

FIRST NATIONAL COMMUNITY BANCORP INC
 Form 4
 February 09, 2005

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 DENAPLES LOUIS A

2. Issuer Name and Ticker or Trading Symbol
 FIRST NATIONAL COMMUNITY BANCORP INC [FNCB]

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)

(Last) (First) (Middle)
 102 E. DRINKER STREET
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
 02/09/2005

Director 10% Owner
 Officer (give title below) Other (specify below)
 Chairman

DUNMORE, PA 18512
 (City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)		
				(A) or (D)	Price				
Common Stock	02/09/2005		P	V	7,000	A	\$ 30.1	989,969 ⁽¹⁾	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

Accrued pension cost - Plan G1

(j) (i) (395,859) (437,757)

Accrued supplementary pension cost - Plan G0

(j) (ii) (1,066,105) (944,799)

Actuarial liability (Plan G0) and sabbatical leave expense push-down recognition

(j) (605,956) (518,833)

Additional paid-in capital - Plan G0 and sabbatical expense reimbursed by the State Government

(j) 114,970 114,970

Sabbatical paid leave of absence benefits

(j) (iii) (26,267) (26,127)

Capitalized interest

(f) (ii) 87,571 78,539

Deferred charges expensed, net

(g) (48,951) (45,057)

Dismissal Encouragement Program

(i) 18,113

Other GAAP differences

(e) (99) (185)

Deferred income taxes effects:

Other deferred tax effects on US GAAP differences above, excluding adjustments for available-for-sale securities, inflation restatements and revaluation increments

115,302 137,453

Shareholders' equity under US GAAP

6,085,624 5,945,831

F-71

Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

Supplemental Condensed Financial Statement Information in Accordance with US GAAP

The following presents condensed financial statement information in accordance with US GAAP as of December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001.

Condensed Balance Sheets in accordance with US GAAP:

	2003	2002
	<hr/>	<hr/>
Assets		
Current assets		
Cash and cash equivalents	281,013	414,671
Customer accounts receivable	811,701	808,071
Receivables from shareholder		103,164
Inventories	22,308	22,642
Other current assets	13,015	84,860
	<hr/>	<hr/>
Total current assets	1,128,037	1,433,408
	<hr/>	<hr/>
Investments	641	555
Property, plant and equipment	15,955,543	15,665,989
Other long-term assets		
Customer accounts receivable	185,090	12,409
Receivables from shareholder	164,177	320,501
Escrow deposits	17,576	23,507
Indemnities receivable	148,794	148,794
Other assets	30,583	20,433
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	546,220	525,644
	<hr/>	<hr/>
	17,630,441	17,625,596
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Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

	2003	2002
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable to suppliers and contractors	51,934	36,611
Loans and financing	996,998	1,753,622
Accrued payroll and related charges	117,181	85,751
Deferred income taxes	21,976	27,667
Taxes payable	84,488	85,921
Provisions for contingencies	19,266	179,935
Interest on shareholders' equity	242,524	235,255
Other current liabilities	178,583	43,355
	<u>1,712,950</u>	<u>2,448,117</u>
Long-term liabilities		
Loans and financing	6,267,265	6,124,034
Taxes payable	282,214	73,725
Accrued pension obligation		
Plan G0	1,066,105	944,799
Plan G1	541,399	506,093
Provisions for contingencies	384,571	237,370
Deferred income taxes	1,265,615	1,303,289
Other liabilities	24,698	42,338
	<u>9,831,867</u>	<u>9,231,648</u>
Commitments and contingencies		
Shareholders' equity		
Paid-in capital	3,518,658	3,518,658
Capital reserves	50,739	49,503
Supplementary and additional inflation restatement reserves	4,528,444	4,770,011
Appropriated earnings	146,340	104,674
Accumulated deficit	(2,158,557)	(2,497,015)
	<u>6,085,624</u>	<u>5,945,831</u>
	17,630,441	17,625,596



F-73



Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

Condensed Statements of Operations in accordance with US GAAP

	2003	2002	2001
Gross revenue from sales and services	4,307,534	3,962,436	3,543,508
Taxes on sales and services	(197,650)	(195,289)	(108,741)
Net revenue from sales and services	4,109,884	3,767,147	3,434,767
Cost of services rendered	(2,257,131)	(1,947,000)	(1,820,995)
Gross profit	1,852,753	1,820,147	1,613,772
Operating expenses			
Selling	(323,211)	(393,581)	(349,910)
Administrative	(276,322)	(328,812)	(214,797)
Other expenses, net	(116,686)	(11,217)	(97,965)
Income from operations	1,136,534	1,086,537	951,100
Financial expenses, net	(329,413)	(2,284,492)	(1,107,137)
Income (loss) before taxes on income	807,121	(1,197,955)	(156,037)
Income tax and social contribution	(164,561)	350,355	172,710
Net income (loss) for the year	642,560	(847,600)	16,673
Net income (loss) per thousand shares Basic and diluted (in reais)	22.56	(29.76)	0.59
Weighted average number of common shares outstanding - thousands	28,479,578	28,479,578	28,479,578

Condensed Statement of Comprehensive Income (Loss) in accordance with US GAAP (under SFAS No. 130)

	2003	2002	2001
Net income (loss) for the year	642,560	(847,600)	16,673

Change in additional minimum pension liability			30,299
Unrealized gains (losses) on available-for-sale securities	86	(203)	(45)
	<u> </u>	<u> </u>	<u> </u>
Comprehensive income (loss)	642,646	(847,803)	46,927
	<u> </u>	<u> </u>	<u> </u>

Condensed Statement of Changes in Shareholders Equity in accordance with US GAAP

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Balance at beginning of the year	5,945,831	6,893,332	7,334,415
Donations (Note 18 (e))	1,236	8,524	1,838
Unrealized gains (losses) on available-for-sale securities	86	(203)	(45)
Change in additional minimum pension liability			30,299
Net income (loss) for the year	642,560	(847,600)	16,673
Interest on shareholders equity	(504,089)	(108,222)	(489,848)
	<u> </u>	<u> </u>	<u> </u>
Balance at end of the year	<u>6,085,624</u>	<u>5,945,831</u>	<u>6,893,332</u>

Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

26. ADDITIONAL DISCLOSURES REQUIRED UNDER US GAAP

(a) Pension and post-retirement benefits

(i) Pension plan - Plan G1

The Company sponsors a defined-benefit pension plan (Plan G1), which is operated and administered by SABESPREV. The status of this pension plan and the related actuarial assumptions presented in accordance with US GAAP are as follows:

	2003	2002	
Accumulated benefit obligation			
Vested	(298,967)	(229,709)	
Non-vested	(230,226)	(200,958)	
	<u> </u>	<u> </u>	
Total	(529,193)	(430,667)	
	<u> </u>	<u> </u>	
Projected benefit obligation	(774,126)	(666,248)	
Fair value of plan assets	482,881	380,472	
	<u> </u>	<u> </u>	
Funded position	(291,245)	(285,776)	
	<u> </u>	<u> </u>	
Unrecognized net transition obligation	87,246	116,328	
Unrecognized net (gains) losses	(337,400)	(336,645)	
	<u> </u>	<u> </u>	
Accrued pension liability	(541,399)	(506,093)	
	<u> </u>	<u> </u>	
	2003	2002	2001
	<u> </u>	<u> </u>	<u> </u>
Net periodic pension cost			
Service cost	11,324	10,711	16,356
Interest cost	102,319	61,439	64,844
Expected return on assets	(66,364)	(34,640)	(22,870)
Amortization of transition obligation	29,082	29,082	29,082
Actuarial gain	(17,765)	(17,963)	(461)
Employee contribution	(11,678)	(11,336)	(7,615)
	<u> </u>	<u> </u>	<u> </u>

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Total net periodic pension cost	<u>46,918</u>	<u>37,293</u>	<u>79,336</u>
Weighted-average assumptions			
Discount rate (nominal)	12.3%	15.6%	10.5%
Projected long-term inflation rate	4.0%	7.0%	2.5%
Expected return on plan assets	12.1%	17.3%	10.5%
Rate of compensation increase	6.1%	9.1%	4.8%
	F-75		

Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

The reconciliation of changes in the projected benefit obligation and the fair value of plan assets is as follows for the years ended December 31:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Change in projected benefit obligation			
At beginning of year	666,248	591,999	768,618
Service cost	11,324	10,711	16,356
Interest cost	102,319	61,439	64,844
Actuarial (gain) loss	16,389	19,002	(242,979)
Gross benefits paid	(22,154)	(16,903)	(14,841)
	<u>774,126</u>	<u>666,248</u>	<u>591,998</u>
Change in fair value of plan assets			
At beginning of year	380,472	325,924	267,345
Actual return on plan assets	99,501	49,056	51,173
Employer contributions	11,612	11,053	10,911
Employee contributions	13,450	11,342	11,336
Gross benefits paid	(22,154)	(16,903)	(14,841)
	<u>482,881</u>	<u>380,472</u>	<u>325,924</u>
Funded status	(291,245)	(285,776)	(266,075)
Unrecognized actuarial gain	(337,400)	(336,645)	(359,189)
Unrecognized net transition obligation	87,246	116,328	145,411
	<u>87,246</u>	<u>116,328</u>	<u>145,411</u>
Net amounts recognized in financial statements	<u>(541,399)</u>	<u>(506,093)</u>	<u>(479,853)</u>

The amortization of the unrecognized liability at transition is over 16 years commencing on January 1, 1990.

The expected long-term rate of return on plan assets was determined based on the weighted average estimated return of the plan assets, which includes equity securities, real state, loans and fixed income, based on information obtained from SABESPREV. This projected long-term rate includes the projected long-term inflation rate and takes into consideration such factors as projected future interest yield curves and economic projections available in the market.

The plan's investment policies and strategies are aimed to reduce investment risk through diversification, considering such factors as the liquidity needs and funded status of plan liabilities, types and availability of financial instruments in the local market, general economic conditions and forecasts as well as requirements under local pension plan law. The plan's asset allocation and external asset management strategies are determined with the support of reports and analyses prepared by SABESPREV and independent financial consultants.

F-76

Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

The weighted average asset allocations of Plan G1 at December 31 by asset category, are as follows:

Asset Category	%	
	2003	2002
Equity securities	13	16
Real estate	8	8
Loans	4	3
Fixed income	75	73
Total	100	100

Expected future benefit payments, which reflect expected future service as appropriate, under Plan G1 are as follows:

	G1 Plan
2004	23,100
2005	24,639
2006	26,898
2007	29,230
2008	32,316
Years 2009-2096	3,833,259
Total	3,969,442

(iv) Supplementary pension plan Plan G0

The Company is also co-obligor to a supplementary defined benefit pension plan (Plan G0) (Note 6).

The status of the supplementary pension benefit plan and the related actuarial assumptions used in accordance with US GAAP are as follows:

	2003	2002
Accumulated benefit obligation		
Vested	(924,016)	(883,788)
Non-vested	(60,650)	(55,734)

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Total	(984,666)	(939,522)
Projected benefit obligation	(997,534)	(959,168)
Funded position	(997,534)	(959,168)
Unrecognized net transition obligation		61,684
Unrecognized actuarial gain	(68,571)	(47,315)
Accrued pension liability	(1,066,105)	(944,799)

F-77

Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

	2003	2002	2001
	<u> </u>	<u> </u>	<u> </u>
Net periodic pension cost			
Service cost	2,584	2,551	3,275
Interest cost	142,847	89,782	84,356
Actuarial gain		(2,149)	
Amortization of transition obligation	61,684	61,683	61,683
	<u> </u>	<u> </u>	<u> </u>
Total net periodic pension cost	207,115	151,867	149,314
	<u> </u>	<u> </u>	<u> </u>
Weighted-average assumptions			
Discount rate (nominal)	12.3%	15.6%	10.5%
Projected long-term inflation rate	4.0%	7.0%	2.5%
Rate of compensation increase	6.1%	9.1%	4.8%

The reconciliation of changes in the projected benefit obligation is as follows for the years ended December 31:

	2003	2002	2001
	<u> </u>	<u> </u>	<u> </u>
Change in projected benefit obligation			
At beginning of year	959,168	892,387	1,026,972
Service cost	2,584	2,551	3,275
Interest cost	142,847	89,782	84,356
Actuarial (gain) loss	(21,256)	50,307	(149,768)
Gross benefits paid	(85,809)	(75,859)	(72,448)
	<u> </u>	<u> </u>	<u> </u>
At end of year	997,534	959,168	892,387
	<u> </u>	<u> </u>	<u> </u>
Funded status	(997,534)	(959,168)	(892,387)
Unrecognized actuarial gain	(68,571)	(47,315)	(99,771)
Unrecognized net transition obligation		61,684	123,367
	<u> </u>	<u> </u>	<u> </u>
Net amount recognized	(1,066,105)	(944,799)	(868,791)
	<u> </u>	<u> </u>	<u> </u>
Amounts recognized on balance sheet:			
Accrued benefit liability	(1,066,105)	(944,799)	(868,791)
Additional minimum liability			(9,595)
Intangible asset			9,595

Accumulated other comprehensive
income

	_____	_____	_____
Net amount recognized in balance sheet	<u>(1,066,105)</u>	<u>(944,799)</u>	<u>(868,791)</u>

The amortization of the unrecognized liability at transition was over 15 years commencing on January 1, 1988.

F-78

Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

Expected future benefit payments, which reflect expected future service as appropriate, under Plan G0 are as follows:

2004	89,448
2005	90,174
2006	91,019
2007	91,669
2008	93,256
Years 2009-2096	1,984,852
	<hr/>
Total	2,440,418
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(b) Other concentrations of risk

- (i) **Labor Unions** Substantially all of the Company's non-managerial employees are members of unions. The three main unions that represent the Company's employees are SINTAEMA, the Sindicato dos Trabalhadores da Região Urbana de Santos, São Vicente, Baixada Santista, Litoral Sul e Vale Ribeira, or SINTIUS, and the Sindicato dos Engenheiros do Estado de São Paulo, or SEESP. The Company's most recent collective bargaining agreements, which became effective on May 1, 2004 and will expire on April 30, 2005, do not contemplate job protection for its employees. However, we have a formal understanding with the unions that represent our employees that we would not dismiss more than 2% of our current employees before April 30, 2005.
- (ii) **Authorizations to Abstract Water** The Company's authorization to abstract water from the Cantareira System, which supplies approximately 48% of the water produced by Sabesp for the São Paulo Metropolitan Region, will expire in August 2004. The Company has filed a request for the renewal of the authorization. The conditions upon which the governmental authorities will renew the Company's authorization are unknown, and are anticipated to be disclosed in August of 2004. If the Company is unable to negotiate any burdensome condition imposed by the State Government it could be exposed to increases in costs and capital expenditures, which may negatively affect results of operation

(c) New and recently issued US GAAP accounting pronouncements

(i) SFAS No. 143 Accounting for Asset Retirement Obligations

Effective January 1, 2003, the Company adopted the provisions of SFAS No. 143, which requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset. Under SFAS No. 143 the liability for an asset retirement obligation is discounted and accretion expense is recognized using the credit-adjusted risk-free interest rate in effect when the liability was initially recognized and the capitalized asset retirement costs is allocated to expense using a systematic and rational method. The adoption of this statement did not have a material impact on the financial position and results of operations of the Company

Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

- (ii) SFAS No. 145 Rescission of SFAS Nos. 4, 44 and 64, Amendment of SFAS 13, and Technical Corrections as of April 2002 of SFAS 145

Effective January 1, 2003, the Company adopted the provisions of SFAS No. 145, which rescinded SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt, SFAS No. 44, Accounting for Intangible Assets of Motor Carriers, and SFAS No. 64, Extinguishments of Debt made to satisfy Sinking-Fund requirements. As a result, gains and losses from extinguishment of debt are no longer classified as extraordinary items, unless they meet the criteria of unusual or infrequent as described in Accounting Principles Boards Opinion No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. In addition, SFAS No. 145 amended SFAS No. 13, Accounting for Leases, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The adoption of this statement did not have a material impact on the financial position and results of operations of the Company

- (iii) SFAS No. 146 - Accounting for Costs Associated with Exit or Disposal Activities

Effective January 1, 2003, the Company adopted the provisions of SFAS No. 146, which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullified Emerging Issues Task Force Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring) (EITF 94-3). SFAS No. 146 eliminated the definition and requirements for recognition of exit costs in EITF No. 94-3 and requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 also concluded that an entity's commitment to a plan, by itself, does not create a present obligation to others that meets the definition of a liability and established that fair value is the objective for initial measurement of the liability. The adoption of this statement did not have a material impact on the financial position and results of operations of the Company.

- (iv) FASB Interpretation (FIN) No. 45 Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others

Effective January 1, 2003, the Company adopted the provisions of FIN 45, which requires certain disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The adoption of this statement did not have a material impact on the financial position and results of operations of the Company.

Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

(v) SFAS No. 149 Amendment of Statement 133 on Derivative Instruments and Hedging Activities

In April 2003, the FASB issued SFAS No. 149, which amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 149 clarifies the circumstances under which a contract with an initial net investment meets the characteristic of a derivative as discussed in SFAS 133. In addition, SFAS No. 149 clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 amends certain other existing pronouncements, resulting in more consistent reporting of contracts that are derivatives in their entirety or that contain embedded derivatives that warrant separate accounting. SFAS 149 is effective for contracts entered into or modified after June 30, 2003 and for relationships designated after June 30, 2003 and is to be applied prospectively. The adoption of SFAS No. 149 did not have any impact on the Company's financial statements.

(vi) SFAS No. 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity

In May 2003, the FASB issued SFAS No. 150, which modifies the accounting for certain financial instruments that, under previous guidance, were accounted for as equity. SFAS No. 150 requires that those instruments be classified as liabilities in statements of financial positions. SFAS No. 150 affects an issuer's accounting for three types of freestanding financial instruments, namely:

Mandatorily-redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets.

Instruments, other than outstanding shares, that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. These instruments include put options and forward purchase contracts.

Obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuer's shares.

SFAS No. 150 does not apply to features embedded in financial instruments that are not derivatives in their entirety. In addition to its requirements for the classification and measurement of financial instruments within its scope, SFAS No. 150 also requires disclosures about alternative ways of settling those instruments and the capital structure of entities, all of whose shares are mandatorily redeemable. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 is not expected to have any impact on the Company's financial statements.

Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO – SABESP

27. STATEMENT OF CASH FLOW

The statement of cash flows reflects the Company's operating, investing and financing activities derived from BR CL accounting records and has been presented in accordance with International Accounting Standards (IAS) N° 7 – Cash Flow Statements .

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:			
Net income (loss)	833,320	(650,516)	216,227
Adjustments to reconcile net income (loss) to net cash:			
Deferred income and social contribution taxes	16,617	(267,984)	(111,176)
Loss on write off of permanent assets	62,634	16,479	84,112
Provision for contingencies	156,793	233,323	147,713
Accrued pension obligation	77,204	60,098	(293)
Property, plant and equipment received as donations	(2,428)	(6,786)	(3,705)
Depreciation	544,731	500,954	459,987
Amortization	19,724	18,121	17,342
Interest on loans and financing	802,946	752,725	591,440
Foreign exchange and indexation charges on loans and financings	(396,117)	1,448,933	455,201
Bad debt expense net of recoveries	37,625	162,915	153,780
	<u> </u>	<u> </u>	<u> </u>
Decrease (increase) in assets:			
Customer accounts receivable	(479,368)	(263,806)	(185,410)
Inventories	334	(755)	10,889
Receivable from shareholder	(170,837)	(97,250)	(72,752)
Other assets	67,626	(9,365)	(20,973))
Increase (decrease) in liabilities:			
Accounts payable to suppliers and contractors	15,323	(44,412)	24,580
Accrued payroll and related charges	49,543	10,438	(18,135)
Taxes payable	3,012	(44,636)	(59,659)
Provision for contingencies	(314)	(58,883)	(22,884)
Other liabilities	16,922	5,224	(9,239)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by operating activities	<u>1,655,290</u>	<u>1,764,817</u>	<u>1,657,045</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment	(641,302)	(585,979)	(694,599)
Proceeds from the sale of property, plant and equipment	7		1,401

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Deferred charges	(9,469)	(11,223)	(16,336)
	<u> </u>	<u> </u>	<u> </u>
Net cash used in investing activities	(650,764)	(597,202)	(709,534)
	<u> </u>	<u> </u>	<u> </u>
Cash flows from financing activities:			
Loans and financing			
Proceeds from issuances	918,623	457,371	327,907
Repayments	(1,937,286)	(1,221,794)	(964,772)
Payment of interest on shareholder s equity	(119,521)	(401,309)	(126,716)
	<u> </u>	<u> </u>	<u> </u>

F-82

Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Net cash used in financing activities	(1,138,184)	(1,165,732)	(763,581)
Net increase (decrease) in cash and cash equivalents	(133,658)	1,883	183,930
Cash and cash equivalents at the beginning of year	414,671	412,788	228,858
Cash and cash equivalents at the end of year	281,013	414,671	412,788
Supplementary information:			
Interest paid on loans and financing	856,331	701,752	638,061
Income tax and social contribution	130,731	16,595	33,239
Non cash transactions			
Property, plant and equipment received as donations and/or paid for with shares (capital subscription)	3,664	15,310	5,543
Acquisition related to São Bernardo de Campo (Note 5(b))			
Purchase price	415,471		
Settlement of customer accounts receivable	(265,432)		
Amounts payable (other current liabilities)	(100,526)		
Cash paid	49,513		

28. BUSINESS SEGMENTS

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, adopts the management approach designating the internal organization that is used by management for making operating decisions and assessing performance as the source of the company's reportable segments. Management uses data derived under BR CL to make decisions in relation to the segments. SFAS No. 131 also requires disclosure about products and services, geographical areas, and major customers. SFAS No. 131 requires reported segment information to conform to the information reported to management even if that information is not prepared under US GAAP.

Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

The Company has two identifiable reportable segments: (i) water systems; and (ii) sewage systems.

	2003			
	Water system	Sewage System	Consolidated	
Gross revenue from sales	2,190,971	1,756,399	3,947,370	
Gross revenue from sales bulk	262,045		262,045	
Gross revenue from services (*)	66,110	32,009	98,119	
	<u>2,519,126</u>	<u>1,788,408</u>	<u>4,307,534</u>	
Taxes on sales and services	(115,590)	(82,060)	(197,650)	
	<u>2,403,536</u>	<u>1,706,348</u>	<u>4,109,884</u>	
Net revenue from sales and services	2,403,536	1,706,348	4,109,884	
Cost of sales and services and operating expenses	(1,714,926)	(882,948)	(2,597,874)	
	<u>688,610</u>	<u>823,400</u>	<u>1,512,010</u>	
Operating profit before financial expense, net	<u>688,610</u>	<u>823,400</u>	<u>1,512,010</u>	
Financial expenses, net			(346,477)	
Non-operating expenses, net			(54,455)	
Taxes on income			(242,636)	
			<u>(35,122)</u>	
Extraordinary item			(35,122)	
			<u>833,320</u>	
Net income			<u>833,320</u>	
	Water system	Sewage system	Common assets and concession assets acquired	Consolidated
Depreciation and amortization charges				

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BR CL	(316,218)	(248,237)		(564,455)
US GAAP	(346,573)	(272,067)		(618,640)
Additions to property, plant and equipment				
BR CL	154,333	410,391	445,641	1,009,365
US GAAP	154,333	410,391	445,641	1,009,365

F-84

Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

	2002		
	Water systems	Sewage systems	Consolidated
Gross revenue from sales	2,015,206	1,586,181	3,601,387
Gross revenue from sales bulk	230,481		230,481
Gross revenue from services (*)	90,705	39,863	130,568
	<hr/>	<hr/>	<hr/>
Taxes on sales and services	2,336,392 (115,149)	1,626,044 (80,140)	3,962,436 (195,289)
	<hr/>	<hr/>	<hr/>
Net revenue from sales and services	2,221,243	1,545,904	3,767,147
Cost of sales and services and operating expenses	(1,634,227)	(791,912)	(2,426,139)
	<hr/>	<hr/>	<hr/>
Operating profit before financial expense, net	<u>587,016</u>	<u>753,992</u>	<u>1,341,008</u>
Financial expenses, net			(2,276,293)
Non-operating expenses, net			(3,424)
Taxes on income			323,315
			<hr/>
Extraordinary item			(35,122)
			<hr/>
Net loss			<u>(650,516)</u>
			<hr/>
	Water systems	Sewage systems	Common assets and concession assets acquired
	<hr/>	<hr/>	<hr/>
Depreciation and amortization charges			
BR CL	(293,054)	(226,021)	(519,075)

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US GAAP	(331,951)	(256,020)		(587,971)
Additions to property, plant and equipment				
BR CL	210,879	353,736	54,576	619,191
US GAAP	207,531	348,120	53,710	609,361

F-85

Table of Contents

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

	2001			
	Water system	Sewage system	Consolidated	
Gross revenue from sales	1,814,483	1,397,421	3,211,904	
Gross revenue from sales bulk	204,148		204,148	
Gross revenue from services (*)	88,290	39,166	127,456	
Taxes on sales and services	2,106,921 (64,656)	1,436,587 (44,085)	3,543,508 (108,741)	
Net revenue from sales and services	2,042,265	1,392,502	3,434,767	
Cost of sales and services and operating expenses	(1,436,322)	(689,845)	(2,126,167)	
Operating profit before financial expense, net	<u>605,943</u>	<u>702,657</u>	<u>1,308,600</u>	
Financial expenses, net			(1,105,152)	
Non-operating expense, net			(76,920)	
Income taxes			89,699	
Net income			<u>216,227</u>	
	Water system	Sewage system	Common assets and concession assets acquired	Consolidated
Depreciation and amortization charges				
BR CL	(268,482)	(208,847)		(477,329)
US GAAP	(311,403)	(242,235)		(553,638)
Additions to property, plant and equipment				

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BR CL	269,507	387,221	62,299	719,027
US GAAP	275,503	387,221	62,299	725,023

	2003	2002
	<u> </u>	<u> </u>
Water systems	6,233,376	6,396,976
Sewage systems	6,771,217	6,633,356
	<u> </u>	<u> </u>
Total segment assets	13,004,593	13,030,332
	<u> </u>	<u> </u>
General corporate and other	3,526,077	3,318,319
	<u> </u>	<u> </u>
Total assets	16,530,670	16,348,651
	<u> </u>	<u> </u>
Water systems	(2,528,397)	(2,266,345)
Sewage systems	(1,751,949)	(1,536,454)
Others	(343,987)	(302,397)
	<u> </u>	<u> </u>
Total accumulated depreciation and amortization	(4,624,333)	(4,105,196)
	<u> </u>	<u> </u>

(*) Other sales and services rendered comprise other services which are related to water and sewage services (mainly, charges for duct connections into the water and sewage systems, change in water measurement equipment, and sewage duct clearing services.)

F-86