



Gibraltar Audit Office

Report of the Principal Auditor on the Accounts of the Gibraltar Savings Bank for the financial year ended 31 March 2018



REPORT OF THE PRINCIPAL AUDITOR ON THE ACCOUNTS OF
THE GIBRALTAR SAVINGS BANK
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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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 2018 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 income and expenditure 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 2018 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.

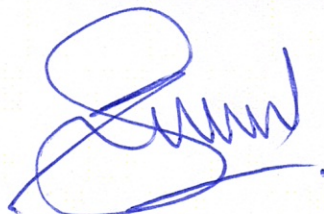
Matters for which I report by exception

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.

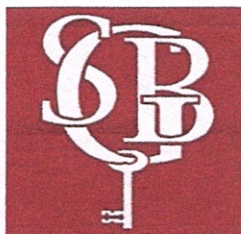
Report

I have no observations to make on these financial statements.



A R Sacramento
Principal Auditor
Gibraltar Audit Office

31 August 2018



GIBRALTAR SAVINGS BANK
Annual Accounts

For The Financial Year Ended

31 March 2018

Treasury Department

Gibraltar Savings Bank
Director's Report on the Accounts for the Year Ended 31 March 2018

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 2018 was £6.70 million, compared with a net income of £6.21 million during the previous year. The negative price amortisation from buying high coupon securities resulted in a net capital loss on the fund's investments of £1.61 million. The capital loss is offset by high interest income reflected in the return on investments.

Crown Agents investment management charges totalled around £0.47 million (0.2% of the fund assets managed in UK).

The net increase in reserves during the year was £5.09 million. The end of year reserves stood at £37.20 million.

At the year-end, the deposits of the bank, excluding £3.51 million of accrued interest, stood at £1,336.88 million. The previous year-end figure totalled £1,323.63 million. Deposits as at 31 March 2018 were made up as follows:

	<u>Deposits</u>	<u>Previous</u>
	<u>£'m</u>	<u>Year</u>
	<u>£'m</u>	<u>£'m</u>
<u>Non-Government Deposits</u>		
Ordinary Deposits	90.8	84.7
On-Call Investment Accounts	14.6	9.8
Pensioners' Monthly Income Debentures	13.6	15.3
Special Issue of Pensioners' Monthly Income Debentures	46.9	53.7
01/09/17 (extended to 01/09/18)		
Monthly Income Debentures	45.0	32.0
Special Issue of Monthly Income Debentures	2.5	2.6
3-Year Fixed Term Monthly Income Debentures	30.6	33.3
5-Year Fixed Term Monthly Income Debentures	564.0	653.3
10-Year Fixed Term Pensioners' Monthly Income Debentures	197.6	63.2
10-Year Accumulator Bonds	5.5	5.5
10-Year Pensioner Accumulator Bonds	5.1	5.1
Children's Bond	4.9	3.1
Other Debentures (Special Issues)	0.1	0.1
Gibraltar Provident Trust Fund Bonds	7.9	8.7
Guaranteed Superannuation Fund Bond	146.2	46.0
	<hr/> 1,175.3	<hr/> 1,016.4
<u>Government Deposits</u>		
On-Call Investment Accounts	161.6	307.2
	<hr/> 1,336.9	<hr/> 1,323.6

The level of overall non-Government Deposits stood at £1,175.3 million. The increase of £158.9 million over the previous year is mainly the result of the issue of Gibraltar Savings Bank debentures; an increase in the Guaranteed Superannuation Fund Bond; and an increase in the level of Ordinary Deposits.

Government deposits in the Gibraltar Savings Bank were down by 47.4% reflecting a decrease in the level of Government Liquid Reserves held by the bank.

The interest rate on Ordinary Deposits was set at 0.5% per annum with effect from 1st May 2017, down from 1% per annum.

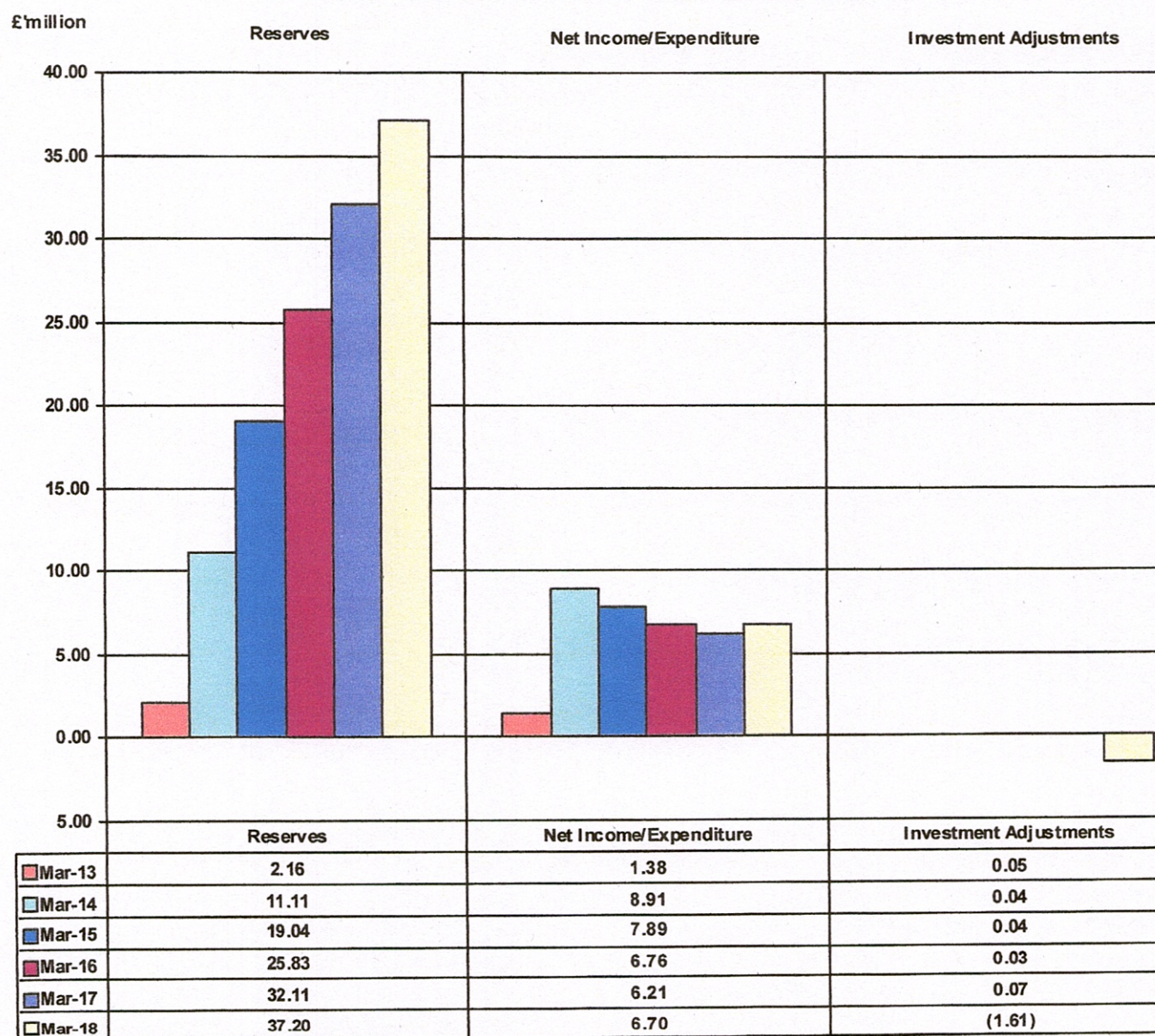
New interest rates were applied to active debenture issues with effect from 1st April 2017. The following is a summary of interest rates payable to depositors by the bank during the period April 2017 to March 2018:-

Monthly Income Debentures	1 or 2 per cent per annum
Pensioners' Monthly Income Debentures	2 per cent per annum
3-Year Fixed Term Pensioners' Monthly Income Debentures	3 per cent per annum
3-Year Fixed Term Monthly Income Debentures	2 or 2.5 per cent per annum
5-Year Fixed Term Pensioners' Monthly Income Debentures	4 or 5 per cent per annum
5-Year Fixed Term Monthly Income Debentures	3, 4 or 5 per cent per annum
10-Year Fixed Term Pensioners' Monthly Income Debentures	5 per cent per annum
Special Issue of Pensioners' Monthly Income Debentures 01/09/18 (extended on 01/09/17)	3 or 3.5 per cent per annum
Children's Bond	5 per cent per annum

The option to extend the maturity date of the Special Issue of Pensioners' Monthly Income Debentures 01/09/17 was given to debenture-holders before these debentures matured. The rate was reduced by 0.5% from 3.5% to 3% per annum during the extended period.

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.

Gibraltar Savings Bank - Results During Last Six Years



G Lima

Accountant General and Director, Gibraltar Savings Bank (Ag)

16 August 2018

SAVINGS BANK FUND
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

INCOME AND EXPENDITURE ACCOUNT

INCOME

Return on Investments	£50,096,537.84
Miscellaneous Receipts	£560.78
	<u>£50,097,098.62</u>

EXPENDITURE

Interest Paid :		
Debentures	£39,064,117.84	
On-Call Investment Accounts	£157,946.00	
Ordinary Deposits	£462,234.92	
Bonds	<u>£2,930,729.80</u>	
	£42,615,028.56	
New Banking Platform Costs and Annual Licence Fees	£210,953.87	
Expansion Costs	£19,356.63	
Miscellaneous Expenses	£13,586.13	
Management and Other Charges	<u>£540,896.07</u>	
		(£43,399,821.26)
Net Income transferred to Reserve Account		<u>£6,697,277.36</u>

DEPOSITS AND WITHDRAWALS ACCOUNT

INCREASE IN DEPOSITS

Debentures	£46,697,629.75	
Bonds	£101,280,351.22	
Ordinary Deposits	<u>£6,104,866.09</u>	
		£154,082,847.06

DECREASE IN DEPOSITS

On-Call Investment Accounts		(£140,830,809.33)
Net Increase in Deposits during the year		<u>£13,252,037.73</u>

INVESTMENT ADJUSTMENT ACCOUNT

INCREASE IN INVESTMENTS

£0.00

DECREASE IN INVESTMENTS

Net Capital Loss on Investments		(£1,610,243.08)
Net Decrease in Investments transferred to Reserve Account		<u>(£1,610,243.08)</u>

RESERVE ACCOUNT

INCREASE IN RESERVES

Net Income transferred from Income and Expenditure Account	£6,697,277.36
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DECREASE IN RESERVES

Transfer of Surplus to Consolidated Fund	(£0.00)
Net Decrease in Investments transferred from Investment Adjustment Account	<u>(£1,610,243.08)</u>
Net Increase in Reserves during the year	<u>£5,087,034.28</u>

SAVINGS BANK FUND

BALANCE SHEET AS AT 31 MARCH 2018

ASSETS

Investments on 1 April 2017	£1,347,015,697.56
Net Purchase of Investments during the year	<u>£20,038,228.96</u>
	£1,367,053,926.52
Net Decrease in Investments as per Investment Adjustment Account	<u>(£1,610,243.08)</u>
Investments on 31 March 2018	£1,365,443,683.44
Cash in Hand	<u>£12,153,377.44</u>
	<u>£1,377,597,060.88</u>

FINANCED BY

Debentures

Deposits on 1 April 2017	£853,601,600.09	
Accrued Interest on 1 April 2017	£3,235,172.99	
Net Increase in Deposits	£46,697,629.75	
Increase in Accrued Interest during the year	<u>£72,047.23</u>	
Deposits on 31 March 2018		£903,606,450.06

On Call Investment Accounts

Deposits on 1 April 2017	£317,038,358.46	
Net Decrease in Deposits during the year	<u>(£140,830,809.33)</u>	
Deposits on 31 March 2018		£176,207,549.13

Ordinary Deposits

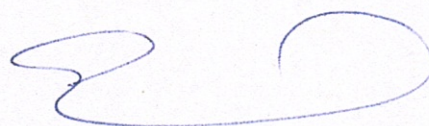
Deposits on 1 April 2017	£84,714,103.02	
Net Increase in Deposits during the year	<u>£6,104,866.09</u>	
Deposits on 31 March 2018		£90,818,969.11

Bonds

Deposits on 1 April 2017	£68,275,103.16	
Accrued Interest on 1 April 2017	£172,838.00	
Net Increase in Deposits during the year	£101,280,351.22	
Increase in Accrued Interest during the year	<u>£34,244.08</u>	
Deposits on 31 March 2018		£169,762,536.46
Total Deposits on 31 March 2018		£1,340,395,504.76

Reserve Account

Reserve Account on 1 April 2017	£32,114,521.84	
Net Increase in Reserves during the year	<u>£5,087,034.28</u>	
Reserve Account on 31 March 2018		£37,201,556.12
Fund Account Balance on 31 March 2018		<u>£1,377,597,060.88</u>



G Lima
Director, Gibraltar Savings Bank (Ag)
16 August 2018

SAVINGS BANK FUND
STATEMENT OF INVESTMENTS ON 31 MARCH 2018

DESCRIPTION OF STOCK	NOMINAL VALUE	PRICE / ACCRUED INTEREST %	VALUE / ACCRUED INTEREST	TOTAL VALUE ON 31/03/2018
ABN AMRO BANK NV FRN 30/11/18	£5,000,000.00	100.256 0.092	£5,012,800.00 £4,593.22	£5,017,393.22
BANK OF NOVA SCOTIA FRN 05/04/19	£7,000,000.00	100.061 0.168	£7,004,270.00 £11,757.36	£7,016,027.36
ROYAL BANK OF CANADA FRN 04/06/19	£5,000,000.00	100.340 0.070	£5,017,000.00 £3,522.22	£5,020,522.22
BMW INTL INVESTMENT BV FRN 17/07/19	£5,000,000.00	100.109 0.162	£5,005,450.00 £8,111.30	£5,013,561.30
LLOYDS BANK FRN 18/07/19	£2,500,000.00	100.301 0.162	£2,507,525.00 £4,053.40	£2,511,578.40
TOYOTA MOTOR FINANCE BV FRN 30/09/19	£7,000,000.00	100.033 0.005	£7,002,310.00 £345.90	£7,002,655.90
ASB FINANCE LTD LONDON FRN 22/05/20	£7,000,000.00	100.298 0.108	£7,020,860.00 £7,546.48	£7,028,406.48
BARCLAYS BANK PLC FRN 22/05/20	£3,500,000.00	100.212 0.080	£3,507,420.00 £2,815.29	£3,510,235.29
BANK OF MONTREAL FRN 20/07/20	£6,850,000.00	100.181 0.137	£6,862,398.50 £9,353.52	£6,871,752.02
AUST & NZ BANKING GROUP FRN 22/03/21	£5,000,000.00	100.020 0.024	£5,001,000.00 £1,197.74	£5,002,197.74
SKANDINAVISKA ENSKILDA FRN 22/03/21	£5,000,000.00	99.992 0.025	£4,999,600.00 £1,234.73	£5,000,834.73
EXPORT DEVELOPMENT CANADA FRN 13/10/22	£6,000,000.00	100.143 0.128	£6,008,580.00 £7,659.25	£6,016,239.25
TSB BANK PLC FRN 07/12/22	£5,000,000.00	100.085 0.055	£5,004,250.00 £2,765.13	£5,007,015.13
BANK OF NOVA SCOTIA FRN 10/01/23	£3,000,000.00	100.017 0.165	£3,000,510.00 £4,949.19	£3,005,459.19
TORONTO-DOMINION BANK FRN 30/01/23	£6,000,000.00	99.994 0.122	£5,999,640.00 £7,343.01	£6,006,983.01
OVERSEA-CHINESE BANKING FRN 14/03/23	£5,000,000.00	99.852 0.041	£4,992,600.00 £2,037.37	£4,994,637.37
BARCLAYS BANK PLC FRN 09/01/23	£3,700,000.00	99.956 0.165	£3,698,372.00 £6,086.87	£3,704,458.87
STADSHYPOTEK AB FRN 17/08/18	£2,000,000.00	100.085 0.091	£2,001,700.00 £1,818.63	£2,003,518.63
NATIONWIDE BUILDING SOCIETY FRN 25/04/19	£5,000,000.00	100.438 0.180	£5,021,900.00 £8,977.03	£5,030,877.03
STADSHYPOTEK AB FRN 11/01/23	£6,000,000.00	99.955 0.160	£5,997,300.00 £9,602.59	£6,006,902.59
ONTARIO (PROVINCE OF) FRN 10/11/20 (1)	£10,000,000.00	100.068 0.081	£10,006,800.00 £8,056.83	£10,014,856.83
ROYAL BANK OF CANADA FRN 14/09/21	£5,000,000.00	100.709 0.047	£5,035,450.00 £2,340.11	£5,037,790.11
NATIONAL BANK OF CANADA FRN 27/09/21	£4,250,000.00	100.605 0.012	£4,275,712.50 £490.47	£4,276,202.97
BANQUE FED CRED MUTUEL FRN 07/02/19	£4,000,000.00	100.194 0.132	£4,007,760.00 £5,292.03	£4,013,052.03
Carried forward	£123,800,000.00		£124,113,157.67	£124,113,157.67

SAVINGS BANK FUND
STATEMENT OF INVESTMENTS ON 31 MARCH 2018

DESCRIPTION OF STOCK	NOMINAL VALUE	PRICE / ACCRUED INTEREST %	VALUE / ACCRUED INTEREST	TOTAL VALUE ON 31/03/2018
Brought forward	£123,800,000.00		£124,113,157.67	£124,113,157.67
BMW INTL INVESTMENT BV FRN 15/02/19	£5,000,000.00	100.086 0.108	£5,004,300.00 £5,404.35	£5,009,704.35
EUROPEAN INVESTMENT BANK FRN 17/02/20	£6,900,000.00	100.555 0.088	£6,938,295.00 £6,047.42	£6,944,342.42
SANTANDER UK PLC FRN 05/05/20	£5,000,000.00	100.270 0.117	£5,013,500.00 £5,865.58	£5,019,365.58
CANADIAN IMPERIAL BANK FRN 10/01/22	£7,000,000.00	100.813 0.209	£7,056,910.00 £14,616.61	£7,071,526.61
SANTANDER UK PLC FRN 16/11/22	£2,500,000.00	99.994 0.091	£2,499,850.00 £2,280.88	£2,502,130.88
REPUBLIC OF FINLAND 1% 17/12/18	£7,000,000.00	100.195 0.285	£7,013,650.00 £19,945.21	£7,033,595.21
BELGIUM KINGDOM 1.125% 21/12/18	£9,000,000.00	100.263 0.308	£9,023,670.00 £27,739.73	£9,051,409.73
COMMONWEALTH BANK AUST 2.25% 07/12/18	£7,000,000.00	100.882 0.703	£7,061,740.00 £49,191.78	£7,110,931.78
PRUDENTIAL PLC 1.75% 27/11/18	£2,500,000.00	100.466 0.595	£2,511,650.00 £14,863.01	£2,526,513.01
BK NEDERLANDSE GEMEENTEN 1.875% 07/12/18	£7,000,000.00	100.761 0.586	£7,053,270.00 £40,993.15	£7,094,263.15
DEXIA CREDIT LOCAL 1.125% 24/02/19	£16,500,000.00	100.103 0.108	£16,516,995.00 £17,799.66	£16,534,794.66
BNP PARIBAS 2.375% 20/11/19	£5,000,000.00	101.821 0.852	£5,091,050.00 £42,619.86	£5,133,669.86
DAIMLER AG 1% 20/12/19	£5,000,000.00	99.468 0.277	£4,973,400.00 £13,835.62	£4,987,235.62
NEDER WATERSCHAPSBANK 2% 28/12/18	£10,000,000.00	100.932 0.510	£10,093,200.00 £50,958.90	£10,144,158.90
ASIAN DEVELOPMENT BANK 1% 18/12/18	£5,000,000.00	100.205 0.282	£5,010,250.00 £14,109.59	£5,024,359.59
SCOTTISH & SOUTHERN ENERGY 5% 01/10/18	£7,000,000.00	101.896 2.479	£7,132,720.00 £173,561.64	£7,306,281.64
LLOYDS BANK PLC 2.75% 09/12/18	£6,500,000.00	101.161 0.846	£6,575,465.00 £55,000.00	£6,630,465.00
BANQUE FED CRED MUTUEL 0.875 08/06/20	£3,000,000.00	98.851 0.272	£2,965,530.00 £8,149.04	£2,973,679.04
GLENCORE FINANCIAL EUROPE 6.5% 27/02/19 (1)	£5,000,000.00	104.590 0.570	£5,229,500.00 £28,493.15	£5,257,993.15
LLOYDS BANK GBP CALL A/C	£0.00	0.000	£0.00 £181.54	£181.54
BANK OF NEW YORK GBP A/C	£50,400.98	100.000	£50,400.98	£50,400.98
ROYAL BANK OF SCOTLAND GBP CALL A/C	£53,025.25	100.000 0.001	£53,025.25 £0.44	£53,025.69
STERLING FUTURE SETTLEMENTS ACCOUNT (1)	(£252,964.73)	100.000	(£252,964.73)	(£252,964.73)
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
Carried forward	£393,250,461.50		£395,772,884.34	£395,772,884.34

SAVINGS BANK FUND
STATEMENT OF INVESTMENTS ON 31 MARCH 2018

DESCRIPTION OF STOCK	NOMINAL VALUE	PRICE / ACCRUED INTEREST %	VALUE / ACCRUED INTEREST	TOTAL VALUE ON 31/03/2018
Brought forward	£393,250,461.50		£395,772,884.34	£395,772,884.34
GOVERNMENT OF GIBRALTAR DEBENTURES ISSUED ON 1 SEPTEMBER 2014	£100,000,000.00	100.000 2.992	£100,000,000.00 £2,991,780.82	£102,991,780.82
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	3441903.030	£272,598.72	£272,598.72
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	503985.271	£75,597,790.66	£75,597,790.66
BANK OF ENGLAND	£40,655,645.39	100.000 0.003	£40,655,645.39 £1,269.79	£40,656,915.18
BARCLAYS BANK PLC	£81,751,317.66	100.000 0.053	£81,751,317.66 £43,731.54	£81,795,049.20
NATIONAL WESTMINSTER OFFSHORE LTD	£151,413,521.60	100.000 0.005	£151,413,521.60 £7,135.50	£151,420,657.10
JYSKE BANK	£20,830,622.63	100.000 0.082	£20,830,622.63 £17,094.45	£20,847,717.08
GIBRALTAR INTERNATIONAL BANK	£63,979,866.98	100.000 0.077	£63,979,866.98 £49,002.78	£64,028,869.76
KLEINWORT HAMBROS BANK	£20,025,563.21	100.000 0.146	£20,025,563.21 £29,329.22	£20,054,892.43
MONEYCORP BANK	£1,003,250.04	100.000 0.127	£1,003,250.04 £1,278.11	£1,004,528.15
	£1,283,925,256.93		£1,365,443,683.44	£1,365,443,683.44

Notes:

(1) The sterling future settlements account reflects the following trades transacted in March 2018 with settlement in April 2018. This amount includes an element of accrued interest:

Ontario (Province of) FRN 10/11/20
Glencore Financial Europe 6.5% 27/02/19

(2) The Visa shareholding shown above is based on a re-valuation as at 31 March 2018 of its 230 Series C preference shares in Visa Inc.

(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.

SAVINGS BANK FUND

Notes to the Accounts

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

The investments in bonds and other securities managed by the Crown Agents have been valued as fair value.

Shares are valued at fair value or cost.

Government debentures are valued at cost plus accrued interest.