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

Period Covered:

1st January, 2003 to 31st December, 2003

Issue Date: January 12, 2005

Confidential

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INTRODUCTION

This is our eighth 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, 2003, and is divided into two sections. The first section deals with the progress for the year ended 31st December, 2003, while the second deals with future prospects.

1. PROGRESS DURING THE YEAR ENDED 31st DECEMBER, 2003

i. LIQUIDATORS' ESTIMATED BALANCE SHEET

Appendix 1 to this report is the liquidators' estimated balance sheet as at 31st December, 2003.

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 International and FirstCaribbean International Bank (Bahamas) Limited. These deposits totaled $5,448,923 as at 31st December, 2003.

There are also B$ and US$ current accounts at Bank of The Bahamas International in the amount of $7,673 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 65 years. The value placed on this asset has been adjusted to take account of a recent appraisal. 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 together with a $4,150 deposit on property held as security for a non-performing debt, which sale had not been completed as at 31st December, 2003.

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 $6,467,190 on B$ 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. The Deposit Insurance Corporation received $897,785 from the first distribution.

f. OTHER LIABILITIES

Trade creditors whose claims have been agreed are included in due to depositors and trade creditors. Possible claims from other than depositors which have not yet been agreed have been included in sundry creditors.

g. INTER COMPANY BALANCE

As a result of agreements approved by both the Bahamian and Caymanian Courts we received $850,000 during the year in full settlement of all amounts due to and from our Bank with Gulf Union Bank Limited, our Caymanian parent company and First Cayman Bank Limited, a fellow subsidiary.

h. DEFICIT

The deficit has been reduced from $21,471,274 at the beginning of the year to $20,516,035 at 31st December, 2003.

The principal cause for the reduction in the deficit over the year was the money received from Cayman.

i. FIRST DISTRIBUTION

On 1st June, 2002 a first distribution of 10 cents in the dollar was declared. By 31st December, 2003 the position on the first distribution was as follows: -

DISTRIBUTIONS	
CLAIMS PAID	$2,219,123
DISTRIBUTION OUTSTANDING	
CLAIMS PENDING	399,629
PROVISION	
UNCLAIMED ACCOUNTS	573,045
	$3,191,797

ii. LIQUIDATORS RECEIPTS AND DISBURSEMENTS ACCOUNT

Appendix 2 to this report is the liquidators' receipts and disbursements for the year to 31st December, 2003 together with the comparative receipts and disbursements account for the previous year. We should like to draw your attention at this time to the following: -

a. For the year ended 31st December, 2003, cash increased by $803,799 to $5,457,096.

b. After eliminating those receipts and disbursements that do not affect the income account the income for the year is as follows: -

TOTAL RECEIPTS	$ 1,865,859	
LESS PRINCIPAL REPAYMENTS	(297,155)	
		1,568,704
TOTAL DISBURSEMENTS		675,336
		893,368
LIQUIDATION CREDITORS -		
BEGINNING OF YEAR	109,759	
END OF YEAR	49,388	
		60,371
NET INCOME		$ 953,737

2. FUTURE PROSPECTS

a. FREEPORT OFFICE LEASE

As advised in earlier reports our landlord is claiming that the liquidation caused the lease to be terminated. We are strongly disputing this and are still in negotiation with them.

Under the terms of the lease we can only sell with the landlord's permission and a change in use of premises from banking also requires the landlord's consent. We are hopeful that these matters can be satisfactorily resolved. If we were to be unable to sell this asset the expected return would be reduced by just under 2%.

b. RECOVERY ON LOANS/OVERDRAFTS WITH VALUE

As shown in the Liquidators' receipts and payments a total of $297,155 principal was recovered during the current year. Since the commencement of the liquidation $3,846,219 principal has been recovered.

c. RECOVERY ON LOANS/OVERDRAFTS WITH NO VALUE

As shown in the Liquidators' receipts and payment a total of $508,606 was recovered during the current year.

Since the commencement of the liquidation $3,041,693 has been recovered on loans/overdrafts where no value was placed at the commencement of the liquidation.

d. OTHER MATTERS

The situation regarding the Quoreshis remains unchanged from previous reports.

On 25th day of November, 2003, a Writ of Summons was filed by the bank in the Supreme Court of the Commonwealth of The Bahamas against Shaikh Jabor Mohamed Althani, Shaikh Khalid Bin Jabor Althani, Kalifa Bin Jabor Althani and Syed Serwer Hussain. The claims are:

DAMAGES FOR:-

1 a. Misfeasance in office;

b. Breach of fiduciary duty and/or breach of trust;

2 Such further or other relief as the Court seems just;

3 Costs.

Attempts are presently being made to serve the named Defendants outside of the jurisdiction of the Commonwealth of The Bahamas.

On 11th May, 2004 a second distribution to creditors of 10% was declared.

3. SUMMARY

Based on the valuation shown in the 31st December, 2003 balance sheet and bearing in mind the uncertainties related to the Freeport lease, it is our opinion that the ultimate recovery should be not less than 28-30 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, 2003	December 31, 2002
ASSETS		
Cash & Due from Banks *(Appendix 2)*	$ 5,457,096	$ 4,653,297
Loans & Overdrafts *(Appendix 3)*	2,647,891	2,927,524
Fixed Assets	600,000	600,000
	8,704,987	8,180,821
Less Liquidation Creditors	(49,388)	(109,759)
	$ 8,655,599	$ 8,071,062
LIABILITIES		
Due to Depositors & Trade Creditors *(Appendix 4)*	$ 28,755,678	$ 29,125,087
Sundry Creditors	415,956	417,249
	29,171,634	29,542,336
Deficit	(20,516,035)	(21,471,274)
	$ 8,655,599	$ 8,071,062

APPENDIX 2

GULF UNION BANK (BAHAMAS) LIMITED (IN LIQUIDATION)
LIQUIDATORS' STATEMENT OF RECEIPT AND DISBURSEMENTS

	January 1, 2003 December 31, 2003	January 1, 2002 December 31, 2002
RECEIPTS:		
Loans & Overdraft-Principal	$ 297,155	$ 536,665
Loans & Overdraft-Interest	20,769	9,208
Recovery on Bad Loans	508,606	472,325
Fixed Deposit Interest	189,329	344,122
Miscellaneous Income (*Cayman*)	850,000	19,825
Total income	1,865,859	1,382,145
DISBURSEMENTS:		
Accounting Fees	63,372	57,730
Administration	98,784	95,111
Loan Recovery	85,921	62,471
Liquidators' Fees	156,860	182,358
Travel	685	-
Salaries	34,778	45,939
Rent	12,000	11,715
Legal Fees	163,131	133,873
Telephone	4,261	4,337
Utilities	1,429	2,222
Computer Expenses	361	1,420
Insurance	17,459	28,550
Advertising	1,510	30,353
Office Expense	12,297	14,551
Storage	10,415	11,760
Professional Charges	11,083	4,669
Bank Charges	990	3,748
General Expense	-	456
Total expenses	675,336	691,263

(Continued)

APPENDIX 2

GULF UNION BANK (BAHAMAS) LIMITED (IN LIQUIDATION) LIQUIDATORS' STATEMENT OF RECEIPT AND DISBURSEMENTS

	December 31, 2003	December 31, 2002
NET INCREASE IN CASH FROM OPERATIONS	1,190,523	690,882
DISTRIBUTION TO DEPOSITORS	386,724	1,832,399
NET (DECREASE) INCREASE IN CASH	803,799	(1,141,517)
CASH, BEGINNING OF PERIOD	4,653,297	5,794,814
CASH, END OF PERIOD	$ 5,457,096	$ 4,653,297
CASH IS COMPRISED OF:		
Interest Bearing Accounts	$ 5,448,923	$ 3,987,492
Current Accounts	7,673	665,305
Petty Cash	500	500
	$ 5,457,096	$ 4,653,297

(Concluded)

APPENDIX 3

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

	December 31, 2003	December 31, 2002
B$ - BAHAMIAN DOLLAR		
Performing Loans & Overdrafts	$ 154,375	$ 174,510
Non-Performing Loans & Overdrafts	1,171,193	1,358,802
	1,325,568	1,533,312
US$ - UNITED STATES DOLLAR		
Non-Performing Loans & Overdrafts	1,659,538	1,779,538
	1,659,538	1,779,538
	2,985,106	3,312,850
GENERAL PROVISION	(337,215)	(385,326)
	$ 2,647,891	$ 2,927,524

APPENDIX 4

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

	December 31, 2003	December 31, 2002
NASSAU		
B$	$ 9,222,579	$ 9,222,579
US$	10,230,735	10,494,685
Total - Nassau	19,453,314	19,717,264
FREEPORT		
B$	4,363,674	4,363,674
US$	5,366,435	5,471,894
Total - Freeport	9,730,109	9,835,568
	29,183,423	29,552,832
LESS OFFSETS	(427,745)	(427,745)
	$ 28,755,678	$ 29,125,087

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