
	-----	-----
Operating Expenses:		
Administration	4,251,757	3,741,715
Establishment	346,042	348,752
Financial	11,980	5,835
	-----	-----
Total operating expenses	4,609,779	4,096,302
	-----	-----
Total expenditures	13,213,207	12,128,521
	-----	-----
Excess (expenditures over income)	\$(2,372,376)	\$(1,400,372)
	=====	=====

# SOCIAL SECURITY BOARD

## STATEMENTS OF INCOME AND EXPENDITURES - LONG-TERM BRANCH

for the years ended December 31, 2007 and 2006

	2007	2006
<b>INCOME</b>		
Contributions:		
Employers and employed persons	\$29,696,552	\$28,215,146
	-----	-----
Total contributions	29,696,552	28,215,146
	-----	-----
Other income:		
Net investment income	17,005,605	14,840,808
Others	505,083	747,915
	-----	-----
Total other income	17,510,688	15,588,723
	-----	-----
Total income	47,207,240	43,803,869
	-----	-----
<b>EXPENDITURES</b>		
Benefits:		
Retirement	9,989,225	8,827,106
Invalidity	1,822,670	1,759,732
Survivors	2,966,700	2,970,306
Funeral	795,207	763,690
Non-contributory pension	2,391,547	2,211,394
	-----	-----
Total benefits	17,965,349	16,532,228
	-----	-----
Operating Expenses:		
Administration	10,952,534	9,601,959
Establishment	346,042	348,752
Financial	11,980	5,836
	-----	-----
Total operating expenses	11,310,556	9,956,547
	-----	-----
Total expenditures	29,275,905	26,488,775
	-----	-----
Excess of income over expenditures	\$17,931,335	\$17,315,094
	=====	=====

SOCIAL SECURITY BOARD

STATEMENTS OF INCOME AND EXPENDITURES  
-EMPLOYMENT INJURY BENEFIT BRANCH

for the years ended December 31, 2007 and 2006

	2007	2006
<b>INCOME</b>		
Contributions:		
Employers and employed persons	\$13,198,467	\$12,540,065
	-----	-----
Total contributions	13,198,467	12,540,065
	-----	-----
Other income:		
Net investment income	3,940,682	3,344,843
Others	505,084	747,916
	-----	-----
Total other income	4,445,766	4,092,759
	-----	-----
Total income	17,644,233	16,632,824
	-----	-----
<b>EXPENDITURES</b>		
Benefits:		
National health insurance fund	5,000,000	5,000,000
Disablement grants	347,792	376,156
APV disablement benefits	846,758	139,180
APV death benefits	408,776	173,290
Employment injury	2,872,413	1,954,240
Funeral grants	9,000	2,931
	-----	-----
Total benefits	9,484,739	7,645,797
	-----	-----
Operating Expenses:		
Administration	5,212,519	3,258,606
Establishment	346,043	348,752
Financial	11,980	5,835
	-----	-----
Total operating expenses	5,570,542	3,613,193
	-----	-----
Total expenditures	15,055,281	11,258,990
	-----	-----
Excess of income over expenditures	\$ 2,588,952	\$ 5,373,834
	=====	=====



# SOCIAL SECURITY BOARD

## STATEMENTS OF INCOME AND EXPENDITURES -DISABLEMENT & DEATH BENEFITS RESERVE

for the years ended December 31, 2007 and 2006

	2007	2006
<b>INCOME</b>		
Contributions:		
APV disablement benefits	\$ 846,758	\$ 139,180
APV death benefits	408,776	173,290
	-----	-----
Total contributions	1,255,534	312,470
	-----	-----
Net investment income	1,060,420	1,021,544
	-----	-----
Total income	2,315,954	1,334,014
	-----	-----
<b>EXPENDITURES</b>		
Benefits:		
Disablement pension	1,121,654	1,078,768
Death benefits	572,952	564,741
	-----	-----
Total expenditures	1,694,606	1,643,509
	-----	-----
Excess of income over expenditures (expenditures over income)	\$ 621,348	\$ (309,495)
	=====	=====

SOCIAL SECURITY BOARD

NATIONAL HEALTH INSURANCE FUND

for the years ended December 31, 2007 and 2006

	2007	2006
INCOME		
Contributions:		
Social Security Board, Employment		
Injury Benefits Branch	\$ 5,000,000	\$5,000,000
Government of Belize	5,046,405	3,209,207
	-----	-----
Total contributions	10,046,405	8,209,207
	-----	-----
EXPENDITURES		
Benefits:		
National health insurance benefits	8,624,409	6,490,721
	-----	-----
Total benefits	8,624,409	6,490,721
	-----	-----
Operating Expenses:		
Administration	931,105	747,617
	-----	-----
Total operating expenses	931,105	747,617
	-----	-----
Total expenditures	9,555,514	7,238,338
	-----	-----
Excess of income over expenditures	\$ 490,891	\$ 970,869
	=====	=====

# SOCIAL SECURITY BOARD

## INVESTMENTS LISTING

for the years ended December 31, 2007 and 2006

### INVESTMENTS CONSIST OF:

	2007	2006
<b>TERM DEPOSITS</b>		
<b>Alliance Bank Limited</b>		
9.0% maturing January 3, 2008	\$ 2,594,006	\$ -
8.5% maturing January 24, 2008	1,083,388	-
9.0% maturing May 30, 2008	1,302,664	-
8.5% maturing January 14, 2008	843,064	-
9.0% maturing February 23, 2008	1,767,853	-
9.25% maturing May 27, 2008	1,000,000	-
10.0% maturing December 17, 2008	3,000,000	-
10.0% maturing June 15, 2008	2,000,000	-
8.0% maturing January 26, 2007	-	612,393
8.5% maturing January 21, 2007	-	4,213,917
8.5% maturing January 28, 2007	-	1,017,588
8.5% maturing January 28, 2007	-	2,035,177
8.5% maturing January 28, 2007	-	6,474,017
8.5% maturing January 20, 2007	-	2,442,249
8.5% maturing January 28, 2007	-	548,985
8.5% maturing January 25, 2007	-	506,126
<b>Scotiabank (Belize) Limited</b>		
9.0% maturing December 12, 2008	3,540,000	-
9.5% maturing February 14, 2008	5,000,000	-
9.0% maturing December 29, 2008	1,090,493	-
9.25% maturing October 21, 2008	2,500,000	-
9.50% maturing November 6, 2008	2,500,000	-
9.25% maturing November 28, 2008	2,500,000	-
9.0% maturing December 17, 2007	-	1,000,000
9.0% maturing December 13, 2007	-	6,000,000
<b>First Caribbean International Bank</b>		
8.5% maturing February 7, 2007	-	2,041,918
<b>Belize Bank Limited</b>		
6.25% maturing January 24, 2008	180,103	168,843
9.45% maturing February 4, 2008	2,741,764	2,575,765
9.45% maturing February 4, 2008	5,907,888	5,547,667
8.5% maturing March 27, 2008	590,944	554,786
7.5% maturing August 8, 2008	5,000,000	-
9.5% maturing March 17, 2008	5,234,247	-
9.6% maturing May 12, 2008	3,142,027	-
9.6% maturing May 12, 2008	3,142,027	-
9.5% maturing March 25, 2008	2,094,740	-

Continued



# SOCIAL SECURITY BOARD

## INVESTMENTS LISTING

for the years ended December 31, 2007 and 2006

### INVESTMENTS, CONTINUED

	2007	2006
TERM DEPOSITS, continued		
9.6% maturing March 10, 2008	1,593,224	-
8.5% maturing January 2, 2007	-	2,041,918
Atlantic Bank Limited		
9.5% maturing January 14, 2008	5,958,669	-
9.5% maturing March 20, 2008	2,000,000	-
9.5% maturing March 23, 2008	2,097,111	-
9.5% maturing April 30, 2008	2,095,000	-
9.0% maturing March 17, 2008	3,786,571	-
9.0% maturing December 10, 2008	436,500	400,000
8.5% maturing February 13, 2007	-	5,550,452
8.5% maturing March 5, 2007	-	5,432,817
Small Farmers Business Bank Limited		
7.5% maturing January 18, 2008	1,000,000	-
	77,722,283	49,164,618

### INVESTMENTS IN ASSOCIATES

Belize Electricity Limited 18,580,028 Ordinary Shares, BZ \$2 par value	62,795,227	58,843,862
	62,795,227	58,843,862

### DEBENTURES

Belize Electricity Limited 10% debentures maturing July 31, 2022	200,000	-
	200,000	-

# SOCIAL SECURITY BOARD

## INVESTMENTS LISTING

for the years ended December 31, 2007 and 2006

### SHARES

	2007	2006
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	2,166,364	7,184,878
Development Finance Corporation 20-years loan @ 8.5% interest	2,587,030	2,806,776
Belize Odyssey Limited 12-years loan @ 12% interest	1,749,478	1,749,438
St. James National Building Society Ltd 5-years loan @ 9.5% interest	619,447	619,447
National Development Foundation of Belize, 15-years loan @ 8.5% interest	388,006	388,006
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	22,000,000	10,000,000
Belize Elementary School 9-years loan @ 10% interest	420,231	458,095
Urbina Brothers 5 1/2-years loan @ 12% interest	-	2,477
Universal Travel Service Limited 5-years loan @ 13% interest	-	19,568

Continued

# SOCIAL SECURITY BOARD

## INVESTMENTS LISTING

for the years ended December 31, 2007 and 2006

### INVESTMENTS, CONTINUED

	2007	2006
PRIVATE SECTOR LOANS, continued		
Peter Guenter		
3-years loan @ 12% interest	45,000	-
Banana Growers Association		
3-years loan @ 10% interest	4,327,192	4,442,477
5-years loan @ 9% interest	3,200,274	3,394,738
Belize Airport Authority		
10-years loan @ 8.5% interest	803,001	1,268,448
Citrus Growers Association		
crop loan @ 10% interest	7,853,775	5,329,862
Citrus Growers Association		
15-years loan @ 8.5% interest	1,660,533	1,700,000
Citrus Growers Association		
3-years loan @ 10% interest	-	1,741,296
Development Finance Corporation		
3 to 15-years student loans @ 8% interest	-	5,652,264
Border Management Agency		
10-years loan @ 8.5% interest	3,815,150	3,565,527
Toledo Fish Farming Company Limited		
3-years loan @ 10% interest	542,000	542,000
Belize Cane Farmers Association		
3-years loan @ 8.5% interest	2,216,786	1,851,629
Belize Cane Farmers Association		
5-years loan @ 8.5% interest	2,250,000	2,068,109
Development Finance Corporation		
20-years loan @ 8.5% interest	-	1,970,472
CGA Workers Union		
5-years loan @ 8.5% interest	40,838	87,628
	-----	-----
	69,196,575	69,354,605

Continued



# SOCIAL SECURITY BOARD

## INVESTMENTS LISTING

for the years ended December 31, 2007 and 2006

### INVESTMENTS, CONTINUED

	2007	2006
PRIVATE SECTOR LOANS, continued		
Less: Provision for loss on investments	(3,062,000)	(2,242,000)
	-----	-----
	66,134,575	67,112,605
	-----	-----
MORTGAGES AND HOUSING		
Development Finance Corporation		
20-years mortgage loan @ 8% interest	-	711,565
20-years loan @ 6% interest	422,914	435,711
Freshpond Pond Mortgages		
20-years loans @ 8% to 8.5% interest	981,614	1,008,600
Housing/RECONDEV Mortgages		
10 to 20-years mortgages @ 8% to 12%	18,007,956	24,415,353
Recondev		
10-years loan @ 8% interest	623,981	643,724
Civil Service Credit Union Limited		
20-years loan @ 9% interest	280,206	307,431
Civil Service Credit Union Limited		
10-years loan @ 8.5% interest	1,413,792	1,496,517
St. Martin's Credit Union		
10-years loan @ 8.5% interest	787,436	874,560
20-years loan @ 9% interest	301,654	329,020
12-years loan @8.5% interest	463,135	558,932
St. John's Credit Union Limited		
15-years loan @ 8.5% interest	1,599,088	2,064,594
St. Francis Xavier Credit Union Limited		
10-years loans @ 8.5% interest	529,776	780,315
Evangelical Credit Union Limited		
10-years loan @ 8.5% interest	-	10,555

Continued

# SOCIAL SECURITY BOARD

## INVESTMENTS LISTING

for the years ended December 31, 2007 and 2006

### INVESTMENTS, CONTINUED

	2007	2006
MORTGAGES AND HOUSING, continued		
Belize National Teachers Union 20-years loans @ 10% interest	251,675	262,203
BNBS Assigned Mortgages 20-years loans @ 10-12% interest	2,283,207	2,133,818
Housing Mortgages - BNBS: District and Secondary, 10 to 20- years loans @ 12% interest	3,030,301	3,341,568*
Vista Del Mar Project:		
Secondary mortgages, 20-years @ 12%	2,277,775	2,996,047*
Police housing loans, 20-years @ 12%	154,158	161,407
Belize Defense Force loans, 20-years @ 12%	223,465	228,942
Teachers' general loans, 20-years @ 12%	77,484	86,415
P.S.U. Housing Scheme		
Middle income, 20-years loans @ 12%	2,418,956	2,687,635*
Housing, 20-years loans @ 12%	503,459	560,034
St. James National Building Society Ltd assigned mortgages, 5 to 20-years loan @ 10% to 12% interest	2,100,162	3,596,608
Staff housing and other mortgage loans, 10 to 20-years @ 8% interest	3,458,524	2,937,406
Previous staff housing loans 10 to 20-years @ 8% interest	1,136,151	1,148,735
	-----	-----
	43,326,869	53,777,695*
Less: Provision for loss on investment	(4,105,000)	(2,640,000)*
	-----	-----
	39,221,869	51,137,695
	-----	-----

\* Reclassified to conform with current year classification.

Continued

# SOCIAL SECURITY BOARD

## INVESTMENTS LISTING

for the years ended December 31, 2007 and 2006

### REAL ESTATE

	2007	2006
Vista Del Mar Housing Project Remaining lots acquired from Vista Del Mar Development Company Ltd	874,304	922,799
San Pedro, Ambergris Caye Lots acquired from Sunset Cove Ltd	29,651	51,889
Dinger Enterprise Limited Cottage Colony property	320,000	320,000
Homeland Development Limited 1,198 plots of land	1,198,000	1,198,000
San Pedro, Ambergris Caye 3,491 acres land	10,636,234	10,636,234
	-----	-----
	13,058,189	13,128,922
	-----	-----

### OTHER LOANS

Government of Belize 9-years loan @ 7.5% interest	6,142,616	6,777,084
	-----	-----
	6,142,616	6,777,084
	-----	-----
Total Investments	\$271,427,249	\$252,317,276
	=====	=====