

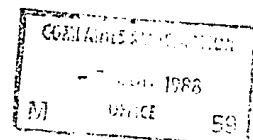
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Directors' Report and Accounts

HAVANA INTERNATIONAL BANK LIMITED

31 March 1988

Ernst & Whinney



HAVANA INTERNATIONAL BANK LIMITED

THE BOARD OF DIRECTORS

J J Rodriguez	- Chairman
M A Lopez	- Deputy Chairman
R F Toledo	- Managing Director, resigned 17 February 1988
L Chao	- Executive Director, appointed 17 February 1988
J A Imperatori	

J Vaz

GENERAL MANAGER

- K D Richardson

SECRETARY

- S C Spencer

REGISTERED OFFICE

- 20 Ironmonger Lane, London EC2V 8EY

HAVANA INTERNATIONAL BANK LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited accounts for the year ended 31 March 1988.

ACTIVITIES

The principal activities of the bank are the provision of banking services (in the international field) including bill transactions, documentary credit business, sterling and foreign money market transactions, foreign exchange dealing and the participation in consortium lending.

TRADING RESULTS

The profit before taxation amounted to £963,610. From this £619,166 has been provided for taxation, and the balance of £344,444 transferred to reserves.

The directors do not recommend the payment of a dividend.

DIRECTORS

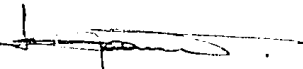
The names of the directors, all of whom are of Cuban nationality, are given on page 1.

According to the register maintained as required under the Companies Act 1985, none of the directors has any beneficial interest in the share capital of the company.

AUDITORS

Ernst & Whinney have expressed their willingness to continue in office as auditors and in accordance with Section 14 of the Companies Act 1985 a resolution proposing their reappointment will be submitted at the annual general meeting.

By order of the board

Secretary 

HAVANA INTERNATIONAL BANK LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1988

	Note	1988 £	1987 £
PROFIT FOR THE YEAR	3	963,610	1,736,124
Taxation	5	(619,166)	(1,013,000)
NET PROFIT TRANSFERRED TO RESERVES		344,444	723,124
Reserves brought forward as previously stated		2,398,256	1,675,132
Prior year adjustment	6	(600,000)	-
Reserves brought forward restated		1,798,256	1,675,132
RESERVES CARRIED FORWARD		<u>£2,142,700</u>	<u>£2,398,256</u>

HAVANA INTERNATIONAL BANK LIMITED
BALANCE SHEET - 31 MARCH 1988

	Note	1988 £	1987 £
SHARE CAPITAL AND RESERVES			
Called up share capital	7	7,000,000	7,000,000
Subordinated loans	8	6,000,000	6,000,000
Reserves		<u>2,142,700</u>	<u>2,398,256</u>
		<u>15,142,700</u>	<u>15,398,256</u>
DEFERRED TAXATION	9	595,000	623,851
CURRENT LIABILITIES, DEPOSITS AND OTHER LIABILITIES			
Customers		58,007,691	61,626,317
Holding company		4,526,536	3,038,604
Taxation payable		1,156,196	929,966
Taxation reserve		<u>950,000</u>	<u>350,000</u>
		<u>64,640,423</u>	<u>65,944,887</u>
CREDITORS AND ACCRUED EXPENSES		1,744,591	796,853
		<u>£82,122,714</u>	<u>£82,763,847</u>

Ernst & Whinney

[Signature]) Directors
[Signature]) General Manager

	Note	1988 £	1987 £
LIQUID ASSETS			
Cash and balances with bankers		3,121,583	1,549,968
DEPOSITS WITH BANKS		57,886,143	53,926,029
SHORT TERM TRADE BILLS DISCOUNTED		169,005	23,353
INVESTMENTS	10	8,772,276	8,243,743
LOANS, ADVANCES AND OTHER FINANCING			
Less provision for doubtful debts			
£2,733,774 (1987 : £2,945,715)			
Banks		<u>1,044,623</u>	<u>5,629,881</u>
Customer		<u>2,763,651</u>	<u>3,631,961</u>
		<u>3,808,274</u>	<u>9,261,842</u>
HOLDING COMPANY			
Advances		2,550,694	2,609,858
Short term bills discounted		<u>805,472</u>	<u>2,478,336</u>
		<u>3,356,166</u>	<u>5,088,194</u>
DEBTORS AND INTEREST RECEIVABLE		605,564	537,127
TAXATION RECOVERABLE		812,289	618,598
FIXED ASSETS	11	210,721	252,125
FINANCE LEASE DEBTORS	12	3,380,693	3,262,868
		<u>£82,122,714</u>	<u>£82,763,847</u>

HAVANA INTERNATIONAL BANK LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 MARCH 1988

	1988 £	1987 £
SOURCE OF FUNDS		
FROM OPERATIONS		
Profit attributable for the year	963,610	1,736,124
Depreciation	44,786	44,855
	<u>£1,008,396</u>	<u>£1,780,979</u>
APPLICATION OF FUNDS		
Taxation paid	615,459	159,911
Purchase of fixed assets	3,381	4,224
Increase in leased assets	117,825	495,896
Increase/(Decrease) in investments	528,533	(1,628,447)
Increase/(Decrease) in liquid assets	1,571,615	(2,917,226)
Increase/(Decrease) in short-term bills discounted	145,652	(2,133,566)
(Decrease)/Increase in loans and advances	(3,225,482)	2,600,136
Increase/(Decrease) increase in debtors	68,437	(781,488)
Increase in creditors	(947,718)	(64,889)
Decrease in current liabilities	2,130,694	6,046,428
	<u>£1,008,396</u>	<u>£1,780,979</u>

HAVANA INTERNATIONAL BANK LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1988

1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with Sections 257 and 258 of, and Schedule 9 to, the Companies Act 1985.

(b) Depreciation and amortisation

Furniture and office equipment	Depreciated on a straight line basis over 5 years.
Leasehold properties	Amortised over 20 years.
Leasehold premises' improvements and fittings	Amortised over 18 years commencing from 1.4.78
Motor vehicles	Depreciated on a straight line basis over 4 years.
Assets leased to customers	Amortised pari passu with capital repayments over the duration (3 to 7 years) of the leases.

(c) Holdings are stated in the balance sheet at nominal value, less unamortised premiums or discounts, since it is the directors' intention to hold the investments to maturity. Premiums or discounts on the purchase of these investments are amortised over the period to maturity.

(d) Foreign currencies

Foreign currency balances are translated to sterling at the approximate rates ruling on the balance sheet date.

Profits or losses arising from matched forward contracts are accrued evenly over the period of the contract.

(e) Deferred taxation

Provision is made for deferred taxation at the rates applicable on reversal, using the liability method on:

- (i) the excess of taxation allowances claimed in respect of fixed assets qualifying for such allowances over the depreciation charged; and
- (ii) taxation on income not accountable for tax purposes until later years.

(f) Assets leased to customers

Finance lease receivables are shown at the value of the net investment.

Income on finance leases is calculated using the actuarial method before taxation.

HAVANA INTERNATIONAL BANK LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1988

2 TURNOVER

Turnover is not shown as it results entirely from the business of banking.

3 PROFIT FOR THE YEAR

The profit before taxation is after charging:

	1988 £	1987 £
Interest on deposits	2,619,172	3,083,932
Depreciation and amortisation	44,786	44,855
Auditors' remuneration	20,650	15,609
Directors' remuneration	25,354	43,386

and after crediting:

	1988 £	1987 £
Investment income	731,741	927,347
Recovery on doubtful debts	-	237,904

4 EMOLUMENTS OF CERTAIN EMPLOYEES

The number of employees, other than directors, whose emoluments, excluding pension contributions, exceeded £30,000 was as follows:

	1988	1987
£30,001 - £35,000	1	2
£35,001 - £40,000	1	-
£45,001 - £50,000	-	1
£50,001 - £55,000	1	-
£120,001 - £125,000	1	1

5 TAXATION

Corporation tax based on the profits for the year has been provided at the rate of 35% (1987 : 35%).

	1988 £	1987 £
Current corporation tax for the year	647,997	664,096
Transfer (from)/to deferred taxation	(28,831)	(1,096)
Provision for prior years contingency	-	350,000
	<u>£619,166</u>	<u>£1,013,000</u>

HAVANA INTERNATIONAL BANK LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1988

6 PRIOR YEAR ADJUSTMENT

Provision has been made to reflect the possible increase in the tax liability which may arise in view of the Inland Revenue's contention that prior years' provisions for doubtful debts are excessive.

Interest payable on the subordinated loans from Banco Nacional de Cuba has now been deemed by the Inland Revenue to be a "qualifying distribution". An additional £450,000 has been provided in respect of the tax liability which may arise as a result of this contention.

Total adjustment for tax liability arising from:

	£
Possible doubtful debts disallowance	150,000
Possible subordinated loan interest disallowance	<u>450,000</u>
Prior year adjustment	<u>£600,000</u>

7 CALLED UP SHARE CAPITAL

	Authorised		Allotted and fully paid	
	1988	1987	1988	1987
130,000 Ordinary shares of £100 each	<u>£13,000,000</u>	<u>£13,000,000</u>	<u>£7,000,000</u>	<u>£7,000,000</u>

8 SUBORDINATED LOANS

	1988 £	1987 £
Undated loan	3,000,000	3,000,000
Term loan, repayable June 1995	<u>3,000,000</u>	<u>3,000,000</u>
	<u>£6,000,000</u>	<u>£6,000,000</u>

9 DEFERRED TAXATION

Taxation excess of capital allowances claimed over related depreciation, which has been fully provided at the anticipated applicable corporation tax rate when the liability crystallises

1988	1987
<u>£595,020</u>	<u>£623,851</u>

HAVANA INTERNATIONAL BANK LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1988

10 INVESTMENTS

	1988	1987
Securities, net of £691,096 (1987 : £734,201) provision (market value £9,411,437 - 1987 : £8,936,236)	<u>£8,772,276</u>	<u>£8,243,743</u>

11 FIXED ASSETS

	Leasehold property and improvements £	Furniture, equipment and vehicles £	Fixed assets totals £
Cost at 31 March 1987	441,066	535,477	976,543
Additions	-	3,381	3,381
Disposals	-	(53,147)	(53,147)
Cost at 31 March 1988	<u>441,066</u>	<u>485,711</u>	<u>926,777</u>
Depreciation and amortisation at 31 March 1987	300,793	423,624	724,417
Charge for year	16,463	28,323	44,786
Disposals	-	(53,147)	(53,147)
Depreciation and amortisation at 31 March 1988	<u>317,256</u>	<u>398,800</u>	<u>716,056</u>
Net book amounts at 31 March 1988	<u>£123,810</u>	<u>£86,911</u>	<u>£210,721</u>
Net book amounts at 31 March 1987	<u>£140,273</u>	<u>£111,853</u>	<u>£252,126</u>

12 FINANCE LEASE DEBTORS

	1988 £	1987 £
Finance lease receivables within one year	902,112	609,144
Finance lease receivable after one year	<u>2,478,581</u>	<u>2,653,724</u>

HAVANA INTERNATIONAL BANK LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1988

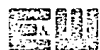
13 COMMITMENTS AND CONTINGENCIES

There are contracts for the sale and purchase of foreign currencies, which have been matched in accordance with the bank's policies, outstanding at the year end amounting to £12,809,084 (1987 : £7,559,465).

In addition there are contingent liabilities in respect of documentary credits, acceptances and guarantees, amounting to £9,813,541 (1987 : £5,809,995).

14 HOLDING COMPANY

The bank's ultimate holding company is the Banco Nacional de Cuba which is the central monetary institution of the Republic of Cuba.



Ernst & Whinney
Chartered Accountants

REPORT OF THE AUDITORS TO THE MEMBERS HAVANA INTERNATIONAL BANK LIMITED

We have audited the accounts set out on pages 3 to 10 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs at 31 March 1988 and of the profit and source and application of funds for the year then ended, and comply with the Companies Act 1985.

Ernst & Whinney.

London

1 June 1988.