

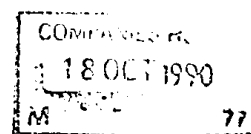
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DIRECTORS' REPORT AND ACCOUNTS

Havana International Bank
Limited

M A R C H 3 1, 1 9 9 0

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HAVANA INTERNATIONAL BANK LIMITED

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THE BOARD OF DIRECTORS

| | |
|--------------------|-------------------------------------|
| Chairman | J J Rodriguez |
| Deputy Chairman | M A Lopez |
| Executive Director | L Chao |
| Director | J A Imperatori |
| Director | J Vaz |
| General Manager | J Church |
| Secretary | D Teacher |
| Registered Office | 20 Ironmonger Lane, London EC2V 8EY |

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HAVANA INTERNATIONAL BANK LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited accounts for the year ended March 31, 1990.

ACTIVITIES

The principal activities of the bank during the year continued to be 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.

RESULTS AND DIVIDENDS

The trading loss for the year, after taxation and provisions, amounted to £881,914 (1989 - profit £744,811).

ISSUES OF SHARES

During the year, 30,000 Ordinary shares of £100 each were allotted and issued for cash consideration of £3,000,000. The share issue was enacted in order to raise additional working capital.

In addition, £2,000,000 standing to the credit of Reserves was capitalised and 20,000 Ordinary shares of £100 each were allotted and distributed in accordance with Article 128 of the Articles of Association.

The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

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

The interests of directors in the share capital of the company at the year end were as follows:

| | At March 31, 1990 Ordinary shares | At April 1, 1989 Ordinary shares |
|----------------|--|---|
| J J Rodriguez | 1 | 1 |
| M A Lopez | 1 | 1 |
| L Chao | 1 | 1 |
| J A Imperatori | 1 | 1 |
| J Vaz | 1 | 1 |

DIRECTORS' REPORT (continued)

CHARITABLE CONTRIBUTIONS

During the year, the company made various charitable contributions totalling £303.

AUDITORS

Ernst & Whinney merged their practice with Arthur Young on September 1, 1989 and now practise in the name of Ernst & Young. Accordingly, they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the annual general meeting.

By order of the board

D Teacher

Secretary

May 11, 1990

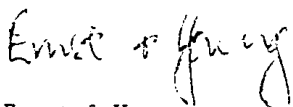
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REPORT OF THE AUDITORS TO THE MEMBERS OF HAVANA INTERNATIONAL BANK LIMITED

We have audited the accounts on pages 5 to 13 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at March 31, 1990 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young

Chartered Accountants

London

May 11, 1990

HAVANA INTERNATIONAL BANK LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1990

| | Note | £ | 1990 £ | 1989 £ |
|--|------|-----------|-------------|------------|
| (LOSS)/PROFIT FOR THE YEAR | 3 | | (550,054) | 1,095,502 |
| Taxation | 4 | | (331,860) | (350,691) |
| | | | <hr/> | <hr/> |
| (LOSS)/PROFIT TRANSFERRED TO RESERVES | | | (881,914) | 744,811 |
| | | | | <hr/> |
| Reserves brought forward | | 2,887,511 | | 2,142,700 |
| Prior year adjustment | | 606,000 | | 606,000 |
| | | <hr/> | | <hr/> |
| As restated | | | 3,493,511 | 2,748,700 |
| Capitalisation of reserves | | | (2,000,000) | - |
| | | | <hr/> | <hr/> |
| Reserves carried forward | | | £ 611,597 | £3,493,511 |
| | | | <hr/> | <hr/> |


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The notes on pages 8 to 13 form part of these accounts

HAVANA INTERNATIONAL BANK LIMITED

BALANCE SHEET - MARCH 31, 1990

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| | Note | £ | 1990 £ | 1989 £ |
|---|------|------------|-------------|-------------|
| SHARE CAPITAL AND RESERVES | | | | |
| Called-up share capital | 5 | 12,000,000 | | 7,000,000 |
| Subordinated loans | 6 | - | | 5,942,142 |
| Reserves | | 611,597 | | 2,887,511 |
| | | | 12,611,597 | 15,829,653 |
| DEFERRED TAXATION | | | | |
| | 7 | | 327,253 | 489,166 |
| CURRENT LIABILITIES, DEPOSITS AND OTHER LIABILITIES | | | | |
| Customers | | 48,945,758 | | 39,362,590 |
| Holding company | | 3,768,783 | | 5,037,470 |
| Taxation payable | | 1,526,966 | | 1,088,818 |
| | | | 54,241,507 | 45,488,878 |
| CREDITORS AND ACCRUED EXPENSES | | | | |
| | | | 1,915,029 | 1,293,465 |
|  May 11, 1990) Directors) General Manager | | | | |
| | | | £69,095,386 | £63,101,162 |

| | Note | £ | 1990 £ | 1989 £ |
|--|------|-----------|-------------|-------------|
| LIQUID ASSETS | | | | |
| Cash and balances with bankers | | | 1,157,027 | 1,255,941 |
| Deposits with banks | | | 48,271,054 | 42,883,667 |
| SHORT TERM TRADE BILLS DISCOUNTED | | | | |
| | | | 192,787 | 19,643 |
| INVESTMENTS | | | | |
| | 8 | | 7,594,189 | 7,494,301 |
| LOANS, ADVANCES AND OTHER FINANCING | | | | |
| Less provision for doubtful debts | | | | |
| £2,699,598 (1989 - £1,793,947) | | | | |
| Banks | | 2,591,895 | | 1,947,977 |
| Customers | | 897,900 | | 2,870,027 |
| | | | 3,489,795 | 4,818,004 |
| HOLDING COMPANY | | | | |
| Advances | | | | |
| Less provision for doubtful debts | | | | |
| £1,865,382 (1989 - £1,005,786) | | | | |
| Short term bills discounted | | | | 188,280 |
| | | | 4,283,374 | 1,900,231 |
| DEBTORS AND INTEREST RECEIVABLE | | | | |
| | | | 1,650,502 | 1,211,633 |
| FIXED ASSETS | | | | |
| | 9 | | 469,606 | 268,987 |
| FINANCE LEASE DEBTORS | | | | |
| Less provision for doubtful debts | | | | |
| £209,488 (1989 - fnil) | | | | |
| | 10 | | 1,987,052 | 3,248,755 |
| | | | £69,095,386 | £63,101,162 |

The notes on pages 8 to 13 form part of these accounts

HAVANA INTERNATIONAL BANK LIMITED

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STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED MARCH 31, 1990

| | 1990 £ | 1989 £ |
|--|----------------------|----------------|
| SOURCE OF FUNDS | | |
| FROM OPERATIONS | | |
| (Loss)/profit on ordinary activities before taxation | (550,054) | 1,095,502 |
| Adjustment for items not involving the movement of funds: | | |
| Depreciation | 93,555 | 81,404 |
| Prior year adjustment | 990,000 | - |
| | <hr/> | <hr/> |
| Proceeds of share issue | 533,501 3,000,000 | 1,176,906 - |
| | <hr/> | <hr/> |
| | 3,533,501 | 1,176,906 |
| | <hr/> | <hr/> |
| APPLICATION OF FUNDS | | |
| Taxation paid | 439,625 | 661,614 |
| Purchase of fixed assets | 294,174 | 139,670 |
| Repayment of subordinated loan | 5,942,142 | - |
| | <hr/> | <hr/> |
| | 6,675,941 | 801,284 |
| | <hr/> | <hr/> |
| | £(3,142,442) | £375,622 |
| | <hr/> | <hr/> |
| NET (DECREASE)/INCREASE IN BANKING ASSETS AND LIABILITIES | | |
| (Decrease)/increase in leased assets | (1,261,705) | (131,939) |
| Increase/(decrease) in investments | 99,888 | (1,277,975) |
| Decrease in liquid assets | (98,914) | (1,865,642) |
| Decrease in short-term bills discounted | (15,136) | (766,554) |
| Increase/(decrease) in loans and advances | 6,630,601 | (14,756,489) |
| Increase in debtors | 438,869 | 606,069 |
| (Increase)/decrease in creditors | (621,564) | 451,126 |
| (Increase)/decrease in current liabilities | (8,314,481) | 18,117,026 |
| | <hr/> | <hr/> |
| | £(3,142,442) | £ 375,622 |
| | <hr/> | <hr/> |

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The notes on pages 8 to 13 form part of these accounts

NOTES TO THE ACCOUNTS - MARCH 31, 1990

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

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write-off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

| | |
|--------------------------------|-----------------------|
| Leasehold land and buildings | - over the lease term |
| Furniture and office equipment | - over 5 years |
| Computer equipment | - over 3 years |

(c) Investments

Investments 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; to the extent that these differences will reverse in the future.

(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.

(g) Pension

The company has a pension scheme covering the majority of employees. The scheme is funded by contributions from the company at rates determined by the actuary. These contributions are invested separately from the group's assets. The company has implemented the provisions of Statement of Standard Accounting Practice 24, Accounting for Pension Costs, with effect from April 1, 1989 by way of a prior year adjustment, in accordance with the transitional provisions.

HAVANA INTERNATIONAL BANK LIMITED

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NOTES TO THE ACCOUNTS - MARCH 31, 1990

2 TURNOVER

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

3 OPERATING (LOSS)/PROFIT

(a) This is stated after charging:

| | 1990 £ | 1989 £ |
|------------------------------------|-----------|-----------|
| Auditors' remuneration | 27,000 | 22,000 |
| Depreciation of owned fixed assets | 93,555 | 81,404 |
| Interest on deposits | 4,674,324 | 2,663,656 |

and after crediting:

| | | |
|-------------------------------------|---------|---------|
| Investment income | 876,710 | 971,114 |
| Rentals receivable - finance leases | 269,992 | 270,221 |
| - operating leases | 192,772 | 183,784 |
| Net foreign exchange gain | 468,502 | 487,608 |

(b) Director's remuneration (being total emoluments received by the only paid director)

£9,900 £38,072

(c) Higher paid employees

The numbers of employees of Havana International Bank Limited who received remuneration falling within the ranges below were:

| | 1990 | 1989 |
|----------------------|------|------|
| £30,001 to £35,000 | 1 | - |
| £40,001 to £45,000 | 1 | - |
| £45,001 to £50,000 | - | 1 |
| £60,001 to £65,000 | 1 | - |
| £135,001 to £140,000 | - | 1 |
| £260,001 to £265,000 | 1 | - |

4 TAXATION

Corporation tax based on the profits for the year has been provided at the rate of 35% (1989 - 35%).

| | 1990 £ | 1989 £ |
|--|-----------------|-----------------|
| Corporation tax for the year | 841,345 | 456,525 |
| Deferred tax - current year | (545,913) | (105,834) |
| Adjustment of current taxation in respect of prior years | 36,428 | - |
| | <u>£331,860</u> | <u>£350,691</u> |

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HAVANA INTERNATIONAL BANK LIMITED

NOTES TO THE ACCOUNTS - MARCH 31, 1990

5 CALLED-UP SHARE CAPITAL

| | Authorised | | Allotted and fully paid | |
|---|-------------|-------------|----------------------------|------------|
| | 1990 | 1989 | 1990 | 1989 |
| 130,000 Ordinary shares of £100 each | £13,000,000 | £13,000,000 | £12,000,000 | £7,000,000 |

During the year, 30,000 shares of £100 each, to rank pari passu with the existing shares were issued at £100 per share for cash consideration. A further 20,000 shares of £100 each, to rank pari passu with the existing shares, were issued at £100 per share from capitalisation of distributable reserves.

6 SUBORDINATED LOANS

| | 1990 £ | 1989 £ |
|--------------------------------|-----------|------------|
| Undated loan | - | 2,971,071 |
| Term loan, repayable June 1995 | - | 2,971,071 |
| | - | £5,942,142 |

7 DEFERRED TAXATION

Deferred taxation, for which full provision has been made, is as follows:

| | 1990 | 1989 |
|--|-----------|----------|
| Capital allowances in advance of depreciation | 204,100 | 489,166 |
| Provision for liability arising on pension fund surplus | 384,000 | - |
| Short term timing differences | (260,847) | - |
| | £327,253 | £489,166 |

8 INVESTMENTS

| | 1990 | 1989 |
|---|------------|------------|
| Securities, net of £355,020 (1989 - £548,635) provision (market value £7,255,814 (1989 - £9,834,915)) | £7,594,189 | £7,494,301 |

NOTES TO THE ACCOUNTS - MARCH 31, 1990

9 FIXED ASSETS

| | Computer equipment £ | Leasehold property and improvements £ | Furniture, equipment and vehicles £ | Total £ |
|---------------------------------------|----------------------------|---|---|------------|
| Cost | | | | |
| At March 31, 1989 | 127,610 | 444,239 | 494,598 | 1,066,447 |
| Additions | 38,973 | 234,908 | 20,293 | 294,174 |
| | | | | |
| At March 31, 1990 | 166,583 | 679,147 | 514,891 | 1,360,621 |
| Depreciation and amortisation | | | | |
| At March 31, 1989 | 42,537 | 333,878 | 421,045 | 797,460 |
| Charge for year | 55,528 | 19,537 | 18,490 | 93,555 |
| | | | | |
| At March 31, 1990 | 98,065 | 353,415 | 439,535 | 891,015 |
| Net book amounts at March 31, 1990 | £68,518 | £325,732 | £75,356 | £469,606 |
| | | | | |
| March 31, 1989 | £85,073 | £110,361 | £73,553 | £268,987 |

10 FINANCE LEASE DEBTORS

| | 1990 £ | 1989 £ |
|----------------------------|------------|------------|
| Receivable within one year | 663,830 | 1,048,297 |
| Receivable after one year | 1,323,222 | 2,200,458 |
| | | |
| | £1,987,052 | £3,248,755 |

11 COMMITMENTS AND CONTINGENCIES

There are no contracts for the sale and purchase of foreign currencies (1989 - £102,981).

There are contingent liabilities in respect of documentary credits, acceptances and guarantees, amounting to £5,605,467 (1989 - £7,011,446).

No future capital expenditure had been contracted for at the year end (1989 - £5,000).

NOTES TO THE ACCOUNTS - MARCH 31, 1990

12 PENSION COMMITMENTS

The pension scheme is of the defined benefit type, and costs are assessed with the advice of a qualified actuary.

The latest formal actuarial valuation was at April 1, 1986. For the purposes of assessing excess funding and contributions under SSAP 24, the latest actuarial review at April 1, 1989, yet to be finalised, was used. This valuation was based on the attained age method, incorporating the following assumptions:

| | |
|---------------------------|-------|
| Rate of interest | 9% pa |
| Rate of salary growth | 7% pa |
| Rate of pension increases | 5% pa |

As at April 1, 1989 the market value of the assets of the scheme was £1.9 million and the actuarial value of these assets was sufficient to cover 183% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The provisions of the Statement of Standard Accounting Practice No 24 Accounting for Pension Costs (SSAP 24) have been adopted with effect from April 1, 1990.

As a result the excess funding of £990,000 has been included as a prepayment with a corresponding prior year adjustment to opening reserves net of deferred taxation, under the transitional provisions of SSAP 24. Further contributions of £110,000 made during the year have been added to the prepayment.

With effect from April 1, 1990, the company's expense in respect of the fund is also in accordance with SSAP 24 at the rate of 23.3% of pensionable pay. Interest at the rate of 9% on the surplus is set off against the expense. The resulting credit to the profit and loss for the year is £22,000 (1989 - charge £104,643).

In view of the surplus, future funding requirements are being reviewed by the actuary.

13 OTHER FINANCIAL COMMITMENTS

At March 31, 1990 the company had annual commitments under non-cancellable operating leases as set out below:

| | 1990 | | 1989 | |
|-----------------------------------|----------------------------|------------|----------------------------|------------|
| | Land and buildings £ | Other £ | Land and buildings £ | Other £ |
| Operating leases which expire: | | | | |
| Within one year | - | 2,249 | - | - |
| Within two to five years | - | 25,157 | - | 32,689 |
| In over five years | 400,000 | - | 187,000 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | £400,000 | £27,406 | £187,000 | £32,689 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

HAVANA INTERNATIONAL BANK LIMITED

NOTES TO THE ACCOUNTS - MARCH 31, 1990

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.

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