

North Ayrshire Municipal Bank Limited

Report and Financial Statements

Year Ended

31 October 2012

Company number: SC011421

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North Ayrshire Municipal Bank Limited

Annual report and financial statements for the year ended 31 October 2012

Directors

John Hunter
Irene Oldfather
Alex McLean
Ronnie McNicol
Donald Reid
Joan Sturgeon

Secretary and manager

Christine Andrew

Company number

SC011421

Auditors

BDO LLP, 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX

Clearing Bank

Clydesdale Bank, 151 High Street, Irvine, KA12 8AD

Branch

Cunninghame House, Friarscroft, Irvine, KA12 8EE

Bank hours

Monday - Thursday	9am to 4.45pm
Friday	9am to 4pm

North Ayrshire Municipal Bank Limited

Report of the directors for the year ended 31 October 2012

The directors present their report together with the audited financial statements for the year ended 31 October 2012.

Results and dividends

The profit and loss account is set out on page 8 and shows the result for the year .

Principal activities and future developments

The company's principal activities are the accepting of deposits and the investing of those funds (with the exception of working balances) with North Ayrshire Council.

The company monitors its investment strategy within its existing banking structure and operations and seeks to ensure that it protects itself adequately against interest rate risk. A periodic review of the level of customer balances, comparative interest rates and movements in the Bank of England base rates will continue to be undertaken. This provides the bank with a firm base to establish its own interest rate policy for interest payable to customers and will ensure the bank remains competitive in the sector in which it operates.

The directors intend to continue with the company's existing activities and have no plans to enter into new business activities.

Directors

The directors of the company during the current year were:

Thomas Barr
Elizabeth McLardy
Alan Munro
Robert Rae
Ryan Oldfather
Ruby Kirkwood

These directors resigned on 3 May 2012.

Following the Local Government elections on 4 May 2012 the following directors were appointed:

John Hunter
Irene Oldfather
Alex McLean
Ronnie McNicol
Donald Reid
Joan Sturgeon

Each director holds five ordinary shares of £1 each. These ordinary shares must be relinquished on retirement as a director. Any shares not currently held by a director are held in trust until the next director is appointed.

Status of company

North Ayrshire Municipal Bank Limited

Report of the directors for the year ended 31 October 2012 (*Continued*)

The company is a municipal bank within the meaning of Section 103 of the Banking Act 1987, and all deposits are guaranteed by North Ayrshire Council.

Accounts

Amounts due to customers

During the year, there was a decrease of £132,164 (2011 - £175,217) in net deposits taken from customers. The following is a summary of business transacted in the year:

	2012 £	2011 £
Balance due to customers at 31 October 2011	3,656,750	3,831,967
Lodgements	3,118,523	3,588,080
Withdrawals	(3,258,394)	(3,771,434)
Interest for the year	7,707	8,137
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Balance due to customers at 31 October 2012	3,524,586	3,656,750
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Analysis of gross sums due to customers:

	2012 £	2011 £
Repayable on demand	2,216,862	2,326,928
Requiring 6 months notice of withdrawal	94,779	97,568
Requiring 12 months notice of withdrawal	1,212,945	1,232,254
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	3,524,586	3,656,750
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North Ayrshire Municipal Bank Limited

Report of the directors for the year ended 31 October 2012 (Continued)

Number of accounts

Analysis of number of deposit accounts (D/A) and deposit receipts (D/R):

	At 31 October 2012			At 31 October 2011		
	D/A	D/R	Total	D/A	D/R	Total
(i) Repayable on demand	2,159	9	2,168	2,237	9	2,246
(ii) Requiring 6 months notice of withdrawal	25	0	25	17	0	17
(iii) Requiring 12 months notice of withdrawal	48	0	48	37	0	37
(iv) Overdrawn accounts	1	0	1	1	0	1
	2,233	9	2,242	2,292	9	2,301

Total amount of deposits in each of the specified classes made by persons, the deposits of each of whom exceed 5% of the total amount of deposits in that class and the number of such persons concerned in each class:

	At 31 October 2012		At 31 October 2011	
	Deposits over		Deposits over	
	5%	Number	5%	Number
	£		£	
Repayable:				
(i) On demand	0	0	0	0
(ii) In more than 6 months	77,158	7	76,060	7
(iii) In more than 12 months	992,700	3	927,565	2

Interest on deposits

The rates of interest paid to customers during the year were as follows:

Instant Access	£0 - £500	0.10%
	£500 - £5,000	0.10%
	£5,000 +	0.10%
6 months notice	£0 - £500	0.10%
	£500 - £5,000	0.10%
	£5,000 +	0.25%
12 months notice	£0 - £500	0.10%
	£500 - £5,000	0.25%
	£5,000 +	0.50%

All private customers have interest paid gross or net of basic rate tax, depending on their individual circumstances.

North Ayrshire Municipal Bank Limited

Report of the directors for the year ended 31 October 2012 (*Continued*)

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

North Ayrshire Municipal Bank Limited


Report of the directors for the year ended 31 October 2012 (*Continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The auditors BDO LLP, are deemed to be re-appointed in accordance with section 487 of the Companies Act 2006.

By order of the board

A handwritten signature in dark ink, appearing to read 'Donald Reid', with a large, sweeping circular flourish at the end.

Donald Reid
Director

10/6/13

North Ayrshire Municipal Bank Limited

Independent auditor's report

To the members of North Ayrshire Municipal Bank Limited

We have audited the financial statements of North Ayrshire Municipal Bank Limited for the year ended 31 October 2012 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2012 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

North Ayrshire Municipal Bank Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;

BDO LLP

*Andrew McNamara (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Glasgow
United Kingdom*

Date:- *10 JUNE 2013*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

North Ayrshire Municipal Bank Limited**Profit and loss account for the year ended 31 October 2012**

	2012 £	2011 £
Interest receivable:		
North Ayrshire Council - temporary loans	20,523	22,017
Interest paid to customers	(8,365)	(8,973)
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Net interest income	12,158	13,044
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Administrative expenses		
Remuneration of secretary and treasurer	1,170	3,030
Audit fee	5,083	2,959
Stationery, advertising and other expenses	2,112	2,372
Management charge	3,793	4,683
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	12,158	13,044
	<hr/>	<hr/>
Profit on ordinary activities before taxation	-	-
Taxation on profit on ordinary activities	-	-
	<hr/>	<hr/>
Profit for the financial year	-	-
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All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

There are no movements in shareholders' funds apart from the result for the year.

The notes on pages 11 to 13 form part of these financial statements.

North Ayrshire Municipal Bank Limited

Balance sheet at 31 October 2012

Company number SC011421

	Note	2012 £	2011 £
Assets			
Cash and balances at central banks		53,826	57,355
Loans and advances to North Ayrshire Council:			
Temporary loans repayable on demand		3,477,063	3,605,334
Called up share capital not paid		32	26
Total assets		3,530,921	3,662,715
Liabilities			
Customer accounts repayable on demand		3,524,586	3,656,750
Accruals and deferred income		6,300	5,930
Total liabilities		3,530,886	3,662,680
Called up share capital	5	35	35
Total liabilities and equity		3,530,921	3,662,715

The financial statements were approved by the Board and authorised for issue on **10 JUNE 2013**



Donald Reid
Director

The notes on pages 11 to 13 form part of these financial statements.

North Ayrshire Municipal Bank Limited

Cash flow statement for the year ended 31 October 2012

	Note	£	2012 £	£	2011 £
Net cash inflow from operating activities	6		8,071		8,137
Cash inflow before use of liquid resources and financing			8,071		8,137
Financing					
Loans repaid by North Ayrshire Council		128,271		196,847	
Net withdrawals made by customers		(139,871)		(183,354)	
			(11,600)		13,493
(Decrease)/increase in cash			(3,529)		21,630

The notes on pages 11 to 13 form part of these financial statements.

North Ayrshire Municipal Bank Limited

Notes forming part of the financial statements for the year ended 31 October 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Loans and advances to North Ayrshire Council

Temporary loans to North Ayrshire Council are valued at cost.

Liquid Resources

For the purposes of the cash flow statement, liquid resources are defined as all current cash deposits.

2 Staff costs

The bank staff are all employees of North Ayrshire Council and their remuneration is incorporated into the staff costs of that Council.

The directors received no fees or other emoluments in respect of their services during the year (2011 - £nil).

3 Auditors remuneration

	2012 £	2011 £
Auditors' remuneration - audit services	2,600	2,500
Auditors' remuneration - non-audit services	900	-
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4 Financial instruments

The company's principal financial instruments comprise temporary loans to North Ayrshire Council and the receipt of monies held on deposit on behalf of account holders. The main purpose of the bank is to provide finance to North Ayrshire Council. All customer account balances are guaranteed by North Ayrshire Council.

The main risk arising to the company is interest rate risk. The company holds funds on behalf of its customer account holders which are subject to interest at pre-determined interest rates set by the directors. The interest rates applicable on customer account balances held during the year ended 31 October 2012 are stated in the directors' report.

The overall rate of interest on temporary loans to the Council was 0.6% (2011 - 0.6%). These loans are secured on all the rates and revenues of the Council.

North Ayrshire Municipal Bank Limited

Notes forming part of the financial statements for the year ended 31 October 2012 (Continued)

5 Called up share capital

	Allotted and called up	
	2012	2011
	£	£
35 ordinary shares of £1 each	35	35
	<u> </u>	<u> </u>

6 Reconciliation of operating profit to net cash inflow from operating activities

	2012	2011
	£	£
Net interest payable at 31 October 2012	7,707	8,137
Increase in other debtors	(6)	-
Increase in creditors	370	-
	<u> </u>	<u> </u>
Net cash inflow from operating activities	8,071	8,137
	<u> </u>	<u> </u>

7 Reconciliation of net cashflow to movement in net funds

	2012	2011
	£	£
(Decrease)/increase in cash in the year	(3,529)	21,630
Cash outflow/(inflow) from financing	11,600	(13,493)
	<u> </u>	<u> </u>
Change in net funds resulting from cashflows	8,071	8,137
Interest payable at end of year	(7,707)	(8,137)
	<u> </u>	<u> </u>
Movement in net funds in the year	364	-
Net funds at start of year	5,939	5,939
	<u> </u>	<u> </u>
Net funds at end of year	6,303	5,939
	<u> </u>	<u> </u>

North Ayrshire Municipal Bank Limited

Notes forming part of the financial statements for the year ended 31 October 2012 (*Continued*)

8 Analysis of changes in net funds

	At 01/11/2011 £	Cash flows £	Non-cash movements £	At 31/10/2012 £
Cash in hand and at bank	57,355	(3,529)	-	53,826
North Ayrshire Council				
Temporary loan repayable on demand	3,605,334	(128,271)	-	3,477,063
Amounts due to customers	(3,656,750)	124,457	7,707	(3,524,586)
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Total	5,939	(7,343)	7,707	6,303
	<hr/>	<hr/>	<hr/>	<hr/>

9 Related party transactions

Some of the directors of the bank and employees of the Council have deposits with the bank. This is considered to be acceptable due to the nature of the company's activities and the deposits are made in the ordinary course of business.

Disclosure of the individual balances has not been made as both individually and in total they are not material.

10 Ultimate controlling party

The directors regard North Ayrshire Council as the ultimate controlling party.