

Havana International Bank Limited

Registered No. 1074897

DIRECTORS

J J Rodriguez (Chairman)
L Chao (Vice Chairman)
J Vaz
J Lebreo
R Rangel
A Victoria

SECRETARY

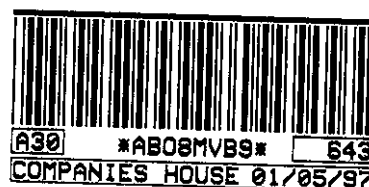
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AUDITORS

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 1996.

RESULTS AND DIVIDENDS

The group trading profit for the year, after taxation and provisions, amounted to £528,855 (nine months ended 31 December 1995 - £329,247). The profit dealt with in the accounts of the parent company was £529,021 (nine months ended 31 December 1995 - £329,429).

The directors do not recommend the payment of a final dividend. An interim dividend of £420,000 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

The volume of Cuban trade continues to be buoyant which has had a knock on effect on the documentary and foreign exchange areas, resulting in much higher levels of profitability throughout the year.

FUTURE DEVELOPMENTS

It is believed that the continual expansion of the Cuban economy, especially in the tourist sector, will lead to even more diverse investment opportunities for the bank. Participation in Cuba's development needs continues to give us a firm base to work from, raising banking activity generally and therefore the ability to sustain higher levels of profitability.

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 1996 and their interests in the share capital of the group were as follows:

	<i>At 31 December 1996 Ordinary shares</i>	<i>At 31 December 1995 Ordinary shares</i>
J J Rodriguez (Chairman)	1	1
L Chao (Vice Chairman)	1	1
J Vaz	1	1
J Lebrede	1	1
R Rangel	-	-
A Victoria	1	1

CHARITABLE CONTRIBUTIONS

During the year, the group made various charitable contributions totalling £342 (nine months ended 31 December 1995 - £158).

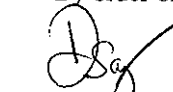
Havana International Bank Limited

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

4 April 1997

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 21, 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.

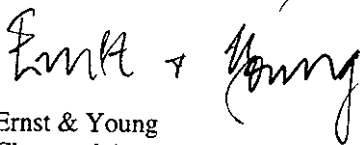
Basis of opinion

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 1996 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

4 April 1997

Havana International Bank Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 1996

		<i>Year ended 31 December 1996</i>	<i>Nine months to 31 December 1995</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Interest receivable and similar income arising from listed debt securities		508,601	421,851
Other interest receivable and similar income		2,298,258	2,178,036
		<hr/>	<hr/>
Interest payable		2,806,859	2,599,887
		(1,199,729)	(1,419,413)
NET INTEREST INCOME		<hr/>	<hr/>
		1,607,130	1,180,474
		<hr/>	<hr/>
Fees and commissions receivable		667,848	362,367
Fees and commissions payable		(3,031)	(4,495)
Dealing profits	4(b)	228,742	126,151
Other operating income	3	177,325	120,055
		<hr/>	<hr/>
		1,070,884	604,078
		<hr/>	<hr/>
TOTAL OPERATING INCOME		2,678,014	1,784,552
		<hr/>	<hr/>
Administrative expenses		1,624,168	1,156,141
Depreciation and amortisation		190,750	118,923
Other operating charges		10,104	5,910
		<hr/>	<hr/>
		1,825,022	1,280,974
		<hr/>	<hr/>
OPERATING PROFIT	4	852,992	503,578
Loss on sale of tangible fixed assets		(629)	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		852,363	503,578
Tax on profit on ordinary activities	8	(323,508)	(174,331)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		528,855	329,247
Dividends	10	(420,000)	(440,000)
		<hr/>	<hr/>
PROFIT RETAINED FOR THE FINANCIAL YEAR		108,855	(110,753)
Reserves brought forward		1,881,687	1,992,440
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Reserves carried forward		1,990,542	1,881,687
		<hr/>	<hr/>

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 1996

	Notes	1996 £	1995 £
ASSETS			
Cash and balances at central banks		14,271	12,778
Treasury bills and other eligible bills	11	102,151	70,109
Loans and advances to banks	12(a)	38,306,721	29,473,252
Loans and advances to customers	13	6,787,008	6,647,143
Debt securities	14(a)	4,465,589	6,422,439
Investments		2,460	-
Tangible fixed assets	15	767,155	738,758
Prepayments and accrued income		1,408,561	1,971,174
TOTAL ASSETS		51,853,916	45,335,653
LIABILITIES			
Deposits by banks	18	26,477,051	19,224,077
Customer accounts	19	9,608,199	10,353,595
Holding company		47,396	79,064
Other liabilities - taxation		88,832	178
Accruals and deferred income		311,338	394,298
Provisions for liabilities and charges	21	330,558	402,754
		36,863,374	30,453,966
Called up share capital	22	13,000,000	13,000,000
Profit and loss account		1,990,542	1,881,687
		14,990,542	14,881,687
TOTAL LIABILITIES		51,853,916	45,335,653

Director

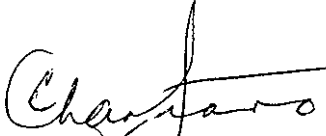
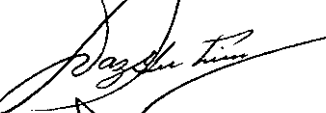

Director

4 April 1997

Havana International Bank Limited

BALANCE SHEET at 31 December 1996

	Notes	1996 £	1995 £
ASSETS			
Cash and balances at central banks		14,271	12,778
Treasury bills and other eligible bills	11	102,151	70,109
Loans and advances to banks	12(b)	38,275,331	29,282,334
Loans and advances to customers	13	6,787,008	6,647,143
Amounts owed by subsidiary undertaking:			
due within one year		40,000	160,000
due after more than one year		-	40,000
Debt securities	14(b)	4,456,014	6,412,500
Investments	16	2,462	2
Tangible fixed assets	15	767,155	738,758
Prepayments and accrued income		1,407,976	1,970,186
TOTAL ASSETS		51,852,368	45,333,810
LIABILITIES			
Deposits by banks	18	26,477,051	19,224,077
Customer accounts	19	9,608,199	10,353,595
Holding company		47,396	79,064
Other liabilities - taxation		88,715	-
Accruals and deferred income		311,338	394,228
Provisions for liabilities and charges	21	330,558	402,754
		36,863,257	30,453,718
Called up share capital	22	13,000,000	13,000,000
Profit and loss account		1,989,111	1,880,092
		14,989,111	14,880,092
TOTAL LIABILITIES		51,852,368	45,333,810

 Director
 Director


4 April 1997

Havana International Bank Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 1996

		Year ended 31 December 1996 £	Nine months to 31 December 1995 £
	Notes		
NET CASH INFLOW FROM OPERATING ACTIVITIES	4(a)	6,230,607	2,377,216
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividend paid		(420,000)	(440,000)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(420,000)	(440,000)
TAXATION			
Corporation tax paid		(178)	(177,674)
TAX PAID		(178)	(177,674)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(88,139)	(26,995)
Receipts from sale of tangible fixed assets		213	-
Payments to acquire investments		(2,460)	(2,039,046)
Receipts from sale/maturity of investments		1,825,000	-
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		1,734,614	(2,066,041)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		7,545,043	(306,499)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	17	7,545,043	(306,499)

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

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 1996. 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 1996

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

	<i>Year ended</i> <i>31 December</i> <i>1996</i> <i>£</i>	<i>Nine</i> <i>months to</i> <i>31 December</i> <i>1995</i> <i>£</i>
Profit on investment	160,000	120,000
Income from finance leases	4,440	55
Interest compensation	2,749	-
Other	10,136	-
	<u>177,325</u>	<u>120,055</u>

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

4. OPERATING PROFIT

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

	<i>Year ended</i> <i>31 December</i> <i>1996</i> <i>£</i>	<i>Nine</i> <i>months to</i> <i>31 December</i> <i>1995</i> <i>£</i>
Operating profit	852,363	503,578
Depreciation	58,900	31,147
Amortisation of premium on investments	131,850	87,776
Loss on disposal of fixed assets	629	-
Decrease/(increase) in interest receivable and prepaid expenses	255,409	(209,502)
Decrease in interest payable and accrued expenses	(82,628)	(84,710)
Net cash inflow from trading activities	1,216,523	328,289
Net increase in deposits	6,475,910	3,766,123
Net increase in loans to customers and banks	(1,429,785)	(2,002,233)
(Increase)/decrease in short term bills discounted	(32,041)	285,037
	5,014,084	2,048,927
Net cash inflow from continuing operating activities	6,230,607	2,377,216

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

	<i>Year ended</i> <i>31 December</i> <i>1996</i> <i>£</i>	<i>Nine</i> <i>months to</i> <i>31 December</i> <i>1995</i> <i>£</i>
Lease costs	9,400	2,992
Auditors' remuneration - audit services	35,800	35,000
- non-audit services	26,740	15,200
Depreciation of owned fixed assets	58,900	31,147
Dealing profits	(228,742)	(126,151)

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

5. DIRECTORS' EMOLUMENTS

	<i>Year ended 31 December 1996 £</i>	<i>Nine months to 31 December 1995 £</i>
Other emoluments (including pension contributions)	115,463	89,709

Emoluments amounting to £1,875 were waived by one director during the year.

Directors' emoluments, (excluding pension contributions), fell within the following ranges:

	<i>Year ended 31 December 1996 No</i>	<i>Nine months to 31 December 1995 No</i>
£Nil - £5,000	4	4
£10,001 - £15,000	-	1
£30,001 - £35,000	-	1
£40,001 - £45,000	1	1
£70,001 - £75,000	1	-

The emoluments of the chairman (excluding pension contributions) were £45,000 (nine months ended 31 December 1995 - £33,750).

The emoluments of the highest paid director (excluding pension contributions) were £70,463 (nine months ended 31 December 1995 - £42,612).

6. STAFF COSTS

	<i>1996 £</i>	<i>1995 £</i>
Wages and salaries	590,473	424,352
Social security costs	42,970	35,682
	<u>633,443</u>	<u>460,034</u>

	<i>No.</i>	<i>No.</i>
The average weekly number of employees during the period was	<u>23</u>	<u>25</u>

7. INCOME FROM INVESTMENTS

	<i>1996 £</i>	<i>1995 £</i>
Listed	<u>508,601</u>	<u>421,851</u>

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1996 £	1995 £
Based on the profit for the period:		
Corporation tax at 33%	367,506	129,591
Prior period adjustment	28,198	2,701
Deferred taxation - current period	(73,705)	44,814
- prior period adjustment	1,509	(2,775)
	<u>323,508</u>	<u>174,331</u>

9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £529,021 (nine months ended 31 December 1995 - £329,429).

10. DIVIDENDS

	1996 £	1995 £
Equity dividends on ordinary shares:		
Interim dividend paid	420,000	440,000
	<u>420,000</u>	<u>440,000</u>

11. TREASURY BILLS AND OTHER ELIGIBLE BILLS

Group and Company

	1996 £	1995 £
Other eligible bills	102,151	70,109
	<u>102,151</u>	<u>70,109</u>

Market value was not significantly different from cost.

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

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

12. LOANS AND ADVANCES TO BANKS

(a) Group

	1996 £	1995 £
Repayable:		
- on demand	1,927,505	1,461,367
- within three months	35,483,169	28,011,885
- between three months and one year	896,047	-
	<u>38,306,721</u>	<u>29,473,252</u>

(b) Company

	£	£
Repayable:		
- on demand	1,927,505	1,270,520
- within three months	35,451,779	28,011,814
- between three months and one year	896,047	-
	<u>38,275,331</u>	<u>29,282,334</u>

13. LOANS AND ADVANCES TO CUSTOMERS

Group and Company

	1996 £	1995 £
Repayable:		
- on demand	106,345	-
- within three months	4,811,670	1,018,171
- between three months and one year	1,438,672	4,769,069
- between one and five years	430,321	859,903
	<u>6,787,008</u>	<u>6,647,143</u>

Havana International Bank Limited

NOTES TO THE ACCOUNTS at 31 December 1996

14. DEBT SECURITIES

(a) Group

	<i>Held for investment</i>			
	<i>Book value</i>		<i>Market value</i>	
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	£	£	£	£
Issued by public bodies:				
Government securities	4,465,589	6,422,439	4,500,765	6,550,406
Analysed by maturity:				
Due within one year	1,011,327	1,827,758	1,012,991	1,835,836
Due after one year	3,454,262	4,594,681	3,487,265	4,714,570
	<u>4,465,589</u>	<u>6,422,439</u>	<u>4,500,256</u>	<u>6,550,406</u>
Analysed by listing status:				
Listed on the London Stock Exchange	<u>4,465,589</u>	<u>6,422,439</u>	<u>4,500,256</u>	<u>6,550,406</u>
Unamortised premiums	<u>231,089</u>	<u>362,939</u>		

(b) Company

Issued by public bodies:				
Government securities	4,456,014	6,412,500	4,490,703	6,540,461
Analysed by maturity:				
Due within one year	1,001,752	1,827,758	1,003,438	1,835,836
Due after one year	3,454,262	4,584,742	3,487,265	4,704,625
	<u>4,456,014</u>	<u>6,412,500</u>	<u>4,490,703</u>	<u>6,540,461</u>
Analysed by listing status:				
Listed on the London Stock Exchange	<u>4,456,014</u>	<u>6,412,500</u>	<u>4,490,703</u>	<u>6,540,461</u>
Unamortised premiums	<u>231,014</u>	<u>362,500</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 1995	6,422,439	6,412,500
Maturities	(1,825,000)	(1,825,000)
Amortisation of premiums	(131,850)	(131,486)
At 31 December 1996	<u>4,465,589</u>	<u>4,456,014</u>

Havana International Bank Limited

NOTES TO THE ACCOUNTS at 31 December 1996

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 1995	204,586	642,381	491,761	614,905	1,953,633
Additions	22,583	23,652	-	41,904	88,139
Disposals	(56,188)	-	-	(65,878)	(122,066)
At 31 December 1996	170,981	666,033	491,761	590,931	1,919,706
Depreciation:					
At 31 December 1995	194,436	420,840	28,002	571,597	1,214,875
Charge for the year	13,041	13,527	6,126	26,206	58,900
Disposals	(55,950)	-	-	(65,274)	(121,224)
At 31 December 1996	151,527	434,367	34,128	532,529	1,152,551
Net book value:					
At 31 December 1996	19,454	231,666	457,633	58,402	767,155
At 31 December 1995	10,150	221,541	463,759	43,308	738,758

16. INVESTMENTS

	Group £	Company £
Cost at 1 January 1996	-	2
Additions	2,460	2,460
Cost at 31 December 1996	2,460	2,462

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 1996

17. CASH AND CASH EQUIVALENTS

Analysis of balances as shown in the group balance sheet and changes during the current and previous periods.

	31 December 1996 £	Change in year £	31 December 1995 £	Change in period £	31 March 1995 £
Coins, bank notes and balances with banks	1,973,165	499,019	1,474,146	272,095	1,202,051
Money at call and short notice	30,933,652	7,046,024	23,887,628	(578,594)	24,466,222
	<u>32,906,817</u>	<u>7,545,043</u>	<u>25,361,774</u>	<u>(306,499)</u>	<u>25,668,273</u>

18. DEPOSITS BY BANKS

Group and Company	1996 £	1995 £
Repayable:		
- on demand	1,604,261	2,902,421
- within three months	24,872,790	16,321,656
	<u>26,477,051</u>	<u>19,224,077</u>

19. CUSTOMER ACCOUNTS

Group and Company	1996 £	1995 £
Repayable:		
- on demand	2,223,275	836,182
- within three months	6,168,768	5,653,963
- between three months and one year	1,216,156	3,863,450
	<u>9,608,199</u>	<u>10,353,595</u>

20. OBLIGATIONS UNDER LEASES

Group and Company

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

	Land and buildings	Other
1996 £	1995 £	1995 £
Operating leases which expire:		
Within one year	-	1,720
In two to five years	-	11,727
In over five years	400,000	-
	<u>400,000</u>	<u>13,447</u>

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NOTES TO THE ACCOUNTS

at 31 December 1996

21. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Deferred taxation £</i>
At 31 December 1995	402,754
Charge to taxation	(72,196)
At 31 December 1996	<u>330,558</u>
<i>Group and Company</i>	
Deferred taxation provided in the accounts is as follows:	

	<i>1996 £</i>	<i>Provided 1995 £</i>
Capital allowances in advance of depreciation	(70,759)	(91,535)
Provision for liability arising on pension fund surplus	401,317	424,658
Interest accrued	-	69,631
	<u>330,558</u>	<u>402,754</u>

22. SHARE CAPITAL

	<i>1996 £</i>	<i>Authorised 1995 £</i>	<i>1996 £</i>	<i>Allotted and fully paid 1995 £</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 1 April 1995	13,000,000	1,992,440	14,992,440
Profit for the nine months	-	329,247	329,247
Dividends paid	-	(440,000)	(440,000)
At 31 December 1995	<u>13,000,000</u>	<u>1,881,687</u>	<u>14,881,687</u>
Profit for the year	-	528,855	528,855
Dividends paid	-	(420,000)	(420,000)
At 31 December 1996	<u>13,000,000</u>	<u>1,990,542</u>	<u>14,990,542</u>

Havana International Bank Limited

NOTES TO THE ACCOUNTS at 31 December 1996

24. CONTINGENT LIABILITIES

	1996 £	1995 £
Acceptances and endorsements	190,186	1,328,614
Guarantees and assets pledged as collateral security	3,435,743	2,987,635
	<u>3,625,929</u>	<u>4,316,249</u>

25. FORWARD AND FUTURES CONTRACTS

The following were outstanding:

	1996 £	1995 £
Exchange rate contracts:		
Contract or underlying principal amount - for dealing purposes	5,901,977	1,357,339
Credit risk weighted amount	46,598	5,095
	<u>5,948,575</u>	<u>1,362,434</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:

	1996 £	1995 £
Assets	19,753,449	15,836,983
Liabilities	19,414,755	16,134,696
	<u>19,414,755</u>	<u>16,134,696</u>

Havana International Bank Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

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 £1,057,020 (nine months ended 31 December 1995 - £1,127,750) 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.

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 £54,255 (nine months ended 31 December 1995 - £20,250 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 1995, £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 £70,730.

28. RELATED PARTIES

The group's ultimate holding company is the Banco Nacional 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.