

# Bank South Pacific



# Financial Statements 1999

# Annual Report And Statement By Directors

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The Directors present the Annual Report and Financial Statements for the year ended 31 December 1999.

## Operating Profit

The operating profit for the year ended 31 December 1999, after income tax expense amounted to K19,569,792 (1998 K14,145,710).

## Dividends

An interim dividend amounting to K4,231,860 was paid during the year and the Directors recommend payment of a final dividend K5,537,806 in respect of the year ended 31 December 1999 (1998 K5,515,860).

## Reserves and Provisions

There were no other material transfers made to or from reserve accounts during the year other than those disclosed in the financial statements.

## Directors

The names of the Directors of the Company in office during the financial year are:

Mr. N.N. Beangke	Mr. B. A. Flynn OBE
Mr. T. E. Fox OBE	Rev. B. J. Hanson
Mr. P. Auru	Mr. G. McIlwain OBE
Mr. H.T. Fabila MBE	Mr. N. R. Smith

## Directors and Employee Remuneration

These have been disclosed fully in note 16 to the accounts.

## Additional Statutory Information

The results of the Company's operations during the financial year have, in the opinion of the Directors, not been materially affected by items of an abnormal nature, other than those disclosed in the financial statements.

In the opinion of the Directors, no circumstances have arisen that make adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

No contingent liability has arisen since the end of the financial year which continues to exist at the date of this report, other than those disclosed in the financial statements. At the date of this report the Directors are

not aware of any circumstances that would render the values attributed to current assets in the financial statements misleading.

No contingent liability has become enforceable, or is likely to become enforceable, within a period of twelve months from the date of this report, that will materially affect the company in its ability to meet obligations as and when they fall due.

For and on behalf of the Directors.

Signed in Port Moresby this 25th day of February 2000.

*N.N. Beangke*  
Chairman

*N.R. Smith*  
Managing Director

## Statement by the Directors

In the opinion of the Directors of Bank of South Pacific Limited:

- The Income Statement is drawn up so as to give a true and fair view of the results of the business of the Company for the year ended 31 December 1999.
- The Balance Sheet is drawn up so as to exhibit a true and fair view of the state of affairs of the Company as at 31 December 1999.
- The Statement of Cash Flows is drawn up to exhibit a true and fair view of the movements in cash of the Company as at 31 December 1999.
- The Statement in Changes in Equity is drawn up to exhibit a true and fair view of the changes in equity for the financial year ended 31 December 1999.

Dated and signed at Port Moresby this 25th day of February 2000.

*N.N. Beangke*  
Chairman

*N.R. Smith*  
Managing Director

# Independent Audit Report

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## To The Members of Bank of South Pacific Limited

### Scope

We have audited the attached financial statements of Bank of South Pacific Limited for the year ended 31 December 1999. The Company's Directors are responsible for the financial statements. We have conducted an independent audit of the financial statements in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with International Standards on Auditing to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with generally accepted accounting practice (which require, amongst other things, compliance with International Accounting Standards and Statements of Accounting Standards of the PNG Institute of Accountants), and other statutory requirements, so as to present a view which is consistent with our understanding of the Company's financial position, the results of its operations its cash flows and changes in equity. We believe that our audit provides a reasonable basis for our opinion.

During the course of our audit we have obtained all information and explanations that we required.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In our opinion:

- a) the financial statements of Bank of South Pacific Limited are properly drawn up as required by the Companies Act 1997 so as to give a true and fair view of the Company's affairs as at 31 December 1999, and of the results of its operations, cash flows and the changes in equity for the year then ended in accordance with generally accepted accounting practice; and
- b) proper accounting records have been kept by the Company.

### Other Information

In addition to providing audit services, we also provide Bank of South Pacific Limited other services including taxation advice.

Port Moresby, this 25th day of February 2000

### DELOITTE TOUCHE TOHMATSU

By: P.J. ROY, Partner

Registered under the Accountants Act 1996

# Income Statement

		Year Ended 31 Dec 1999	Year Ended 31 Dec 1998
	Note	Kina	Kina
Revenue		82,606,290	65,684,926
Other operating income		13,813,178	12,103,222
		96,419,468	77,788,148
Deduct:			
Staff costs		10,948,218	9,136,873
Depreciation		1,800,495	1,617,859
Other operating expenses		58,035,442	48,304,839
Total operating expenses		70,784,155	59,059,571
Operating profit before income tax	2	25,635,313	18,728,577
Deduct: Tax expense	3	6,065,520	4,582,867
Net profit for the period		19,569,792	14,145,710

The attached notes form an integral part of these financial statements.

# Balance Sheet

		Year Ended 31 Dec 1999	Year Ended 31 Dec 1998
	Note	Kina	Kina
<b>Assets</b>			
Coins, notes and cash at banks		26,413,228	5,156,392
Balances due from other banks		17,061,538	41,429,081
Bills receivable and remittances in transit		4,380,381	1,600,940
Investment securities	4	118,262,026	171,841,594
Loans and other receivables	5	275,762,821	227,442,617
Fixed assets	6	22,428,281	19,291,232
Future income tax benefits	3	1,547,955	1,098,954
Other assets		5,919,626	3,086,302
<b>Total Assets</b>		<b>471,775,856</b>	<b>470,947,112</b>
<b>Liabilities</b>			
Demand deposits		151,173,571	139,415,829
Term deposits		234,777,338	261,003,262
Balances due to other banks		674,380	489,599
Final dividend declared		5,537,806	5,515,860
Provision for income tax		5,646,944	4,964,567
Other liabilities	7	17,430,804	14,823,995
<b>Total Liabilities</b>		<b>415,240,843</b>	<b>426,213,112</b>
<b>Net Assets</b>		<b>56,535,013</b>	<b>44,734,000</b>
<b>Shareholder's Equity</b>			
Share capital	8	17,918,941	17,868,941
Reserves	9	10,235,363	8,451,534
Retained profits		28,380,709	18,413,525
<b>Total Shareholder's Equity</b>		<b>56,535,013</b>	<b>44,734,000</b>

The attached notes form an integral part of these financial statements.

# Statement of Changes in Equity

	Share Capital K'000	Share Premium K'000	Revaluation Reserve K'000	Capital Reserve K'000	General Reserve K'000	Accumulated Profit K'000	Total K'000
Balance as at 31 December 1997	5,000	50	6,016	635	600	11,184	23,485
Changes in accounting policy	-	-	-	-	-	-	-
Restated balance	5,000	50	6,016	635	600	11,184	23,485
Surplus on revaluation of properties	-	-	(250)	-	-	-	(250)
Deficit on revaluation of investments	-	-	-	-	-	-	-
Transfer from profits	-	-	-	-	1,400	-	1,400
Currency translation differences	-	-	-	-	-	-	-
Net gains and losses not recognised in the income statements	-	-	(250)	-	1,400	-	1,150
Net profit for the period	-	-	-	-	-	14,146	14,146
Dividends	-	-	-	-	-	(6,916)	(6,916)
Issue of Share Capital	12,869	-	-	-	-	-	12,869
Balance at 31 December 1998	17,869	50	5,766	635	2,000	18,414	44,734
Changes in accounting policies	-	-	-	-	-	-	-
Deficit on revaluation of properties	-	-	1,834	-	-	167	2,001
Surplus on revaluation of investments	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-
Net gains and losses not recognised in the income statements	-	-	1,834	-	-	167	2,001
Net profit for the period	-	-	-	-	-	19,570	19,570
Dividends	-	-	-	-	-	(9,770)	(9,770)
Issue of Share Capital	50	(50)	-	-	-	-	-
Balance as at 31 December 1999	17,919	-	7,600	635	2,000	28,381	56,535

# Statement of Cash Flows

	Year Ended 31 Dec 1999	Year Ended 31 Dec 1998
Note	Kina	Kina
<b>Cash flows from operating activities</b>		
Interest received	80,278,108	65,597,018
Other operating income	13,813,178	12,068,575
Interest paid	(39,488,716)	(36,570,061)
Cash payments to employees and suppliers	(28,063,339)	(13,071,789)
Operating cash flow before changes in operating assets	26,539,231	28,023,743
<b>Changes in net assets and liabilities</b>		
(Increase)/Decrease in:		
Loans and other receivables	(40,320,205)	(18,885,486)
Other assets	(505,142)	(87,258)
Increase/(Decrease) in:		
Term deposits	(26,225,924)	35,305,738
Demand deposits	11,757,742	17,277,352
Other liabilities	(4,477,288)	8,702,507
Net cash from operating activities	(33,231,586)	70,336,596
<b>Cash flows from investing activities</b>		
Net (increase)/decrease in investment securities	53,579,568	(59,943,726)
Purchase of property, plant and equipment	(3,836,719)	(3,012,621)
Proceeds from sale of property, plant and equipment	720,411	120,654
Net cash from (used in) investing activities	50,463,260	(62,835,693)
<b>Cash flows from financing activities</b>		
Issue of share capital	-	-
Repayment of capital on leased assets	-	-
1998 Dividends paid		(1,425,000)
1999 Dividends paid / proposed	(9,747,721)	-
Net cash from (used in) financing activities	(9,747,721)	(1,425,000)
Net (increase)/decrease in cash and cash equivalents	7,483,953	6,075,903
Cash and cash equivalents at beginning of the year	39,696,814	33,620,911
Cash and cash equivalents at end of the year	14(ii) 47,180,767	39,696,814

The attached notes form an integral part of these financial statements.

# Notes To The Financial Statements

For The Year Ended 31 December 1999

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## 1. Principal Accounting Policies and Basis of Preparation

### Historical Cost

The Company's accounts are based on historical cost and therefore do not reflect changes in the purchasing power of money or current valuations of non-monetary assets, except where indicated.

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amounts. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is discounted to its present value.

In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

### Foreign Currencies

All amounts are expressed in Papua New Guinea currency unless otherwise stated.

All foreign currency monetary assets and liabilities are revalued at the rates of exchange ruling at balance date.

Unrealised profits and losses arising from these revaluations are recognised immediately in the income statement.

### Fee Income

Fees are taken to the income statement in accordance with the principle of matching income and expenditure.

### Leasing

#### (i) Finance Leases

Finance leases, in which the Company is the lessor, are included in Loans and Other Receivables and are accounted for using the finance method. Where the Company is the lessee, leased assets are capitalised and the corresponding liability is recognised in Other Liabilities.

#### (ii) Operating Leases

Lease rentals receivable and payable on operating leases are recognised in the income statement in periodic amounts over the effective lease term.

### Unearned Income

Unearned income on the Company's instalment lending and leasing is calculated on an actuarial basis.

### Bad and Doubtful Debts

A specific provision is made for all identified doubtful debts. Interest on doubtful accounts ceases to be taken to the income statement when its payment is considered to be unlikely. All bad debts are written off against specific

provision in the period in which they are realised.

In addition, a general provision is maintained to cover bad debts which are inherent in the loan portfolio but which are not yet identified. The level of the general provision is determined having regard to asset growth, economic conditions, the level of risk weighted assets and other general risk factors. The level of the general provision is determined without regard to the tax deductibility of the provision.

The amount necessary to bring the provisions to their assessed levels, after net write-offs, is charged to the income statement. Details of the provisions are set out in Note 5.

All loans are subject to continuous management surveillance.

### Income Tax

The Company adopts tax-effect accounting using the liability method.

The tax-effect of timing differences, which occur where items are allowed for income tax purposes in a period different from that when they are recognised in the accounts, is included in the provision for deferred income tax or future income tax benefits, as applicable, at current taxation rates.

The future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

In view of the nature of the general provision for doubtful debts, the Company has determined that the timing of the provision's eventual utilisation to absorb bad debts, inherent in the loan portfolio but which are not yet identified, cannot be predicted.

As a consequence, the timing of the realisation of the future income tax benefits associated with the general provision is considered to be uncertain and these benefits are not recognised.

### Investment Securities

Investment securities are public and other debt securities, which are purchased primarily with the intention of holding until maturity. Such securities are recorded at original cost adjusted for the amortisation of premiums and accretion of discounts to maturity. Any unrealised losses related to permanent diminution in the value of investment securities would be recognised in the income statement and the recorded values of those securities adjusted accordingly. Any profit and losses on sales of investment securities would be taken to the income statement when realised.

# Notes To The Financial Statements

For The Year Ended 31 December 1999

## Fixed Assets

It is the Company's practice to revalue land and buildings at regular intervals, not longer than three years. The Directors value these properties on the basis of open market values, discounted appropriately. Such values assume existing use, being continuing occupation of properties by the Company, tenancies to external parties, or vacancies, as applicable. All other fixed assets and land and buildings acquired since the last revaluation are carried at the lower of cost less accumulated depreciation, and recoverable amount.

Increments arising from property revaluations are credited to the Asset Revaluation Reserve account. Revaluation decrements, being reversals of increments previously credited to and included in the balance of the Asset Revaluation Reserve account are charged against that reserve.

With the exception of land, all fixed assets including leasehold buildings and improvements are depreciated or amortised by the straight-line method at rates appropriate to their estimated useful lives.

Profit and loss on sale of fixed assets is treated as operating income or expense. Any Asset Revaluation Reserve realised upon sale is transferred to Capital Reserve.

## Employee Entitlements

The provision for long service leave is based on legal, contractual entitlements and assessments having regard to staff departures, leave utilisation and future salary increases.

The provision for annual leave is accrued based on employee salary levels.

	Year Ended 31 Dec 1999	Year Ended 31 Dec 1998
	Kina	Kina

## 2. Operating Profit Before Income Tax Expense

Operating profit for the year is determined after including:

### Income

Interest income	82,606,290	65,684,926
Profit on sale of fixed assets	59,907	34,647
Profit on sale of property	117,367	-
Other operating income	13,635,904	12,068,575

### Expenses

Interest expense	46,572,813	39,592,648
Depreciation	1,800,495	1,617,859
Loss on sale of fixed assets	33,615	27,344
Provisions for:		
Annual Leave	226,990	46,844
Doubtful debts	2,543,496	1,814,884
Long service leave	415,395	275,796
Donations	17,480	17,986
Superannuation	239,948	205,308
Auditors' Remuneration		
Total amounts paid or due and payable for:		
Audit of the accounts	51,000	57,204
Other services	133,332	24,559

# Notes To The Financial Statements

For The Year Ended 31 December 1999

	Year Ended 31 Dec 1999	Year Ended 31 Dec 1998
	Kina	Kina
<b>3. Income Tax Expense</b>		
Reconciliation of income tax expense shown in the income statement with prima facie tax payable on the pre-tax accounting profit:		
Operating profit before income tax	25,635,312	18,728,577
Prima facie income tax at 25%	6,408,828	4,682,144
Add/(Deduct) tax effect of permanent differences	(343,308)	(99,277)
Total Income Tax Expense	6,065,520	4,582,867
Total income tax expense is made up of:		
Current income tax provision	6,514,521	4,964,567
Future income tax benefit	(853,928)	(512,166)
Deferred income tax	404,927	130,466
	6,065,520	4,582,867
<b>Future Income Tax Benefit</b>		
Future income tax benefit reflects the future benefit at 25% of the following items:		
Provisions:		
Doubtful debts	1,853,955	1,160,630
Employee entitlements	496,172	335,569
Less Deferred Tax Liability	(802,172)	(397,245)
	1,547,955	1,098,954
<b>4. Investment Securities</b>		
Papua New Guinea Treasury Bills (at face value less unearned interest)	118,262,026	163,611,894
Inscribed stock (at cost)	-	8,229,700
	118,262,026	171,841,594
<b>Market Value</b>		
The market value of the quoted investment securities equals book value as the Treasury Bills may only be redeemed at that value with the Central Bank.		
<b>5. Loans and Other Receivables</b>		
	286,483,611	235,044,546
Deduct:		
Unearned income	3,380,007	2,918,602
Provision for doubtful debts (see below)	7,340,783	4,683,327
	275,762,821	227,442,617
Provision for doubtful debts:		
Opening Balance	4,683,327	2,912,955
Bad debts recovered	209,452	132,746
Bad debts written off	(175,811)	(218,066)
Funding from income statement	2,623,815	1,855,692
Closing Balance	7,340,783	4,683,327
Comprised of:		
Specific element	259,683	145,723
General element	7,081,100	4,537,604
Total Provision	7,340,783	4,683,327

# Notes To The Financial Statements

For The Year Ended 31 December 1999

	Year Ended 31 Dec 1999	Year Ended 31 Dec 1998
	Kina	Kina
<b>6. Fixed Assets</b>		
<b>Land and buildings</b>		
Opening net book value	11,493,098	11,654,323
Additions	1,510,518	358,888
Revaluation	1,659,185	(179,000)
Disposals	(429,670)	(264,414)
Depreciation	(328,266)	(346,113)
Net book value	13,904,865	11,223,684
Independent valuation carried forward	7,600,623	5,766,794
Cost	7,187,901	6,517,613
	14,788,524	12,284,407
Less accumulated depreciation	883,659	(1,060,723)
Net book value	13,904,865	11,223,684
<b>Leasehold improvements</b>		
Opening net book value	1,086,949	1,058,892
Additions	98,086	160,229
Depreciation	(146,437)	(132,173)
Net book value	1,038,598	1,086,948
Cost	1,626,246	1,554,853
Less accumulated depreciation	(587,648)	(467,905)
Net book value	1,038,598	1,086,948
<b>Furniture, fixtures &amp; fittings</b>		
Opening net book value	1,436,478	1,086,778
Additions	413,615	541,913
Disposals	(222)	(3,358)
Depreciation	(218,218)	(188,854)
Net book value	1,631,653	1,436,479
Cost	3,087,336	2,677,958
Less accumulated depreciation	(1,455,683)	(1,241,479)
Net book value	1,631,653	1,436,479
<b>Data processing and other equipment</b>		
Opening net book value	4,395,809	3,561,237
Additions	1,248,172	1,490,512
Disposals	-	(15,490)
Depreciation	(762,981)	(626,896)
Net book value	4,881,000	4,409,363
Cost	8,021,896	6,787,279
Less accumulated depreciation	(3,140,896)	(2,377,916)
Net book value	4,881,000	4,409,363
<b>Motor vehicles</b>		
Opening book value	1,134,757	1,102,875
Additions	334,945	430,190
Disposals	(167,085)	(96,337)
Depreciation	(330,451)	(301,970)
Net book value	972,166	1,134,758
Cost	1,714,670	1,671,151
Less accumulated depreciation	(742,504)	(536,393)
Net book value	972,166	1,134,758
<b>Total net book value</b>	<b>22,428,281</b>	<b>19,291,232</b>
<b>Valuation of land and buildings</b>		

The net book value of properties are at Directors valuation based on independent valuations carried out in 1999.

# Notes To The Financial Statements

For The Year Ended 31 December 1999

	Year Ended 31 Dec 1999	Year Ended 31 Dec 1998
	Kina	Kina
<b>7. Other Liabilities</b>		
Annual Leave	619,863	392,873
Long Service Leave	1,364,800	949,405
Expenditure accruals	7,084,118	6,666,664
Other	8,362,023	6,815,053
<b>Total Other Liabilities</b>	<b>17,430,804</b>	<b>14,823,995</b>
<b>8. Issued and Paid up Capital</b>		
14,112,302 ordinary shares	17,868,941	17,868,941
Share premium reserve reclassified as share capital	50,000	-
<b>Issued and Paid up Capital</b>	<b>17,918,941</b>	<b>17,868,941</b>
<b>9. Reserves</b>		
<b>General Reserves</b>		
Opening Balance	2,000,000	600,000
Transfer from retained profits	-	1,400,000
Closing Balance	2,000,000	2,000,000
<b>Capital Reserve</b>		
Balance	634,740	634,740
<b>Asset Revaluation Reserve</b>		
Opening Balance	5,766,794	6,016,363
Revaluation increment on land, buildings and fixtures	1,833,829	(249,569)
Closing Balance	7,600,623	5,766,794
<b>Share Premium Reserve</b>		
Balance	50,000	50,000
Reclassified as share capital	(50,000)	-
Closing Balance	-	50,000
<b>Total Reserves</b>	<b>10,235,363</b>	<b>8,451,534</b>

## 10. Related Party Transactions

During the year, the Company entered into transactions with Banklink Limited, a Company which provides electronic banking facilities. The Bank owns 40% of Banklink Limited. The associate Company does not have a significant value in the Balance Sheet and equity accounting has not been adopted.

Loans were granted to the following parties:

1. Baibau No 4 Ltd, K439,795 in which Mr. N.N. Beangke is a shareholder, and
2. Ontrack Ltd, K721,485 in which Mr. T.E. Fox is a shareholder.

All transactions as detailed above are on a commercial basis under normal terms and conditions.

# Notes To The Financial Statements

For The Year Ended 31 December 1999

## 11. Contingent Liabilities and Off-Balance Sheet Exposures

### Financial instruments with off-balance sheet risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of customers, for trading purposes, and to reduce its own exposure to fluctuations in interest and exchange rates. These financial instruments include commitments to extend credit, financial guarantees and standby letters of credit, and forward contracts. Such instruments involve, to varying degrees, elements of credit and exchange rate risk in excess of the amount recognised in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of non performance by the other party to the financial instrument for commitments to extend credit, financial guarantees and standby letters of credit is represented by the contract or notional amount of those instruments. However, some commitments to extend credit can be cancelled or revoked at any time at the Company's option. For such instruments as forward contracts, the Company's exposure to credit loss is only a small fraction of the contract or notional amounts.

Details of financial instruments with off-balance sheet risk are as follows:

	31/12/99		31/12/98	
	K'000 Contract or Notional Amount	K'000 Credit Equivalent (1)	K'000 Contract or Notional Amount	K'000 Credit Equivalent (1)
Credit risk related instruments:				
Standby letters of credit	410	410	1,831	1,831
Trade letters of credit (2)	2,923	585	2,061	412
Non- financial guarantees ( 3)	3,230	1,615	4,246	2,123
Commitments to extend credit - residual				
Maturity less than 1 year	31,889	-	35,540	-
<b>Total credit risk related instruments</b>	<b>38,452</b>	<b>2,610</b>	<b>43,678</b>	<b>4,366</b>
Exchange rate contracts:				
Forwards	17,043	-	3,663	-
<b>Total Off- Balance Sheet Exposure</b>	<b>55,495</b>	<b>2,610</b>	<b>47,341</b>	<b>4,366</b>

(1) Credit equivalents are determined in accordance with the Bank of Papua New Guinea draft risk-weighted capital adequacy guidelines. These credit equivalents are then weighted in the same manner as balance sheet assets according to counterparty for capital adequacy purposes.

(2) Trade letters of credit are for terms up to one year secured against an underlying shipment of goods or backed by a confirmatory letter of credit from another bank.

(3) Non-financial guarantees include other trade-related letters and obligations backing the performances of commercial contracts.

## 12. Lease Commitments

### Operating Leases

Minimum lease commitments as at 31 December 1999

Due no later than 1 year:	78,207	572,930
Due later than 1 year but not later than 2 years:	148,500	780,000
Due later than 2 years but not later than 5 years:	1,377,274	-
	<b>1,603,981</b>	<b>1,352,930</b>

# Notes To The Financial Statements

For The Year Ended 31 December 1999

## 13. Maturities of Monetary Assets and Liabilities

	Due in 1 year or less K'000	Due after 1 year through 5 years K'000	Due after 5 years K'000	Total K'000
<b>As at 31 December 1999</b>				
<b>Assets</b>				
Coins, notes and cash at banks	26,413	-	-	26,413
Balances due from other banks	17,062	-	-	17,062
Bills receivable and remittances in transit	4,380	-	-	4,380
Investment securities	118,262	-	-	118,262
Loans and other receivables	65,469	103,607	106,687	275,763
All other monetary assets	5,920	-	-	5,920
<b>Total Monetary Assets</b>	<b>237,506</b>	<b>103,607</b>	<b>106,687</b>	<b>447,800</b>
<b>Liabilities</b>				
Demand deposits	151,174	-	-	151,174
Term deposits	234,707	70	-	234,777
Balances due to other banks	674	-	-	674
All other monetary liabilities	17,431	-	-	17,431
<b>Total Monetary Liabilities</b>	<b>403,986</b>	<b>70</b>	<b>-</b>	<b>404,056</b>
<b>As at 31 December 1998</b>				
<b>Assets</b>				
Coins, notes and cash at banks	5,156	-	-	5,156
Balances due from other banks	41,429	-	-	41,429
Bills receivable and remittances in transit	1,601	-	-	1,601
Investment securities	171,842	-	-	171,842
Loans and other receivables	74,637	93,072	59,734	227,443
All other monetary assets	3,086	-	-	3,086
<b>Total Monetary Assets</b>	<b>297,751</b>	<b>93,072</b>	<b>59,734</b>	<b>450,557</b>
<b>Liabilities</b>				
Demand deposits	139,415	-	-	139,415
Term deposits	246,624	14,379	-	261,003
Balances due to other banks	490	-	-	490
All other monetary liabilities	14,824	-	-	14,824
<b>Total Monetary Liabilities</b>	<b>401,353</b>	<b>14,379</b>	<b>-</b>	<b>415,732</b>

# Notes To The Financial Statements

For The Year Ended 31 December 1999

	Year Ended 31 Dec 1999	Year Ended 31 Dec 1998
	Kina	Kina
<b>14. Notes to the Statement of Cash Flows</b>		
(i) Reconciliation of Operating Profit before Income Tax to Net Cash		
Operating profit before income tax	19,569,793	18,728,577
Adjustments to reconcile operating profit before income tax to net cash provided by operating activities:		
Depreciation	1,800,495	1,617,859
Loss (Profit ) on sale of fixed assets	(143,659)	34,647
Accruals (net effect)	711,595	7,642,660
Total Adjustments	2,368,431	9,295,166
Operating profit before changes in operating assets	21,938,224	28,023,743
(ii) Reconciliation of Cash		
For the purposes of reporting cash flows, cash and cash equivalents include cash and short-term liquid assets, amounts due from other banks and due to other banks. Cash at the end of the financial year as shown in the statement of cash flows reconciled to the related items in the balance sheet as follows:		
Cash	26,413,228	5,156,392
Other Short-Term Liquid Assets	4,380,381	1,600,940
Due from other Banks	17,061,538	33,429,082
Due to other Banks	(674,380)	(489,599)
Total Cash and Cash Equivalents	47,180,767	39,696,814

## 15. Ultimate Holding Company

The ultimate holding company was BSP Holdings Limited. During the year the holding company was liquidated and the assets and liabilities were assigned to Bank of South Pacific Limited.

# Notes To The Financial Statements

For The Year Ended 31 December 1999

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## 16. Directors and Employees Remuneration

### a) Directors Remuneration

Directors of the Company received remuneration, including benefits during 1999 as detailed below:

	K
N.N. Beangke	29,104
T.E. Fox	24,104
P. Auru	19,410
B.A. Flynn	21,585
B.J. Hanson	19,410
G. McIlwain	21,285
N.R. Smith	780,928

### b) Directors Shareholding Interests

	Shares	
N.N. Beangke	25,000	(held in trust for N. Beangke)
T.E. Fox	20,000	
B.A. Flynn	20,000	
B.A. Flynn	152,632	(held by Pricewaterhouse Nominees (PNG) Ltd)
B.J. Hanson	20,000	
N.R. Smith	78,000	(held by Superannuation Fund)

### c) Employees Remuneration

The number of employees or former employees of the Company, not being Directors of the Company, who during the period received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded K100,000 per annum are detailed below in brackets of K10,000.

K110,000 - K119,999	1
K140,000 - K149,999	1
K200,000 - K209,999	1
K210,000 - K219,999	2
K230,000 - K239,999	2
K240,000 - K249,999	5
K250,000 - K259,999	4
K260,000 - K269,999	3
K270,000 - K279,999	2
K280,000 - K289,999	1
K290,000 - K299,999	1
K300,000 - K309,999	1
K310,000 - K319,999	2
K370,000 - K379,999	1
Total number of employees	27