

# **Deposit Insurance Corporation**

**Financial Statements  
31 December 2000**



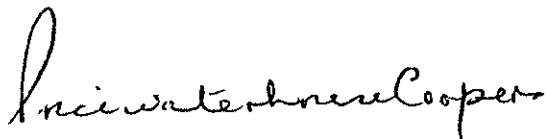
## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Deposit Insurance Corporation

We have audited the accompanying balance sheet of Deposit Insurance Corporation as of 31 December 2000 and the related statements of operations, changes in shareholder's deficit and cash flows for the year then ended. 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 2000, and the results of its operations, changes in shareholder's deficit and its cash flows for the year ended 31 December 2000 in accordance with International Accounting Standards.



Chartered Accountants  
August 15, 2001

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

**Balance Sheet**

As of 31 December 2000

(Amounts expressed in Bahamian dollars)

	2000	1999
	\$	\$
<b>Assets</b>		
Cash	527,450	608,774
Marketable securities (Note 3)	1,800,000	2,500,000
Premiums receivable (Note 7)	174,224	198,493
Initial contribution receivable (Note 5)	-	500,000
Accrued interest receivable	51,998	72,219
Other assets	<u>366</u>	<u>733</u>
<b>Total assets</b>	<b><u>2,554,038</u></b>	<b><u>3,880,219</u></b>
<b>Liabilities</b>		
Bonds payable (Note 4)	6,750,000	6,750,000
Unpaid claims	169,508	765,412
Accrued interest payable	42,765	53,168
Accounts payable and accrued expenses	<u>27,589</u>	<u>79,042</u>
<b>Total liabilities</b>	<b><u>6,989,862</u></b>	<b><u>7,647,622</u></b>
<b>Shareholder's deficit</b>		
Share Capital (Note 6)	500,000	500,000
Accumulated deficit	<u>(4,935,824)</u>	<u>(4,267,403)</u>
<b>Total shareholder's deficit</b>	<b><u>(4,435,824)</u></b>	<b><u>(3,767,403)</u></b>
<b>Total liabilities and shareholder's deficit</b>	<b><u>2,554,038</u></b>	<b><u>3,880,219</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 Year Ended 31 December 2000

(Amounts expressed in Bahamian dollars)

	2000	10 November to 31 December 1999
	\$	\$
<b>Income</b>		
Initial contribution (Note 5)	-	500,000
Premiums (Note 7)	1,339,408	198,493
Interest Income	<u>148,995</u>	<u>9,747</u>
<b>Total income</b>	<u>1,488,403</u>	<u>708,240</u>
<b>Expenses</b>		
Insurance claims (Note 8)	1,732,977	4,836,966
Stipend	929	5,669
Agents fees (Note 10)	-	15,700
Audit fees	9,780	7,500
Interest expense	411,592	53,168
Advertising	-	33,110
Travel	-	19,819
Other expenses	<u>1,546</u>	<u>3,711</u>
<b>Total expenses</b>	<u>2,156,824</u>	<u>4,975,643</u>
<b>Net loss</b>	<u>(668,421)</u>	<u>(4,267,403)</u>

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



## Deposit Insurance Corporation

### Statement of Changes in Shareholder's Deficit For the Year Ended 31 December 2000 (Amounts expressed in Bahamian dollars)

	<u>Share Capital</u> \$	<u>Accumulated Deficit</u> \$	<u>Total</u> \$
Balance at 1 January 2000	500,000	(4,267,403)	(3,767,403)
Issuance of share capital	-	-	-
Net loss for the period	<u>-</u>	<u>(668,421)</u>	<u>(668,421)</u>
<b>Balance at 31 December 2000</b>	<b><u>500,000</u></b>	<b><u>(4,935,824)</u></b>	<b><u>(4,435,824)</u></b>
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 statements.



## Deposit Insurance Corporation

### Statement of Cash Flows For the Year Ended 31 December 2000 (Amounts expressed in Bahamian dollars)

	2000	10 November to 31 December 1999
	\$	\$
<b>Cash flows from operating activities:</b>		
Operating income	1,262,181	-
Operating expenses paid	(2,140,787)	(7,200)
Insurance claims paid	(595,904)	(4,071,554)
Proceeds in premium	770,713	-
Payments on accruals	<u>(77,527)</u>	<u>-</u>
<b>Net cash used in operating activities</b>	<u>(781,324)</u>	<u>(4,078,754)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from disposals of marketable securities	700,000	-
Purchase of marketable securities	-	(2,500,000)
Purchase of accrued interest on marketable securities	<u>-</u>	<u>(62,472)</u>
<b>Net cash used in investing activities</b>	<u>700,000</u>	<u>(2,562,472)</u>
<b>Cash flows from financing activities:</b>		
Issuance of share capital	-	500,000
Issuance of bonds payable	<u>-</u>	<u>6,750,000</u>
<b>Net cash from financing activities</b>	<u>-</u>	<u>7,250,000</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(81,324)</b>	<b>608,774</b>
<b>Cash and cash equivalents at beginning of year</b>	<u>608,774</u>	<u>-</u>
<b>Cash and cash equivalents at end of year (Note 11)</b>	<u><u>527,450</u></u>	<u><u>608,774</u></u>

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



## Deposit Insurance Corporation

### Notes to the Financial Statements 31 December 2000

#### 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 2000

### 3. Marketable securities

Registered stocks:

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principle</u>
6.50%	21 July 2019	\$ <u>1,800,000</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. (in Liquidation) (GUB). The bonds bear interest at ¼% 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 2000

#### 7. Premiums

The premium due in the year an 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 \$174,224 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.

The Corporation before paying out any insured sums to depositors of GUB, set off against the insured sums (set-off amount); monies owed to GUB by such depositors.

During the year ended 31 December 2000, \$1,732,977 was paid to the liquidators of GUB being the amount of monies set-off against the insured sums.

#### 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.

## **Deposit Insurance Corporation**

**Notes to the Financial Statements**  
**31 December 2000**

### **11. Corresponding figures**

Certain of the corresponding figures in the financial statements have been reclassified to accord with the current year's presentation.

