

# **Deposit Insurance Corporation**

**Financial Statements  
31 December 1999**

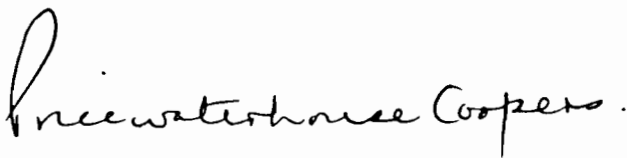
## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Deposit Insurance Corporation

We have audited the accompanying balance sheet of Deposit Insurance Corporation as of 31 December 1999 and the related statements of operations, changes in shareholder's deficit and cash flows for the period from 10 November 1999 to 31 December 1999. These financial statements are the responsibility of the Board of Management of the Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Deposit Insurance Corporation as of 31 December 1999, and the results of its operations, changes in shareholder's deficit and its cash flows for the period from 10 November 1999 to 31 December 1999 in accordance with International Accounting Standards.



Chartered Accountants

7 September 2000

**Deposit Insurance Corporation**  
(Incorporated under the laws of the Commonwealth of The Bahamas)

**Balance Sheet**

As of 31 December 1999

(Amounts expressed in Bahamian dollars)

	1999
	\$
<b>Assets</b>	
Cash	569,791
Marketable securities (Note 3)	2,500,000
Premiums receivable (Note 7)	198,493
Initial contribution receivable (Note 5)	500,000
Accrued interest receivable	72,219
Other assets	<u>733</u>
<b>Total assets</b>	<b><u>3,841,236</u></b>
<b>Liabilities</b>	
Bonds payable (Note 4)	6,750,000
Unpaid claims	765,412
Accrued interest payable	53,168
Accrued expenses	<u>40,059</u>
<b>Total liabilities</b>	<b><u>7,608,639</u></b>
<b>Shareholder's deficit</b>	
Share Capital (Note 6)	500,000
Accumulated deficit	<u>(4,267,403)</u>
<b>Total shareholder's deficit</b>	<b><u>(3,767,403)</u></b>
<b>Total liabilities and shareholder's deficit</b>	<b><u>3,841,236</u></b>

SIGNED ON BEHALF OF THE BOARD OF MANAGEMENT:

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Member of the Board

  
\_\_\_\_\_  
Date

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

## Deposit Insurance Corporation

### Statement of Operations

For the Period from 10 November 1999 to 31 December 1999

(Amounts expressed in Bahamian dollars)

	1999 \$
<b>Income</b>	
Initial contribution (Note 5)	500,000
Premiums (Note 7)	198,493
Interest Income	<u>9,747</u>
<b>Total income</b>	<b><u>708,240</u></b>
<b>Expenses</b>	
Insurance claims (Note 8)	4,836,966
Salaries	5,669
Agents fees (Note 10)	15,700
Audit fees	7,500
Interest expense	53,168
Advertising	33,110
Travel	19,819
Other expenses	<u>3,711</u>
<b>Total expenses</b>	<b><u>4,975,643</u></b>
<b>Net loss</b>	<b><u>(4,267,403)</u></b>

The accompanying notes are an integral part of these financial settlements.

## Deposit Insurance Corporation

Statement of Changes in Shareholder's Deficit  
 For the Period from 10 November 1999 to 31 December 1999  
 (Amounts expressed in Bahamian dollars)

	<u>Share Capital</u> \$	<u>Accumulated Deficit</u> \$	<u>Total</u> \$
Balance at 10 November 1999	-	-	-
Issuance of share capital	500,000	-	500,000
Net loss for the period	<u>-</u>	<u>(4,267,403)</u>	<u>( 4,267,403)</u>
<b>Balance at 31 December 1999</b>	<b><u>500,000</u></b>	<b><u>(4,267,403)</u></b>	<b><u>(3,767,403)</u></b>

The accompanying notes are an integral part of these financial settlements.

## Deposit Insurance Corporation

### Statement of Cash Flows

For the Period from 10 November 1999 to 31 December 1999

(Amounts expressed in Bahamian dollars)

	1999 \$
<b>Cash flows from operating activities:</b>	
Operating expenses paid	(46,183)
Insurance claims paid	<u>(4,071,554)</u>
<b>Net cash used in operating activities</b>	<b><u>(4,117,737)</u></b>
<b>Cash flows from investing activities:</b>	
Purchase of marketable securities	(2,500,000)
Purchase of accrued interest on marketable securities	<u>(62,472)</u>
<b>Net cash used in investing activities</b>	<b><u>(2,562,472)</u></b>
<b>Cash flows from financing activities:</b>	
Issuance of share capital	500,000
Issuance of bonds payable	<u>6,750,000</u>
<b>Net cash from financing activities</b>	<b><u>7,250,000</u></b>
<b>Cash and cash equivalents</b>	<b><u><u>569,791</u></u></b>

The accompanying notes are an integral part of these financial settlements.

## Deposit Insurance Corporation

### Notes to the Financial Statements 31 December 1999

#### 1. Establishment and Operations

Deposit Insurance Corporation (the Corporation) is a statutory corporation established by the Protection of Depositors Act, (the Act) on 30 September 1999.

Pursuant to section 4 of the Act, membership is compulsory for every licensed banking institution carrying on banking business wholly or partly in Bahamian currency.

The Corporation enjoys a close, symbiotic relationship with the Central Bank of The Bahamas (the Bank) and has power to: -

- a. On the advice of the Bank, to levy authorised contributions and premia on member institutions.
- b. To arrange for restructuring of a failed member whether by merger with a financially sound member or otherwise; and
- c. To accumulate, manage and invest the surplus funds of the Corporation.

The registered office of the Corporation is located at: The Central Bank of The Bahamas, Frederick Street, P.O. Box N – 4868, Nassau, The Bahamas.

#### 2. Significant accounting policies

These financial statements have been prepared under the historical cost convention and in accordance with International Accounting Standards. The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of the material accounting policies:

Marketable securities: Marketable securities consist of Bahamas Government Registered Stocks. These investments are recorded at cost which equate market value.

Income and expense recognition: Income and expenses are recorded on an accrual basis.

## Deposit Insurance Corporation

### Notes to the Financial Statements 31 December 1999

#### 3. Marketable securities

Registered stocks:

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principle</u>
6.50%	21 July 2019	\$ <u>2,500,000</u>

#### 4. Bonds payable

On 15 November 1999, the Corporation issued \$6,750,000 in bonds to finance the payments to depositors of Gulf Union Bank (Bahamas) Ltd. (GUB). The bonds bear interest at  $\frac{1}{4}\%$  per annum above prime rate and mature 15 November 2004. All of the bonds were issued to member institutions. These bonds are guaranteed by the Government of the Commonwealth of The Bahamas.

#### 5. Initial Contribution

In accordance with the Act an initial contribution of \$500,000 is to be paid by member institutions. Each member's share is based on their pro rata percentage share of all deposits insured by the Corporation on the last day of the month in which the Act comes into effect. Member institutions do not hold an equity position in the Corporation.

#### 6. Share capital

A compulsory initial contribution of one million dollars is to be paid into the Corporation within ninety days of the enforcement of the Act. Fifty percent (50%) of this amount was paid by the Bank as capital in accordance with Subsection (2) of Section 13 of the Act. The other \$500,000 is to be contributed by member institutions (See Note 5 above).

The authorised share capital of the Corporation is 1,000,000 shares at a par value of \$1.00 per share which may be increased by order of the Minister of Finance of The Bahamas. At 31 December 1999, 500,000 shares were issued and outstanding.



## **Deposit Insurance Corporation**

### **Notes to the Financial Statements**

**31 December 1999**

#### **7. Premiums**

The premium due in the year a institution becomes a member of the Corporation is equal to one twentieth of one percent of the sum of those deposits insured by the Corporation and deposited with the member institution as at the end of the month in which it becomes a member institution. Thereafter the annual premium is equal to one twentieth of one percent of an amount equal to the average of the sum of those deposits insured by the Corporation as of 31 March and 30 September in the immediately preceding premium year. Subsequent to year end, premiums receivable of \$198,493 were received in full.

#### **8. Insurance claims**

Under the scheme, deposits are insured up to a maximum of \$50,000 to any single depositor in each member institution. The depositor must submit a claim to the Corporation within one year from the date of the closure of the institution.

Claims for the period relate to depositors of Gulf Union Bank (Bahamas) Limited (in Liquidation), which was closed on 12 December 1997. Pursuant to the Protection of Depositors Act, 1999, insurance coverage has been applied retrospectively.

#### **9. Exemptions**

The Corporation is exempted from the provisions of the Insurance Act and the Stamp Act.

#### **10. Agents fees**

The Corporation engaged the services of agents in its exercise to satisfy the claims of depositors of the GUB. As compensation for these services, the Corporation is to pay to the Agents an amount of twenty-five (\$25) dollars for each confirmed claim.