FUNDS STATEMENT

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR YEAR ENDED 31 MARCH 1986

Funds were provided from:		
Operations—	$	$
Net profit after tax		745,052
Plus adjustments not involving movement of funds—depreciation		255,696
		1,001,198
Other sources—		
Increase in depositors' funds		7,174,288
Decrease in investments		3,501,507
Decrease in working capital		539,620
		$12,216,163
Funds were applied to:		
Increase in investments:		
– Short-term deposits	7,150,000	
– Advances to customers	2,364,931	
– Associate company investments	682,561	
		10,197,492
Net increase in fixed assets		962,141
Donations		32,560
Payment of taxes		1,023,970
		$12,216,163
Increase/(Decrease) in Working Capital:		
Cash and bank		119,915
Receivables		232,080
Payables		(317,760)
Provision for taxation		(573,855)
		(539,620)

STATEMENT OF ACCOUNTING POLICIES

1. *General Accounting Policies*

The measurement base adopted in the preparation of these financial statements is that of historical cost modified by the revaluation of land and buildings. Reliance has been placed on the fact that the Bank is a going concern. Accrual accounting is used to match expenses and revenue.

2. *Particular Accounting Policies:*

(a) *Recognition of Income:*

Investment Income—Interest on investments is accrued to balance date on a daily basis at the appropriate rate.

Personal Loan Interest—The Bank's policy is to add interest to the advance at the commencement of the loan. The "rule of 78" method of accounting for personal loan income is used to apportion the income between accounting periods. The effect of this method is that income earned over the term of the personal loan agreement represents a level rate of return on the declining balance of the unrecovered advance.

(b) *Sundry Debtors:*

Sundry debtors are shown at expected realisable value.

(c) *Investments:*

Investments are are shown at cost with the exception of Government securities. Government securities are normally held to maturity and redeemed at their face value. Due provision is made for the difference between cost and face value by the amortisation of the discount or premium on purchase, over the term of the security on a straight-line basis. The realisable value of fixed market securities fluctuates with movements in market yields and it is customary for such fluctuations to be disregarded in the recording of the results of the long-term institutional investor.

(d) *Associate Company:*

The Bank's one-fifth shareholding in Trusteebank Computer Limited as at the company's last balance date, 31 May 1985, has been treated on an equity basis.

(e) *Fixed Assets:*

Land and buildings are revalued annually and are recorded at a value which is 90 percent of the independent registered valuation. Changes in valuations are transferred direct to the reserve fund.

All other fixed assets are value at cost less depreciation. Work in progress on the Bank's new offices has been valued at cost.

(f) *Depreciation:*

The cost or revalued amount of fixed assets (excluding land) less estimated residual value is allocated over their economic lives on a straight-line basis. The range of economic lives of the major classes are:

Buildings	10–100 years
Computer and office equipment	5–10 years
Furniture and fittings	5–10 years
Motor vehicles	5 years

(g) *Accrued Interest Payable:*

Interest payable on investment accounts is accrued at balance date at the full rate payable on the assumption that all investment accounts will go through to maturity.

(h) *Taxation:*

Provision is made for taxation after taking advantage of all deductions available under current taxation legislation.

The liability method of accounting for the taxation effect of timing differences between the treatment of certain items for accounting purposes and their treatment for taxation has been adopted by the Bank.

The major timing differences relate to depreciation and the recognition of investment income.