

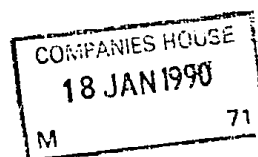
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Directors' Report and Accounts

Havana International Bank Limited

31 March 1989

 Ernst & Whinney



HAVANA INTERNATIONAL BANK LIMITED

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 K D Richardson

Secretary D Teacher (Appointed 25 October 1988)
S C Spencer (Resigned 25 October 1988)

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 1989.

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 £1,095,502. From this £350,691 has been provided for taxation, and the balance of £744,811 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

8 June 1989

HAVANA INTERNATIONAL BANK LIMITED

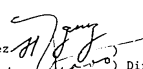
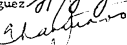

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1989

	Note	1989 £	1988 £
PROFIT FOR THE YEAR	3	1,095,502	963,610
Taxation	5	(350,691)	(619,166)
NET PROFIT TRANSFERRED TO RESERVES		744,811	344,444
Reserves brought forward		2,142,700	2,398,256
Prior year adjustment		-	(600,000)
Reserves brought forward restated		2,142,700	1,798,256
RESERVES CARRIED FORWARD		£2,887,511	£2,142,700

HAVANA INTERNATIONAL BANK LIMITED

BALANCE SHEET - 31 MARCH 1989

	Note	1989 £	1988 £
SHARE CAPITAL AND RESERVES			
Called-up share capital	6	7,000,000	7,000,000
Subordinated loans	7	5,942,142	6,000,000
Reserves		2,887,511	2,142,700
		<u>15,829,653</u>	<u>15,142,700</u>
DEFERRED TAXATION			
	8	489,166	595,000
CURRENT LIABILITIES, DEPOSITS AND OTHER LIABILITIES			
Customers		39,362,590	58,007,691
Holding company		5,037,470	4,526,536
Taxation payable		1,088,818	1,156,196
Taxation reserve		-	950,000
		<u>45,488,878</u>	<u>64,640,423</u>
CREDITORS AND ACCRUED EXPENSES			
	9	1,293,465	1,744,591
		<u>£63,101,162</u>	<u>£82,122,714</u>

J J Rodriguez  Directors
 L Chao  Directors
 K D Richardson  General Manager
 8 June 1989

LIQUID ASSETS

	Note	1989 £	1988 £
Cash and balances with bankers		1,255,941	3,121,583
DEPOSITS WITH BANKS		42,883,667	57,886,143
SHORT TERM TRADE BILLS DISCOUNTED		19,643	169,005
INVESTMENTS	10	7,494,301	8,772,276
LOANS, ADVANCES AND OTHER FINANCING			
Less provision for doubtful debts £1,793,947 (1988 - £2,733,744)			
Banks		1,947,977	1,044,623
Customer		2,870,027	2,763,651
		<u>4,818,004</u>	<u>3,808,274</u>
HOLDING COMPANY			
Advances		1,711,951	2,550,694
Short term bills discounted		188,280	805,472
		<u>1,900,231</u>	<u>3,356,166</u>
DEBTORS AND INTEREST RECEIVABLE			
		1,211,633	605,564
TAXATION RECOVERABLE			
		-	812,289
FIXED ASSETS			
	11	268,987	210,721
FINANCE LEASE DEBTORS			
	12	3,248,755	3,380,693
		<u>£63,101,162</u>	<u>£82,122,714</u>

HAVANA INTERNATIONAL BANK LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 MARCH 1989

	1989 £	1988 £
SOURCE OF FUNDS		
FROM OPERATIONS		
Profit attributable for the year	1,095,502	963,610
Depreciation	81,404	44,786
	<hr/>	<hr/>
	1,176,906	1,008,396
	<hr/>	<hr/>
APPLICATION OF FUNDS		
Taxation paid	661,614	615,459
Purchase of fixed assets	139,670	3,381
(Decrease)/increase in leased assets	(131,939)	117,825
(Decrease)/increase in investments	(1,277,975)	528,533
(Decrease)/increase in liquid assets	(1,865,642)	1,571,615
(Decrease)/increase in short-term bills discounted	(766,554)	145,652
(Decrease) in loans and advances	(14,756,489)	(3,225,482)
Increase in debtors	606,069	68,437
Decrease/(increase) in creditors	451,126	(947,718)
Decrease in current liabilities	18,117,026	2,130,694
	<hr/>	<hr/>
	£1,176,906	£1,008,396
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HAVANA INTERNATIONAL BANK LIMITED

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NOTES ON THE ACCOUNTS - 31 MARCH 1989

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 and improvements	Amortised over 20 years
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
Computer equipment	Depreciated on a straight line basis over 3 years

Computer equipment was previously depreciated on a straight line basis over 5 years, the estimated useful life of computer equipment has been revised to 3 years.

(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 fixed assets qualifying for such allowances over the depreciation charged; and
- (ii) taxation on income not accountable for tax purposes in 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 1989

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 stated after charging:

	1989 £	1988 £
Interest on deposits	2,663,656	2,619,172
Depreciation and amortisation	81,404	44,786
Auditors' remuneration	22,000	20,650
Directors' remuneration	38,072	25,354
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and after crediting:		
Investment income	971,114	731,741
Recovery on doubtful debts	82,516	-
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4 EMOLUMENTS OF CERTAIN EMPLOYEES

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

	1989	1988
£30,001 to £35,000	-	1
£35,001 to £40,000	-	1
£45,001 to £50,000	1	-
£50,001 to £55,000	-	1
£120,001 to £125,000	-	1
£135,001 to £140,000	1	-

5 TAXATION

Corporation tax based on the profits for the year has been provided at the rate of 35% (1988 - 35%).

	1989 £	1988 £
Current corporation tax for the year	456,545	647,997
Transfer (from)/to deferred taxation	(105,854)	(28,831)
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	£350,691	£619,166
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HAVANA INTERNATIONAL BANK LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1989

6 CALLED-UP SHARE CAPITAL

	Authorised		Allotted and fully paid	
	1989	1988	1989	1988
130,000 Ordinary shares of £100 each	£13,000,000	£13,000,000	£7,000,000	£7,000,000

7 SUBORDINATED LOANS

	1989 £	1988 £
Undated loan	2,971,071	3,000,000
Term loan, repayable June 1995	2,971,071	3,000,000
	<u>£5,942,142</u>	<u>£6,000,000</u>

These loans were redenominated into deutschmarks during the year.

8 DEFERRED TAXATION

	1989	1988
Taxation in excess of capital allowances claimed over related depreciation, which has been fully provided at the anticipated applicable corporation tax rate when the liability crystallises	<u>£489,166</u>	<u>£595,000</u>

9 CREDITORS

Creditors includes £4,941 (1988 - £4,187) payable in respect of social security.

10 INVESTMENTS

	1989	1988
Securities, net of £548,635 (1988 - £691,086) provision (market value £9,834,915 (1988 - £9,411,437))	<u>£7,494,301</u>	<u>£8,772,276</u>

HAVANA INTERNATIONAL BANK LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1989

11 FIXED ASSETS

	Computer equipment £	Leasehold property and improvements £	Furniture, equipment and vehicles £	Total £
Cost				
At 31 March 1988	-	441,066	485,711	926,777
Additions	127,610	3,173	8,887	139,670
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At 31 March 1989	127,610	444,239	494,598	1,066,447
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Depreciation and amortisation				
At 31 March 1988	-	317,256	398,800	716,056
Charge for year	42,537	16,622	22,245	81,404
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At 31 March 1989	42,537	333,878	421,045	797,460
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Net book amounts at 31 March 1989	£85,073	£110,361	£73,553	£268,987
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31 March 1988	-	£123,810	£86,911	£210,721
	<hr/>	<hr/>	<hr/>	<hr/>

Ernst & Whinney

12 FINANCE LEASE DEBTORS

	1989 £	1988 £
Finance lease receivables within one year	1,048,297	902,112
Finance lease receivable after one year	2,200,458	2,478,581
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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 £102,981 (1988 - £12,809,084).

In addition there are contingent liabilities in respect of documentary credits, acceptances and guarantees, amounting to £7,011,446 (1988 - £9,813,541).

Future capital expenditure contracted for at the year end amounts to £5,000, relating to telecommunications equipment. There are no other items of capital expenditure contracted for or authorised but not contracted for.

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.



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

We have audited the accounts set out on pages 3 to 9 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 1989 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

8 June 1989