



ANNUAL REPORT

2005-06

**CENTRAL BANK
OF ANTHELIA**

Part A - 2005-06 Accounting Reports



Central Bank of Antheia

Balance Sheet as at 30 Jun 2006

	STR
<u>Net Assets</u>	268277.74
 <i>Represented by</i>	
Current Assets	285071.13
Non-Current Assets	414.74
 <i>Less</i>	
Current Liabilities (General)	49.00
Client Accounts	17159.13
Non-Current Liabilities	0.00

Income and Expenditure Statement 2005-06

Income

Interest (Loans)	4877.00	
Interest (Treasury Bonds)	750.00	
Commercial Operations Profit	.414.74	
Total	6041.74	6041.74

Expenses

Interest (Reserve Deposits)	51.00	
Court Fees	500.00	
Rounding Errors	3.00	
Total	554.00	554.00

Net Profit 2005-06 **5487.74**

Note: When accruing to these accounts the net profit position of foreign branches, the CBA uses its own rates of exchange as the valuation. At 30 June 2006 the CBA valued the Antheian Star at 0.606 against the Gotzborg Thaler.



Central Bank of Antheia Commercial Division

Balance Sheet as at 30 Jun 2006

	STR
<u>Net Assets</u>	2946.00
<i>Represented by</i>	
Current Assets	240501.50
Non-Current Assets	0
<i>Less</i>	
Current Liabilities (General)	162221.50
Client Accounts	75334.00
Non-Current Liabilities	0

Income and Expenditure Statement 2005-06

Income		
Interest (Loans)	4662.00	
Interest (Reserve Deposit)	72.00	
Currency Sales	4208.00	
Total	8942.00	8942.00
Expenses		
Interest (Savings Accounts)	261.00	
Interest (Investment Accounts)	156.00	
Interest (Borrowings)	1371.00	
Cost of Currency Traded	4208.00	
Total	5996.00	5996.00
Net Profit 2005-06		2946.00

Note: A figure of *72.00 has been entered for Interest on the Reserve Deposit lodged with the CBA (in its central banking role); the CBA accounts reflect only *51.00 for interest paid to the CBA Commercial. The discrepancy is due to the method used in the CBA Commercial ledger to account for interest receivable, and the correction will appear in the next year's accounts.

Central Bank of Anthelia (Gotzborg) GmbH

Under the law of the Kingdom of Gotzborg, the CBA (Gotzborg) GmbH was not required to report at 30 June 2006, hence the accounts of that branch have not been closed off.

At 30 June 2006, the Gotzborg commercial operation of the CBA was showing a net loss of GTh1534.09 (*2531.26). This was due to a large imbalance between interest paid and interest received, and is expected to rectify as the Gotzborg operation develops.

Part B – The Anthelian Economy

It is regretful to report, but the Anthelian economy has been difficult to measure and assess throughout the reporting period. This is due to the patchy nature of economic activity, the small number of participants, and the unwanted effects of the MX2 upon monetary policy.

According to the official figures of the CBA, there should be *262790 cash in circulation in the economy. Analysis of the balances in MX2 accounts, however, shows *305938.87 in circulation, a discrepancy of *43148.87. This "extra" cash has been created by the MX2 through foreign exchange transactions – in fact, the total creation by the MX2 is *59535.87, but *16387 of this was due to CBA actions last October and was accounted-for in the ledgers of the bank.

The fact that so much money – nearly 63% of all cash in private hands – was generated by MX2 foreign exchange is a positive for business growth, as it has been generated from export sales as well as from people moving funds into Anthelian currency for whatever reason. Nevertheless, the CBA remains disturbed that the domestic law of the Republic on money creation has been rendered largely meaningless.

As the CBA (Commercial) occupies a monopoly position in the banking market, and the bureau d'change market, the level of business growth and export sales in the economy will be partly reflected by that bank's volume of business. This will assist the CBA to measure and comment on the Republic's economy, however the CBA remains hopeful that other banks will enter the commercial market in due course.

Part C – Dealings With the Treasury

On 8 July 2005, the CBA was instrumental in the commencement of economic activity in the Republic in its purchase of 25 of the first series of Treasury Bonds, thus financing the budget of the government. In September, this finance was converted to a loan at the CBA's prime rate of 4.8%, and the loan has been extended several times. At 30 June 2006, the balance of this loan stood at

*103120, and total interest charged to that date was *3120. These figures take into account the currency revaluation of 22 September 2005.

Part D – Compliance of Banks

Two banks have operated in the Republic in the last year.

One of these is the commercial arm of the CBA, the CBA Commercial, established after a change to the Banking Act on 29 March. The CBA Commercial, by law, operates as a separate entity to the CBA (the central banker), hence the separate accounting reports at the top of this Report. The CBA Commercial is operating in compliance with Article 14 of the Banking Act (concerning legitimate banking practices).

The other bank to have operated was First Micronational Bank, which was issued a banking licence on 18 July 2005 for a period of one year. FMB did not, as far as is known, accept any deposits nor issue any credit during its period of operation. The bank and its owner failed to respond to a CBA request for compliance reporting, and the CBA attempted court action against the FMB and its owner, action which was eventually withdrawn as the court processes had failed. The CBA has no intention of renewing the licence of the FMB, and after the licence has expired and the FMB can be declared a failed bank, action will be taken to deal with its assets and claims against it.

All banks operating in the Republic are required to lodge a Reserve Deposit, equal to 25% of client deposits held by the bank. In dealing with the CBA Commercial, to reduce the number of transactions required, a system of monthly settlement was adopted; at the end of each month each bank may assess its level of deposits and lodge (or withdraw from) its Reserve Deposit accordingly. The CBA Commercial has more than the required 25% on deposit at 30 June.

Part E – Extraordinary Matters

The only extraordinary dealings of the CBA in the last year involved the currency revaluation of 22 September 2005. Acting under orders of the government, the CBA took back from every person 80% of the Stars held by each one (rounded to an integer); this cash was removed from circulation to effect a five-fold increase in the value of the Star. Some difficulties were found in the accounting (bookkeeping) of these transactions, as the CBA incorrectly failed to convert its own cash holdings until an audit of the accounts conducted in preparation for this report. This error has been corrected.

Conclusion

I hereby testify that the Report submitted here under my signature is a true and accurate representation of the activities and end-of-year position of the Central Bank of Anthelia.

Mark Marks

Governor