

Havana International Bank Limited

Registered No. 1074897

DIRECTORS

J J Rodriguez (Chairman)
L Chao (Vice Chairman and Managing Director)
J Vaz
J Lebrede
R Rangel
A Victoria

SECRETARY

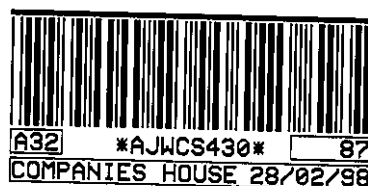
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AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

REGISTERED OFFICE

20 Ironmonger Lane
London EC2V 8EY



Havana International Bank Limited

DIRECTORS' REPORT

The directors present their report and the group accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The group trading profit for the year, after taxation and provisions, amounted to £1,248,177 (1996 - £528,855). The profit dealt with in the accounts of the parent company was £1,248,208 (1996 - £529,021).

The directors do not recommend the payment of a final dividend. An interim dividend of £382,400 was paid during the year.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The group is a recognised UK bank under the Banking Act 1987 and carries on wholesale international business with activities that include:

- 1 Trade finance (especially Cuban related)
- 2 Inter-bank deposits and foreign exchange dealing
- 3 Documentary credits
- 4 Current and deposit accounts

Cuban related trade finance remained extremely active which contributed greatly to this year's high level of profitability.

FUTURE DEVELOPMENTS

We believe that the continuing improvement in Cuba's economic fundamentals will lead to broader investment opportunities for the Bank. Whilst we expect to build on our present level of banking business, we are realistic in acknowledging increased competition in the financial sector. Therefore we will maintain profitability in the future by investing in our staff and information technology. This will enable us to provide an even better service to our existing customers and expand our client base.

FIXED ASSETS

Details of the group's fixed assets are shown in note 15 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1997 and their interests in the share capital of the group were as follows:

	At 31 December 1997 Ordinary shares	At 31 December 1996 Ordinary shares
J J Rodriguez (Chairman)	1	1
L Chao (Vice Chairman)	1	1
J Vaz	1	1
J Lebrede	1	1
R Rangel	1	1
A Victoria	—	—
	1	1

CHARITABLE CONTRIBUTIONS

During the year, the group made various charitable contributions totalling £697 (1996 - £342).

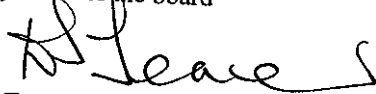
Havana International Bank Limited

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



D Teacher
Secretary

26 February 1998

Havana International Bank Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of Havana International Bank Limited

We have audited the accounts on pages 6 to 20, which have been prepared under the historical cost convention, on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

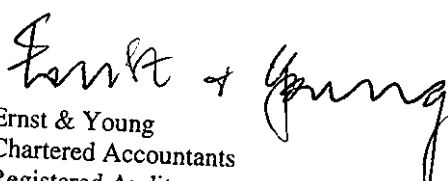
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

26 February 1998

Havana International Bank Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	Notes	1997 £	1996 £
Interest receivable and similar income arising from listed debt securities		512,300	508,601
Other interest receivable and similar income		2,860,534	2,298,258
Interest payable		3,372,834	2,806,859
		(1,559,484)	(1,199,729)
NET INTEREST INCOME		1,813,350	1,607,130
Fees and commissions receivable		1,429,550	667,848
Fees and commissions payable		(3,121)	(3,031)
Dealing profits	4(b)	339,725	228,742
Other operating income	3	79,280	177,325
		1,845,434	1,070,884
TOTAL OPERATING INCOME		3,658,784	2,678,014
Administrative expenses		1,748,016	1,624,168
Depreciation and amortisation		251,267	190,750
Other operating charges		-	10,104
		1,999,283	1,825,022
OPERATING PROFIT		1,659,501	852,992
Profit/(loss) on sale of tangible fixed assets	4	598	(629)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		1,660,099	852,363
Tax on profit on ordinary activities	8	(411,922)	(323,508)
PROFIT FOR THE FINANCIAL YEAR		1,248,177	528,855
Dividends	10	(382,400)	(420,000)
PROFIT RETAINED FOR THE FINANCIAL YEAR		865,777	108,855
Reserves brought forward		1,990,542	1,881,687
Reserves carried forward		2,856,319	1,990,542

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than those stated in the profit and loss account.

Havana International Bank Limited

GROUP BALANCE SHEET at 31 December 1997

	Notes	1997 £	1996 £
ASSETS			
Cash and balances at central banks		13,562	14,271
Treasury bills and other eligible bills	11	123,384	102,151
Loans and advances to banks	12(a)	33,568,034	38,306,721
Loans and advances to customers	13	8,857,345	6,787,008
Debt securities	14(a)	4,412,146	4,465,589
Investments		607	2,460
Tangible fixed assets	15	698,270	767,155
Prepayments and accrued income		1,365,236	1,408,561
TOTAL ASSETS		<u>49,038,584</u>	<u>51,853,916</u>
LIABILITIES			
Deposits by banks	18	22,173,532	26,477,051
Customer accounts	19	10,207,175	9,608,199
Holding company		48,093	47,396
Other liabilities - taxation		336,858	88,832
Accruals and deferred income		170,273	311,338
Provisions for liabilities and charges	21	246,334	330,558
		<u>33,182,265</u>	<u>36,863,374</u>
Called up share capital	22	13,000,000	13,000,000
Profit and loss account		2,856,319	1,990,542
		<u>15,856,319</u>	<u>14,990,542</u>
TOTAL LIABILITIES		<u>49,038,584</u>	<u>51,853,916</u>

Director

Director

26 February 1998

Havana International Bank Limited

BALANCE SHEET

at 31 December 1997

	Notes	1997 £	1996 £
ASSETS			
Cash and balances at central banks		12,369	14,271
Treasury bills and other eligible bills	11	123,384	102,151
Loans and advances to banks	12(b)	33,568,034	38,275,331
Loans and advances to customers	13	8,857,345	6,787,008
Amounts owed by subsidiary undertaking: due within one year		–	40,000
Debt securities	14(b)	4,412,146	4,456,014
Investments	16	609	2,462
Tangible fixed assets	15	698,270	767,155
Prepayments and accrued income		1,365,030	1,407,976
TOTAL ASSETS		49,037,187	51,852,368
LIABILITIES			
Deposits by banks	18	22,173,532	26,477,051
Customer accounts	19	10,207,175	9,608,199
Holding company		48,093	47,396
Other liabilities - taxation		336,858	88,715
Accruals and deferred income		170,273	311,338
Provisions for liabilities and charges	21	246,334	330,558
		33,182,265	36,863,257
Called up share capital	22	13,000,000	13,000,000
Profit and loss account		2,854,922	1,989,111
		15,854,922	14,989,111
TOTAL LIABILITIES		49,037,187	51,852,368

Director

Director

26 February 1998

Havana International Bank Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 1997

		1997	(Restated) 1996
	Notes	£	£
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	4(a)	679,929	(815,417)
TAXATION			
UK corporation tax paid		(298,120)	(178)
TAX PAID		(298,120)	(178)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(42,788)	(88,139)
Receipts from sale of tangible fixed assets		46,197	213
Payments to acquire investments		(1,162,483)	(2,460)
Receipts from sale/maturity of investments		1,011,353	1,825,000
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(147,721)	1,734,614
EQUITY DIVIDENDS PAID		(382,400)	(420,000)
(DECREASE)/INCREASE IN CASH	17	(148,312)	499,019

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts comply with the Companies Act 1985 Schedule 9 (special provisions for banking companies and groups).

Basis of consolidation

The group accounts consolidate the accounts of Havana International Bank Limited and its subsidiary undertaking as at 31 December 1997. No profit and loss account is presented for Havana International Bank Limited as permitted by Section 230 of the Companies Act 1985.

Depreciation and amortisation

Depreciation is provided on all tangible fixed assets, 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
Motor vehicles	-	over 4 years

Debt securities and investments

Debt securities and investments are stated in the balance sheet at nominal value, adjusted for unamortised premiums or discounts, since it is the directors' intention to hold the securities to maturity. Premiums or discounts on purchase are amortised over the period to maturity.

Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate.

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.

Leasing

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

Rentals paid under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Fees and commissions

Front end fees and commissions receivable for the continuing service of advances are recognised on the basis of work done. Other fees are recognised when receivable.

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

1. ACCOUNTING POLICIES (continued)

Forward contracts

Forward contracts which are outstanding at the balance sheet date are marked to market, except those transactions held for hedging purposes which are valued on an equivalent basis to the assets, liabilities or positions hedged. All differences arising are taken to the profit and loss account.

Provisions for bad and doubtful debts and contingencies

Specific provisions against bad and doubtful debts are made on the basis of regular reviews of exposures and deducted from the relevant asset. General provisions are made in relation to losses which, although not specifically identified, may exist in the banking portfolio, or which may arise through litigation or other operating contingencies.

Pensions

Havana International Bank Limited operates a defined benefit pension scheme covering the majority of employees. Contributions to the fund are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. 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.

Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

2. SEGMENTAL ANALYSIS

In the opinion of the directors, the group has only one class of business being commercial banking and all transactions are recorded in the United Kingdom.

3. OTHER OPERATING INCOME

	1997	1996
	£	£
Profit on investment	40,000	160,000
Income from finance leases	1,468	4,440
Interest compensation	31,280	2,749
Other	6,532	10,136
	<u>79,280</u>	<u>177,325</u>

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

4. OPERATING PROFIT

(a) Reconciliation of operating profit to net cash inflow from continuing operating activities:

	1997	(Restated) 1996
	£	£
Operating profit	1,659,501	852,992
Depreciation	66,074	58,900
Amortisation of premium on investments	185,193	131,850
Decrease in interest receivable and prepaid expenses	43,325	255,409
Decrease in interest payable and accrued expenses	(91,065)	(82,628)
Net cash inflow from trading activities	1,863,028	1,216,523
Net decrease in deposits	(3,703,846)	(570,114)
Net decrease/(increase) in loans to customers and banks	2,520,747	(1,429,785)
Increase in short term bills discounted	—	(32,041)
	(1,183,099)	(2,031,940)
Net cash inflow/(outflow) from continuing operating activities	679,929	(815,417)

(b) This is stated after charging/(crediting):

	1997	1996
	£	£
Auditors' remuneration - audit services	36,175	35,800
- non-audit services	3,000	26,740
Depreciation of owned fixed assets	66,074	58,900
Dealing profits	(339,725)	(228,742)

5. DIRECTORS' EMOLUMENTS

	1997	1996
	£	£
Emoluments	136,117	115,463
	2	2

The emoluments of the highest paid director were £86,772 (1996 - £70,463). His accumulated accrued pension at 31 December 1997 was £32,958.

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

6. STAFF COSTS

	1997 £	1996 £
Wages and salaries	661,303	590,473
Social security costs	51,636	42,970
	<u>712,939</u>	<u>633,443</u>

	No.	No.
The average weekly number of employees during the period was	25	23

7. INCOME FROM INVESTMENTS

	1997 £	1996 £
Listed	512,300	508,601

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1997 £	1996 £
Based on the profit for the period:		
Corporation tax at 31%/33%	548,627	367,506
Prior period adjustment	(52,481)	28,198
Deferred taxation - current period	(28,243)	(73,705)
- prior period adjustment	(55,981)	1,509
	<u>411,922</u>	<u>323,508</u>

9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £1,248,208 (1996 - £529,021).

10. DIVIDENDS

	1997 £	1996 £
Equity dividends on ordinary shares:		
Interim dividend paid	382,400	420,000

Havana International Bank Limited

NOTES TO THE ACCOUNTS at 31 December 1997

11. TREASURY BILLS AND OTHER ELIGIBLE BILLS

Group and Company

	1997 £	1996 £
Other eligible bills	123,384	102,151

Market value was not significantly different from cost.

All bills are held for investment purposes. None was issued by the bank.

12. LOANS AND ADVANCES TO BANKS

(a) *Group*

	1997 £	1996 £
Repayable:		
- on demand	1,779,902	1,927,505
- within three months	31,220,981	35,483,169
- between three months and one year	568,344	896,047
	<u>33,569,227</u>	<u>38,306,721</u>

(b) *Company*

	£	£
Repayable:		
- on demand	1,778,709	1,927,505
- within three months	31,220,981	35,451,779
- between three months and one year	568,344	896,047
	<u>33,568,034</u>	<u>38,275,331</u>

13. LOANS AND ADVANCES TO CUSTOMERS

Group and Company

	1997 £	1996 £
Repayable:		
- on demand	-	106,345
- within three months	7,999,636	4,811,670
- between three months and one year	856,358	1,438,672
- between one and five years	1,351	430,321
	<u>8,857,345</u>	<u>6,787,008</u>

Havana International Bank Limited

NOTES TO THE ACCOUNTS at 31 December 1997

14. DEBT SECURITIES

(a) Group

	<i>Held for investment</i>			
	<i>Book value</i>	<i>Book value</i>	<i>Market value</i>	<i>Market value</i>
	1997	1996	1997	1996
	£	£	£	£
Issued by public bodies:				
Government securities	4,412,146	4,465,589	4,426,484	4,500,765
Analysed by maturity:				
Due within one year	2,499,487	1,011,327	2,515,937	1,012,991
Due after one year	1,912,659	3,454,262	1,910,547	3,487,265
	<u>4,412,146</u>	<u>4,465,589</u>	<u>4,426,484</u>	<u>4,500,256</u>
Analysed by listing status:				
Listed on the London Stock Exchange	<u>4,412,146</u>	<u>4,465,589</u>	<u>4,426,484</u>	<u>4,500,256</u>
Unamortised premiums	<u>187,146</u>	<u>231,089</u>		

(b) Company

Issued by public bodies:				
Government securities	4,412,146	4,456,014	4,426,484	4,490,703
Analysed by maturity:				
Due within one year	2,499,487	1,001,752	2,515,937	1,003,438
Due after one year	1,912,659	3,454,262	1,910,547	3,487,265
	<u>4,412,146</u>	<u>4,456,014</u>	<u>4,426,484</u>	<u>4,490,703</u>
Analysed by listing status:				
Listed on the London Stock Exchange	<u>4,412,146</u>	<u>4,456,014</u>	<u>4,426,484</u>	<u>4,490,703</u>
Unamortised premiums	<u>187,146</u>	<u>231,014</u>		

The movement on debt securities held for investment purposes was as follows:

	<i>Issued by public bodies</i>	
	<i>Group</i>	<i>Company</i>
	£	£
At 31 December 1996	4,465,589	4,456,014
Acquisitions	1,141,250	1,141,250
Maturities	(1,009,500)	(1,000,000)
Amortisation of premiums	(185,193)	(185,118)
At 31 December 1997	<u>4,412,146</u>	<u>4,412,146</u>

Havana International Bank Limited

NOTES TO THE ACCOUNTS at 31 December 1997

15. FIXED ASSETS

Group and Company

	Computer equipment £	Short leasehold property and improvements £	Long leasehold property and improvements £	Furniture equipment and vehicles £	Total £
Cost:					
At 31 December 1996	170,981	666,033	491,761	590,931	1,919,706
Additions	12,683	2,110	–	27,995	42,788
Disposals	–	–	(46,055)	(13,495)	(59,550)
At 31 December 1997	183,664	668,143	445,706	605,431	1,902,944
Depreciation:					
At 31 December 1996	151,527	434,367	34,128	532,529	1,152,551
Charge for the year	15,396	14,664	6,021	29,994	66,074
Disposals	–	–	(2,143)	(11,808)	(13,951)
At 31 December 1997	166,923	449,031	38,006	550,715	1,204,674
Net book value:					
At 31 December 1997	16,741	219,112	407,700	54,716	698,270
At 31 December 1996	19,454	231,666	457,633	58,402	767,155

16. INVESTMENTS

	Group £	Company £
Cost at 1 January 1997	2,460	2,462
Disposals	(1,853)	(1,853)
Cost at 31 December 1997	607	609

Group & Company

Subsidiary undertaking

Name of company	Country of registration (or incorporation) and operation	Holding	Proportion of voting rights and shares held	Nature of business
Amblerest Limited	England and Wales	Ordinary shares	100%	Holds investments

Havana International Bank Limited

NOTES TO THE ACCOUNTS at 31 December 1997

17. MOVEMENT IN CASH BALANCES

Analysis of balances as shown in the group balance sheet and changes during the period.

	31 December 1997 £	Change in year £	1 January 1997 £
Cash and balances at central banks	13,562	(709)	14,271
Loans and advances to other banks repayable on demand	1,779,902	(147,603)	1,927,505
	<u>1,793,464</u>	<u>(148,312)</u>	<u>1,941,776</u>

18. DEPOSITS BY BANKS

<i>Group and Company</i>	1997 £	1996 £
Repayable:		
- on demand	9,348,460	1,604,261
- within three months	12,825,072	24,872,790
	<u>22,173,532</u>	<u>26,477,051</u>

19. CUSTOMER ACCOUNTS

<i>Group and Company</i>	1997 £	1996 £
Repayable:		
- on demand	3,542,585	2,223,275
- within three months	6,096,246	6,168,768
- between three months and one year	568,344	1,216,156
	<u>10,207,175</u>	<u>9,608,199</u>

20. OBLIGATIONS UNDER LEASES

Group and Company

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other
1997 £	1996 £	1997 £	1996 £
Operating leases which expire:			
Within one year	—	3,070	1,540
In two to five years	400,000	—	6,140
In over five years	—	—	—
	<u>400,000</u>	<u>3,070</u>	<u>7,680</u>

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

21. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Deferred taxation £</i>
At 31 December 1996	330,558
Charge to taxation	
- movement in the year	(68,331)
- rate change adjustment	(15,893)
At 31 December 1997	<u>246,334</u>

Group and Company

Deferred taxation provided in the accounts is as follows:

	<i>Provided 1997 £</i>	<i>Provided 1996 £</i>
Capital allowances in advance of depreciation	(55,723)	(70,759)
Provision for liability arising on pension fund surplus	302,057	401,317
	<u>246,334</u>	<u>330,558</u>

22. SHARE CAPITAL

	<i>1997 £</i>	<i>Authorised 1996 £</i>	<i>1997 £</i>	<i>Allotted and fully paid 1996 £</i>
Ordinary shares of £100 each	14,000,000	14,000,000	13,000,000	13,000,000

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total shareholders' funds £</i>
At 31 December 1995	13,000,000	1,881,687	14,881,687
Profit for the year	-	528,855	528,855
Dividends paid	-	(420,000)	(420,000)
At 31 December 1996	13,000,000	1,990,542	14,990,542
Profit for the year	-	1,248,177	1,248,177
Dividends paid	-	(382,400)	(382,400)
At 31 December 1997	<u>13,000,000</u>	<u>2,856,319</u>	<u>15,856,319</u>

Havana International Bank Limited

NOTES TO THE ACCOUNTS at 31 December 1997

24. CONTINGENT LIABILITIES

	1997 £	1996 £
Acceptances and endorsements	101,826	190,186
Guarantees and assets pledged as collateral security	2,807,122	3,435,743
	<u>2,908,948</u>	<u>3,625,929</u>

25. FORWARD AND FUTURES CONTRACTS

The following were outstanding:

	1997 £	1996 £
Exchange rate contracts:		
Contract or underlying principal amount - for dealing purposes	1,064,174	5,901,977
Credit risk weighted amount	630	46,598
	<u> </u>	<u> </u>

The contract or underlying principal amounts provide an indication of the volume of business outstanding at the balance sheet date but are not a realistic measure of amounts at risk. The credit risk weighted amounts have been calculated in accordance with Bank of England guidelines.

None of the amounts are intended to give an indication of possible future gains or losses.

26. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The aggregate amounts of assets and liabilities denominated in foreign currencies were as follows:

	1997 £	1996 £
Assets	21,267,755	19,753,449
Liabilities	21,230,642	19,414,755
	<u> </u>	<u> </u>

27. PENSION COMMITMENTS

The group operates a defined benefit pension scheme. The pension costs are assessed with the advice of an independent qualified actuary on the basis of triennial valuations using the aggregate method.

The results of the most recent valuation which was conducted at 1 April 1995, were as follows:

Main assumptions:

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

As at 1 April 1995 the market value of the assets of the scheme was £2.9 million and the actuarial value of these assets was sufficient to cover 143% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The excess funding of £974,377 (1996 - £1,057,020) has been included as a prepayment.

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

27. PENSION COMMITMENTS (continued)

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

Havana International Bank Limited's regular cost in respect of the fund complies with SSAP 24 at the rate of 27.9% of pensionable pay. Interest at the rate of 9% on the surplus is set off against the regular costs. The resulting debit to the profit and loss for the year is £66,168 (1996 - £54,255 charge).

As a result of the difference between the balance sheet excess funding value and the value contained in the actuarial report of 1 April 1996, £164,750 is to be written off over 10 years. The corresponding charge for the current year is £16,475, making the total pension charge £82,643.

28. RELATED PARTIES

The group's ultimate holding company is the Banco Central de Cuba which is the central monetary institution of the Republic of Cuba. The company has taken advantage of an exemption under FRS 8, relating to 90% subsidiaries, which exempts it from disclosing related party transactions with group members.