



## Gibraltar Audit Office

### Report of the Principal Auditor

on the Accounts of the  
Gibraltar Savings Bank  
for the financial year ended  
31 March 2014

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## **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 2014 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. These financial statements have been prepared using the cash receipts and disbursements basis of accounting.

#### **Respective responsibilities of the Director of the Gibraltar Savings Bank and the Principal 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. The policy is to prepare the financial statements on the cash receipts and disbursements basis. On this basis revenue is recognised when received rather than when earned, and expenses are recognised when paid rather than when incurred.

My responsibility is to audit, certify and report on the financial statements in accordance with the provisions of Section 12 of the Gibraltar Savings Bank Act. I have conducted my audit of 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.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Gibraltar Savings Bank Act and the financial

transactions recorded in the financial statements conform to the authorities that 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 recorded in the financial statements conform to the authorities that govern them.

### **Opinion on financial statements**

In my opinion, the financial statements properly present the revenue collected and expenses paid, the deposits and withdrawals, the investment adjustment and the reserve for the financial year ended 31 March 2014 and the assets and liabilities arising from cash transactions as at the end of that period in accordance with the cash receipts and disbursements basis of accounting.

### **Opinion on other matters**

In my opinion, the information given in the Report of the Director of the Gibraltar Savings Bank is consistent with the financial statements.

### **Matters for which I report by exception**

I have nothing to report in respect of the following matters, which I report to you if, in my opinion:

- I have not received all of the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of the audit; or
- proper books of account have not been kept by the Gibraltar Savings Bank, so far as appears from the examination of those books; or
- the Gibraltar Savings Bank has not discharged its financial duties and obligations in accordance with the provisions of the Gibraltar Savings Bank Act; or
- the financial statements are not in agreement with the accounting records.

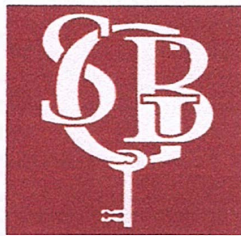
### **Report**

I have no observations to make on these financial statements.



J C Posso  
Principal Auditor  
27 August 2014

Gibraltar Audit Office  
Elmslie House  
51/53 Irish Town  
Gibraltar



GIBRALTAR SAVINGS BANK  
Annual Accounts

*For The Financial Year*

*Ended 31 March 2014*

*Treasury Department*

## **Gibraltar Savings Bank**

### **Director's Report on the Accounts for the Year Ended 31 March 2014**

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 2014 was £8.91 million, compared with a net income of £1.38 million during the previous year. There was a capital gain on the fund's investments of £0.04 million.

Crown Agents investment management charges totalled around £0.37 million (0.2% of the fund assets managed in UK).

The net increase in reserves during the year was £8.95 million. The end of year reserves stood at £11.11 million.

At the year-end, the deposits of the bank, excluding £1.55 million of accrued interest, stood at £856.31 million. The previous year-end figure totalled £597.69 million. Deposits as at 31 March 2014 were made up as follows:

	<u>Deposits</u>	<u>Previous</u>
	£'m	Year £'m
<u>Non-Government Deposits</u>		
Ordinary Deposits	72.2	56.1
On-Call Investment Accounts	36.0	1.3
Pensioners' Monthly Income Debentures	5.2	6.1
Monthly Income Debentures	19.0	13.3
Limited Issue of Fixed Term Monthly Income Debentures 31/12/13	0.0	4.2
Limited Issue of Fixed Term Monthly Income Debentures 31/12/15	33.1	29.0
3-Year Fixed Term Monthly Income Debentures	37.1	17.2
5-Year Fixed Term Monthly Income Debentures	275.4	172.3
10-Year Accumulator Bonds	7.7	7.7
10-Year Pensioner Accumulator Bonds	5.6	6.0
Children's Bond	0.4	0.0
Senior Citizens Debentures	5.5	0.0
Other Debentures (Special Issues)	2.4	2.4
Gibraltar Provident Trust Fund Bonds	8.9	8.5
Guaranteed Superannuation Fund Bond	51.6	44.3
	<hr/> 560.1	<hr/> 368.4
<u>Government Deposits</u>		
On-Call Investment Accounts	296.2	229.3
	<hr/> 856.3	<hr/> 597.7

The level of overall non-Government Deposits stood at £560.1 million. The increase of £191.7 million over the previous year is the result of the issue of Gibraltar Savings Bank debentures; an increase in Ordinary Deposits; an increase in the Guaranteed Superannuation Fund Bond; and monies deposited by Gibraltar Community Care in the On-Call Investment Accounts.

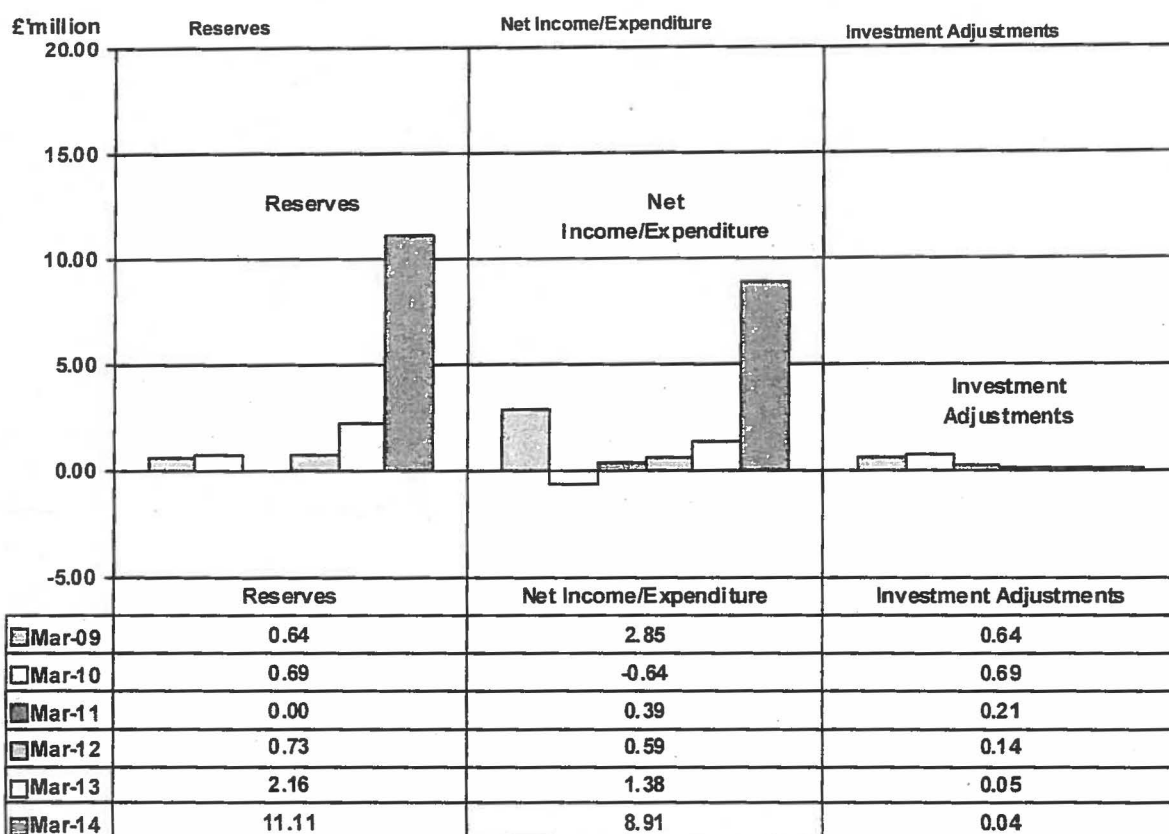
Government deposits in the Gibraltar Savings Bank were up by 29.2% reflecting an increase in the level of Government liquid reserves held by the bank.

The following is a summary of interest rates payable to depositors by the bank during the period April 2013 to March 2014:

Ordinary Deposits	2 per cent per annum
Pensioners' Monthly Income Debentures	2 per cent per annum
Monthly Income Debentures	2 per cent per annum
Limited Issue of Fixed Term Monthly Income Debentures 31/12/13	4 per cent per annum
Limited Issue of Fixed Term Monthly Income Debentures 31/12/15	5 per cent per annum
3-Year Fixed Term Monthly Income Debentures	3/3.5 per cent per annum
5-Year Fixed Term Monthly Income Debentures	5 per cent per annum
10-Year Monthly Income Senior Citizens Debentures	5 per cent per annum

Rates for the 10-Year Accumulator Bonds and the 10-Year Pensioner Accumulator Bonds are not shown in the above table as the rate depends on when the Bond was issued. The interest on these Bonds is 2% for the first year from the issue date and this rate increases by 1% per annum in each subsequent year to reach an interest rate of 11% payable in the tenth year that the investment is held. A Children's Bond Account was issued during the year paying interest at the rate of 5% per annum.

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



C Victory  
Accountant General and Director, Gibraltar Savings Bank  
19 August 2014

**SPECIAL FUNDS**  
**SAVINGS BANK FUND**  
**ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

**INCOME AND EXPENDITURE ACCOUNT**

**INCOME**

Return on Investments	£28,333,592.99
Miscellaneous Receipts	£373.00
	<u>£28,333,965.99</u>

**EXPENDITURE**

Interest Paid :		
Debentures	£14,576,568.10	
On-Call Investment Accounts	£318,279.06	
Ordinary Deposits	£1,222,637.19	
Bonds	£2,458,414.85	
Miscellaneous Expenses	<u>£470,575.79</u>	
	£19,046,474.99	
Management and Other Charges	<u>£376,761.39</u>	
		(£19,423,236.38)
Net Income transferred to Reserve Account		<u>£8,910,729.61</u>

**DEPOSITS AND WITHDRAWALS ACCOUNT**

**INCREASE IN DEPOSITS**

Debentures	£133,286,764.08	
Ordinary Deposits	£15,993,859.58	
Bonds	£7,697,710.02	
On-Call Investment Accounts	<u>£101,639,876.36</u>	
		£258,618,210.04

**DECREASE IN DEPOSITS**

	(£0.00)
Net Increase in Deposits during the year	<u>£258,618,210.04</u>

**INVESTMENT ADJUSTMENT ACCOUNT**

**INCREASE IN INVESTMENTS**

Net Capital Gain on Investments	£38,840.45
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**DECREASE IN INVESTMENTS**

	(£0.00)
Net Increase in Investments transferred to Reserve Account	<u>£38,840.45</u>

**RESERVE ACCOUNT**

**INCREASE IN RESERVES**

Net Income transferred from Income and Expenditure Account	£8,910,729.61
Net Increase in Investments transferred from Investment Adjustment Account	£38,840.45
	<u>£8,949,570.06</u>

**DECREASE IN INVESTMENTS**

Transfer of Surplus to Consolidated Fund	(£0.00)
Net Increase in Reserves during the year	<u>£8,949,570.06</u>

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

**BALANCE SHEET AS AT 31 MARCH 2014**

**ASSETS**

Investments on 1 April 2013	£600,873,713.43
Net Purchase of Investments during the year	£266,056,380.80
	£866,930,094.23
Net Increase in Investments as per Investment Adjustment Account	£38,840.45
Investments on 31 March 2014	£866,968,934.68
Cash in Hand	£2,000,000.00
	<u>£868,968,934.68</u>

**FINANCED BY**

**Debentures**

Deposits on 1 April 2013	£244,403,450.68	
Accrued Interest on 1 April 2013	£940,482.03	
Net Increase in Deposits	£133,286,764.08	
Increase in Accrued Interest during the year	£523,709.39	
Deposits on 31 March 2014		£379,154,406.18

**On Call Investment Accounts**

Deposits on 1 April 2013	£230,585,266.86	
Net Increase in Deposits during the year	£101,639,876.36	
Deposits on 31 March 2014		£332,225,143.22

**Ordinary Deposits**

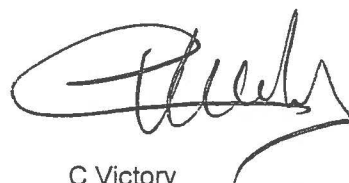
Deposits on 1 April 2013	£56,168,461.77	
Net Increase in Deposits during the year	£15,993,859.58	
Deposits on 31 March 2014		£72,162,321.35

**Bonds**

Deposits on 1 April 2013	£66,533,400.03	
Accrued Interest on 1 April 2013	£80,915.87	
Net Increase in Deposits during the year	£7,697,710.02	
Increase in Accrued Interest during the year	£3,731.76	
Deposits on 31 March 2014		£74,315,757.68
Total Deposits on 31 March 2014		£857,857,628.43

**Reserve Account**

Reserve Account on 1 April 2013	£2,161,736.19	
Net Increase in Reserves during the year	£8,949,570.06	
Reserve Account on 31 March 2014		£11,111,306.25
Fund Account Balance on 31 March 2014		<u>£868,968,934.68</u>



C Victory  
Director, Gibraltar Savings Bank  
30th July 2014

**SAVINGS BANK FUND**  
**STATEMENT OF INVESTMENTS ON 31 MARCH 2014**  
**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 14
EIB FLOATING RATE NOTE 22/02/17	£20,000,000.00	100.399 0.069	£20,079,777.20 £13,844.27	£20,093,621.47
EIB FLOATING RATE NOTE 19/02/15	£20,000,000.00	100.008 0.068	£20,001,683.20 £13,634.19	£20,015,317.39
EIB FLOATING RATE NOTE 05/01/16	£25,000,000.00	99.963 0.136	£24,990,731.00 £34,089.04	£25,024,820.04
INTERNATIONAL BK RECON & DEV FRN 19/01/16	£4,235,000.00	100.003 0.108	£4,235,125.10 £4,560.88	£4,239,685.98
DEXIA CREDIT LOCAL FRN 01/04/14	£12,000,000.00	99.979 0.223	£11,997,454.32 £26,761.64	£12,024,215.96
FMS WERTMANAGEMENT FRN 16/06/14	£10,000,000.00	100.024 0.029	£10,002,404.80 £2,879.13	£10,005,283.93
CAISSE D'AMORT DETTE SOC FRN 30/06/14	£10,000,000.00	100.000	£10,000,000.00	£10,000,000.00
KFW FRN 09/03/15	£17,000,000.00	99.951 0.036	£16,991,726.78 £6,073.30	£16,997,800.08
REPUBLIC OF FINLAND FRN 25/2/16	£5,000,000.00	100.449 0.053	£5,022,446.15 £2,670.82	£5,025,116.97
GOVERNMENT OF GIBRALTAR - CAPITAL BONDS	£100,000,000.00	100.000 4.171	£100,000,000.00 £4,171,270.72	£104,171,270.72
BANK OF ENGLAND	£22,348,030.06	100.000	£22,348,030.06 £918.41	£22,348,948.47
CREDIT FINANCE COMPANY LTD REDEEMABLE PREFERENCE SHARES	£400,000,000.00	100.000	£400,000,000.00	£400,000,000.00
ROYAL BANK OF SCOTLAND GBP CALL A/C	£1,843,702.52	100.000	£1,843,702.52	£1,843,702.52
LLOYDS BANK GBP CALL A/C	£36,004,493.20	100.000	£36,004,493.20	£36,004,493.20
CROWN AGENTS BANK	£164.56	100.000	£164.56	£164.56
BARCLAYS BANK PLC	£126,101,321.41	100.000 0.080	£126,101,321.41 £100,835.38	£126,202,156.79
NATIONAL WESTMINSTER OFFSHORE LTD	£32,959,889.24	100.000 0.001	£32,959,889.24 £222.52	£32,960,111.76
JYSKE BANK	£20,000,000.00	100.000 0.061	£20,000,000.00 £12,224.84	£20,012,224.84
	£862,492,600.99		£866,968,934.68	£866,968,934.68