SIXTH REPORT TO THE COURT
OF
GULF UNION BANK (BAHAMAS) LIMITED
(IN LIQUIDATION)

***Period Covered:** 1st January, 2001 to 31st December, 2001*

***Issue Date:** June 13, 2002*

Confidential

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INTRODUCTION

This is our sixth Court Report since our appointment on 2nd July 1998, as Joint Official Liquidators of Gulf Union Bank (Bahamas) Limited ('The Bank').

The Report is for the year ended 31st December 2001, and is divided into two sections. The first section deals with the progress for the year ended 31st December 31, 2001, while the second section deals with future prospects.

1. PROGRESS DURING THE YEAR ENDED 31st DECEMBER, 2001

i. LIQUIDATORS' ESTIMATED BALANCE SHEET

Appendix 1 to this report is the liquidators' estimated balance sheet as at 31st December, 2001.

We should like to draw your attention at this time to the following: -

a) CASH AT BANK

Cash at bank includes deposits in B$ and US$ held at Bank of The Bahamas Limited, CIBC and Commonwealth Bank Limited. These deposits totaled $5,726,694 as at 31st December, 2001.

There are also B$ and US$ current accounts at Bank of The Bahamas Limited in the amount of $67,620 and petty cash of $500.

b) LOANS AND ADVANCES

Since the commencement of the liquidation, most of the loans and advances which we originally categorized as performing have been paid off. This has reduced our regular cash flow of monthly receipts.

Those categorized as performing loans and advances still outstanding are valued at principal outstanding.

The basis of valuing the non-performing loans and overdrafts and establishing the general provision remains unchanged from previous reports.

Appendix 3 to this report provides an analysis of the loan and overdraft portfolio distinguishing between performing and non-performing debts.

c) FIXED ASSETS

The major asset in this category is the Freeport office lease, which has an unexpired term of approximately 67 years. The value placed on this asset takes into account recent appraisals, less the likely cost of the purchaser's acquisition of the freehold based on current market conditions. However, there are other problems relating to this asset, which are dealt with in the future prospects section of this report.

d) LIQUIDATION CREDITORS

Included in this figure are liquidators' fees, accounting fees and legal fees for the 6 months period, together with $39,000 of deposits on some of the property held as security for non-performing debts, which sales had not been completed as at 31st December, 2001.

e) DEPOSITORS ACCOUNTS

Under the terms of the Protection of Depositors Act, which came into effect in 1999, The Deposit Insurance Corporation has advanced amounts totaling $6,417,675.29 on B$ deposits protected by this Act. Of this sum, $1,732,977 was paid to Gulf in respect of protected deposits, where the depositor owed money to Gulf.

The Deposit Insurance Corporation is therefore a creditor of Gulf ranking pari passu with those depositors and creditors not protected by the Act. Those B$ depositors with deposits under $50,000 are no longer creditors of Gulf and those with deposits over $50,000 will only recover further sums after The Deposit Insurance Corporation has been fully repaid for the amounts they advanced to that depositor.

f) OTHER LIABILITIES

Sundry creditors include known amounts due at the date of commencement of the liquidation to parties other than depositors, plus a provision for possible additional liabilities, which have not yet come to light.

g) DUE TO CENTRAL BANK OF THE BAHAMAS (NET)

Due to Central Bank of The Bahamas reflects the balances shown on Gulf's books. There has been no change in the circumstances surrounding the balances due to and from the Central Bank of The Bahamas since our first report.

h) INTER COMPANY BALANCE

Our records show that our Parent Company, Gulf Union Bank Ltd. – Cayman Company, owes us $2,243,443 and that against this the parent company placed a subordinated amount of $2,575,651 with us. Since the latter amount was according to Gulf's records, subordinated to the claims of all other creditors no amount should be due by us in these circumstances. The parent company, which is in liquidation is contesting the subordination issue.

Gulf's records also show 2 amounts totaling $2.5 million, which were transferred from Gulf via a Florida Lawyer's wire transfer account to First Cayman Bank Limited, a fellow subsidiary of the Cayman Parent Company, which is also in liquidation. These amounts were recorded in Gulf's books under the heading "Amounts Removed By Proposed New Shareholders" and a 100% provision was made because of the anticipated difficulty of recovery. We have claimed against First Cayman Bank for the recovery of the $2.5 million, but our claim has been rejected. We have appealed against the rejection and are aware that the Cayman Liquidators have made provision in case our claim succeeds. Gulf's records also indicate that First Cayman Bank had placed $500,000 with Gulf in August 1997.

i) DEFICIT

There has been no material change in the deficit since the commencement of the liquidation.

ii. ***LIQUIDATORS RECEIPTS AND DISBURSEMENTS ACCOUNT***

Appendix 2 to this report is the liquidators' receipts and disbursements for the year ended 31st December, 2001, together with the cumulative receipts and disbursements account from the commencement of the liquidation. We should like to draw your attention at this time to the following: -

a) For the year ended 31st December 2001, cash increased by $95,077 to $5,794,814.

b) The disbursements include payments of liquidators' fees, accounting fees and legal fees for 12 months.

2. ***FUTURE PROSPECTS***

a) INTER COMPANY BALANCE CLAIM IN FIRST CAYMAN BANK LIQUIDATION

Our Cayman Lawyer has advised us that they consider our claim to recover $2.5 million worth pursuing. We are currently seeking Caymanian court approval to institute proceedings against the Bank in Liquidation there. We have received the Bahamian Court approval and will be keeping our creditors' committee advised on this matter.

b) FREEPORT OFFICE LEASE

We are currently in negotiation with our Landlord to see whether we can arrive at a mutually acceptable situation in this matter. If such can be achieved we believe this would be in the best interests of the liquidation, since a court victory would still leave us with the problem of dealing with the Landlord as we try to sell the lease. If we were to lose this asset our expected return would be reduced by approximately 2.7%.

c) RECOVERY ON LOANS/OVERDRAFTS WITH VALUE

As shown in the Liquidators' receipts and disbursements we have recovered the principal amount of $3,012,399 from performing and non-performing loans/overdrafts with value since the commencement of the liquidation. $212,799 was recovered during the year ended 31st December 2001.

d) RECOVERY ON LOANS/OVERDRAFTS WITH NO VALUE

As shown in the Liquidators' receipts and disbursements we have recovered $2,060,762 on loans/overdrafts on which no value was placed at the commencement of the liquidation. $423,275 was recovered during the year ended 31st December 2001.

e) OTHER MATTERS

We have not yet satisfied ourselves that the likelihood of recovery from the Al Thanis is sufficiently high to justify the costs we would have to incur to pursue them. This matter is still under consideration.

We previously advised that the legal opinions we received were not sufficiently favorable to justify our bringing legal action in connection with the company's financial statements. It is also our understanding that the Regulatory Authority will not be taking any further action in connection with this matter.

The situation regarding the Quoreshis remains unchanged from previous reports.

It is our intention to pay a first distribution of 10% to all creditors whose claims have been accepted in June 2002 this year.

f) ***SUMMARY***

Based on the valuation shown in the 31st December, 2001, balance sheet and bearing in mind the uncertainties related to the Freeport lease and the Inter Company Debt, it is still our opinion that the ultimate recovery should be in the region of 25 cents on the dollar.

Respectfully Submitted:

Raymond Winder

Raymond L. Winder
Joint Official Liquidator

Graham C. Garner
Joint Official Liquidator

APPENDIX 1

GULF UNION BANK (BAHAMAS) LIMITED (IN LIQUIDATION) LIQUIDATORS' ESTIMATED BALANCE SHEET

	December 31, 2001	December 12, 1997
ASSETS		
Cash & Due from Banks	$ 5,794,814	$ 802,017
Loans & Overdrafts	3,763,241	6,551,862
Fixed Assets	900,000	1,000,000
Investment in Government Securities	-	500,000
	10,458,055	8,853,879
Less Liquidation Creditors	(144,717)	-
	$ 10,313,338	$ 8,853,879
LIABILITIES		
Due to Depositors	$ 32,402,055	$ 30,777,510
Due to Central Bank of The Bahamas (Net)	197,883	197,883
Sundry Creditors	750,000	926,568
Inter Company Balances	832,208	837,957
	34,182,146	32,739,918
Deficit	(23,868,808)	(23,886,039)
	$ 10,313,338	$ 8,853,879

APPENDIX 2

GULF UNION BANK (BAHAMAS) LIMITED (IN LIQUIDATION)
STATEMENT OF RECEIPTS AND DISBURSEMENTS

	January 1, 2001 thru December 31, 2001	December 31, 1997 thru December 31, 2001
INCOME:		
Receipts		
Loans & Overdraft-Principal	$ 212,799	$ 3,012,399
Loans & Overdraft-Interest	91,734	613,246
Recovery on Bad Loans	423,275	2,060,762
Fixed Deposit Interest	195,294	540,070
Deposit on Sale of Property	(3,100)	45,550
Recovery from Proposed New Shareholders	-	659,937
Received on behalf of customers	(9,058)	369
Miscellaneous Income	357	500
Sale of Assets	-	34,141
Sale of Bahamas Government Securities	-	500,000
Interest on Bahamas Government Securities	-	5,153
Total income	911,301	7,472,127

(Continued)

APPENDIX 2

GULF UNION BANK (BAHAMAS) LIMITED (IN LIQUIDATION)
STATEMENT OF RECEIPTS AND DISBURSEMENTS

	January 1, 2001 thru December 31, 2001	December 31, 1997 thru December 31, 2001
DISBURSEMENTS:		
Accounting Fees	$ 43,024	$ 351,960
Administration	103,107	500,459
Loan Recovery	77,129	400,009
Liquidators' Fees	214,760	1,035,257
Salaries	45,984	351,869
Rent	7,600	159,818
Legal Fees	226,436	781,712
Telephone	3,492	48,729
Utilities	16,059	98,921
Computer Expenses	2,461	35,108
Insurance	24,708	76,498
Advertising	2,436	30,456
Office Supplies	-	7,843
Travel	893	9,387
Office Expense	14,216	43,826
Appraisals	-	9,654
Storage	14,715	39,104
Professional Charges	16,092	33,145
Bank Charges	582	6,969
Security	-	2,070
General Expense	2,530	39,933
Total expenses	816,224	3,576,799
NET INCREASE IN CASH	95,077	3,628,113
Court Approved Legal Fees for Depositors' Lawyers' in Petition Hearing	-	(149,938)
	$ 95,077	$ 3,478,175

(Continued)

APPENDIX 2

GULF UNION BANK (BAHAMAS) LIMITED (IN LIQUIDATION)
STATEMENT OF RECEIPTS AND DISBURSEMENTS

	January 1, 2001 thru December 31, 2001	December 31, 1997 thru December 31, 2001
CASH BEGINNING OF PERIOD	$ 5,699,737	$ 802,017
NET INCREASE IN CASH	95,077	3,478,176
AMOUNT DUE BY DEPOSITORS ON LOANS & OVERDRAFTS	-	1,732,977
CASH END OF PERIOD	$ 5,794,814	$ 6,013,170
CASH IS COMPRISED OF:		
Interest Bearing Accounts	$ 5,726,694	$ 5,726,694
Current Accounts	67,620	67,620
Petty Cash	500	500
	$ 5,794,814	$ 5,794,814

(Concluded)

APPENDIX 3

GULF UNION BANK (BAHAMAS) LIMITED (IN LIQUIDATION)
ESTIMATED REALIZABLE VALUE OF LOANS AND OVERDRAFTS

	December 31, 2001	December 12, 1997
B$ - BAHAMIAN DOLLAR		
Performing Loans & Overdrafts	$ 195,704	$ 1,953,266
Non-Performing Loans & Overdrafts	2,179,274	2,752,531
	2,374,978	4,705,797
US$ - UNITED STATES DOLLAR		
Performing Loans & Overdrafts	-	1,964,914
Non-Performing Loans & Overdrafts	1,885,865	423,151
	1,885,865	2,388,065
	4,260,843	7,093,862
GENERAL PROVISION	(497,602)	(542,000)
	$ 3,763,241	$ 6,551,862

APPENDIX 4

GULF UNION BANK (BAHAMAS) LIMITED (IN LIQUIDATION) DEPOSIT SUMMARY

	December 31, 2001	December 12, 1997
NASSAU		
B$	$ 10,885,775	$ 10,760,639
US$	10,552,697	10,758,844
Total - Nassau	21,438,472	21,519,483
FREEPORT		
B$	5,477,294	6,008,999
US$	5,773,547	5,773,547
Total - Freeport	11,250,841	11,782,546
	32,689,313	33,302,029
LESS OFFSETS	(287,258)	(2,524,519)
	$ 32,402,055	$ 30,777,510

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