



Gibraltar Audit Office

Report of the Principal Auditor on the Accounts of the Gibraltar Savings Bank for the financial year ended 31 March 2011



Gibraltar Audit Office

THE CERTIFICATE OF THE PRINCIPAL AUDITOR TO THE MINISTER WITH RESPONSIBILITY FOR PUBLIC FINANCE

I certify that I have audited the financial statements of the Gibraltar Savings Bank for the financial year ended 31 March 2011 in accordance with the provisions of Section 12 of the Gibraltar Savings Bank Act. These 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 auditor

The Director of the Gibraltar Savings Bank is responsible for the preparation of the financial statements and for being satisfied that they are properly presented. My responsibility is to audit, certify and report on the financial statements in accordance with generally accepted government auditing standards.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Gibraltar Savings Bank's circumstances and have been consistently applied and adequately disclosed; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Report of the Director of the Gibraltar Savings Bank to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Gibraltar Savings Bank Act and the financial transactions conform to the authorities, which govern them.

Opinion on Regularity

In my opinion, 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.

Opinion on financial statements

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 2011 and the assets and liabilities as at the end of that period.

Opinion on other matters

In my opinion, the information given in the Director's Report is consistent with the financial statements.

Report

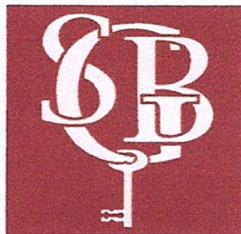
I have no observations to make on these financial statements.



J C Posso
Principal Auditor

17 August 2011

Gibraltar Audit Office
23 John Mackintosh Square
Gibraltar



GIBRALTAR SAVINGS BANK
Annual Accounts

For The Financial Year

Ended 31 March 2011

Treasury Department

Gibraltar Savings Bank

Director's Report on the Accounts for the Year Ended 31 March 2011

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

Net income from operations during the year ended 31 March 2011 was £0.39 million, compared with net expenditure of £0.64 million during the previous year. Income included a contribution from the Consolidated Fund of £0.47 million in respect of additional interest, i.e. 6% over the standard rate for non-government investments of 2%, to meet the guaranteed 8% interest payable to Provident Trust Pension Schemes. There was a capital gain on the fund's investments of £0.21 million. The net increase in reserves during the year was £0.6 million.

Crown Agents investment management charges totalled around £0.34 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. The Reserve Account balance of £1.3 million was transferred to the Consolidated Fund at the end of the year.

At the year-end, the deposits of the bank, excluding £0.04 million of accrued interest, stood at £330.08 million. The previous year-end figure totalled £308.36 million. Deposits as at 31 March 2011 were made up as follows:

	<u>Deposits</u>	<u>(Previous</u>
		<u>Year)</u>
	£'million	£'million
<u>Non-Government Deposits</u>		
Ordinary Deposits	39.3	41.1
On-Call Investment Accounts	0.0	0.1
Pensioner Monthly Income Debentures	9.5	12.5
Monthly Income Debentures	14.6	19.2
Other Debentures (Special Issues)	3.5	2.9
Gibraltar Provident Trust Fund Bonds	8.0	8.0
	<hr/>	<hr/>
	74.9	83.8
<u>Government Deposits</u>		
On-Call Investment Accounts	255.2	224.6
	<hr/>	<hr/>
	330.1	308.4

The level of overall non-Government Deposits stood at £74.9 million. The decrease of £8.9 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 14% reflecting an increase in the level of Government liquid reserves held by the bank.



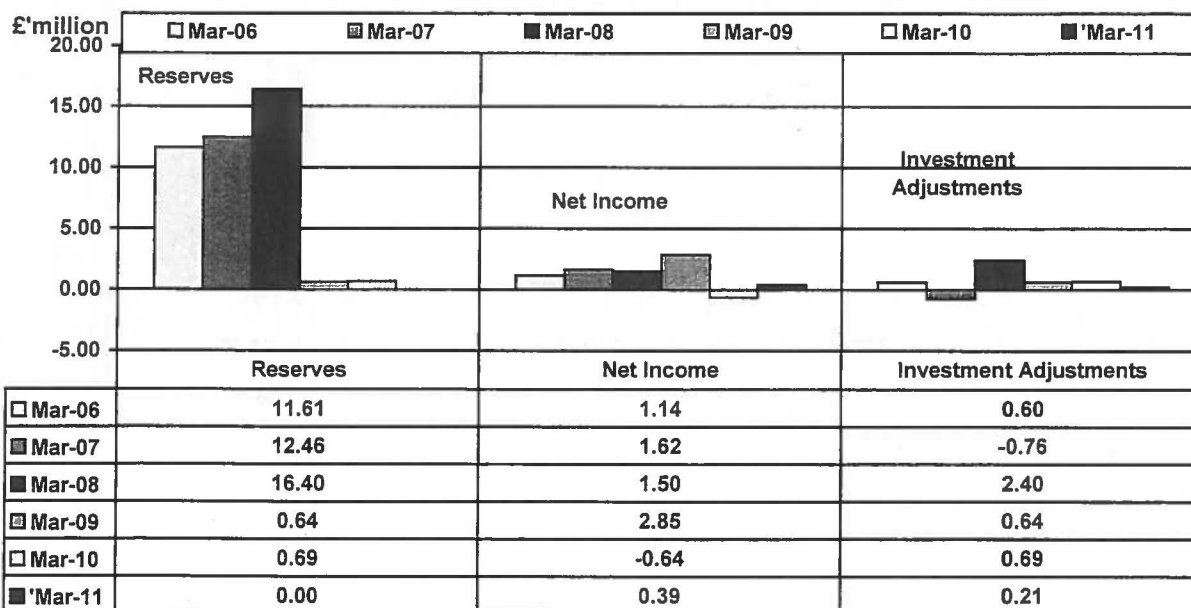
The following is a summary of interest rates payable to depositors by the bank during the period April 2010 to March 2011:

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 1st January 2009 to 31st 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
4 July 2011

SPECIAL FUNDS
SAVINGS BANK FUND
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

INCOME AND EXPENDITURE ACCOUNT

INCOME

Contribution from the Consolidated Fund	£470,028.02
Interest Earned	£2,262,600.70
	<u>£2,732,628.72</u>

EXPENDITURE

Interest Paid :		
Debentures	£611,494.50	
On-Call Investment Accounts	£1,177.79	
Ordinary Deposits	£750,893.93	
Bonds	£626,279.63	
Miscellaneous Payments	<u>£4,088.32</u>	
		£1,993,934.17
Management and Other Charges		<u>£344,330.51</u>
		(£2,338,264.68)
Net Income transferred to Reserve Account		<u>£394,364.04</u>

DEPOSITS AND WITHDRAWALS ACCOUNT

INCREASE IN DEPOSITS

On-Call Investment Accounts	£30,503,817.28
-----------------------------	----------------

DECREASE IN DEPOSITS

Debentures	£6,987,681.28
Ordinary Deposits	£1,791,444.79
Bonds	<u>£6,273.59</u>
	(£8,785,399.66)
Net Increase in Deposits during the year	<u>£21,718,417.62</u>

INVESTMENT ADJUSTMENT ACCOUNT

INCREASE IN INVESTMENTS

Net Capital Gain on Investments	£209,667.83
---------------------------------	-------------

DECREASE IN INVESTMENTS

	(£0.00)
Net Increase in Investments transferred to Reserve Account	<u>£209,667.83</u>

RESERVE ACCOUNT

INCREASE IN RESERVES

Net Income transferred from Income and Expenditure Account	£394,364.04
Net Increase in Investments transferred from Investment Adjustment Account	<u>£209,667.83</u>
	£604,031.87

DECREASE IN INVESTMENTS

Transfer of Surplus to Consolidated Fund	(£1,291,000.00)
Net Decrease in Reserves during the year	<u>(£686,968.13)</u>

SPECIAL FUNDS
SAVINGS BANK FUND

BALANCE SHEET AS AT 31 MARCH 2011

ASSETS

Investments on 1 April 2010	£309,102,834.67
Net Purchase of Investments during the year	£20,808,870.53
	£329,911,705.20
Net Increase in Investments as per Investment Adjustment Account	£209,667.83
Investments on 31 March 2011	£330,121,373.03

FINANCED BY

Debentures

Deposits on 1 April 2010	£34,554,900.56	
Accrued Interest on 1 April 2010	£53,511.16	
Net Decrease in Deposits	(£6,987,681.28)	
Decrease in Accrued Interest during the year	(£12,911.13)	
Deposits on 31 March 2011		£27,607,819.31

On Call Investment Accounts

Deposits on 1 April 2010	£224,689,615.71	
Net Increase in Deposits during the year	£30,503,817.28	
Deposits on 31 March 2011		£255,193,432.99

Ordinary Deposits

Deposits on 1 April 2010	£41,091,832.78	
Net Decrease in Deposits during the year	(£1,791,444.79)	
Deposits on 31 March 2011		£39,300,387.99

Bonds

Deposits on 1 April 2010	£8,024,561.82	
Net Decrease in Deposits during the year	(£6,273.59)	
Deposits on 31 March 2011		£8,018,288.23
Total Deposits on 31 March 2011		£330,119,928.52

Reserve Account

Reserve Account on 1 April 2010	£688,412.64	
Net Decrease in Reserves during the year	(£686,968.13)	
Reserve Account on 31 March 2011		£1,444.51
Fund Account Balance on 31 March 2011		£330,121,373.03



C Victory
 Director, Gibraltar Savings Bank
 4th July 2011

SAVINGS BANK FUND
STATEMENT OF INVESTMENTS ON 31 MARCH 2011
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 11
INTERNATIONAL BK RECON & DEV FRN 19/01/16	£4,235,000.00	100.008 0.160	£4,235,322.11 £6,780.90	£4,242,103.01
CLYDESDALE BANK FRN 29/06/11	£7,000,000.00	99.875 0.005	£6,991,216.12 £351.44	£6,991,567.56
BANK OF SCOTLAND HBOS FLOAT 07/12/11	£2,000,000.00	99.603 0.056	£1,992,054.10 £1,126.03	£1,993,180.13
ROYAL BANK OF CANADA FRN 14/12/11	£5,000,000.00	99.721 0.040	£4,986,070.50 £2,018.76	£4,988,089.26
BNS FRN 21/12/11	£1,600,000.00	99.672 0.024	£1,594,745.42 £386.03	£1,595,131.45
CITIGROUP FRN 16/01/2012	£4,000,000.00	99.211 0.172	£3,968,453.80 £6,860.00	£3,975,313.80
KBC FRN 18/01/12	£5,000,000.00	99.661 0.167	£4,983,074.95 £8,334.25	£4,991,409.20
WELLS FARGO CO FRN 25/01/12	£4,000,000.00	99.604 0.154	£3,984,140.96 £6,148.32	£3,990,289.28
LLOYDS TSB FRN 26/01/12	£45,900,000.00	100.235 0.202	£46,007,802.58 £92,856.33	£46,100,658.91
LLOYDS TSB FRN 27/01/12	£30,000,000.00	100.317 0.203	£30,094,998.90 £60,842.47	£30,155,841.37
GE CAPITAL UK FRN 30/01/12	£6,400,000.00	99.461 0.142	£6,365,491.39 £9,071.50	£6,374,562.89
BARCLAYS FRN 13/02/12	£20,000,000.00	100.329 0.148	£20,065,720.00 £29,672.38	£20,095,392.38
ROYAL BANK OF SCOTLAND PLC FRN 23/02/12	£24,000,000.00	100.392 0.129	£24,094,134.72 £30,843.62	£24,124,978.34
TESCO PERSONAL FINANCE FRN 27/02/12	£6,000,000.00	100.412 0.111	£6,024,694.20 £6,637.40	£6,031,331.60
DEUTSCHE BANK FRN 26/04/12	£5,000,000.00	99.584 0.145	£4,979,217.75 £7,249.36	£4,986,467.11
Carried Forward	£170,135,000.00		£170,636,316.29	£170,636,316.29

SAVINGS BANK FUND**STATEMENT OF INVESTMENTS ON 31 MARCH 2011****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 11
Brought Forward	£170,135,000.00		£170,636,316.29	£170,636,316.29
JP MORGAN CHASE FRN 27/06/12	£6,000,000.00	99.232 0.008	£5,953,938.18 £451.85	£5,954,390.03
LLOYDS TSB BANK GBP CALL ACCOUNT	£8,353,249.54	100.000	£8,353,249.54	£8,353,249.54
CROWN AGENTS BANK	£1,077.04	100.000	£1,077.04	£1,077.04
BARCLAYS BANK PLC	£98,936,752.08	100.000	£98,936,752.08 £46,328.10	£98,983,080.18
NATIONAL WESTMINSTER OFFSHORE LTD	£34,405,292.56	100.000	£34,405,292.56 £52,594.52	£34,457,887.08
BANK OF ENGLAND	£11,733,810.31	100.000	£11,733,810.31 £1,562.56	£11,735,372.87
	£329,565,181.53		£330,121,373.03	£330,121,373.03