



## Gibraltar Audit Office

### Report of the Principal Auditor

on the Accounts of the  
Gibraltar Savings Bank  
for the financial year ended  
31 March 2015



## **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 2015 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, the Statement of Investments and the related notes. These financial statements have been prepared using the cash receipts and disbursements basis of accounting, as modified by the accounting policies set out within them.

### **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, as modified by the accounting policies set out within them. On the cash 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 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 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 2015 and the assets and liabilities as at the end of that period.

#### **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.

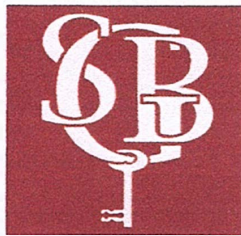
#### **Report**

I have no observations to make on these financial statements.



J C Posso  
Principal Auditor  
28 August 2015

Gibraltar Audit Office  
Elmslie House  
51/53 Irish Town  
Gibraltar



GIBRALTAR SAVINGS BANK  
Annual Accounts

*For The Financial Year*

*Ended 31 March 2015*

*Treasury Department*

## Gibraltar Savings Bank

### Director's Report on the Accounts for the Year Ended 31 March 2015

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 2015 was £7.89 million, compared with a net income of £8.91 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 £0.39 million (0.2% of the fund assets managed in UK).

The net increase in reserves during the year was £7.93 million. The end of year reserves stood at £19.04 million.

At the year-end, the deposits of the bank, excluding £2.62 million of accrued interest, stood at £970.95 million. The previous year-end figure totalled £856.31 million. Deposits as at 31 March 2015 were made up as follows:

	<u>Deposits</u>	<u>Previous</u>
	<u>£'m</u>	<u>Year</u>
<u>Non-Government Deposits</u>		<u>£'m</u>
Ordinary Deposits	85.9	72.2
On-Call Investment Accounts	30.5	36.0
Pensioners' Monthly Income Debentures	4.6	5.2
Special Issue of Pensioners' Monthly Income Debentures 01/09/17	57.3	0.0
Monthly Income Debentures	24.8	19.0
Limited Issue of Fixed Term Monthly Income Debentures 31/12/15	32.7	33.1
Special Issue of Fixed Term Monthly Income Debentures 28/02/17	47.2	0.0
Special Issue of Monthly Income Debentures	2.8	0.0
3-Year Fixed Term Monthly Income Debentures	45.9	37.1
5-Year Fixed Term Monthly Income Debentures	413.7	275.4
10-Year Accumulator Bonds	5.5	7.7
10-Year Pensioner Accumulator Bonds	5.4	5.6
Children's Bond	1.1	0.4
Senior Citizens' Debentures	18.8	5.5
Other Debentures (Special Issues)	0.1	2.4
Gibraltar Provident Trust Fund Bonds	9.0	8.9
Guaranteed Superannuation Fund Bond	49.0	51.6
	<u>834.3</u>	<u>560.1</u>
<u>Government Deposits</u>		
On-Call Investment Accounts	136.6	296.2
	<u>970.9</u>	<u>856.3</u>

The level of overall non-Government Deposits stood at £834.3 million. The increase of £274.2 million over the previous year is mainly the result of the issue of Gibraltar Savings Bank debentures, including the replacement debentures for Government of Gibraltar debentures that were redeemed early; and an increase in Ordinary Deposits.

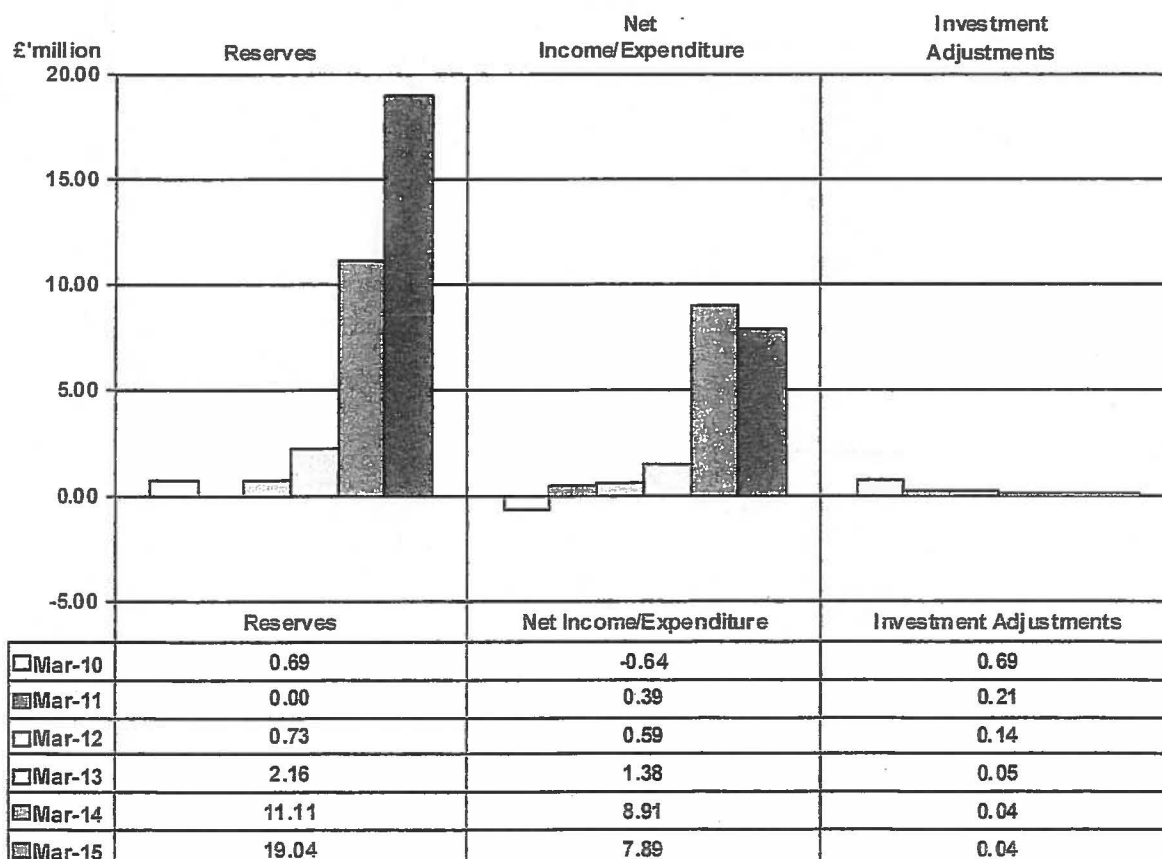
Government deposits in the Gibraltar Savings Bank were down by 53.9% reflecting a decrease in the level of Government liquid reserves held by the bank.

The following is a summary of interest rates payable to depositors by the bank during the period April 2014 to March 2015:

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 31/12/15	5 per cent per annum
Special Issue of Fixed Term Monthly Income Debentures 28/02/17	5 per cent per annum
Special Issue of Pensioners' Monthly Income Debentures 01/09/17	3.5 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
Children's Bond	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.

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



G Lima

Accountant General and Director, Gibraltar Savings Bank (Ag)  
26<sup>th</sup> August 2015

**SPECIAL FUNDS**  
**SAVINGS BANK FUND**  
**ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

**INCOME AND EXPENDITURE ACCOUNT**

**INCOME**

Return on Investments	£37,231,092.65
Miscellaneous Receipts	£5,639.02
	<u>£37,236,731.67</u>

**EXPENDITURE**

Interest Paid :	
Debentures	£22,685,709.61
On-Call Investment Accounts	£189,536.62
Ordinary Deposits	£1,535,127.32
Bonds	<u>£3,745,926.05</u>
	£28,156,299.60
New Banking Platform Costs and Annual Licence Fees	£540,563.35
Expansion Costs	£183,443.74
Miscellaneous Expenses	£82,691.87
Management and Other Charges	<u>£386,022.56</u>
	(£29,349,021.12)
Net Income transferred to Reserve Account	<u><u>£7,887,710.55</u></u>

**DEPOSITS AND WITHDRAWALS ACCOUNT**

**INCREASE IN DEPOSITS**

Debentures	£270,259,496.71
Ordinary Deposits	<u>£13,722,067.24</u>
	£283,981,563.95

**DECREASE IN DEPOSITS**

Bonds	(£4,264,050.09)
On-Call Investment Accounts	<u>(£165,076,906.67)</u>
	(£169,340,956.76)
Net Increase in Deposits during the year	<u><u>£114,640,607.19</u></u>

**INVESTMENT ADJUSTMENT ACCOUNT**

**INCREASE IN INVESTMENTS**

Net Capital Gain on Investments	£43,831.07
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**DECREASE IN INVESTMENTS**

	(£0.00)
Net Increase in Investments transferred to Reserve Account	<u><u>£43,831.07</u></u>

**RESERVE ACCOUNT**

**INCREASE IN RESERVES**

Net Income transferred from Income and Expenditure Account	£7,887,710.55
Net Increase in Investments transferred from Investment Adjustment Account	<u>£43,831.07</u>
	£7,931,541.62

**DECREASE IN INVESTMENTS**

Transfer of Surplus to Consolidated Fund	(£0.00)
Net Increase in Reserves during the year	<u><u>£7,931,541.62</u></u>

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

**BALANCE SHEET AS AT 31 MARCH 2015**

**ASSETS**

Investments on 1 April 2014	£866,968,934.68
Net Purchase of Investments during the year	£119,602,146.96
	£986,571,081.64
Net Increase in Investments as per Investment Adjustment Account	£43,831.07
Investments on 31 March 2015	£986,614,912.71
Cash in Hand	£6,000,000.00
	£992,614,912.71

**FINANCED BY**

**Debentures**

Deposits on 1 April 2014	£377,690,214.76	
Accrued Interest on 1 April 2014	£1,464,191.42	
Net Increase in Deposits	£270,259,496.71	
Increase in Accrued Interest during the year	£1,045,262.34	
Deposits on 31 March 2015		£650,459,165.23

**On Call Investment Accounts**

Deposits on 1 April 2014	£332,225,143.22	
Net Decrease in Deposits during the year	(£165,076,906.67)	
Deposits on 31 March 2015		£167,148,236.55

**Ordinary Deposits**

Deposits on 1 April 2014	£72,162,321.35	
Net Increase in Deposits during the year	£13,722,067.24	
Deposits on 31 March 2015		£85,884,388.59

**Bonds**

Deposits on 1 April 2014	£74,231,110.05	
Accrued Interest on 1 April 2014	£84,647.63	
Net Decrease in Deposits during the year	(£4,264,050.09)	
Increase in Accrued Interest during the year	£28,566.88	
Deposits on 31 March 2015		£70,080,274.47
Total Deposits on 31 March 2015		£973,572,064.84

**Reserve Account**

Reserve Account on 1 April 2014	£11,111,306.25	
Net Increase in Reserves during the year	£7,931,541.62	
Reserve Account on 31 March 2015		£19,042,847.87
Fund Account Balance on 31 March 2015		£992,614,912.71



G Lima  
Director, Gibraltar Savings Bank (Ag)  
26th August 2015



## SAVINGS BANK FUND

## STATEMENT OF INVESTMENTS ON 31 MARCH 2015

DESCRIPTION OF STOCK	NOMINAL VALUE	PRICE / ACCRUED INTEREST %	VALUE / ACCRUED INTEREST	TOTAL VALUE ON 31/03/2015
EIB FLOATING RATE NOTE 05/01/16	£20,000,000.00	99.983 0.147	£19,996,591.60 £29,499.89	£20,026,091.49
INTERNATIONAL BK RECON & DEV FRN 19/01/16	£2,000,000.00	100.001 0.118	£2,000,026.94 £2,351.46	£2,002,378.40
NEDER WATERSCHAPSBANK FRN 09/04/18	£12,200,000.00	100.000 0.164	£12,200,000.00 £20,033.12	£12,220,033.12
REPUBLIC OF FINLAND FRN 25/02/16	£5,000,000.00	100.022 0.057	£5,001,077.35 £2,862.66	£5,003,940.01
VOLKSWAGEN FIN SERV NV FRN 12/10/15	£5,000,000.00	99.996 0.184	£4,999,807.10 £9,195.02	£5,009,002.12
DEXIA CREDIT LOCAL FRN 15/04/16	£4,000,000.00	100.018 0.162	£4,000,717.84 £6,495.21	£4,007,213.05
GE CAPITAL UK FUNDING FRN 20/03/17	£2,000,000.00	99.793 0.022	£1,995,866.84 £431.53	£1,996,298.37
WESTPAC SECURITIES NZ LT FRN 02/10/17	£5,000,000.00	100.000 0.238	£5,000,000.00 £11,916.07	£5,011,916.07
AUST & NZ BANKING GROUP FRN 04/02/16	£5,000,000.00	100.161 0.126	£5,008,071.85 £6,283.56	£5,014,355.41
ASB FINANCE LTD LONDON FRN 13/03/17	£5,000,000.00	100.244 0.056	£5,012,178.35 £2,815.42	£5,014,993.77
ROYAL BANK OF CANADA FRN 04/06/19	£5,000,000.00	100.077 0.071	£5,003,874.20 £3,563.19	£5,007,437.39
BMW FINANCE NV 1.75% 20/11/17	£5,000,000.00	101.930 0.628	£5,096,500.00 £31,404.11	£5,127,904.11
LVMH MOET HENNESSY VUITT 1.625% 20/12/17	£5,000,000.00	101.780 0.450	£5,089,000.00 £22,482.88	£5,111,482.88
KFW 5.5% 07/12/15	£5,000,000.00	103.507 1.726	£5,175,343.65 £86,319.44	£5,261,663.09
SUNCORP-METWAY LTD FRN 06/10/17	£5,000,000.00	100.126 0.268	£5,006,313.70 £13,397.54	£5,019,711.24
CANADIAN IMPERIAL BANK FRN 15/01/18	£5,000,000.00	100.000 0.154	£5,000,000.00 £7,702.29	£5,007,702.29
THAMES WATER UTIL FIN 4.9% 30/06/15	£1,600,000.00	101.065 1.225	£1,617,033.70 £19,600.00	£1,636,633.70
Carried forward	£96,800,000.00		£97,478,756.51	£97,478,756.51

## SAVINGS BANK FUND

## STATEMENT OF INVESTMENTS ON 31 MARCH 2015

DESCRIPTION OF STOCK	NOMINAL VALUE	PRICE / ACCRUED INTEREST %	VALUE / ACCRUED INTEREST	TOTAL VALUE ON 31/03/2015
Brought forward	£96,800,000.00		£97,478,756.51	£97,478,756.51
LLOYDS 5.5% 25/09/16	£3,000,000.00	106.600 0.090	£3,198,000.00 £2,712.33	£3,200,712.33
SCOTTISH & SOUTHERN ENERGY 5% 01/10/18	£4,000,000.00	112.700 2.479	£4,508,000.00 £99,178.08	£4,607,178.08
EIB FLOATING RATE NOTE 22/02/17 (1)	£10,000,000.00	100.284 0.075	£10,028,389.10 £7,541.56	£10,035,930.66
PRUDENTIAL PLC 1.375% 19/01/18 (1)	£7,000,000.00	100.143 0.267	£7,010,010.00 £18,722.60	£7,028,732.60
ABN AMRO BANK NV 2.5% 18/12/18 (1)	£7,000,000.00	103.337 0.705	£7,233,590.00 £49,383.56	£7,282,973.56
JP MORGAN CHASE & CO 1.875% 10/02/20 (1)	£4,000,000.00	100.289 0.252	£4,011,560.00 £10,068.49	£4,021,628.49
VOLKSWAGEN FIN SERV NV 1.25% 15/12/16 (1)	£5,000,000.00	100.788 0.364	£5,039,400.00 £18,200.55	£5,057,600.55
STERLING FUTURE SETTLEMENTS ACCOUNT (1)	(£3,136,746.39)	100.000	(£3,136,746.39)	(£3,136,746.39)
GOVERNMENT OF GIBRALTAR MONTHLY INCOME DEBENTURES ISSUED ON 1 OCTOBER 2014	£147,700,000.00	100.000 0.510	£147,700,000.00 £752,663.01	£148,452,663.01
GOVERNMENT OF GIBRALTAR DEBENTURES ISSUED ON 1 SEPTEMBER 2014	£100,000,000.00	100.000 2.992	£100,000,000.00 £2,991,780.81	£102,991,780.81
BANK OF ENGLAND	£22,417,050.25	100.000 0.028	£22,417,050.25 £6,301.34	£22,423,351.59
CREDIT FINANCE COMPANY LTD REDEEMABLE PREFERENCE SHARES	£400,000,000.00	100.000	£400,000,000.00	£400,000,000.00
GSBA LTD - ORDINARY SHARES	£11,000,000.00	100.000	£11,000,000.00	£11,000,000.00
GIBTELECOM - ORDINARY SHARES (2)	£7,500.00	5039.853	£37,798,895.33	£37,798,895.33
ROYAL BANK OF SCOTLAND GBP CALL A/C	£3,396,878.69	100.000	£3,396,878.69	£3,396,878.69
LLOYDS BANK GBP CALL A/C	£2,409,781.09	100.000	£2,409,781.09	£2,409,781.09
BARCLAYS BANK PLC	£77,795,688.17	100.000 0.062	£77,795,688.17 £48,062.64	£77,843,750.81
NATIONAL WESTMINSTER OFFSHORE LTD	£23,355,096.94	100.000 0.001	£23,355,096.94 £152.59	£23,355,249.53
JYSKE BANK	£21,349,984.42	100.000 0.074	£21,349,984.42 £15,811.04	£21,365,795.46
	£943,095,233.17		£986,614,912.71	£986,614,912.71

## Notes:

(1) The sterling future settlements account reflects a trade transacted in March 2015 with settlement in April 2015

(2) The Savings Bank Fund holds the beneficial interest in 7,500 Class 'B' Ordinary Shares of £1 each in Gibtelecom Ltd, with the legal interest in these shares being held by HM Government of Gibraltar.

## Notes to the Accounts

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### 1. Principal Accounting Policies

#### Basis of Accounting

These financial statements have been prepared on a 'cash basis', in line with the standards for the preparation of the public accounts of Gibraltar, except for the accounting policies shown hereunder:

#### Return on Investments

Interest earned on investments and interest payable is accounted for on an accrual basis.

#### Investments

Investments in bonds and other securities managed by the Crown Agents, where the policy is to hold these to maturity, are valued on an amortised cost basis.

Shares are valued at fair value or cost.

Government debentures are valued at cost plus accrued interest.