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 ERNST & YOUNG



Directors' Report and Accounts

HAVANA INTERNATIONAL BANK LIMITED

March 31, 1991



HAVANA INTERNATIONAL BANK LIMITED

1

DIRECTORS' REPORT

The directors submit their report and the audited accounts for the year ended March 31, 1991.

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 profit for the year, after taxation and provisions, amounted to £577,638 (1990 - loss £881,914).

DIVIDENDS

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 listed below.

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

	At March 31, 1991 Ordinary shares	At April 1, 1990 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
J Lebrede (appointed May 11, 1990)	-	-

CHARITABLE CONTRIBUTIONS

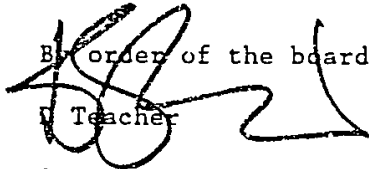
During the year, the company made various charitable contributions totalling £420 (1990 - £303).

HAVANA INTERNATIONAL BANK LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

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

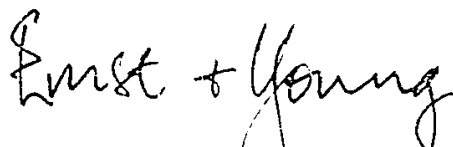
Teacher

Secretary

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

We have audited the accounts on pages 4 to 12 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, 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants

London

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HAVANA INTERNATIONAL BANK LIMITED

4

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1991

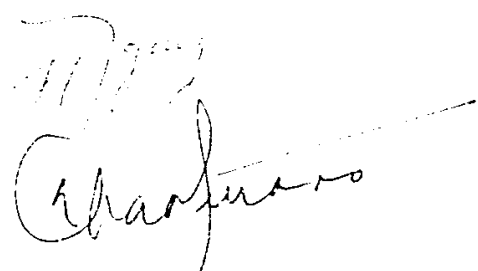
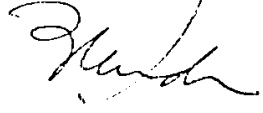
	Note	1991 £	1990 £
PROFIT/(LOSS) FOR THE YEAR	3	1,113,708	(550,054)
Taxation	4	(536,070)	(331,860)
		<hr/>	<hr/>
PROFIT/(LOSS) TRANSFERRED TO RESERVES		577,638	(881,914)
Reserves brought forward		611,597	3,493,511
Capitalisation of reserves		-	(2,000,000)
		<hr/>	<hr/>
Reserves carried forward		£1,189,235	£ 611,597
		<hr/>	<hr/>

E//ERNST & YOUNG

The notes on pages 7 to 12 form part of these accounts

HAVANA INTERNATIONAL BANK LIMITED

BALANCE SHEET - MARCH 31, 1991

	Note	£	1991 £	1990 £
SHARE CAPITAL AND RESERVES				
Called-up share capital	5	12,000,000		12,000,000
Reserves		1,189,235		611,597
			13,189,235	12,611,597
DEFERRED TAXATION				
	6		143,167	327,253
CURRENT LIABILITIES, DEPOSITS AND OTHER LIABILITIES				
Customers		26,349,545		48,945,758
Holding company		4,819,446		3,763,783
Taxation payable		1,462,407		1,526,966
			32,631,398	54,241,507
CREDITORS AND ACCRUED EXPENSES			593,803	1,915,029
 				
			£46,557,603	£69,095,386

The notes on pages 7 to 12 form part of these accounts

	Note	£	1991 £	1990 £
LIQUID ASSETS				
Cash and balances with bankers			1,579,444	1,157,027
Deposits with banks			27,878,320	48,271,054
SHORT TERM TRADE BILLS DISCOUNTED			8,200	192,787
INVESTMENTS	7		6,835,360	7,594,189
LOANS, ADVANCES AND OTHER FINANCING				
Less provision for doubtful debts £3,130,369 (1990 - £2,699,598)				
Banks		2,868,671		2,591,895
Customers		3,870,067		897,270
			6,738,738	3,489,165
HOLDING COMPANY				
Advances			346,458	4,283,374
Less provision for doubtful debts £2,960,312 (1990 - £1,865,382)				
DEBTORS AND INTEREST RECEIVABLE			1,530,408	1,650,502
FIXED ASSETS	8		574,253	469,606
FINANCE LEASE DEBTORS (1990 - Less provision for doubtful debts £209,488)	9		1,066,422	1,987,052
			£46,557,603	£69,095,386

The notes on pages 7 to 12 form part of these accounts

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED MARCH 31, 1991

	1991 £	1990 £
SOURCE OF FUNDS		
FROM OPERATIONS		
Profit/(loss) on ordinary activities before taxation	1,113,708	(550,054)
Adjustment for items not involving the movement of funds:		
Depreciation	115,683	93,555
Prior year adjustment	-	990,000
Loss on fixed asset disposal	5,795	-
	<hr/>	<hr/>
Proceeds of share issue	1,235,186	533,501
	-	3,000,000
	<hr/>	<hr/>
	1,235,186	3,533,501
	<hr/>	<hr/>
APPLICATION OF FUNDS		
Taxation paid	784,714	439,625
Purchase of fixed assets	226,125	294,174
Repayment of subordinated loan	-	5,942,142
	<hr/>	<hr/>
	1,010,839	6,675,941
	<hr/>	<hr/>
	£ 224,347	£(3,142,442)
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN BANKING ASSETS AND LIABILITIES		
Decrease in leased assets	(920,629)	(1,261,705)
(Decrease)/increase in investments	(758,829)	99,888
Increase/(decrease) in liquid assets	422,417	(98,914)
Decrease in short-term bills discounted	(184,587)	(15,136)
(Decrease)/increase in loans and advances	(21,080,707)	6,630,601
(Decrease)/increase in debtors	(120,094)	438,869
Decrease/(increase) in creditors	1,321,226	(621,564)
Decrease/(increase) in current liabilities	21,545,550	(8,314,481)
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	£ 224,347	£(3,142,442)
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The notes on pages 7 to 12 form part of these accounts

NOTES TO THE ACCOUNTS - MARCH 31, 1991

1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention and in compliance with Part VII Chapter II of the Companies Act 1985 and in accordance with applicable Statements of Standard Accounting Practice.

(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 operates 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.

NOTES TO THE ACCOUNTS - MARCH 31, 1991

2 TURNOVER

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

3 OPERATING PROFIT/(LOSS)

(a) This is stated after charging:

	1991 £	1990 £
Auditors' remuneration	30,000	27,000
Depreciation of owned fixed assets	115,683	93,555
Interest on deposits	3,650,401	4,674,324
and after crediting:		
Investment income	769,895	576,710
Rentals receivable - finance leases	164,755	269,992
- operating leases	408,164	192,772
Net foreign exchange gain	346,165	468,502

(b) Directors' emoluments

	1991 £	1990 £
Emoluments for executive services	22,420	9,000
Estimated money value of benefits in kind	44,368	12,139
	<u>£ 66,788</u>	<u>£21,139</u>

The Chairman did not receive any emoluments for his appointment which is non-pensionable.

Remuneration of the highest paid director amounted to £62,555 (1990 - £21,139).

The following table shows the number of directors of the Bank receiving emoluments within the bands stated.

	1991	1990
Up to 5,000	1	-
£20,000 - £25,000	-	1
£60,000 - £65,000	1	-

NOTES TO THE ACCOUNTS - MARCH 31, 1991

4 TAXATION

Corporation tax based on the profits for the year has been provided at the rate of 34% (1990 - 35%).

	1991 £	1990 £
Corporation tax - current year	776,823	841,345
- prior years	(56,667)	36,428
Deferred tax - current year	(241,014)	(545,913)
- prior years	56,928	-
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	£536,070	£331,860
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5 CALLED-UP SHARE CAPITAL

	Authorised		Allotted and fully paid	
	1991	1990	1991	1990
130,000 Ordinary shares of £100 each	£13,000,000	£13,000,000	£12,000,000	£12,000,000
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6 DEFERRED TAXATION

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

	1991	1990
Capital allowances in advance of depreciation	7,130	204,100
Other timing differences	(300,253)	(260,847)
Provision for liability arising on pension fund surplus	436,290	384,000
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	£143,167	£327,253
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7 INVESTMENTS

	1991	1990
Securities, (net of nil provision (1990 - £355,020)) (market value £6,915,867 (1990 - £7,255,814))	£6,835,360	£7,594,189
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NOTES TO THE ACCOUNTS - MARCH 31, 1991

8 FIXED ASSETS

	Computer equipment £	Leasehold property and improvements £	Furniture, equipment and vehicles £	Total £
Cost				
At March 31, 1990	166,583	679,147	514,891	1,360,621
Additions	9,674	186,376	30,075	226,125
Disposals	-	-	(6,908)	(6,908)
At March 31, 1991	176,257	865,523	538,058	1,579,838
Depreciation and amortisation				
At March 31, 1990	98,065	353,415	439,535	891,015
Charge for year	58,752	15,013	41,318	115,683
Disposals	-	-	(1,113)	(1,113)
At March 31, 1991	156,817	368,428	480,340	1,005,585
Net book amounts at March 31, 1991	£19,440	£497,095	£57,718	£574,253
March 31, 1990	£68,518	£325,732	£75,356	£469,606

9 FINANCE LEASE DEBTORS

	1991 £	1990 £
Receivable within one year	477,376	663,830
Receivable after one year	589,046	1,323,222
	£1,066,422	£1,987,052

10 COMMITMENTS AND CONTINGENCIES

There are no contracts for the sale and purchase of foreign currencies (1990 - £Nil).

There are contingent liabilities in respect of documentary credits, acceptances and guarantees, amounting to £6,576,897 (1990 - £5,605,467).

No future capital expenditure had been contracted for at the year end (1990 - £Nil).

NOTES TO THE ACCOUNTS - MARCH 31, 1991

11 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, 1989. This valuation was based on the aggregate method, incorporating the following assumptions:

Rate of interest	9% pa
Rate of salary growth	7½% 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 excess funding of £1,163,000 (1990 - £1,122,000) has been included as a prepayment.

The funding policy allows for the surplus to be amortised over the average future working lifetime of existing active members.

The company's regular cost in respect of the fund complies 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 regular costs. The resulting credit to the profit and loss for the year is £41,000 (1990 - £22,000).

The regular cost allows for the effect of the Social Security Act 1985 in relation to Limited Price Indexation pension increases. The trustees and the company are still considering the ramifications of the Guardian Royal Exchange Assurance Company Limited judgement in the European Court of Justice.

12 OTHER FINANCIAL COMMITMENTS

At March 31, 1991 the company had annual commitments under non-cancellable operating leases as set out below:

	1991		1990	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	4,069	-	2,249
Within two to five years	-	33,355	-	25,157
In over five years	400,000	-	400,000	-
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	£400,000	£37,424	£400,000	£27,406
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NOTES TO THE ACCOUNTS - MARCH 31, 1991

13 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.