

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

D Teacher

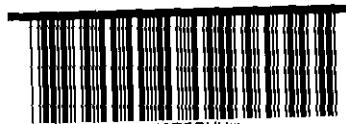
AUDITORS

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

REGISTERED OFFICE

20 Ironmonger Lane
London EC2V 8LR

ERNST & YOUNG



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COMPANIES HOUSE

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Havana International Bank Limited

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 December 1999.

RESULTS AND DIVIDENDS

The profit for the year, after taxation and provisions, amounted to £1,112,520 (1998 - £1,338,873).

The directors do not recommend the payment of a final dividend. An interim dividend of £545,000 (1998 - £1,421,300) was paid during the year.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The bank's main activities throughout the year remained the provision of wholesale banking services, which principally covered trade related finance, together with foreign exchange and money markets, customer payment orders and cash remittances/transfers to Cuban nationals. Our trade finance activities were still mainly in the Cuban market where our expertise enabled us to achieve a satisfactory result for the year under review.

FUTURE DEVELOPMENTS

Our opinion is that economic development within Cuba will continue to expand, but our profitability will be affected owing to competition from the increased participation of other financial institutions that are gradually being incorporated into the Cuban market. However, we shall do our utmost to remain competitive and continue to provide a good service.

FIXED ASSETS

Details of the company's fixed assets are shown in note 13 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1998 and their interests in the share capital of the company were as follows:

	At 31 December 1999 Ordinary shares	At 31 December 1998 Ordinary shares
J J Rodriguez (Chairman)	1	1
L Chao (Vice Chairman)	1	1
J Vaz	1	1
J Lebrede	1	1
A Victoria	1	1

CHARITABLE CONTRIBUTIONS

During the year, the company made various charitable contributions totalling £906 (1998 - £353).

YEAR 2000 COMPLIANCE

Havana International Bank Limited, in the period post 31 December 1999, are operating as usual without disruption to the underlying business processes.

The Board continues to monitor the position closely. However, given the nature of the problem it is not possible for any organisation to guarantee that no Year 2000 problems remain. The costs of implementing the Year 2000 action plans are subsumed into the recurring activities of the company.

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



Secretary

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 profit or loss of the company 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 company 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 company 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 company 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 19, which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

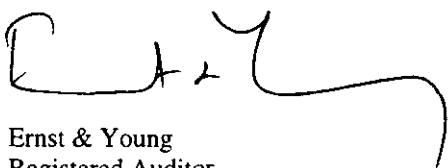
Basis of opinion

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 company'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 as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

7 April 2000

Havana International Bank Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1999

	Notes	1999 £	1998 £
Interest receivable and similar income arising from debt securities		491,233	505,534
Other interest receivable and similar income		2,483,651	2,727,068
		<u>2,974,884</u>	<u>3,232,602</u>
Interest payable		(978,145)	(1,215,714)
NET INTEREST INCOME		<u>1,996,739</u>	<u>2,016,888</u>
Fees and commissions receivable		2,075,011	2,134,683
Fees and commissions payable		(10,679)	(12,332)
Dealing profits		283,969	396,023
Other operating income		7,276	7,750
		<u>2,355,577</u>	<u>2,526,124</u>
TOTAL OPERATING INCOME		<u>4,352,316</u>	<u>4,543,012</u>
Administrative expenses		2,256,579	2,267,813
Depreciation and amortisation		329,206	260,619
Provisions for liabilities and charges		144,907	52,637
		<u>2,730,692</u>	<u>2,581,069</u>
OPERATING PROFIT	3	<u>1,621,624</u>	<u>1,961,943</u>
Profit/(loss) on sale of tangible fixed assets		8,183	(1,353)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		<u>1,629,807</u>	<u>1,960,590</u>
Tax on profit on ordinary activities	7	(517,287)	(621,717)
PROFIT FOR THE FINANCIAL YEAR	21	<u>1,112,520</u>	<u>1,338,873</u>
Dividends	8	(545,000)	(1,421,300)
PROFIT/(DEFICIT) RETAINED FOR THE FINANCIAL YEAR		<u>567,520</u>	<u>(82,427)</u>

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

BALANCE SHEET

at 31 December 1999

	Notes	1999 £	1998 £
ASSETS			
Cash and balances at central banks		22,569	16,930
Loans and advances to banks	9	19,471,183	26,214,699
Loans and advances to customers	10	9,637,775	9,249,050
Debt securities	11	4,628,853	4,635,386
Tangible fixed assets	12	592,611	651,193
Prepayments and accrued income	13	1,483,187	1,240,520
TOTAL ASSETS		35,836,178	42,007,778
LIABILITIES			
Deposits by banks	15	11,924,324	18,282,725
Customer accounts	16	6,704,782	7,008,143
Parent company		35,549	405,265
Other liabilities - taxation		283,811	84,191
Accruals and deferred income		103,392	189,824
Provisions for liabilities and charges	18	444,305	265,135
		19,496,163	26,235,283
Called up share capital	20	14,000,000	14,000,000
Profit and loss account		2,340,015	1,772,495
		16,340,015	15,772,495
TOTAL LIABILITIES		35,836,178	42,007,778
MEMORANDUM ITEMS			
Contingent liabilities			
Acceptances and endorsements		15,432	80,338
Guarantees		949,397	1,017,945
		964,829	1,098,283
Commitments			
Undrawn facilities		311,627	335,264

Director

Director

Havana International Bank Limited

STATEMENT OF CASH FLOWS for the year ended 31 December 1999

	Notes	1999 £	1998 £
CASH INFLOW FROM OPERATING ACTIVITIES	14(a)	1,005,692	3,783,981
TAXATION			
UK corporation tax paid		(283,404)	(908,220)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(75,786)	(76,015)
Receipts from sale of tangible fixed assets		62,849	44,797
Payments to acquire investments		(1,958,905)	(2,685,662)
Receipts from sale/maturity of debt securities		1,825,000	2,400,000
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(146,842)	(316,880)
EQUITY DIVIDENDS PAID		(545,000)	(1,421,300)
INCREASE IN CASH	14(b)	30,446	1,137,581

NOTES TO THE ACCOUNTS

at 31 December 1999

1. ACCOUNTING POLICIES

Accounting convention

A summary of the principal accounting policies which have been consistently applied by the company and the group throughout the year and the preceding year is set out below.

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking companies, and applicable accounting standards.

Depreciation and amortisation

Depreciation is provided on all tangible fixed assets, at rates calculated to write-off the cost 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. 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.

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

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 on a receipt basis.

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

1. ACCOUNTING POLICIES (continued)

Forward contracts

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 with the company. The scheme is funded by contributions from the company at rates determined by the actuary. These contributions are invested separately from the company'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.

The bank also operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

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. OPERATING PROFIT

This is stated after charging:

	1999 £	1998 £
Auditors' remuneration - audit services	40,000	40,000
- non-audit services	29,275	3,000
Depreciation of owned fixed assets	79,702	76,942
	<u>148,977</u>	<u>120,942</u>

4. DIRECTORS' EMOLUMENTS

	1999 £	1998 £
Emoluments	155,551	151,040
	<u>155,551</u>	<u>151,040</u>

	1999 No.	1998 No.
Members of defined benefit pension scheme	2	2
	<u>2</u>	<u>2</u>

The emoluments of the highest paid director were £99,951 (1998 - £100,790). His accumulated accrued pension at 31 December 1998 was £48,070.

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

5. STAFF COSTS

	1999 £	1998 £
Wages and salaries	787,401	758,311
Social security costs	69,609	59,046
Other pension costs (see note 23)	389,331	397,356
	<u>1,246,341</u>	<u>1,214,713</u>

	No.	No.
The average weekly number of employees during the year was	<u>26</u>	<u>27</u>

6. INCOME FROM INVESTMENTS

	1999 £	1998 £
Listed	<u>491,233</u>	<u>505,534</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1999 £	1998 £
Based on the profit for the year:		
Corporation tax at 30.25%	482,973	655,796
Prior period adjustment	51	(243)
Deferred taxation - current year (see note 18)	34,263	(33,836)
	<u>517,287</u>	<u>621,717</u>

8. DIVIDENDS

	1999 £	1998 £
Equity dividends on ordinary shares:		
Interim dividend paid	<u>545,000</u>	<u>1,421,300</u>

9. LOANS AND ADVANCES TO BANKS

	1999 £	1998 £
Repayable:		
- within three months	18,893,171	25,652,848
- between three months and one year	578,012	561,851
	<u>19,471,183</u>	<u>26,214,699</u>

NOTES TO THE ACCOUNTS

at 31 December 1999

10. LOANS AND ADVANCES TO CUSTOMERS

	1999 £	1998 £
Repayable:		
- within three months	6,818,820	8,595,280
- between three months and one year	2,805,836	650,580
- between one and five years	13,119	3,190
	<u>9,637,775</u>	<u>9,249,050</u>

The aggregate amount of all loans and advances to customers, which are repayable on demand, is £139,347 (1998 - £146,949).

The credit risk of the loan portfolio is concentrated primarily in Cuba.

11. DEBT SECURITIES

Total debt securities as at 31 December 1998 were £4,628,853 (1998 - £4,635,386). The total comprises debt securities held for investment and short term discounted trade bills as analysed below:

(a) Held for investment

	Book value		Market value	
	1999	1998	1999	1998
	£	£	£	£
Government securities	4,398,532	4,514,131	4,383,550	4,528,519
Analysed by maturity:				
Due within one year	2,928,625	1,850,782	2,927,830	1,859,334
Due after one year	1,469,907	2,663,349	1,455,720	2,669,185
	<u>4,398,532</u>	<u>4,514,131</u>	<u>4,383,550</u>	<u>4,528,519</u>
Analysed by listing status:				
Listed on the London Stock Exchange	4,398,532	4,514,131	4,383,550	4,528,519
Unamortised premiums	<u>173,532</u>	<u>289,131</u>		

All government securities have been pledged to Midland Bank plc as collateral for the treasury facilities it provides.

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

	£
At 31 December 1998	4,514,131
Acquisitions	1,958,905
Maturities	(1,825,000)
Amortisation of premiums	(249,504)
At 31 December 1999	<u>4,398,532</u>

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

11. DEBT SECURITIES (continued)

	1999 £	1998 £
(b) Short term discounted trade bills	230,321	121,255

12. FIXED ASSETS

	Computer equipment £	Short leasehold property and improvements £	Long leasehold property and improvements £	Furniture equipment and vehicles £	Total £
Cost:					
At 31 December 1998	224,075	786,969	278,262	625,066	1,914,372
Transfer					
Additions	12,878	12,122	-	50,786	75,786
Disposals	(13,438)	-	(53,215)	(32,041)	(98,694)
At 31 December 1999	223,515	799,091	225,047	643,811	1,891,464
Depreciation:					
At 31 December 1998	192,908	474,388	30,435	565,448	1,263,179
Transfer					
Charge for the year	21,991	19,145	2,981	35,585	79,702
Disposals	(13,438)	-	(2,979)	(27,611)	(44,028)
At 31 December 1999	201,461	493,533	30,437	573,422	1,298,853
Net book value:					
At 31 December 1999	22,054	305,558	194,610	70,389	592,611
At 31 December 1998	31,167	312,581	247,827	59,618	651,193

13. PREPAYMENTS AND ACCRUED INCOME

Included within prepayments and accrued income is £951,829 (1998 - £837,181) in respect of pension contribution payments made in advance of their recognition in the profit and loss account. The accounting treatment of this prepayment has been described in note 24.

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

14. MOVEMENT IN CASH BALANCES

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

	1999 £	1998 £
Operating profit	1,621,624	1,961,943
Depreciation	79,702	76,942
Provisions - movement	144,907	52,637
Amortisation of premium on investments	249,504	183,677
(Increase)/decrease interest receivable and prepaid expenses	(242,667)	125,119
(Decrease)/increase interest payable and accrued expenses	(86,432)	19,551
Net cash inflow from trading activities	1,766,638	2,419,869
Net decrease in deposits	(7,031,478)	(6,732,667)
Net decrease in loans to banks and customers	6,379,598	8,094,650
(Increase)/decrease in short term trade bills discounted	(109,066)	2,129
	(760,946)	1,364,112
Net cash inflow from continuing operating activities	1,005,692	3,783,981

(b) Analysis of balances as shown in the balance sheet and changes during the year.

	31 December 1999 £	Change in year £	1 January 1999 £
Cash and balances at central banks	22,569	5,639	16,930
Loans and advances to other banks repayable on demand	2,937,729	24,807	2,912,922
	2,960,298	30,446	2,929,852

15. DEPOSITS BY BANKS

All deposits by banks are repayable within three months.

16. CUSTOMER ACCOUNTS

	1999 £	1998 £
Repayable:		
- within three months	6,126,769	6,415,937
- between three months and one year	578,013	592,206
	6,704,782	7,008,143

The aggregate amount of customer accounts, which are repayable on demand, is £1,721,137 (1998 - £806,942).

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

17. OBLIGATIONS UNDER LEASES

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

	<i>Land and buildings</i>	
	<i>1999</i>	<i>1998</i>
	£	£
Operating leases which expire:		
Within one year	—	—
In two to five years	400,000	400,000
	<u>400,000</u>	<u>400,000</u>

18. PROVISIONS FOR LIABILITIES AND CHARGES

(a) Deferred taxation

The movements in deferred taxation during the current and previous years are as follows:

	<i>1999</i>	<i>1998</i>
	£	£
1 January	212,498	246,334
Charge for the year	34,263	(33,836)
At 31 December	<u>246,761</u>	<u>212,498</u>

Deferred taxation provided in the accounts is as follows:

	<i>Provided 1999</i>	<i>Provided 1998</i>
	£	£
Capital allowances in advance of depreciation	(38,788)	(46,998)
Provision for liability arising on pension fund surplus	285,549	259,496
	<u>246,761</u>	<u>212,498</u>

(b) Other provisions

	<i>Contingent liabilities and General bad debts commitments Dilapidations</i>			<i>Total</i>
	£	£	£	£
At 1 January 1999	—	52,637	—	52,637
Charge for the year	75,000	—	115,000	190,000
Reversed during the year	—	(45,093)	—	(45,093)
At 31 December 1999	<u>75,000</u>	<u>7,544</u>	<u>115,000</u>	<u>197,544</u>

NOTES TO THE ACCOUNTS

at 31 December 1999

19. FINANCIAL INSTRUMENTS

The company's financial instruments comprise borrowings from other banks, customer accounts, debt securities, loans to customers and cash held at other banks.

The main risks arising from the bank's financial instruments are liquidity risk, credit risk and market risk. The General Management of the bank is charged, by the board, with the responsibility for reviewing and agreeing policies and procedures for managing each of these risks and these are summarised below.

Liquidity risk

Liquidity risk is the risk that an entity encounters difficulty in realising assets or otherwise raising funds to meet commitments associated with liabilities or financial obligations.

It is the current practice of the bank to match client monies placed with asset instruments of a similar tenor. Maturity mismatches between lending and funding by use of client funds are not entered into. The bank measures and manages its cashflow on a daily basis. The bank holds a sum of high quality marketable assets. These are presently pledged as security, as it is the bank's intention to hold them to maturity, accordingly they are reported in the table below at their book value and not at fair value as might be expected.

Additionally, the bank is required to comply with liquidity guidelines laid down by the Financial Services Authority in its role as regulator.

Credit risk

Credit risk is the risk that a loss may occur from the failure of another party to perform according to the terms of a contract.

Credit risk principally arises from lending activities, but can also arise from other on and off balance sheet activities. The bank endeavours to minimise its credit risk exposure in a number of ways: careful consideration of the initial granting of credit; performing regular, ongoing appraisals of counterparty credit quality; netting of foreign exchange activities; prompt review at senior level of bank account reconciliations, to ensure early identification of possible settlement risk. The bank additionally takes cash collateral from a number of its counterparties.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate because of changes in market rates. Market risk comprise foreign exchange risk and interest rate risk.

The bank takes a very conservative stance in respect of market risk. It does not speculate in either interest or exchange rates, preferring to avoid the risk of exposure by matching its banking book and foreign exchange activities. The bank does not trade in financial instruments and whilst this is the case is exempt from reporting 'trading book' activities to the FSA.

Interest rate risk

The majority of the bank's lending is at fixed rates. The money market deposits are placed at the best rates available in the market. In common with other banks, HIB earns a part of its return by controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the assets and liabilities mature.

The table below summarises the referencing mismatching as at 31 December 1999. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

19. FINANCIAL INSTRUMENTS (continued)

Interest rate sensitivity gap table

	Not more than three months £000	More than three months but not more six months £000	More than six months but not more one year £000	More than one year but not more than five years £000	Non-interest bearing £000	Total £000
Assets:						
Loans and advances to banks	15,955		578		2,938	19,471
Loans and advances to customers	6,815	2,150	647	5	21	9,638
Debt securities	230		2,825	1,400	174	4,629
Other assets					2,098	2,098
Total assets	23,000	2,150	4,050	1,405	5,231	35,836
Liabilities:						
Deposits by banks	11,813				111	11,924
Customer accounts	4,746	30	578		1,350	6,704
Other liabilities					832	832
Holding company	36					36
Shareholders' funds					16,340	16,340
Total liabilities	16,595	30	578	-	18,633	35,836
Interest rate sensitivity gap	6,405	2,120	3,472	1,405	(13,402)	
Cumulative gap	6,405	8,525	11,997	13,402		

Currency risk disclosures

The bank manages currency risk by matching on-balance sheet financial assets in the same currencies as its on-balance sheet financial liabilities. As at 31 December 1999, the aggregate amounts of assets and liabilities denominated in foreign currencies were as follows:

	1999 £	1998 £
Assets	13,957,174	17,870,112
Liabilities	13,832,262	17,481,602

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

19. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

The term financial instruments includes both financial assets and financial liabilities, and also derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Quoted market prices are used where available. The fair values presented would not necessarily be realised in an immediate sale; nor are there plans to settle liabilities prior to contractual maturity.

An analysis between trading and non trading assets and liabilities has not been provided as the Bank does not have any trading financial instruments.

The following non-trading forward exchange rate contracts were outstanding at the year end:

	1999 £	1998 £
Underlying principal amount	1,591,905	3,723,834

The 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. Due to the very short dated nature of the forward contracts the fair value is considered to be de minimus.

20. SHARE CAPITAL

	1999 £	Authorised 1998 £	1999 £	Allotted and fully paid 1998 £
Ordinary shares of £100 each	20,000,000	20,000,000	14,000,000	14,000,000

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 31 December 1998	14,000,000	1,772,495	15,772,495
Profit for the year	-	1,112,520	1,112,520
Dividends paid	-	(545,000)	(545,000)
At 31 December 1999	14,000,000	2,340,015	16,340,015

NOTES TO THE ACCOUNTS

at 31 December 1999

22. PENSION COMMITMENTS

The company operates a defined benefit pension scheme. The pension costs are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the attained age method.

The results of the most recent valuation, which was conducted at 1 April 1998, were as follows:

Main assumptions:

Rate of return on investments	- 7% pa
Rate of salary growth	- 5% pa
Rate of pension increases	- 5% pa

Market value of scheme's assets	£3,156,000
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Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases	83.1%
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The valuation identified a deficit of £645,000 in the scheme. Contributions, in addition to the employer's current contribution at 37.3% of pensionable earnings, are being made in order to eliminate the deficiency by 2003. The main factors behind the change in the scheme's funding from a surplus position to a deficit during the intervalation period are:

- (a) The fall in the rate of return on investments due to the decline in long term interest rates, which affects the fixed income stocks that make up a substantial portion of the scheme's investment portfolio; and
- (b) higher than expected salary increases, particularly for those with greater benefit entitlements due to their length of service.

The difference between the brought forward surplus, included within prepayments and accrued income, and the deficit identified in the latest valuation was £1,619,380. This amount is being recognised conservatively as a variation from regular cost over 10 years. The average remaining service lives of the member employees is 11 years.

Since the date of the valuation the company has introduced a defined contribution scheme for new employees, which commenced in February 1999.

23. 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.