



## Gibraltar Audit Office

### Report of the Principal Auditor

on the Accounts of the  
Gibraltar Savings Bank  
for the financial year ended  
31 March 2016



## **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 2016 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 2016 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.

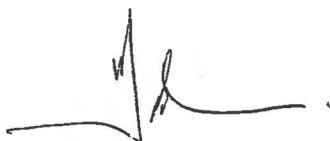
### **Matters for which I report by exception**

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.

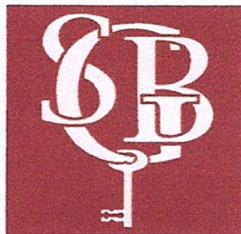
### **Report**

I have no observations to make on these financial statements.



J C Posso  
Principal Auditor  
31 August 2016

Gibraltar Audit Office  
Elmslie House  
51/53 Irish Town  
Gibraltar



**GIBRALTAR SAVINGS BANK**  
**Annual Accounts**

*For The Financial Year*

*Ended 31 March 2016*

*Treasury Department*

## Gibraltar Savings Bank

### Director's Report on the Accounts for the Year Ended 31 March 2016

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 2016 was £6.76 million, compared with a net income of £7.89 million during the previous year. There was a net capital gain on the fund's investments of £0.03 million.

Crown Agents investment management charges totalled around £0.34 million (0.2% of the fund assets managed in UK).

The net increase in reserves during the year was £6.79 million. The end of year reserves stood at £25.83 million.

At the year-end, the deposits of the bank, excluding £3.10 million of accrued interest, stood at £987.10 million. The previous year-end figure totalled £970.95 million. Deposits as at 31 March 2016 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	85.1	85.9
On-Call Investment Accounts	4.7	30.5
Pensioners' Monthly Income Debentures	10.0	4.6
Special Issue of Pensioners' Monthly Income Debentures 01/09/17	56.9	57.3
Monthly Income Debentures	27.9	24.8
Limited Issue of Fixed Term Monthly Income Debentures 31/12/15	0.0	32.7
Special Issue of Fixed Term Monthly Income Debentures 28/02/17	47.3	47.2
Special Issue of Monthly Income Debentures	2.8	2.8
3-Year Fixed Term Monthly Income Debentures	38.7	45.9
5-Year Fixed Term Monthly Income Debentures	543.7	413.7
10-Year Accumulator Bonds	5.5	5.5
10-Year Pensioner Accumulator Bonds	5.4	5.4
Children's Bond	1.9	1.1
Senior Citizens' Debentures	35.5	18.8
Other Debentures (Special Issues)	0.1	0.1
Gibraltar Provident Trust Fund Bonds	8.4	9.0
Guaranteed Superannuation Fund Bond	35.6	49.0
	<u>909.5</u>	<u>834.3</u>
<u>Government Deposits</u>		
On-Call Investment Accounts	<u>77.6</u>	<u>136.6</u>
	<u>987.1</u>	<u>970.9</u>

The level of overall non-Government Deposits stood at £909.5 million. The increase of £75.2 million over the previous year is mainly the result of the issue of Gibraltar Savings Bank debentures.

Government deposits in the Gibraltar Savings Bank were down by 43.2% reflecting a decrease in the level of Government liquid reserves held by the bank.

The Gibraltar Savings Bank reviewed its interest rates on Debentures and Ordinary Deposits on the 1<sup>st</sup> June 2015.

Rates for Debentures available for resident pensioners aged 60 or over remained at the same levels which are:-

Pensioners' Monthly Income Debentures	2% per annum
3-Year Fixed Term Pensioners' Monthly Income Debentures	3% per annum
5-Year Fixed Term Pensioners' Monthly Income Debentures	5% per annum

Other rates were reduced as follows:-

Ordinary Deposits	from 2% to 1% per annum
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3-Year Fixed Term Monthly Income Debentures  
5-Year Fixed Term Monthly Income Debentures

from 3% to 2.5% per annum  
from 5% to 4% per annum

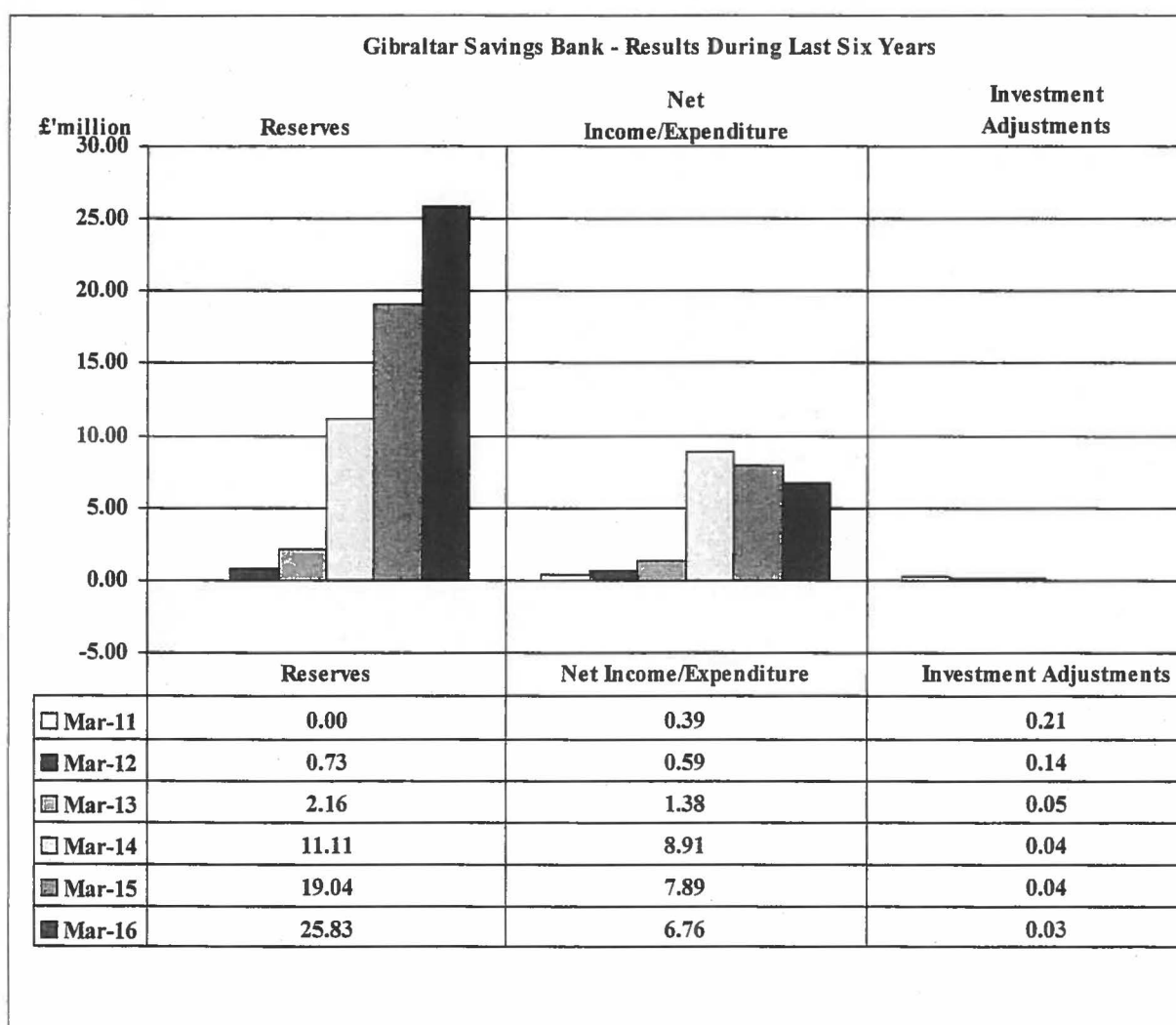
With effect from the 1<sup>st</sup> June 2015, Monthly Income Debentures were issued at the rate of 1.5% per annum. Monthly Income Debentures issued prior to this date retained their 2% rate.

The interest on other Debenture issues remained the same:-

Limited Issue of Fixed Term Monthly Income Debentures 31/12/15	5% per annum
Special Issue of Fixed Term Monthly Income Debentures 28/02/17	5% per annum
Special Issue of Pensioners' Monthly Income Debentures 01/09/17	3.5% per annum
10-Year Monthly Income Senior Citizens Debentures	5% per annum

The Children's Bond paid interest at the rate of 5% per annum during the period April 2015 to March 2016.

Rates for the 10-Year Accumulator Bonds and the 10-Year Pensioner Accumulator Bonds depend 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.



C Victory  
Accountant General and Director, Gibraltar Savings Bank  
31<sup>st</sup> August 2016

**SPECIAL FUNDS**  
**SAVINGS BANK FUND**  
**ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**INCOME AND EXPENDITURE ACCOUNT**

**INCOME**

Return on Investments	£44,728,568.19
Miscellaneous Receipts	£2,519.98
	<hr/> £44,731,088.17

**EXPENDITURE**

Interest Paid :	
Debentures	£33,082,666.85
On-Call Investment Accounts	£189,617.13
Ordinary Deposits	£950,824.54
Bonds	£2,705,825.61
	<hr/> £36,928,934.13
New Banking Platform Costs and Annual Licence Fees	£572,920.10
Expansion Costs	£118,853.00
Miscellaneous Expenses	£13,147.13
Management and Other Charges	£341,985.64
	<hr/> (£37,975,840.00)
Net Income transferred to Reserve Account	<hr/> £6,755,248.17

**DEPOSITS AND WITHDRAWALS ACCOUNT**

**INCREASE IN DEPOSITS**

Debentures	£114,976,918.82
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**DECREASE IN DEPOSITS**

Ordinary Deposits	(£794,653.71)
Bonds	(£13,179,125.19)
On-Call Investment Accounts	(£84,854,555.84)
	<hr/> (£98,828,334.74)
Net Increase in Deposits during the year	<hr/> £16,148,584.08

**INVESTMENT ADJUSTMENT ACCOUNT**

**INCREASE IN INVESTMENTS**

Net Capital Gain on Investments	£32,865.60
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**DECREASE IN INVESTMENTS**

Net Increase in Investments transferred to Reserve Account	<hr/> (£0.00)
	<hr/> £32,865.60

**RESERVE ACCOUNT**

**INCREASE IN RESERVES**

Net Income transferred from Income and Expenditure Account	£6,755,248.17
Net Increase in Investments transferred from Investment Adjustment Account	£32,865.60
	<hr/> £6,788,113.77

**DECREASE IN INVESTMENTS**

Transfer of Surplus to Consolidated Fund	(£0.00)
Net Increase in Reserves during the year	<hr/> £6,788,113.77

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

**BALANCE SHEET AS AT 31 MARCH 2016**

**ASSETS**

Investments on 1 April 2015	£986,614,912.71	
Net Purchase of Investments during the year	£20,239,875.45	
	<u>£1,006,854,788.16</u>	
Net Increase in Investments as per Investment Adjustment Account	£32,865.60	
Investments on 31 March 2016	£1,006,887,653.76	
Cash in Hand	£9,142,000.00	
	<u>£1,016,029,653.76</u>	

**FINANCED BY**

**Debentures**

Deposits on 1 April 2015	£647,949,711.47	
Accrued Interest on 1 April 2015	£2,509,453.76	
Net Increase in Deposits	£114,976,918.82	
Increase in Accrued Interest during the year	<u>£447,549.93</u>	
Deposits on 31 March 2016		£765,883,633.98

**On Call Investment Accounts**

Deposits on 1 April 2015	£167,148,236.55	
Net Decrease in Deposits during the year	<u>(£84,854,555.84)</u>	
Deposits on 31 March 2016		£82,293,680.71

**Ordinary Deposits**

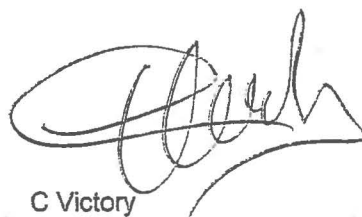
Deposits on 1 April 2015	£85,884,388.59	
Net Decrease in Deposits during the year	<u>(£794,653.71)</u>	
Deposits on 31 March 2016		£85,089,734.88

**Bonds**

Deposits on 1 April 2015	£69,967,059.96	
Accrued Interest on 1 April 2015	£113,214.51	
Net Decrease in Deposits during the year	<u>(£13,179,125.19)</u>	
Increase in Accrued Interest during the year	£30,493.27	
Deposits on 31 March 2016	<u>£56,931,642.55</u>	
Total Deposits on 31 March 2016		£990,198,692.12

**Reserve Account**

Reserve Account on 1 April 2015	£19,042,847.87	
Net Increase in Reserves during the year	<u>£6,788,113.77</u>	
Reserve Account on 31 March 2016		£25,830,961.64
Fund Account Balance on 31 March 2016		<u>£1,016,029,653.76</u>



C Victory  
Director, Gibraltar Savings Bank  
31st August 2016



**SAVINGS BANK FUND****STATEMENT OF INVESTMENTS ON 31 MARCH 2016**

DESCRIPTION OF STOCK	NOMINAL VALUE	PRICE / ACCRUED INTEREST %	VALUE / ACCRUED INTEREST	TOTAL VALUE ON 31/03/2016
EIB FLOATING RATE NOTE 22/02/17	£5,000,000.00	100.192 0.082	£5,009,583.34 £4,112.33	£5,013,695.67
SUNCORP-METWAY LTD FRN 06/10/17	£5,000,000.00	100.076 0.277	£5,003,804.43 £13,856.16	£5,017,660.59
DEXIA CREDIT LOCAL FRN 15/04/16	£1,000,000.00	100.000 0.171	£1,000,000.00 £1,706.11	£1,001,706.11
GE CAPITAL UK FUNDING FRN 20/03/17	£2,000,000.00	99.899 0.020	£1,997,973.75 £404.62	£1,998,378.37
CANADIAN IMPERIAL BANK FRN 15/01/18	£5,000,000.00	100.000 0.163	£5,000,000.00 £8,127.11	£5,008,127.11
ABS FINANCE LTD LONDON FRN 01/05/18	£5,000,000.00	100.000 0.173	£5,000,000.00 £8,670.21	£5,008,670.21
ROYAL BANK OF CANADA FRN 04/06/19	£5,000,000.00	100.059 0.073	£5,002,948.34 £3,655.87	£5,006,604.21
EUROPEAN INVESTMENT BANK FRN 16/04/19	£5,000,000.00	100.127 0.168	£5,006,368.17 £8,393.80	£5,014,761.97
BMW FINANCE NV 1.75% 20/11/17	£5,000,000.00	101.197 0.631	£5,059,865.14 £31,557.38	£5,091,422.52
COMMONWEALTH BANK AUSTRALIA FRN 26/10/18	£5,000,000.00	100.094 0.226	£5,004,685.63 £11,304.15	£5,015,989.78
LVMH MOET HENNESSY VUITT 1.625% 20/12/17	£5,000,000.00	101.125 0.453	£5,056,229.39 £22,643.44	£5,078,872.83
PRUDENTIAL PLC 1.375% 19/01/18	£7,000,000.00	100.092 0.270	£7,006,432.24 £18,934.43	£7,025,366.67
KFW 2% 06/12/18	£3,000,000.00	102.477 0.634	£3,074,301.71 £19,016.39	£3,093,318.10
ABN AMRO BANK NV 2.5% 18/12/18	£7,000,000.00	102.424 0.710	£7,169,645.36 £49,726.78	£7,219,372.14
ABBAY NATL TREASURY SERV 1.875% 17/02/20 (1)	£4,000,000.00	99.690 0.220	£3,987,608.74 £8,811.48	£3,996,420.22
VOLKSWAGEN FIN SERV NV 1.25% 15/12/16	£5,000,000.00	100.326 0.365	£5,016,290.36 £18,271.86	£5,034,562.22
SCOTLAND GAS NETWORK PLC 4.75% 21/02/17	£1,991,000.00	103.131 0.506	£2,053,337.43 £10,077.40	£2,063,414.83
TORONTO-DOMINION BANK FRN 01/02/19	£5,000,000.00	100.104 0.167	£5,005,189.72 £8,362.13	£5,013,551.85
Carried forward	£80,991,000.00		£81,701,895.40	£81,701,895.40

**SAVINGS BANK FUND**  
**STATEMENT OF INVESTMENTS ON 31 MARCH 2016**

DESCRIPTION OF STOCK	NOMINAL VALUE	PRICE / ACCRUED INTEREST %	VALUE / ACCRUED INTEREST	TOTAL VALUE ON 31/03/2016
Brought forward	£80,991,000.00		£81,701,895.40	£81,701,895.40
CANADIAN IMPERIAL BANK FRN 11/03/19	£2,000,000.00	100.049 0.061	£2,000,980.84 £1,217.13	£2,002,197.97
SCOTTISH & SOUTHERN ENERGY 5% 01/10/18	£4,000,000.00	109.066 2.486	£4,362,630.18 £99,453.55	£4,462,083.73
STERLING FUTURE SETTLEMENTS ACCOUNT (1)	£23,834.43	100.000	£23,834.43	£23,834.43
ROYAL BANK OF SCOTLAND GBP CALL A/C	£412,133.53	100.000	£412,133.53	£412,133.53
BANK OF NEW YORK GBP A/C	£442,202.83	100.000	£442,202.83	£442,202.83
LLOYDS BANK GBP CALL A/C	£3,683,673.05	100.000	£3,683,673.05	£3,683,673.05
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 3.008	£100,000,000.00 £3,008,219.18	£103,008,219.18
CREDIT FINANCE COMPANY LTD REDEEMABLE PREFERENCE SHARES	£400,000,000.00	100.000	£400,000,000.00	£400,000,000.00
VISA - SHAREHOLDING (2)	£7.92	80161.354	£634,877.92	£634,877.92
GSBA LTD - ORDINARY SHARES	£11,000,000.00	100.000	£11,000,000.00	£11,000,000.00
GIBTELECOM LTD - ORDINARY SHARES (3)	£15,000.00	5039.853	£75,597,790.66	£75,597,790.66
BANK OF ENGLAND	£10,480,550.03	100.000 0.001	£10,480,550.03 £106.24	£10,480,656.27
BARCLAYS BANK PLC	£53,094,496.81	100.000 0.063	£53,094,496.81 £33,405.81	£53,127,902.62
NATIONAL WESTMINSTER OFFSHORE LTD	£66,231,591.91	100.000 0.001	£66,231,591.91 £448.51	£66,232,040.42
JYSKE BANK	£10,577,026.02	100.000 0.090	£10,577,026.02 £9,516.39	£10,586,542.41
GIBRALTAR INTERNATIONAL BANK	£35,020,070.48	100.000 0.054	£35,020,070.48 £18,869.85	£35,038,940.33
	£925,671,587.01		£1,006,887,653.76	£1,006,887,653.76

**Notes:**

(1) The sterling future settlements account reflects the following trades transacted in March 2016 with settlement in April 2016:

J P Morgan Chase & Co. 1.875% 10/02/20  
Abbey Natl Treasury Serv 1.875% 17/02/20

(2) Upon becoming a member of Visa Europe Ltd, the Savings Bank received 1 Redeemable Ordinary Share of €10. As a result of the sale of Visa Europe Ltd to Visa Inc in June 2016, the Savings Bank received a cash consideration of €636,602.16 and 230 Series C preference shares in Visa Inc valued at €219,749.58. The Visa shareholding of £634,877.92 shown above is based on an indicative value of the sale proceeds provided by Visa Europe Ltd, comprising a cash value of €597,197 (£473,231.24) and preference shares in Visa Inc valued at €203,991 (£161,646.68).

(3) The Savings Bank Fund has paid and holds the beneficial interest in 15,000 Ordinary Shares (7,500 Class A and 7,500 Class B) of £1 each in GIBtelecom Ltd, with the legal interest in these shares being held by the Government. Dividends received amounting to £6,100,000 have been apportioned on the basis of the periods in which the beneficial interest has been held by the Government and the Savings Bank Fund, as agreed by the Government, with £2,117,281.26 being retained by the Government and £3,982,718.74 paid to the Savings Bank Fund.

## **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 are valued on an amortised cost basis.

Shares are valued at fair value or cost.

Government debentures are valued at cost plus accrued interest.