THIRD REPORT TO THE COURT

OF

GULF UNION BANK (BAHAMAS) LIMITED

(IN LIQUIDATION)

Period Covered: 1st July, 1999 to 31st December, 1999

Issue Date: 30th June, 2000

TABLE OF CONTENTS

			Page
1.	**INTRODUCTION**		**1**
	PROGRESS OF LIQUIDATION		**1-6**
	LIQUIDATORS ESTIMATED BALANCE SHEET		**1-5**
	a)	*Cash at Bank*	*1*
	b)	*Loans and Advances*	*2*
	c)	*Fixed Assets*	*2*
	d)	*Liquidation Creditors*	*3*
	e)	*Depositors Accounts*	*3*
	f)	*Sundry Creditors*	*4*
	g)	*Due to Central Bank of The Bahamas (Net)*	*4*
	h)	*Inter Company Balance*	*4 - 5*
	i)	*Deficit*	*5*
	LIQUIDATORS RECEIPTS AND DISBURSEMENTS ACCOUNT		**6**
2.	**FUTURE PROSPECTS**		**7-9**
	EXHIBITS TO COURT REPORT		

INTRODUCTION

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

This report covers the six-month period from 1st July, 1999 to 31st December, 1999. In future, we intend to issue a Court Report every six months.

The Report is divided into two sections; the first dealing with the progress during the six months to 31st December, 1999 and the second, to future prospects.

PROGRESS DURING THE SIX MONTHS TO 31ST DECEMBER, 1999

1. LIQUIDATORS ESTIMATED BALANCE SHEET

Appendix 1 to this report is the liquidators estimated balance sheet as at 31st December, 1999.

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

CASH AT BANK

a) The cash at bank was held at Bank of The Bahamas in US$ and B$ accounts. Of the total sum $2,949,190 was on interest bearing deposit.

LOANS AND ADVANCES

b) We have used the same basis as at 12th December, 1997 to evaluate the loan and overdraft portfolio. Performing loans are valued at face including accrued interest with a general provision of 5% against secured debts and 15% against unsecured debts.

For non-performing secured debts we do not accrue income and value the debt at 50% of the latest available valuation of the security.

No value is placed on unsecured non-performing debts. A general provision calculated at 6% per annum for 2 years is deducted from the security value to take account of the average estimated time anticipated before receipt of the proceeds of sale.

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

FIXED ASSETS

c) The major asset in this category is the Freeport office lease. We refer to our previous report in which we indicated that our landlord might seek to terminate our lease because we are in liquidation. This matter has still not been resolved. In the meantime we are attempting to sell our lease and are continuing to pay our lease obligations. As stated previously, if we were to lose this asset our expected return to creditors would reduce by some 3.2%.

LIQUIDATION CREDITORS

d) Included in this figure is six-months of liquidator's fees, accounting and legal fees, together with $70,000 of deposits on sales of property held as security for non-performing debts which sales had not been completed at 31st December, 1999. We are showing liquidation creditors separately, as these have to be paid in full whereas sundry creditors at the commencement of the liquidation will share in any distribution.

DEPOSITORS ACCOUNTS

e) The Protection of Depositor's Act came into force in 1999. As a result of this Act all B$ depositors are entitled to recover their deposits up to a maximum of $50,000 provided any indebtedness to the bank is repaid first. As of the date of this court report the majority of the B$ depositors have claimed and been paid. In the liquidation these individual depositors are being replaced by one large creditor, the Deposit Insurance Corporation. The maximum amount, which the Deposit Insurance Corporation may ultimately pay, is approximately $6.7 million. Excepting to the extent that it involves set off this Act will not alter the total amount of liability to depositors as shown by our records.

In any future distribution the Deposit Insurance Corporation will need to be repaid the $50,000 they paid on B$ depositor claims over $50,000 before that depositor is entitled to receive any distribution on the balance of his deposit.

SUNDRY CREDITORS

f) Sundry creditors includes 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.

DUE TO CENTRAL BANK OF THE BAHAMAS (NET)

g) 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.

INTER COMPANY BALANCE

h) We have claimed in the First Cayman Bank Limited liquidation for the sum of $2 million.

This represents amounts totaling $2.5 million transferred at the behest of Sheikh Quoreshi from the bank's accounts through a US lawyer's wire transfer account to First Cayman Bank less an amount of $500,000 transferred to the bank from Cayman in August 1997.

This claim has not yet been agreed by the Cayman liquidators. We are also in the process of obtaining an opinion as to whether this money should be treated as trust funds.

In addition our records show that our bank is owed a net amount of $2,243,443 by Gulf Union Bank Limited our parent company. Against this, our records show that Gulf Union Bank Limited had placed a subordinated amount of $2,575,651 with us. The Cayman liquidators are disputing the subordination.

If our claims against First Cayman Bank are rejected and we accept their $500,000 claim, and if our claim that the Gulf Union Bank debt is subordinated is also rejected our expected return to creditors would reduced by some .8% in the dollar.

DEFICIT

i) The estimated deficit at 31st December, 1999 has increased by some $62,041 since 12th December, 1997. Given the estimated nature of the valuations, it would be reasonable to say that it has not altered significantly during this period of just over 2 years.

LIQUIDATORS RECEIPTS AND DISBURSEMENTS ACCOUNT

Appendix 2 to this report is the liquidator's receipts and disbursements for the six-months ended 31st December, 1999 together with the accumulated receipts and disbursements account from the commencement of the liquidation. We should like to draw your attention at this time to the following: -

a) Over the six-month period the cash increased by $179,192 to $3,004,468.

b) This six-months only includes three months payments of liquidator's fees, accounting and legal fees. As stated previously a further six months fees are included in liquidation creditors in the liquidators estimated balance sheet at 31st December, 1999.

c) We have shown the payment of court approved legal fees for depositor's lawyers in Petition hearings in the amount of $149,938 separately, as this was not an expense incurred by the liquidators.

d) You will note that there is a not insignificant improvement in "recoveries on non-performing loans" during the period. A number of previously non-performing debts are commencing to make payments.

2. *FUTURE PROSPECTS*

Whilst we have been able to make some progress in increasing loan recoveries and reducing liquidation costs the only areas where there is a possibility of substantial recoveries being made are: -

a) Recoveries from the ultimate shareholders and directors.

We have mentioned before the difficulties we face in seeking to make a recovery against the Al-Thanis for mismanagement and misrepresent. These involve difficulties of jurisdiction, expense of litigation and uncertainty of outcome. Progress has been slow but we are presently in serious discussion with the Cayman liquidators with a view to working together to further our claims.

b) As reported previously, in June 1999 we provided Central Bank with an in-depth report on all financial statements of the bank subsequent to 1992. We have had subsequent discussions with them and the matter is under active review by all the interested parties.

c) In our last report we advised that we had obtained judgement against Sheikh Quoreshi ($4 million) and Crown Capital Advisors Limited (Shahid Quoreshi) ($200,000).

We have made no further recoveries from the proposed new shareholders. Our action against Sohail Quoreshi is now anticipated to be heard during the summer.

d) We are awaiting a Cayman legal opinion regarding our claim against First Cayman Bank Limited for $2 million.

In addition to the above we shall be seeking over the next few months to:

e) Resolve the problem relating to the Freeport office lease and conclude a sale thereof.

f) Advertise for sale all properties held as security for non-performing debts once we are satisfied with the documentation.

g) Continue to seek recovery of other non-performing debts.

We do not anticipate making a distribution until we have resolved how to proceed with the first four matters referred to in this section as we wish to retain sufficient cash to keep our options open. Based on the valuations shown in the 31st December, 1999 estimated balance sheet and bearing in mind the uncertainties related to the Freeport lease and the inter company debt it is our opinion that the ultimate recovery should be approximately twenty-four cents in 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, 1999	December 12, 1997
ASSETS		
Cash & Due from Banks	$ 3,004,468	$ 802,017
Loans & Overdrafts	5,106,467	6,551,862
Fixed Assets	965,859	1,000,000
Investment in Government Securities	-	500,000
	9,076,794	8,853,879
Less Liquidation Creditors	(372,005)	-
	$ 8,704,789	$ 8,853,879
LIABILITIES		
Deposit Accounts	$ 30,696,210	$ 30,777,510
Sundry Creditors	926,568	926,568
Due to Central Bank of The Bahamas (Net)	197,883	197,883
	31,820,661	31,901,961
Inter Company Balances Subordinated	832,208	837,957
	32,652,869	32,739,918
Deficit	(23,948,080)	(23,886,039)
	$ 8,704,789	$ 8,853,879

APPENDIX 2

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

	July 1, 1999 thru December 31, 1999	December 12, 1997 thru December 31, 1999
RECEIPTS:		
Loans & Overdraft-Principal	$ 148,867	$ 1,917,367
Loans & Overdraft-Interest	75,798	429,458
Recovery on Bad Loans	304,832	888,281
Fixed Deposit Interest	59,695	213,282
Deposit on Sale of Property	70,000	70,000
Recovery from Proposed New Shareholders Transaction	-	659,937
Sale of Assets	-	34,141
Sale of Bahamas Government Securities	-	500,000
Interest on Bahamas Government Securities	-	5,153
	659,192	4,717,619

(Continued)

APPENDIX 2

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

	July 1, 1999 thru December 31, 1999	December 12, 1997 thru December 31, 1999
DISBURSEMENTS:		
Accounting Fees	25,056	259,102
Administration	29,876	296,809
Loan Recovery	33,258	224,829
Liquidators' Fees	79,820	540,217
Salaries	53,637	254,101
Rent	3,000	138,918
Legal Fees	49,385	374,104
Telephone	2,350	38,165
Utilities	13,189	57,036
Computer Expenses	2,964	27,831
Insurance	10,151	30,529
Advertising	2,293	26,564
Office Supplies	2,482	7,843
Travel	953	6,561
Office Expense	2,655	13,017
Appraisals	4,332	9,654
Storage	10,192	18,729
Professional Charges	-	6,818
Bank Charges	177	5,254
Security	-	2,070
General Expense	4,292	27,079
	330,062	2,365,230
Court Approved Legal Fees for Depositors' Lawyers' in Petition Hearings	149,938	149,938
TOTAL DISBURSEMENTS	$ 480,000	$ 2,515,168

(Continued)

APPENDIX 2

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

	July 1, 1999 thru December 31, 1999	December 12, 1997 thru December 31, 1999
CASH BEGINNING OF PERIOD	$ 2,825,276	$ 802,017
NET INCREASE IN CASH	179,192	2,202,451
CASH END OF PERIOD	$ 3,004,468	$ 3,004,468
CASH IS COMPRISED OF:		
Interest Bearing Accounts	2,949,190	2,949,190
Current Accounts	54,778	54,778
Petty Cash	500	500
	$ 3,004,468	$ 3,004,468

(Concluded)

APPENDIX 3

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

	December 31, 1999	December 12, 1997
B$ - BAHAMIAN DOLLAR		
Performing Loans & Overdrafts	$ 1,261,114	$ 1,953,266
Non-Performing Loans & Overdrafts	1,967,552	2,752,531
	3,228,666	4,705,797
US$ - UNITED STATES DOLLAR		
Performing Loans & Overdrafts	1,897,286	1,964,914
Non-Performing Loans & Overdrafts	423,151	423,151
	2,320,437	2,388,065
	5,549,103	7,093,862
GENERAL PROVISION	(442,636)	(542,000)
	$ 5,106,467	$ 6,551,862

APPENDIX 4

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

	December 31, 1999	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$	5,825,247	6,008,999
US$	5,773,547	5,773,547
Total - Freeport	11,598,794	11,782,546
	33,037,266	33,302,029
LESS OFFSETS	(2,341,056)	(2,524,519)
	$ 30,696,210	$ 30,777,510