



## Gibraltar Audit Office

# Report of the Principal Auditor on the Accounts of the Gibraltar Savings Bank for the financial year ended 31 March 2010



## **Gibraltar Audit Office**

### **THE CERTIFICATE OF THE PRINCIPAL AUDITOR TO THE MINISTER WITH RESPONSIBILITY FOR PUBLIC FINANCES**

I certify that I have examined the financial statements of the Gibraltar Savings Bank for the financial year ended 31 March 2010 in accordance with the provisions of Section 12 of the Gibraltar Savings Bank Act. The financial statements comprise the Income and Expenditure Account, the Deposits and Withdrawals Account, the Investment Adjustment Account, the Reserve Account, the Balance Sheet and the Statement of Investments.

#### **Respective responsibilities of the Director of the Gibraltar Savings Bank and the Principal Auditor**

The Director of the Gibraltar Savings Bank is responsible for preparing the financial statements and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with generally accepted government auditing standards.

I report to you my opinion as to whether the financial statements properly present the receipts and payments for a financial year and the assets and liabilities as at the end of that period. I also report whether in all material respects expenditure and income has been applied to the purposes intended by the provisions of the Gibraltar Savings Bank Act, and the financial transactions conform to the authorities, which govern them.

In addition, I report to you if the Director of the Gibraltar Savings Bank has not kept proper accounting records, if I have not received all the information and explanations I require for the purpose of my audit, or if information regarding transactions is not disclosed.

I read the other information contained in the Report of the Director of the Gibraltar Savings Bank, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

#### **Basis of Opinions**

I conducted my audit in accordance with generally accepted government auditing standards. My audit includes examination, on a test basis, of evidence relevant to

the amounts, disclosures and regularity of financial transactions included in the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by the Gibraltar Savings Bank Act, and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In my opinion, the financial statements properly present the income and expenditure, the deposits and withdrawals, the investment adjustment and the reserve for the financial year ended 31 March 2010 and the assets and liabilities as at the end of that period.

### **Audit opinion on regularity**

In my opinion, in all material respects, the expenditure and income has been applied to the purposes intended by the Gibraltar Savings Bank Act and the financial transactions conform to the authorities that govern them.

### **Report**

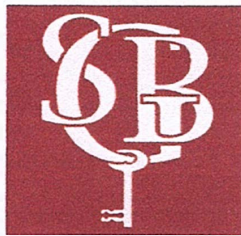
I have no observations to make on these financial statements.



J C Posso  
Principal Auditor

16 August 2010

Gibraltar Audit Office  
23 John Mackintosh Square  
Gibraltar



GIBRALTAR SAVINGS BANK  
Annual Accounts

*For The Financial Year*

*Ended 31 March 2010*

*Treasury Department*

## **Gibraltar Savings Bank**

### **Director's Report on the Accounts for the Year Ended 31 March 2010**

The Gibraltar Savings Bank is accounted for through a Government Special Fund – the Savings Bank Fund.

Net expenditure from operations during the year ended 31 March 2010 was £0.64 million, compared with a net income of £2.85 million during the previous year. There was a capital gain on the fund's investments of £0.69 million. The net increase in reserves during the year was therefore, £0.05 million.

Crown Agents investment management charges totalled around £0.33 million (0.2% of the fund assets managed in UK).

The Gibraltar Savings Bank (Amendment) Act 2008, which came into effect on 24 July 2008, provides for the deposits in the Gibraltar Savings Bank to be invested in cash or other investments equivalent thereto in terms of protection of their capital value. It further provides that no surplus will be transferred out of the Gibraltar Savings Bank unless the assets of the Bank are thereafter at least equivalent to 100% of the liabilities to depositors. The consequence of these amendments is that the requirement to maintain a reserve balance is no longer necessary. However, the end-of-year reserve balance of £0.05 million remained in the Gibraltar Savings Bank.

At the year-end, the deposits of the bank, excluding £0.05 million of accrued interest, stood at £308.36 million. The previous year-end figure totalled £227.36 million. Deposits as at 31 March 2010 were made up as follows:

	<u>Deposits</u>	<u>(Previous</u>
	£'million	Year)
		£'million
<u>Non-Government Deposits</u>		
Ordinary Deposits	41.1	38.7
On-Call Investment Accounts	0.1	0.2
Pensioner Monthly Income Debentures	12.5	21.2
Monthly Income Debentures	19.2	31.1
Other Debentures (Special Issues)	2.9	2.5
Gibraltar Provident Trust Fund Bonds	8.0	8.7
	<hr/> 83.8	<hr/> 102.4
<u>Government Deposits</u>		
On-Call Investment Accounts	224.6	124.9
	<hr/> 308.4	<hr/> 227.3

The level of overall non-Government Deposits stood at £83.7 million. The decrease of £18.7 million over the previous year is the result of monies having been transferred to debentures issued directly by the Government of Gibraltar.

Government deposits in the Gibraltar Savings Bank were up by 80% reflecting an increase in the level of Government liquid reserves held by the bank.



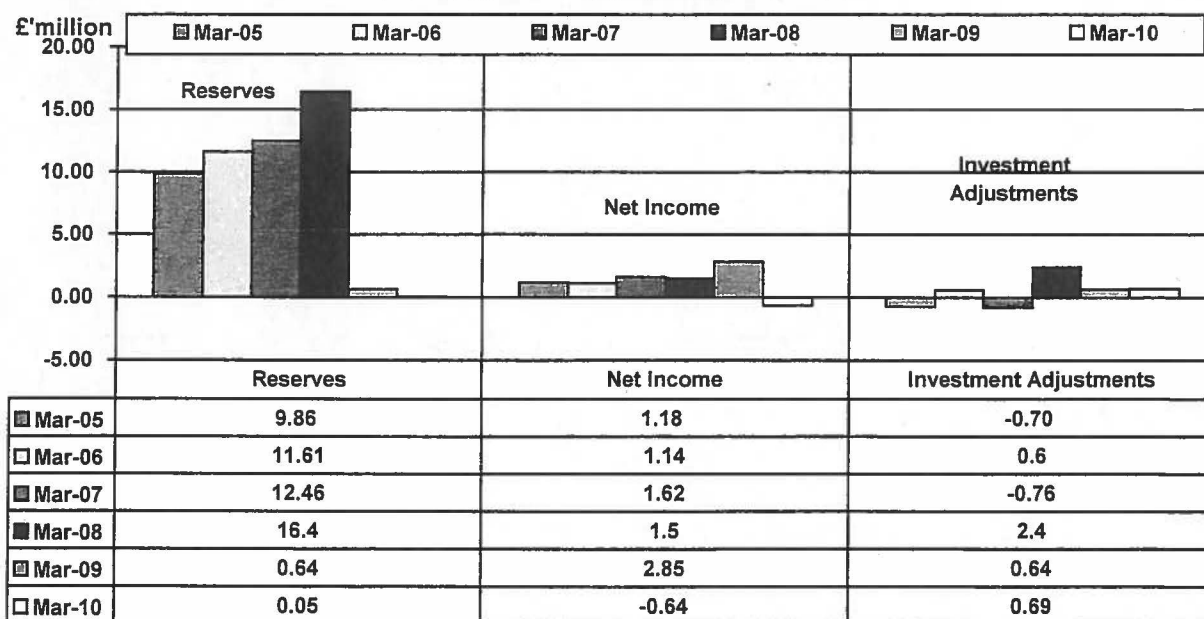
The following is a summary of interest rates payable to depositors by the bank during the period April 2009 to March 2010:

Ordinary Deposits	2 per cent per annum
Pensioners' Monthly Income Debentures	2 per cent per annum
Monthly Income Debentures	2 per cent per annum

These special rates will be payable during the 3-year period from 1<sup>st</sup> January 2009 to 31<sup>st</sup> December 2011. However, if the Base Rate is above 2%, the standard rates, linked to the Bank of England Repo Rate, will apply as follows:

Ordinary Deposits	1 per cent below the Bank of England Repo Rate
On Call Investment Accounts	2 per cent below the Bank of England Repo Rate
Pensioners' Monthly Income Debentures	At par with the Bank of England Repo Rate
Monthly Income Debentures	½ per cent below the Bank of England Repo Rate

### **Gibraltar Savings Bank** **Results During Last Six Years**



C Victory  
Accountant General and  
Director, Gibraltar Savings Bank  
16 June 2010

**SPECIAL FUNDS**  
**SAVINGS BANK FUND**  
**ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010**

**INCOME AND EXPENDITURE ACCOUNT**

**INCOME**

Interest Earned		£1,964,095.84
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**EXPENDITURE**

Interest Paid :		
Debentures	£836,215.48	
On-Call Investment Accounts	£23,733.50	
Ordinary Deposits	£752,235.33	
Bonds	£648,688.99	
Miscellaneous Payments	£14,810.90	
		£2,275,684.20
Management and Other Charges		£327,107.62
		(£2,602,791.82)
Net Expenditure transferred to Reserve Account		(£638,695.98)

**DEPOSITS AND WITHDRAWALS ACCOUNT**

**INCREASE IN DEPOSITS**

On-Call Investment Accounts	£99,577,288.00
Ordinary Deposits	£2,427,094.65
	£102,004,382.65

**DECREASE IN DEPOSITS**

Debentures	£20,218,726.07
Bonds	£695,468.01
	(£20,914,194.08)
Net Increase in Deposits during the year	£81,090,188.57

**INVESTMENT ADJUSTMENT ACCOUNT**

**INCREASE IN INVESTMENTS**

Net Capital Gain on Investments	£685,967.19
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**DECREASE IN INVESTMENTS**

Net Increase in Investments transferred to Reserve Account	(£0.00)
	£685,967.19

**RESERVE ACCOUNT**

**INCREASE IN RESERVES**

Net Increase in Investments transferred from Investment Adjustment Account	£685,967.19
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**DECREASE IN INVESTMENTS**

Net Expenditure transferred from Income and Expenditure Account	(£638,695.98)
Net Increase in Reserves during the year	£47,271.21



**SPECIAL FUNDS**  
**SAVINGS BANK FUND**

**BALANCE SHEET AS AT 31 MARCH 2010**

**ASSETS**

Investments on 1 April 2009	£228,000,272.09
Net Purchase of Investments during the year	<u>£80,416,595.39</u>
	£308,416,867.48
Net Increase in Investments as per Investment Adjustment Account	<u>£685,967.19</u>
Investments on 31 March 2010	<u><u>£309,102,834.67</u></u>

**FINANCED BY**

**Debentures**

Deposits on 1 April 2009	£54,773,626.63	
Accrued Interest on 1 April 2009	£88,408.36	
Net Decrease in Deposits	(£20,218,726.07)	
Decrease in Accrued Interest during the year	<u>(£34,897.20)</u>	
Deposits on 31 March 2010		£34,608,411.72

**On Call Investment Accounts**

Deposits on 1 April 2009	£125,112,327.71	
Net Increase in Deposits during the year	<u>£99,577,288.00</u>	
Deposits on 31 March 2010		£224,689,615.71

**Ordinary Deposits**

Deposits on 1 April 2009	£38,664,738.13	
Net Increase in Deposits during the year	<u>£2,427,094.65</u>	
Deposits on 31 March 2010		£41,091,832.78

**Bonds**

Deposits on 1 April 2009	£8,720,029.83	
Net Decrease in Deposits during the year	<u>(£695,468.01)</u>	
Deposits on 31 March 2010		£8,024,561.82
Total Deposits on 31 March 2010		£308,414,422.03

**Reserve Account**

Reserve Account on 1 April 2009	£641,141.43	
Net Increase in Reserves during the year	<u>£47,271.21</u>	
Reserve Account on 31 March 2010		£688,412.64
Fund Account Balance on 31 March 2010		<u><u>£309,102,834.67</u></u>



C Victory  
Director, Gibraltar Savings Bank  
16th June 2010



**SAVINGS BANK FUND**  
**STATEMENT OF INVESTMENTS ON 31 MARCH 2010**  
**SHOWING MARKET VALUE ON THAT DATE**

DESCRIPTION OF STOCK	NOMINAL VALUE	MARKET PRICE ACCRUED INTEREST %	MARKET VALUE ACCRUED INTEREST	TOTAL MARKET VALUE ON 31 3 10
UBS AG JERSEY FRN 02/07/2010	£7,000,000.00	99.843 0.146	£6,988,987.39 £10,215.53	£6,999,202.92
BZLNZ FRN 06/07/2010	£4,800,000.00	99.878 0.145	£4,794,127.63 £6,980.11	£4,801,107.74
BANK OF AMERICA FRN 02/02/2011	£6,000,000.00	99.591 0.110	£5,975,466.48 £6,611.66	£5,982,078.14
HSBC FRN 11/04/2011	£5,000,000.00	99.636 0.143	£4,981,804.55 £7,169.52	£4,988,974.07
CREDIT SUISSE FRN 14/06/2011	£10,000,000.00	99.492 0.030	£9,949,243.00 £2,958.90	£9,952,201.90
CLYDES FRN 29/06/11	£7,000,000.00	99.360 0.004	£6,955,192.23 £286.59	£6,955,478.82
BANK OF SCOTLAND HBOS FLOAT 07/12/11	£2,000,000.00	99.023 0.044	£1,980,453.08 £875.89	£1,981,328.97
ROYAL BANK OF CANADA FRN 14/12/11	£5,000,000.00	99.326 0.031	£4,966,287.40 £1,545.21	£4,967,832.61
BNS FRN 21/12/11	£1,600,000.00	99.218 0.018	£1,587,480.58 £285.04	£1,587,765.62
CITIGROUP FRN 16/01/2012	£4,000,000.00	98.219 0.138	£3,928,749.04 £5,533.15	£3,934,282.19
KBC FRN 18/01/12	£5,000,000.00	99.238 0.135	£4,961,918.60 £6,768.49	£4,968,687.09
WELLS FARGO CO FRN 25/01/12	£4,000,000.00	99.120 0.126	£3,964,781.24 £5,026.41	£3,969,807.65
GE CAPITAL UK FRN 30/01/12	£6,400,000.00	98.813 0.120	£6,324,058.30 £7,660.93	£6,331,719.23
DEUTSCHE BANK FRN 26/04/12	£5,000,000.00	99.196 0.116	£4,959,817.40 £5,824.70	£4,965,642.10
JP MORGAN CHASE FRN 27/06/12	£6,000,000.00	98.614 0.004	£5,916,824.28 £245.65	£5,917,069.93
Carried Forward	£78,800,000.00		£78,303,178.98	£78,303,178.98

**SAVINGS BANK FUND****STATEMENT OF INVESTMENTS ON 31 MARCH 2010****SHOWING MARKET VALUE ON THAT DATE**

DESCRIPTION OF STOCK	NOMINAL VALUE	MARKET PRICE ACCRUED INTEREST %	MARKET VALUE ACCRUED INTEREST	TOTAL MARKET VALUE ON 31 3 10
Brought Forward	£78,800,000.00		£78,303,178.98	£78,303,178.98
UK TREASURY BILL 06/04/10	£20,000,000.00	99.991	£19,998,236.26	£19,998,236.26
UK TREASURY BILL 12/04/10	£26,000,000.00	99.985	£25,996,069.32	£25,996,069.32
UK TREASURY BILL 26/04/10	£38,000,000.00	99.967	£37,987,552.87	£37,987,552.87
BANK OF SCOTLAND GBP INTEREST BEARING CURRENT A/C	£2,462,996.27	100.000	£2,462,996.27	£2,462,996.27
CROWN AGENTS BANK	£609.29	100.000	£609.29	£609.29
NATIONAL WESTMINSTER OFFSHORE LTD	£23,564,228.66	100.000	£23,564,228.66 £252,843.29	£23,817,071.95
BARCLAYS BANK PLC	£46,789,300.34	100.000	£46,789,300.34 £73,859.33	£46,863,159.67
BANK OF ENGLAND	£73,664,747.66	100.000	£73,664,747.66 £9,212.40	£73,673,960.06
	£309,281,882.22		£309,102,834.67	£309,102,834.67