

BAHAMAS ELECTRICITY CORPORATION

**Financial Statements For The
Year Ended September 30, 2004
And Independent Auditors' Report**

Deloitte.

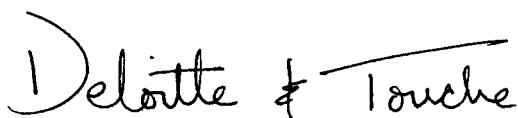
INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bahamas Electricity Corporation:

We have audited the accompanying balance sheet of Bahamas Electricity Corporation (the "Corporation") as of September 30, 2004, and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standard 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 the Corporation as of September 30, 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



January 28, 2005

BAHAMAS ELECTRICITY CORPORATION

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2004:	
Balance Sheet	2 - 3
Statement of Income	4
Statement of Changes in Equity	5
Statement of Cash Flows	6 - 7
Notes to Financial Statements	8 - 29

BAHAMAS ELECTRICITY CORPORATION

BALANCE SHEET

SEPTEMBER 30, 2004

(Expressed in thousands of Bahamian dollars)

	2004	2003
ASSETS		
CURRENT ASSETS:		
Cash	\$ 4,160	\$ 7,610
Accounts receivable - Private sector (Note 3)	38,210	34,899
Current portion of electricity accounts receivable - Government Corporations and Departments (Note 4)	8,770	8,770
Estimated unbilled revenue	14,703	14,100
Fuel surcharge recoverable (Note 5)	18,467	11,583
Inventories (Note 6)	29,718	25,953
Prepayments and other assets	5,577	5,988
Total current assets	<u>119,605</u>	<u>108,903</u>
NON-CURRENT ASSETS:		
Property, plant and equipment (Note 7)	498,095	479,864
Electricity accounts receivable, less current portion - Government Corporations and Departments (Note 4)	33,938	5,564
Long-term receivable - offset of Government balances (Note 4)	-	17,047
Other accounts receivable - Government Corporations and Departments (Note 4)	4,280	4,268
Investment in securities (Note 8)	13,880	12,100
Goodwill (Note 9)	147	294
Total non-current assets	<u>550,340</u>	<u>519,137</u>
TOTAL	<u>\$ 669,945</u>	<u>\$ 628,040</u>

(Continued)

See notes to financial statements.

BAHAMAS ELECTRICITY CORPORATION

BALANCE SHEET

SEPTEMBER 30, 2004

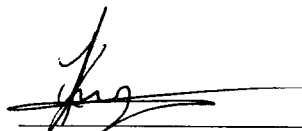
(Expressed in thousands of Bahamian dollars)

	2004	2003
LIABILITIES AND INTEREST OF EQUITYHOLDER		
CURRENT LIABILITIES:		
Bank overdrafts (Note 10)	\$ 26,686	\$ 22,583
Demand bank loans (Note 11)	28,800	17,000
Current portion of long-term borrowings (Note 12)	29,327	42,399
Accounts payable and accrued liabilities (Note 13)	84,494	49,683
Accrued dividends (Note 14)	633	633
Pension plan benefit obligations (Note 20)	6,893	5,515
Total current liabilities	<u>176,833</u>	<u>137,813</u>
NON-CURRENT LIABILITIES:		
Long-term borrowings, less current portion (Note 12)	167,104	185,472
Customers' deposits (Note 15)	29,928	27,477
Contributions in aid of construction not yet applied	6,988	3,493
Total non-current liabilities	<u>204,020</u>	<u>216,442</u>
INTEREST OF EQUITYHOLDER		
BAHAMAS GOVERNMENT:		
Contributed capital	10,550	10,550
Investment valuation reserve (Note 16)	11,880	10,100
Retained earnings	266,662	253,135
Total interest of equityholder	<u>289,092</u>	<u>273,785</u>
TOTAL	<u><u>\$ 669,945</u></u>	<u><u>\$ 628,040</u></u>


(Concluded)

See notes to financial statements.

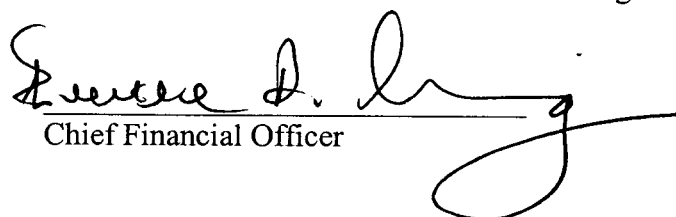
These financial statements were approved by the Board of Directors as of January 28, 2005, and are signed on its behalf by:



 Chairman



 General Manager



 Chief Financial Officer

BAHAMAS ELECTRICITY CORPORATION

STATEMENT OF INCOME FOR THE YEAR ENDED SEPTEMBER 30, 2004

(Expressed in thousands of Bahamian dollars)

	2004	2003
REVENUE:		
Sale of electricity (Note 17)	\$ 258,392	\$ 257,400
OPERATING EXPENSES:		
Fuel used for generation of electricity (Note 18)	117,902	116,660
Operation, maintenance and administrative (Note 19)	88,805	97,674
Depreciation (Note 7)	25,729	22,228
Amortization of goodwill (Note 9)	147	147
Amortization of rate cap fees	485	-
Total operating expenses	<u>233,068</u>	<u>236,709</u>
OPERATING INCOME	<u>25,324</u>	<u>20,691</u>
INTEREST AND OTHER EXPENSES (INCOME):		
Interest on long-term debt	12,013	10,465
Other income (Note 8)	(3,309)	(5,428)
Exchange loss	884	4,514
Other interest and bank charges	2,706	3,452
Dividend income	(480)	(480)
Proceeds from insurance claims	<u>(650)</u>	<u>(2,975)</u>
Total interest and other expenses (income)	<u>11,164</u>	<u>9,548</u>
NET INCOME	<u>\$ 14,160</u>	<u>\$ 11,143</u>

See notes to financial statements.

BAHAMAS ELECTRICITY CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2004

(Expressed in thousands of Bahamian dollars)

	Contributed <u>Capital</u>	Investment Valuation <u>Reserve</u>	Retained <u>Earnings</u>	<u>Total</u>
Balance at September 30, 2002	\$ 10,550	\$ 11,980	\$ 242,625	\$ 265,155
Net income	-	-	11,143	11,143
Decrease in fair value of available for-sale investment (Note 8)	-	(1,880)	-	(1,880)
Dividends (Note 14)	-	-	(633)	(633)
Balance at September 30, 2003	10,550	10,100	253,135	273,785
Net income	-	-	14,160	14,160
Increase in fair value of available for-sale investment (Note 8)	-	1,780	-	1,780
Dividends (Note 14)	-	-	(633)	(633)
Balance at September 30, 2004	<u>\$ 10,550</u>	<u>\$ 11,880</u>	<u>\$ 266,662</u>	<u>\$ 289,092</u>

See notes to financial statements.

BAHAMAS ELECTRICITY CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2004

(Expressed in thousands of Bahamian dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 14,160	\$ 11,143
Items not involving cash:		
Amortization of goodwill (Note 9)	147	147
Amortization of rate cap fees	485	-
Depreciation (Note 7)	25,729	22,228
Gain on sale of property, plant and equipment	-	(2)
Operating income before working capital changes	40,521	33,516
Government contributions	-	(2,557)
(Increase) decrease in accounts receivable:		
- Private sector	(3,311)	3,644
- Government Corporations and Departments	(11,960)	(8,805)
Increase in estimated unbilled revenue	(603)	(139)
Increase in fuel surcharge recoverable	(6,884)	(5,066)
Increase in inventories	(3,765)	(2,244)
Increase in prepayments and other assets	(74)	(363)
Increase in accounts payable and accrued liabilities	34,811	9,469
Increase in pension plan benefit obligations	1,378	1,378
Increase in customers' deposits	2,451	1,372
Net cash from operating activities	<u>52,564</u>	<u>30,205</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment (Note 7)	(46,080)	(71,020)
Contribution in aid of construction (Note 7)	2,120	-
Increase in other accounts receivable - Government Corporations and Departments	(12)	(1,523)
Net cash used in investing activities	<u>(43,972)</u>	<u>(72,543)</u>

(Continued)

See notes to financial statements.

BAHAMAS ELECTRICITY CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2004

(Expressed in thousands of Bahamian dollars)

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from demand bank loans	\$ 11,800	\$ 10,000
Proceeds from long-term borrowings	128,232	49,902
Contributions in aid of construction	3,495	6,080
Repayment of long-term borrowings	(159,672)	(14,453)
Proceeds from long-term receivable-offset of Government balances	<u>-</u>	<u>1,601</u>
Net cash (used in) from financing activities	<u>(16,145)</u>	<u>53,130</u>
NET (DECREASE) INCREASE IN CASH POSITION	(7,553)	11,028
CASH POSITION, BEGINNING OF YEAR	<u>(14,973)</u>	<u>(26,001)</u>
CASH POSITION, END OF YEAR	<u>\$ (22,526)</u>	<u>\$ (14,973)</u>
REPRESENTED BY:		
Cash	\$ 4,160	\$ 7,610
Bank overdrafts	<u>(26,686)</u>	<u>(22,583)</u>
	<u>\$ (22,526)</u>	<u>\$ (14,973)</u>

(Concluded)

See notes to financial statements.

BAHAMAS ELECTRICITY CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2004 (Expressed in thousands of Bahamian dollars)

1. GENERAL

Bahamas Electricity Corporation (the "Corporation") is incorporated under the laws of the Commonwealth of The Bahamas in accordance with the provisions of The Electricity Act of 1956, as amended, with its registered office at P.O. Box N-7509, Nassau, Bahamas and headquartered at the Big Pond, Baillou Hill Road office.

The Corporation is the provider of electricity for consumption on most islands throughout The Commonwealth of The Bahamas.

The number of staff employed by the Corporation is 1,002 (2003: 985).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation financial statements have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements in conformity with International Financial Reporting 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 significant accounting policies:

- a) *Cash* – Cash consists of cash on hand and balances with banks.
- b) *Accounts Receivable – Private Sector* – The private sector provision for uncollectible electricity accounts receivable is calculated as follows:
 - i) Accounts receivable over 90 days – 100%
 - ii) Accounts receivable 60 – 90 days – 10%
 - iii) The total provision against i) and ii) above is reduced by 30% as an estimate for all customer deposits held

Additionally, electricity accounts receivable for large commercial customers and other receivables are reviewed periodically by credit personnel and senior management to determine whether specific provisions are required. Factors such as the financial strength of such customers and payment history are considered in determining the necessary provisions.

- c) *Accounts Receivable – Government Corporations and Departments* – It is the policy of the Corporation not to make provisions against any outstanding receivables from Government Corporations and Departments.

- d) *Estimated Unbilled Revenue* – Estimated unbilled revenue is utility services provided, but not yet billed to customers for the month of September. Utility service billings are based on meter readings used to determine usage on a cycle basis (i.e., readings are made at various times during the month for different groups of customers).
- e) *Fuel Surcharge Recoverable* – The Corporation is entitled to recover from consumers any increase in the cost of fuel, over a set base cost price. These costs are recovered in subsequent periods, in the form of a surcharge on consumer billings.
- f) *Inventories* – Fuel inventory is stated at cost which is determined on a first-in, first-out basis. Stores inventory is stated at average cost less a specific provision for obsolete items, as determined by management.
- g) *Rechargeable work in progress* – This arises from work performed on the Corporation’s equipment which has been damaged by members of the public by way of accident. Profits and losses arising from such contracts are included under other income and are not recognized until the contracts are substantially completed.
- h) *Property, Plant and Equipment* – Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes, where appropriate, labour costs of the Corporation’s employees and an allocation of overhead.

Contributions in aid of construction are amounts received from customers as a contribution towards the cost of installing transmission and distribution equipment. Transmission and distribution equipment includes mains and services, meters and transformers, and switchgear. Title to the equipment for which contributions are received remains with the Corporation. Contributions in aid of construction received with respect to incomplete projects are reported in the balance sheet as non-current liabilities.

Depreciation is calculated on the straight-line basis over the estimated useful lives of the related assets as follows:

Buildings and structures	5 – 40 years
Generating plant and machinery	3 – 25 years
Transmission and distribution equipment	25 years
Vehicles and mobile plant	2 – 10 years
Furniture and fittings – office and residential	2 – 10 years
Computer hardware and office equipment	3 – 7 years
Computer software	1 – 3 years
Tools, instruments and equipment	8 – 25 years

Repairs and maintenance are charged to operating expense, and major improvements which extend the useful lives of the assets are capitalized.

Interest is capitalized during the construction phase of major projects. The capitalised interest is recorded as part of the asset to which it relates and is amortised over the estimated useful life of the asset. For the year ended September 30, 2004, interest of \$419 was capitalized (2003 - \$1,035).

Capital work-in-progress is stated at cost which includes, where appropriate, labour costs and an allocation of overhead. Depreciation charges are deferred on capital work-in-progress until project completion, at which time such assets are transferred to specific categories of property, plant and equipment. No depreciation is charged in the year of acquisition.

Included in capital-work-in-progress is "Contract work-in-progress" which represents work performed at the request of or for the benefit of customers where contributions in aid of constructions are received.

- i) *Investment in Securities* – Investments in securities are classified as available-for-sale and are measured at subsequent reporting dates at fair value. Unrealized gains and losses for the year are included in the Investment Revaluation Reserve.
- j) *Goodwill* – Goodwill arising on the purchase of Treasure Cay Utilities Company is being amortized over a five-year period on a straight-line basis from October 1, 2000.
- k) *Amortization of Rate Cap Transaction* – This relates to a five year \$128,000 syndicated loan with an option to renew for a further five years. The cost to obtain the rate cap of \$2,830 is being amortized over a five year period on a straight line basis.
- l) *Sale of Electricity* – Customers are billed monthly for electricity consumed on a cyclical basis. Sale of electricity includes the estimated billing value of services rendered from the last meter reading until the end of the financial year, and fuel cost recoverable but not billed to consumers as at the year-end.
- m) *Retirement Benefit Costs* – For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10% of the greater of the present value of the Corporation's pension obligations and the fair value of plan assets are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the amended benefits become vested.

The amount recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses, any unrecognized past service costs and is reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

- n) *Foreign Currency Translation* – Assets and liabilities in currencies other than Bahamian dollars are translated at the rates of exchange prevailing at the year-end. Income and expense items in currencies other than Bahamian dollars are translated at rates of exchange prevailing at the date of transaction. Gains and losses arising from translation are recorded in the statement of income.

o) *Borrowing Costs* – Borrowing costs directly attributable to long-term projects are added to the cost of those assets, until such time as the assets are completed and ready for their intended use.

All other borrowing costs are recognized in the statement of income in the year in which they are incurred.

3. ACCOUNTS RECEIVABLE – PRIVATE SECTOR

	2004	2003
Sale of electricity, less provision for doubtful debts of \$18,869 (2003 - \$21,706)	\$ 34,384	\$ 32,099
Other receivables, less provision for doubtful debts of \$3,615 (2003 - \$3,615)	<u>3,826</u>	<u>2,800</u>
	<u>\$ 38,210</u>	<u>\$ 34,899</u>

Movement of provision for doubtful debts.

	2004	2003
Balance, beginning of year	\$ 25,321	\$ 21,377
Bad debts (recoveries)	<u>(2,837)</u>	<u>3,944</u>
Balance, end of year	<u>\$ 22,484</u>	<u>\$ 25,321</u>

4. ACCOUNTS RECEIVABLE – GOVERNMENT CORPORATIONS AND DEPARTMENTS

	2004	2003
Sale of electricity, less receipts under government liquidation plan - current portion	<u>\$ 8,770</u>	<u>\$ 8,770</u>
Sale of electricity, less receipts under government liquidation plan - long-term portion	<u>\$ 33,938</u>	<u>\$ 5,564</u>
Other accounts receivable - Government Corporation and Departments	<u>\$ 4,280</u>	<u>\$ 4,268</u>
Long-term receivable - offset of Government balances	<u>\$ -</u>	<u>\$ 17,047</u>

2002 Liquidation Plan

On December 31, 2002, the Corporation and The Bahamas Government established a plan to liquidate outstanding Government Corporations and Department receivables and payables balances. Under the arrangement, the following outstanding balances as at December 31, 2002, were approved by the Cabinet and included in the liquidation plan:

Electricity accounts receivable - Government Corporations and Departments	\$ 43,121
Other accounts receivable - Government Corporations and Departments	5,562
Government contribution in Family Island Electrification Programme	<u>8,759</u>
	<u>57,442</u>
Offset by:	
Stamp tax and duty payable - Public Treasury	37,315
Trade creditors - Government	<u>846</u>
	<u>38,161</u>
Long-term receivable - offset of Government balance	<u>\$ 19,281</u>

Electricity accounts receivable included outstanding balance carried forward from the previous plan to liquidate the long-term electricity accounts receivable in 1996, amounting to \$4,160. Some Government Corporations electricity accounts receivables and other account receivables were excluded from the 2002 liquidation plan agreement.

Currently, there is no formal plan to repay the outstanding long-term receivable arising from the 2002 liquidation plan by The Bahamas Government except that the balance will be reduced annually by the dividend of \$633 payable to The Government of The Bahamas on its contributed capital.

1996 Liquidation Plan

Based on an agreement dated in 1997, retroactive to July 1997, Government Departments were to pay a monthly amount against the current portion of electricity accounts receivable. During the year, the Corporation received an average of \$617 per month (2003: \$548). Government Corporations were excluded from this agreement.

Additionally, the plan provided for The Bahamas Government to make monthly payments to repay the outstanding long-term electricity account receivables at that time.

During the year, average payment of \$620 per month (2003: \$267) was received from Government Departments in connection with the long-term electricity receivables from 1996. The monthly repayment was discontinued with effect July 2003.

Other accounts receivable – Government Corporations and Departments of \$4,280 (2003: \$4,268) are comprised of non-electricity amounts due from the respective Government Corporations and Departments for various rechargeable projects and usage of poles.

5. FUEL SURCHARGE RECOVERABLE

	2004	2003
Deferred underrecovery from previous year	\$ 1,720	\$ -
Deferred underrecovery for the year	<u>16,747</u>	<u>11,583</u>
	<u>\$ 18,467</u>	<u>\$ 11,583</u>

The Corporation will recover the \$16,747 over the 2005 fiscal year through customer billings.

The Corporation has deferred the collection of \$1,720 of the fuel cost, through the monthly fuel surcharge. This amount is included in the fuel surcharge recoverable, which is to be recovered in subsequent periods.

6. INVENTORIES

Inventories are comprised of the following:

	2004	2003
Stores	\$ 29,925	\$ 27,115
Provision for obsolescence	<u>(5,028)</u>	<u>(5,028)</u>
	24,897	22,087
Fuel	<u>4,821</u>	<u>3,866</u>
	<u>\$ 29,718</u>	<u>\$ 25,953</u>

7. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment during the year is as follows:

	Sept 30, 2003	Additions	Contributions Applied	Transfers	Sept 30, 2004
COST:					
Land & buildings	\$ 60,581	\$ 305	\$ -	\$ -	\$ 60,886
Generating plant & machinery	368,590	2,842	-	39,152	410,584
Transmission & distribution equipment	223,027	3,812	(2,120)	853	225,572
Vehicles & mobile plant	21,007	-	-	602	21,609
Furniture & fittings	3,786	2	-	89	3,877
Computer & office equipment	6,482	122	-	-	6,604
Capital work-in-progress	85,001	38,997	-	(40,696)	83,302
	<u>\$ 768,474</u>	<u>\$ 46,080</u>	<u>\$ (2,120)</u>	<u>\$ -</u>	<u>\$ 812,434</u>
ACCUMULATED DEPRECIATION:					
	Sept 30, 2003	Depreciation	Sept 30, 2004	Net book value Sept 30, 2004	Net book value Sept 30, 2003
Land & buildings	\$ 27,102	\$ 1,382	\$ 28,484	\$ 32,402	\$ 33,479
Generating plant & machinery	166,726	10,087	176,813	233,771	201,864
Transmission & distribution equipment	71,461	12,919	84,380	141,192	151,566
Vehicles & mobile plant	15,679	359	16,038	5,571	5,328
Furniture & fittings	2,031	478	2,509	1,368	1,755
Computer & office equipment	5,611	504	6,115	489	871
Capital work-in-progress	-	-	-	83,302	85,001
	<u>\$ 288,610</u>	<u>\$ 25,729</u>	<u>\$ 314,339</u>	<u>\$ 498,095</u>	<u>\$ 479,864</u>

8. INVESTMENT IN SECURITIES

The Corporation owns 2 million (2003: 2 million) common shares (10%) in Cable Bahamas Ltd., a company incorporated under the laws of The Commonwealth of The Bahamas. The Corporation does not exercise significant influence over the investee and recognizes this investment in securities as an available-for-sale financial asset. The initial cost of this investment was \$2,000. The market value of this investment at September 30, 2004, is \$13,880 (2003: \$12,100).

Movement in the fair value this investment during the year ended September 30 as follows:

	2004	2003
Balance, beginning of year	\$ 12,100	\$ 13,980
Increase (decrease) in fair value for the year	<u>1,780</u>	<u>(1,880)</u>
Balance, end of the year	<u>\$ 13,880</u>	<u>\$ 12,100</u>

Based on the fact that there is a limited market for these shares, the total proceeds may differ from the quoted market value of the shares if the Corporation were to dispose of all or a significant portion of its holding in this Company.

The Corporation has entered into an agreement whereby Cable Bahamas Ltd. pays for the use of the Corporation's available poles, conduits and other support structures for the purpose of transmitting its cable television broadcasts. Included in other income is \$199 (2003: \$199) representing income earned as a result of this agreement.

9. GOODWILL

In 2000, the Corporation finalized the purchase of the Treasure Cay Utilities Company for \$1.8 million. The fair value of assets acquired exceeded the carrying value thereby giving rise to goodwill in the amount of \$735.

	2004	2003
GOODWILL AT COST	<u>\$ 735</u>	<u>\$ 735</u>
AMORTIZATION:		
At the beginning of the year	441	294
Amortization during the year	<u>147</u>	<u>147</u>
At the end of the year	<u>588</u>	<u>441</u>
GOODWILL, NET	<u>\$ 147</u>	<u>\$ 294</u>

10. BANK OVERDRAFTS

Bank overdrafts include a line of credit in the amount of \$13,000 with the Scotiabank (Bahamas) Limited. This facility incurs interest at Bahamian prime plus 1% per annum. Bank overdrafts also include a revolving credit facility in the amount of £900 with Crown Agents Financial Services Limited, who acts on behalf of the Corporation as purchasing agents in the United Kingdom. This facility incurs interest at the annual rate of LIBOR (London Inter-Bank Offering Rate) plus 1½% per annum. From time to time the overdraft held with Scotiabank (Bahamas) Limited, with the approval of the Bank's management, is allowed to exceed the approved credit line.

11. DEMAND BANK LOANS

Demand bank loans are comprised of the following:

- a) A \$2,000 (2003: \$2,000) term loan denominated in Bahamian dollars from the Bank of The Bahamas Limited. The loan is payable on demand and bears interest at Bahamian prime plus 1% (2003: plus 1%) per annum. Interest is paid on a monthly basis.
- b) A \$3,000 (2003: \$3,000) term loan denominated in Bahamian dollars from the Bank of The Bahamas Limited. The loan is payable on demand and bears interest at Bahamian prime plus 0.75% (2003: plus 0.75%) per annum. Interest is paid on a monthly basis.
- c) A \$2,000 (2003: \$2000) term loan denominated in Bahamian dollars from the Bank of The Bahamas Limited. The loan is payable on demand and bears interest at Bahamian prime plus 0.50% (2003: plus 0.50%) per annum. Interest is paid on a monthly basis.
- d) On January 10, 2003, the Corporation secured a \$17,000 demand loan facility from Scotiabank (Bahamas) Limited to reduce the existing overdraft facility and to assist in funding temporary increases in working capital needs. The Corporation repaid \$7,000 on August 19, 2003. The loan bears interest at Bahamian prime plus 1.125% per annum. Interest is paid on a monthly basis. The Corporation was able to secure an addition advance of \$11,800 on this loan.

Bahamian prime at September 30, 2004, was 6% (2003: 6%) per annum.

12. LONG-TERM DEBT

Long-term debt comprises:

		2004		2003	
		Current Maturities	Long-term	Current Maturities	Long-term
National Insurance Board	(a)	\$ 623	\$ 4,531	\$ 573	\$ 5,154
National Insurance Board	(a)	11,578	-	8,421	11,579
Inter-American Development Bank - Loan No. 560	(b)	-	-	8,738	41,011
Inter-American Development Bank - Loan No. 659	(b)	-	-	1,538	16,774
Inter-American Development Bank - Loan No. 660	(b)	-	-	189	1,628
Inter-American Development Bank - Loan No. 964	(b)	-	-	3,721	48,367
European Investment Bank	(c)	1,643	11,968	1,596	13,611
European Economic Community	(d)	883	-	140	742
FirstCaribbean International Bank (Bahamas) Limited	(e)	1,200	-	2,400	1,200
Consortium loan I	(f)	4,513	30,232	4,513	4,897
Consortium loan II	(g)	2,486	5,173	2,486	36,469
Consortium loan III	(h)	6,400	115,200	-	-
Sumitomo Corporation	(i)	-	-	8,083	4,040
		<u>\$ 29,326</u>	<u>\$ 167,104</u>	<u>\$ 34,315</u>	<u>\$ 185,472</u>

a. The National Insurance Board

On December 1, 1989, a loan facility of \$10,000 was arranged with The National Insurance Board towards the funding of the overall expansion of generation and transmission facilities in New Providence. The loan bears interest at ½% per annum below Bahamian prime, but not less than 8½% per annum at any time. The principal amount of the loan is repayable in 42 semi-annual installments, and mature, on January 26, 2011. The loan is guaranteed by The Bahamas Government.

On July 30, 2003, a new facility of \$20,000 was arranged with The National Insurance Board towards the funding of additional working capital and to discharge and meet its Corporation's financial obligations. This loan was originally due for repayment in full on November 1, 2003. On May 20, 2004, an amendment to the repayment term was agreed with NIB for an additional 5 years at a rate not to exceed 5½% per annum. Subsequent to the balance sheet date, the lender has agreed to reschedule the loan repayments so that they are now payable by 6 installments from February 1, 2004 through May 1, 2005. On the basis of the post year-end agreement to reschedule the repayments, the relevant portions of the loan continue to be treated as long term. The loan bears interest at Bahamian Prime plus 1½% per annum. Interest is paid on a monthly basis and was changed to a quarterly basis effective February 1, 2004.

Loan Facility for New Providence Power Expansion – Phase II

On December 17, 1996, a loan facility of ECUs 20,000 (US \$23,600) was granted to assist with the funding of the electric power generation and transmission capacity expansion in New Providence. The total cost of the project was estimated to be US \$96,000.

The loan is guaranteed by The Bahamas Government and is repayable in US dollars in semi-annual installments. The first installment was due on June 10, 2000, and the final installment due on December 10, 2011.

The rate of interest payable is the greater of 3% per annum and the average of the standard interest rates charged on comparable loans (in terms of the currency of the disbursements, final maturity, and repayment conditions) made by the EIB at the issue date of the disbursement notice. This average rate is reduced by an annual interest rate subsidy of 3.45% per annum.

b. Inter-American Development Bank (IDB)

i. New Providence Power Expansion – Phase I (loan No. 560)

On May 16, 1990, a loan facility denominated in various currencies with an original equivalent of US \$109,000 was granted by the IDB to help fund a project for the expansion of generation and transmission facilities on New Providence. The total cost of the project was US \$181,700.

This loan is guaranteed by The Bahamas Government and is repayable in US dollars or other foreign currencies specified by the IDB. The loan is repayable by May 16, 2010, in semi-annual, consecutive and equal installments, the first of which was made six months after the disbursement period, which expired on May 16, 1994. The rate of interest payable is determined by the IDB at each drawdown and is based on the average borrowing cost to the IDB, plus a spread.

Loan Facility for Family Island Electrification Programme – Phase II (Loan No. 659 and 660)

On March 31, 1993, two additional facilities of US \$28,000 and US \$38,000 were granted by the IDB toward the Family Island Electrification Programme – Phase II Project. The first draw down on both facilities was made in December, 1994.

The loans are guaranteed by The Bahamas Government and are repayable in US dollars. The facilities are repayable within 20 years from the effective date of the contracts in semi-annual, consecutive and equal installments, the first of which should be paid six months after the final draw down date. The final draw down date was during March, 2000.

The rates of interest payable are determined by the IDB, based on the daily outstanding balances of the loans at a rate per annum for each semester, plus a spread.

Loan Facility for New Providence Power Expansion – Phase II (Loan No. 964)

On April 4, 1997, an additional loan was granted of up to US \$56,000 to help with the funding of the electric power generation and transmission capacity expansion in New Providence. The total cost of the project is estimated to be US \$96,000.

The loan is guaranteed by The Bahamas Government and is repayable in US dollars by means of semi-annual equal installments. The first installment is due 6 months after the final disbursement and the final installment shall be paid no later than April 4, 2017.

The rate of interest payable is determined by the IDB and is based on the average borrowing cost of the Bank, plus a spread.

On September 18, 2003, the board has approved to borrow a ten year US \$128,000 non-revolving term loan from a consortium of banks. The consortium lead bank is Scotiabank (Bahamas) Limited, and included Bank of The Bahamas Limited, FirstCaribbean International Bank (Bahamas) Limited, Citibank and Royal Bank of Canada. The term loan facility is intended to refinance the four existing loans with the Inter American Development Bank (IDB) denominated in multiple currencies and US dollars.

The loan is guaranteed by The Bahamas Government and repayable over five years, on the basis of a ten year amortization schedule, namely, in twenty consecutive quarterly principal installments commencing six months from the refinancing dates. Nineteen installments in the sum of US \$3,200 and a final lump sum payment of US \$67,200. The lenders will have the option to renew for an additional five years and will have the first refusal for the renewal of the loan. The loan bears interest at LIBOR plus 1.125% per annum (London Inter Bank offering rate).

The IDB loans were repaid over the period, December 1st and 2nd, 2003 and February 17, 2004.

c. European Economic Community

The loan facility of ECUs 1,000 was granted to partially fund the installation of a public electricity supply on Cat Island. The loan was not granted to the Corporation but to the Government of the Bahamas. However, the loan proceeds were given to the Corporation and will be repaid by the Corporation. Therefore, in substance, the loan is that of the Corporation.

Interest is charged at the rate of 1% per annum and is payable semi-annually in arrears. The principal amount is repayable in 60 semi-annual payments ranging from 1.43% to 1.93% per annum of the loan amount and were scheduled to commence September 1, 2000.

d. European Investment Bank

The loan in the amount of ECUs 9,100 (equivalent to United States (US) \$10,700) was executed for the purpose of financing a project for the improvement and expansion of the electricity supply services on the Family Islands.

The loan, which is disbursed in various currencies specified by the EIB, bears interest at the rate of 5% per annum payable semi-annually in arrears. Payments commenced on June 5, 1990. The principal amount is repayable in twenty-six semi-annual installment ranging from 2.7% to 5.16% of the loan amount, and mature in December 5, 2002. This loan is guaranteed by The Bahamas Government. The loan was fully repaid on February 6, 2003.

Loan Facility for New Providence Power Expansion – Phase II

On December 17, 1996, a loan facility of ECUs 20,000 (US \$23,600) was granted to assist with the funding of the electric power generation and transmission capacity expansion in New Providence. The total cost of the project was estimated to be US \$96,000.

The loan is guaranteed by The Bahamas Government and is repayable in US dollars in semi-annual installments. The first installment was due on June 10, 200, and the final installment on due December 10, 2011.

The rate of interest payable is the greater of 3% per annum and the average of the standard interest rates charged on comparable loans (in terms of the currency of the disbursements, final maturity, and repayment conditions) made by the EIB at the issue date of the disbursement notice. This average rate is reduced by an annual interest rate subsidy of 3.45%.

e. First Caribbean International Bank (Bahamas) Limited

A US\$15,600 loan from the First Caribbean International Bank (Bahamas) Limited and Royal Bank of Canada. is payable in thirteen semi-annual principal payments of US\$1,200 plus interest, and bears interest at the rate of LIBOR plus one percent per annum, payable on a quarterly basis in arrears. The first semi-annual payment was made on November 18, 1998, and the final payment is due no later than November 18, 2004.

f. Consortium Loan I

On March 14, 2001, the Corporation entered into a consortium agreement for the provision of a loan facility in the amount of \$45,130 (split into US\$27,900 and B\$17,230) to assist in the purchase of a 30 megawatt diesel engine as well as the necessary transmission and distribution work relative to New Providence Power Expansion phase III. The consortium lead bank is Scotiabank (Bahamas) Limited and includes Royal Bank of Canada, Canadian Imperial Bank of Commerce and Barclays Bank. (Canadian Imperial Bank of Commerce and Barclays Bank have now merged to become FirstCaribbean International Bank (Bahamas) Limited). Each bank at the time contributed 25% of the facility which is unsecured.

The loan bears interest at LIBOR plus 1.125% per annum for the US\$ portion and Bahamian prime plus 1.125% per annum for the B\$ portion.

The loan will be repaid over five years via a ten year amortization, namely, in twenty consecutive quarterly principal installments commencing from October 2003. Nineteen installments in the sum of \$1,128 (split into US\$697 and B\$431) and a final lump sum payment of \$17,517 (split into US\$11,685 and B\$5,832).

The lenders have the option to renew for an additional five years and will have the right of first refusal for the renewal of the loan.

g. Consortium Loan II

On October 8, 2001, the Corporation entered into another contractual agreement for the provision of a loan facility in the amount of \$24,869 (split into US\$20,144 and B\$4,725) to assist in the purchase of a 30 megawatt diesel engine as well as the necessary transmission and distribution work relative to New Providence Power Expansion phase III.

The consortium lead bank is Scotiabank (Bahamas) Limited and includes Royal Bank of Canada, Canadian Imperial Bank of Commerce and Barclays Bank. (Canadian Imperial Bank of Commerce and Barclays Bank have now merged to become FirstCaribbean International Bank (Bahamas) Limited). Each bank at the time contributed 25% of the facility which is unsecured.

The loan bears interest at LIBOR plus 1.125% per annum for the US \$ portion and Bahamian prime plus 1.125% for the B \$ portion.

The total amount drawn down during the current year was US\$738 and B\$304 (2003: US\$ 4,684 and B\$ 4,725).

The loan will be repaid over five years via a ten year amortization, namely, in twenty consecutive quarterly principal installments commencing from October 31, 2003. Nineteen installments in the sum of \$622 (split into US\$504 and B\$118) and a final lump sum payment of the remaining.

The lenders will have the option to renew for an additional five year and will have the first refusal for the renewal of the loan.

h. Consortium Loan III

Board approval was obtained on September 18, 2003, for the Corporation to enter into a consortium loan with several commercial banks in The Bahamas. On November 21, 2003, the Corporation entered into the consortium agreement for the provision of a loan facility in the amount of US\$12,800. The lead bank for the consortium is Scotiabank (Bahamas) Limited; and includes Citibank N.A., FirstCaribbean International Bank (Bahamas) Limited, Royal Bank of Canada and Bank of The Bahamas Limited.

The Banks have agreed on the following loan facilities:

	<u>Amount</u>	<u>%</u>
Scotiabank (Bahamas) Limited	\$ 31,000	24.22
Citibank N. A.	29,000	22.66
FirstCaribbean International Bank (Bahamas) Limited	29,000	22.66
Royal Bank of Canada	29,000	22.66
Bank of The Bahamas Limited	<u>10,000</u>	<u>7.80</u>
	<u>\$ 128,000</u>	<u>100.00</u>

The loan bears interest at LIBOR plus the 1.125%. (LIBOR is two business days prior to the beginning of such interest period for delivery on the 1st day of such interest period). The agreement requires that the Corporation pays the fixed leg and receives a floating rate of USD-LIBOR-BBA with a cap rate 4.5% per annum. The floating rate is payable on an excess, basis above the rate. In the event that there is no excess, there will be no floating amount payable by the bank for any calculation period. Effectively the bank absorbs the cost of any interest charge over and above 4.5% per annum. The purpose of the loan was to refinance its four (\$) loans with the Inter-American Development Bank (IDB). The borrower shall repay the Syndicated loan over five (5) years, amortized over ten (10) years by repaying the original sum of \$128,000 on each repayment date commencing six (6) months from the date of advance for nineteen (19) consecutive quarterly installments. Eighteen (18) installments in the sum of \$3,200 and a final lump sum payment of \$70,400. The Syndicated loan is guaranteed by The Government of The Bahamas.

i. Sumitomo Corporation

- i. On January 24, 2002, the Corporation awarded a contract to Sumitomo Corporation to supply, install and commission one H25 gas turbine unit at Blue Hills Power Station - GT 4R. The contract amount was \$10,107 and the Corporation took over the project on September 13, 2002.

The contract required a 20% down payment and four equal installment payments within six, twelve, eighteen and twenty-two months from the taking over date.

Interest is charged at LIBOR plus 2% per annum.

- ii. On November 26, 2002, the Corporation awarded Sumitomo Corporation another contract to supply, install and commission one H25 gas turbine unit at Blue Hills Power Station - GT 8R. The contract amount was \$10,100 and the Corporation took over the project on July 5, 2003.

The contract required a 20% down payment and four equal installment payments within six, twelve, eighteen and twenty-two months from the taking over date.

Interest is charged at LIBOR plus 1.125% per annum.

- iii. The Corporation awarded Sumitomo Hitachi a \$28,700 contract on November 18, 2003, to produce, install and commission a combined cycle unit add on for GT 4R and GT 8R.

Minimum principal payments required on long-term as borrowings are as follows:

2005	\$ 29,327
2006	15,771
2007	15,881
2008	30,403
2009	9,123
Thereafter	<u>95,926</u>
	<u>\$ 196,431</u>

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

Note 13

	2004	2003
Stamp tax and duty payable - Public Treasury	\$ 29,601	\$ 11,003
Trade creditors - Government and other	48,148	27,537
Vacation pay accruals	5,895	5,748
Other accrued charges	485	2,180
Accrued interest payable	365	3,215
	<u>\$ 84,494</u>	<u>\$ 49,683</u>

14. ACCRUED DIVIDENDS

In accordance with Section 19 subsection 2 (b) of The Electricity Act, the Corporation accrues an annual dividend of 6% based on capitalisation of \$10,600. The previous year's dividend amount is offset against long-term receivable from Government Corporations and Departments.

15. CUSTOMERS' DEPOSITS

These amounts are held by the Corporation as security against charges for electricity and are refundable on termination of supply and settlement of outstanding charges. On October 1, 2003, the Board of Directors and Management resolved to pay interest on customer's deposits at 3% per annum calculated on a daily basis. Interest paid for the year ended September 30, 2004, totaled \$800 (2003: \$Nil).

16. INVESTMENT VALUATION RESERVE

The movement in Investment Valuation Reserve is summarized as follow:

	2004	2003
Balance at beginning of the year	\$ 10,100	\$ 11,980
Increase (decrease) in fair value of available-for-sale investment	<u>1,780</u>	<u>(1,880)</u>
Balance at end of the year	<u>\$ 11,880</u>	<u>\$ 10,100</u>

17. SALE OF ELECTRICITY

	2004	2003
New Providence:		
Residential	\$ 85,604	\$ 84,332
Commercial & Industrial	<u>145,987</u>	<u>133,635</u>
	231,591	217,967
Less rebate	<u>(13,060)</u>	<u>-</u>
	<u>218,531</u>	<u>217,967</u>
Family Islands:		
Eleuthera	6,255	7,390
Abaco	13,646	14,489
Other	<u>23,146</u>	<u>17,554</u>
	43,047	39,433
Less rebate	<u>(3,186)</u>	<u>-</u>
	<u>39,861</u>	<u>39,433</u>
	<u>\$ 258,392</u>	<u>\$ 257,400</u>

- a) The Board of Directors had approved rate reduction ranging from 11% to 17% for New Providence and the Family Island residential customers and large commercial customers effective the first quarter of the Corporation's fiscal year 2004. This reduction in the Tariff Basic Rate resulted in the reduction in revenue from sale of electricity by \$16,246.
- b) Management has estimated that sales were improved through the reduction of system losses by in excess of \$2,000.
- c) The Corporation absorbs the cost of street lighting as an annual operating expense.

18. FUEL USED FOR GENERATION OF ELECTRICITY

	2004	2003
Fuel cost comprises:		
Landed cost	\$ 101,172	\$ 101,701
Government duty and stamp taxes	<u>16,730</u>	<u>14,959</u>
	<u>\$ 117,902</u>	<u>\$ 116,660</u>

19. OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES

	2004	2003
Generation	\$ 40,645	\$ 42,280
Distribution	16,325	15,220
Management and administration costs	17,374	18,409
Finance	3,005	2,382
Customer Service	6,123	5,943
Human Resources and training	2,623	2,617
Supply chain	2,381	1,920
Bad debt/(recoveries) expense	(2,837)	3,944
Insurance general	3,998	4,263
Stock deficiencies/surplus	(832)	696
	<u>\$ 88,805</u>	<u>\$ 97,674</u>

20. PENSION PLAN

The Bahamas Electricity Corporation Employees Pension Plan (the "Plan"), is a defined benefit plan, established under Section 23 of The Electricity Act of 1956, as amended, and provides retirement benefits to employees of the Corporation based on their final pensionable salary.

Contributions to the Plan are charged to the statement of income so as to spread the cost of pensions over the employees' working lives with the Corporation. Contributions are made solely by the Corporation at a rate of 13% of basic salary (19% prior to September 1, 1995 and 13% prior to October 1, 1984).

The Projected Unit Credit Actuarial Cost Method is the valuation method used to reflect retirement benefits. Actuarial valuations are made annually.

The transitional liability for defined benefit obligations as of September 30, 2004, comprises:

	2004	2003
Present value of funded obligations	\$ 89,909	\$ 89,909
Fair value of Plan assets	<u>(83,015)</u>	<u>(83,015)</u>
Transitional liability for defined benefit obligations	<u>\$ 6,894</u>	<u>\$ 6,894</u>

The actuarial valuation as of September 30 revealed the following:

	2004	2003
Present value of funded obligations	\$ 128,595	\$ 120,751
Fair value of Plan assets	<u>(111,133)</u>	<u>(105,056)</u>
Liability for defined benefit obligations	17,462	15,695
Unrecognized actuarial gains	<u>(9,565)</u>	<u>(8,567)</u>
Actuarial liability at September 30	<u>\$ 7,897</u>	<u>\$ 7,128</u>
Net liability recognized at September 30 representing all of the transitional liability (2003: four fifths)	<u>\$ 6,893</u>	<u>\$ 5,515</u>

The expense recognized in the statement of income is included within operating expenses and comprises:

	2004	2003
Current service costs	\$ 4,301	\$ 3,985
Interest on obligations	8,863	8,296
Expected return on the Plan assets	<u>(7,846)</u>	<u>(7,593)</u>
Expense recognized in the statement of income	<u>\$ 5,318</u>	<u>\$ 4,688</u>
Contributions paid to the Plan	<u>\$ 4,550</u>	<u>\$ 4,441</u>
Actual return on Plan assets during the year	<u>\$ 6,973</u>	<u>\$ 3,725</u>

Principal actuarial assumptions (expressed as weighted averages) at the balance sheet date were:

	2004	2003
Current service costs	\$ 4,301	\$ 3,985
Interest on obligations	8,863	8,296
Expected return on the Plan assets	<u>(7,846)</u>	<u>(7,593)</u>
Expense recognized in the statement of income	<u>\$ 5,318</u>	<u>\$ 4,688</u>
Contributions paid to the Plan	<u>\$ 4,550</u>	<u>\$ 4,441</u>
Actual return on Plan assets during the year	<u>\$ 6,973</u>	<u>\$ 3,725</u>

21. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and liabilities of the Corporation approximate their carrying values as reported in these financial statements.

22. COMMITMENTS

Significant capital commitments at September 30 were as follows:

	2004	2003
1. Exuma Power Station Expansion	\$ -	\$ 2,723
2. New Providence Power Expansion Programme - Phase III	<u>7,650</u>	<u>7,803</u>
	<u>\$ 7,650</u>	<u>\$ 10,526</u>

In relation to item 2 above, activities are ongoing for New Providence Power Expansion Programme – Phase III. This project comprises expansion of the electric power generation and transmission capacity in New Providence, implementation of environmental protection measures and studies on efficient use of energy.

Additionally, The Corporation has issued a letter of guarantee of \$1,573 (2003: \$3,146) in relation to certain maintenance and service obligations of Burmeister & Wain Scandinavian Contractors.

23. RISK MANAGEMENT

The Corporation's credit risk is primarily attributable to its electricity receivables. The Corporation does not believe or is subject to any significant concentration of credit risk as accounts receivables are largely derived from sales of electricity supplied to consumers throughout The Bahamas. In addition, the Corporation holds customer deposits by way of security.

24. CONTINGENT LIABILITIES

- a) In late 1996, a fuel line leak was discovered in the Carmichael Road area of New Providence. Approximately 45,000 gallons of automotive diesel fuel had leaked into the ground covering an area of approximately 120,000 square feet. Ongoing remediation efforts have resulted in an estimated recovery of 22,000 gallons of the fuel.

The Corporation's insurers have denied liability on the basis of an exemption clause in the Insurance Policy. While the total liability is difficult to determine, the plaintiffs in a Supreme Court Action are claiming damages amounting to \$416. Management, on the advice of counsel, is of the opinion, that damages will not exceed \$600.

- b) In a Supreme Court Action, a plaintiff is claiming for damages in respect of property and personal injury as a result of a road traffic accident on March 29th, 2000. This accident was due to the alleged negligence of the Corporation. The plaintiff is requesting a settlement in the amount of \$500 plus 15% to cover legal fees.

- c) In 1982, the Government of The Bahamas made a compulsory acquisition of a property situated in the Bluff, North Andros. Based upon the presumed acquisition of 20 acres, the Government allocated 6 acres to the Corporation and a power station was erected before the acquisition was completed. Issues regarding the ownership of the property and consequently the possible removal of the power station have now risen. The plaintiff commenced legal action against The Government and the Corporation. They are claiming for un-rightful ownership and possession along with damages for trespassing over the property. This matter was set down for trial in February 2003, and was adjourned. The outcome of this matter is uncertain at this stage.
- d) As a result of the New Providence Power Expansion Programme Phase II Project, poles and transmission lines have been located on and over private properties, resulting in claims of trespass and encroachment against the Corporation by the landowners. The Corporation's may be contingently liable up to the amount of \$1,000 for such trespasses and encroachments.
- e) A demand letter was served on the Corporation requesting compensation of \$10,000. This was as a result of injuries suffered by a minor, in August 2002, when he allegedly mistook a Corporation's transformer box for an electrical outlet and attempted to use it to recharge a golf cart. There is no court action at this time and the claim has been referred to the Corporation's insurers in compliance with its general liability insurance policy. Management is of the opinion that the actual outcome of this matter would not materially affect the results of the Corporation.
- f) In a Supreme Court action, a plaintiff is claiming damages in respect of property loss as a result of fire. This accident was due to the alleged negligence of the Corporation. The plaintiff is claiming damages of \$4,294 for the loss and damage of the building and its contents, interest thereon and costs. Management is of the opinion that the actual outcome of this matter would not materially affect the results of the Corporation.

In addition to the above matters, the Corporation is involved in a number of lawsuits as a defendant. Management is also of the opinion that the eventual outcome of these matters, legal and otherwise, would not significantly affect the results of the Corporation. Accordingly, no provision has been made in these financial statements relative to these matters.

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