

Deposit Insurance Corporation

Financial Statements
31 December 2001



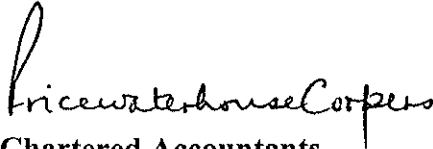
INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Deposit Insurance Corporation

We have audited the accompanying balance sheet of Deposit Insurance Corporation as of 31 December 2001 and the related statements of operations, changes in accumulated fund 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 2001, and the results of its operations, changes in accumulated fund and its cash flows for the year then ended in accordance with International Accounting Standards.


Chartered Accountants
May 3, 2002

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

Balance Sheet

As of 31 December 2001

(Amounts expressed in Bahamian dollars)

	2001 \$	2000 \$
Assets		
Cash	894,672	527,450
Investments (Note 3)	2,800,000	1,800,000
Premiums receivable (Note 7)	-	174,224
Accrued interest receivable	63,929	51,998
Other asset	<u>1</u>	<u>366</u>
Total assets	<u>3,758,602</u>	<u>2,554,038</u>
Liabilities		
Bonds payable (Note 4)	6,750,000	6,750,000
Unpaid claims	166,640	169,508
Accrued interest payable	43,921	42,765
Accounts payable and accrued expenses	<u>28,467</u>	<u>27,589</u>
Total liabilities	<u>6,989,028</u>	<u>6,989,862</u>
Accumulated fund		
Capital (Note 6)	500,000	500,000
Accumulated deficit	<u>(3,730,426)</u>	<u>(4,935,824)</u>
Total accumulated fund	<u>(3,230,426)</u>	<u>(4,435,824)</u>
Total liabilities and accumulated fund	<u>3,758,602</u>	<u>2,554,038</u>

SIGNED ON BEHALF OF THE BOARD OF MANAGEMENT:

Chairman

Member of the Board

Date

KGK
May 3, 2002.

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



Deposit Insurance Corporation

Statement of Operations

For the Year Ended 31 December 2001

(Amounts expressed in Bahamian dollars)

	2001 \$	2000 \$
Income		
Premiums (Note 7)	1,499,188	1,339,408
Interest income	<u>139,267</u>	<u>148,995</u>
Total income	<u>1,638,455</u>	<u>1,488,403</u>
Expenses		
Insurance claims (Note 8)	-	1,732,977
Stipend	-	929
Audit fees	9,780	9,780
Interest expense	422,911	411,592
Other expenses	<u>366</u>	<u>1,546</u>
Total expenses	<u>433,057</u>	<u>2,156,824</u>
Net income/(loss)	<u>1,205,398</u>	<u>(668,421)</u>

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



Deposit Insurance Corporation

Statement of Changes in Accumulated Fund For the Year Ended 31 December 2001 (Amounts expressed in Bahamian dollars)

	<u>Capital</u> \$	<u>Accumulated Deficit</u> \$	<u>Total</u> \$
Balance at 1 January 2000	500,000	(4,267,403)	(3,767,403)
Net loss for the year	<u>-</u>	<u>(668,421)</u>	<u>(668,421)</u>
Balance at 31 December 2000	<u>500,000</u>	<u>(4,935,824)</u>	<u>(4,435,824)</u>
Balance at 1 January 2001	500,000	(4,935,824)	(4,435,824)
Net income for the year	<u>-</u>	<u>1,205,398</u>	<u>1,205,398</u>
Balance at 31 December 2001	<u>500,000</u>	<u>(3,730,426)</u>	<u>(3,230,426)</u>

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



Deposit Insurance Corporation

Statement of Cash Flows

For the Year Ended 31 December 2001

(Amounts expressed in Bahamian dollars)

	2001 \$	2000 \$
Cash flows from operating activities:		
Operating income	127,701	169,217
Operating expenses paid	(431,023)	(2,218,314)
Insurance claims paid	(2,868)	(595,904)
Premiums received	<u>1,673,412</u>	<u>1,863,677</u>
Net cash generated by/(used in) operating activities	<u>1,367,222</u>	<u>(781,324)</u>
Cash flows from investing activities:		
Proceeds from disposals of investments	-	700,000
Purchase of investments	<u>(1,000,000)</u>	<u>-</u>
Net cash (used in)/provided by investing activities	<u>(1,000,000)</u>	<u>700,000</u>
Net increase/(decrease) in cash and cash equivalents	367,222	(81,324)
Cash and cash equivalents at beginning of year	<u>527,450</u>	<u>608,774</u>
Cash and cash equivalents at end of year	<u><u>894,672</u></u>	<u><u>527,450</u></u>

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



Deposit Insurance Corporation

Notes to the Financial Statements

31 December 2001

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

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The Corporation's financial statements have been prepared under the historical cost convention and in accordance with International Accounting Standards (IAS). The preparation of the 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 Corporation adopted IAS 39 - Financial Instruments: Recognition and measurement on 1 January 2001.



Deposit Insurance Corporation

Notes to the Financial Statements

31 December 2001

2. Significant accounting policies (Continued)

(b) Investments

On 1 January 2001, therefore the Corporation classified its investments as originated receivables. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such a designation on a regular basis. Financial assets created by the Corporation by providing funds directly to a debtor, with no intention of liquidating in the short term, are classified as originated loans and receivables. Originated loans and receivables are carried at amortised cost.

Prior to the adoption of IAS 39, the Corporation recorded all of its investments at cost.

(c) Income and expense recognition

Income and expenses are recorded on an accrual basis.

3. Investments

During the year, the investments in the Bahamas Government registered stocks were at interest rates of 6.47% to 6.50% (2000: 6.47%) per annum. These interest rates are tied to the Nassau Prime Rate and the investments have maturing dates from 2019 to 2020 (2000: 2019).

<u>Value Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Cost</u> \$	<u>Face Value</u> \$
18/09/00	6.4688%	2019	1,800,000	1,800,000
30/07/01	6.5000%	2020	1,000,000	1,000,000
Total 2001			2,800,000	2,800,000
Total 2000			1,800,000	1,800,000

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.



Deposit Insurance Corporation

Notes to the Financial Statements

31 December 2001

5. Initial Contribution

In accordance with the Act an initial contribution of \$500,000 was paid by member institutions. Each member's share was 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 came into effect. Member institutions do not hold an equity position in the Corporation.

6. Capital

A compulsory initial contribution of one million dollars was 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 was contributed by member institutions (See Note 5 above).

The authorised capital of the Corporation is \$1,000,000 which may be increased by order of the Minister in accordance with Subsection (1) of Section 13 of the Act. At 31 December 2001, paid-up capital was 500,000 (2000: 500,000).

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 nil (2000: \$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 2001, \$Nil (2000: \$1,732,977) was paid to the liquidators of GUB being the amount of monies set-off against the insured sums.



Deposit Insurance Corporation

Notes to the Financial Statements 31 December 2001

9. Exemptions

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

10. Fair value

The fair value of the Bahamas Government registered stock at 31 December 2001 is \$2,857,490.

11. Corresponding figures

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