



# Bank of St. Helena

[www.sainthelenabank.com](http://www.sainthelenabank.com)

## **Directors' Report and Audited Financial Statements** **for the Financial Year 2006/2007**

**Bank of St. Helena – Building for the Future**

Head Office: Post Office Building, Main Street, Jamestown, Island of St. Helena, South Atlantic, STHL 1ZZ

Tel: +290 2390, Fax: +290 2553, e-mail: [info@sainthelenabank.com](mailto:info@sainthelenabank.com)

Established and regulated in St. Helena under the *Banking Ordinance 2003* and the *Bank of St. Helena Ordinance 2003*.

## **Directors' Report and Audited Financial Statements for the Financial Year 2006/2007**

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Audited Financial Statements

Please note that, for reasons of security, signatures have been removed from these copies. Signed versions are available for inspection at all offices of the bank.



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## **Directors' Report, for the Financial Year 2006/2007**

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## Directors' Report, for the Financial Year 2006/2007

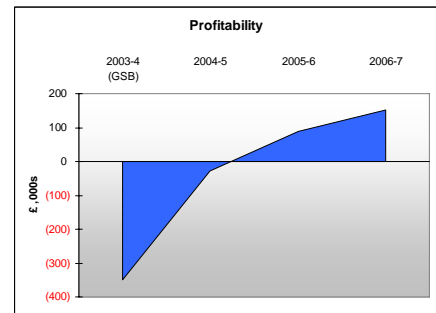
**Bank of St. Helena is pleased to publish its Directors' Report and Audited Financial Statements for the Financial Year Directors' Report, for the Financial Year 2006/2007.**

### 1 Performance

The directors are pleased to report that the bank has achieved a further year of growth.

The Bank has again made a profit, which will further build the bank's reserves, thereby supporting expansion of lending to meet demand.

As in previous years, the lending book has grown, and there remains no significant problem with bad debts. Lending, particularly commercial lending, continues to grow and remains a key engine of economic growth. The directors wish the bank to be seen as the natural source of funds for commercial development by businesses in St. Helena.



Deposits and loans have once more shown a solid month-on-month increase.

### 2 Services

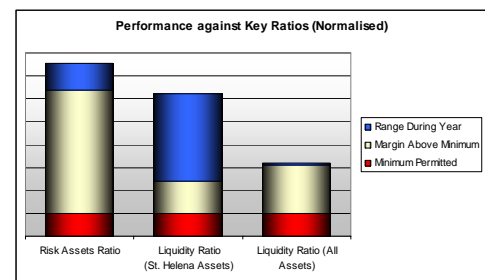
The bank continues to offer new and improved services. These include the Local Investment Incentives programme: an initiative jointly with SHG and SHDA to promote investment by local businesses.

The bank also began work on a number of new initiatives, which will be introduced during 2007/2008, the most notable of these being Direct Debits. This is a system whereby customers can elect to have their utility and other regular bills settled automatically by debit from their account. Details of the scheme and its benefits will be released during 2007/2008.

### 3 Management and Controls

The bank has operated throughout the year under sound management, as evidenced by the close adherence to the key management ratios. This is illustrated by the chart.

The bank's supervisory body, the Banking Supervisory Authority of St Helena, reviewed the bank's operations, policies and strategy in January 2007, reporting that the bank had met all the requirements of the Ordinance and that there were no significant matters of concern.



### 4 Staffing

The bank continues to recruit to provide improved customer service. Three new Cashiers started during the year, and the bank is in the process of expanding its lending operations to provide better support to business borrowers.

## 5 Security

The bank is installing an alternative power supply for its parts of the post office building, to cater for the risk of a failure in the wide-area national power system.

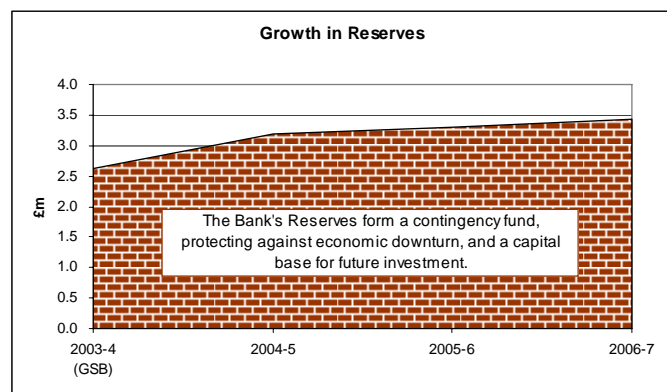
## 6 Financial Results

### Income and Expenses

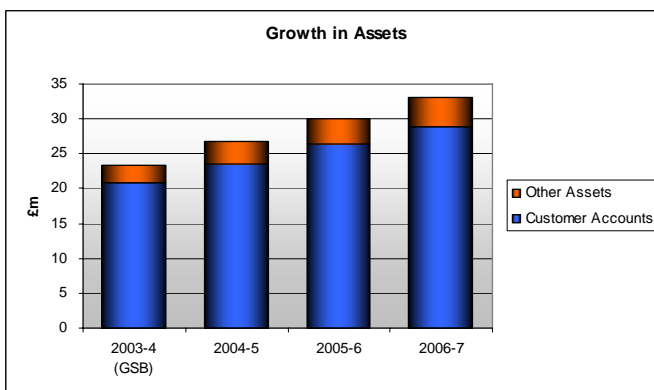
The bank increased its income by 3%, and successfully controlled its costs resulting in a decrease in these of 2%. As a result the bank achieved a post-tax profit of £160,184 for the year; 70% higher than in 2005/2006.

The post-tax profit will mostly be taken into the bank's reserves, to strengthen the bank's ability to lend and provide capital for future investment. The reserves have grown steadily since the creation of the bank in April 2004, as illustrated by the chart.

In keeping with its community and social objectives the bank will also release a proportion of this profit for community projects.



### Balance Sheet



The bank continues to show a strong balance sheet, with total assets having grown by 9% during the past year.

Much of this growth is attributable to the steady increase in savings account balances, and the Directors are pleased that more customers are investing their funds with the bank.

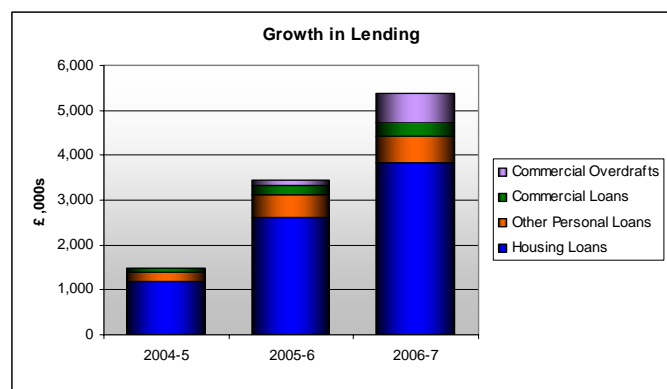
The bank will continue to encourage this by offering attractive rates for savers.

### Lending

Lending, a key engine for St. Helena's economic development, grew strongly in the year, rising by 56%.

Much of this growth is attributable to commercial lending, with local businesses borrowing to invest in the opportunities that Air Access will provide. Overdrafts are also still proving popular with business borrowers because of their flexibility.

Housing loans remain an area of growth, with many more customers borrowing to buy, build or improve their homes in St. Helena.



## Directors' Report, for the Financial Year 2006/2007

Personal loans also continue to grow, allowing customers to improve their daily lives by investing in more modern equipment or to travel and visit friends and relatives overseas.

There are no significant problems with bad debts, though this is an area on which the Directors maintain a careful watch to ensure the early detection of any adverse trends.

### Key Figures

A summary of the key financial figures is shown in the table:

	<b>This Year</b>	<b>Last Year</b>
<b>Income &amp; Expense</b>		
Total Income	£2,070,730	£2,008,968
Total Expenses	£1,841,687	£1,897,898
Tax Due <sup>1</sup>	£68,859	£22,095
<b>Profit after tax due</b>	<b>£160,184</b>	<b>£88,975</b>
<b>Balance Sheet</b>		
Savings Accounts	£28,796,969	£26,449,299
<b>Total Assets</b>	<b>£32,992,274</b>	<b>£30,182,375</b>
<b>Lending</b>		
Commercial Loans	£305,552	£222,507
Overdrafts	£647,184	£104,781
Housing Loans	£3,827,723	£2,602,925
Personal Loans	£602,794	£515,592
<b>Total Lending</b>	<b>£5,383,253</b>	<b>£3,445,805</b>

## 7 Community and Social



In May 2006 the bank introduced the Community Projects Fund.

The objective of the Fund is to provide financial support for community and charity operations in St. Helena and Ascension Island. It does this by making grants of money to specific projects.

The bank will report separately on the success of this fund.

<sup>1</sup> Note that for 2005/2006 this tax was assessed after the accounts were finalised, so was not shown in the 2005/2006 accounts. The formal 2006/2007 accounts therefore show both years' tax liability together. For the purposes of this report the tax has been shown in the year to which it is attributed. Note 6 illustrates.

## **8 Conclusion**

The bank has shown further strong growth in 2006/2007, and is poised for a continuation of this in the coming year.

The bank continues to develop its infrastructure and range of services, to ensure that it supports the needs of its customers, allowing them to address the opportunities and challenges of the future.

The Directors are pleased that many positive comments continue to be received about the operation of the bank, and look forward to continued success in 2007/2008.

For and on behalf of the Board of the Bank of St. Helena

Carolyn Thomas  
Chairman





# Bank of St. Helena

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## **Independent Auditor's Certificate**

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# SAINT HELENA **AUDIT SERVICE**

 enquiries@audit.gov.sh  (00 290) 2111  Garden Hall, Castle Gardens, Jamestown  
[www.audit.gov.sh](http://www.audit.gov.sh)

## **BANK OF SAINT HELENA** **Financial Statements for the year ended 31<sup>st</sup> March 2007**

### **Independent Auditor's Certificate**

The Chairman and Board Members,  
Bank of Saint Helena,  
Post Office Building,  
Main Street,  
Jamestown.

#### **Audit Scope**

In accordance with the St. Helena Audit Ordinance (Chapter 143) and the Banking Ordinance, I have audited the Bank of St. Helena Financial Statements which incorporate the Balance Sheet as at 31<sup>st</sup> March 2007, the Income Statement and the Cash Flow Statement for the year ended 31<sup>st</sup> March 2007, together with the related accounting policies and notes to the accounts.

#### **Responsibilities of Management and the Chief Auditor**

The financial statements are the responsibility of the management of the Bank of Saint Helena. My responsibility is to express an opinion on these financial statements based upon the audit work undertaken.

#### **Basis of Audit Opinion**

The audit was conducted in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes addressing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I have obtained all the information and explanations I considered necessary for the purposes of the audit.

I believe that the audit has provided a reasonable basis for my opinion.

#### **Audit Opinion**

In my opinion, these financial statements give the information required by law and are in all material respects in agreement with the books of account which have been properly kept as far as appears from my examination of them.

In my opinion the financial statements give a true and fair view of the financial position of the Bank of Saint Helena as of March 31<sup>st</sup> 2007, and of the results of its operations for the year then ended in accordance with laws in force in St Helena and its Dependencies.

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**22 August 2007**

*Anthony Kilner*  
*Chief Auditor*



# Bank of St. Helena

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## **Audited Financial Statements** **for the Financial Year 2006/2007**

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### Profit and Loss Account for the year ended 31 March 2007

	£ 2006/2007	£ 2005/2006	Notes
<b>Income</b>			
Interest Received	1,894,866	1,855,042	2
Fees & Commissions	115,153	100,384	
Other Income	60,711	53,542	3
<b>Total Income</b>	<b>2,070,730</b>	<b>2,008,968</b>	
<b>Expenditure</b>			
Interest on Deposits	1,078,401	960,174	
Employee Costs	171,286	133,280	4
Premises Costs	5,378	4,340	
Investment Management Fees	18,237	21,745	
Depreciation	31,196	72,114	
Provisions	27,100	28,500	
Audit Fees	5,000	5,000	
Bank Supervisory Authority Fees	9,150	9,073	
Investment Premium Amortisation	360,162	547,124	17
Other Expenses	135,777	116,548	5
<b>Total Expenses</b>	<b>1,841,687</b>	<b>1,897,898</b>	
Profit on ordinary activities, before tax	229,043	111,070	
Tax Due	(90,954)	0	6
<b>Profit on ordinary activities, after tax</b>	<b>138,089</b>	<b>111,070</b>	

Signed:		
Name	Title	Date



### Balance Sheet as at 31 March 2007

	£ 2006/2007	£ 2005/2006	Notes
<b>Assets</b>			
Fixed Assets	14,285	2,471	7
Intangible Assets	2,294	25,310	7
Investments	24,544,776	23,373,873	17
Other Assets	667,952	875,243	13
Bank Balances	2,303,767	2,343,049	8
Cash	75,947	116,624	10
Lending	5,383,253	3,445,805	11
<b>Total Assets</b>	<b>32,992,274</b>	<b>30,182,375</b>	
<b>Liabilities</b>			
Savings Accounts	28,796,969	26,449,299	14
Other Liabilities	765,599	442,102	15
<b>Total Liabilities</b>	<b>29,562,568</b>	<b>26,891,401</b>	
<b>TOTAL NET ASSETS</b>	<b>3,429,706</b>	<b>3,290,974</b>	
REPRESENTED BY:			
<b>GENERAL RESERVE</b>	<b>3,429,706</b>	<b>3,290,974</b>	16

Signed:		
Name	Title	Date



## Cash Flow Statement for the year ended 31 March 2007

	£ 2006/2007	£ 2005/2006	Notes
Net cash (outflow) from operating activities	(2,385,540)	(2,470,182)	1 (below)
Net cash inflow from financing activities	2,347,670	2,916,076	2 (below)
Taxation	(22,095)	0	
Capital Expenditure	(19,994)	0	2 (below)
<b>Increase / (Decrease) in Cash for the period</b>	<b>(79,959)</b>	<b>445,894</b>	3 (below)

**Note 1 to the Cash Flow Statement:**

**Reconciliation of Operating Profit to net Cash Outflow from Operating Activities**

Profit on ordinary activities, before tax	229,043	111,070
Depreciation Charge	31,196	73,946
Movement on Provisions	27,100	28,500
Investment Premium Amortisation	360,162	547,124
(Increase) in Investments	(1,531,065)	(1,685,698)
(Increase) in Lending	(1,937,448)	(1,952,922)
Decrease in Debtors	207,291	23,826
Increase in Creditors	254,638	395,983
05/06 & 04/05 General Ledger Adjustments	(15,070)	(12,011)
Other Adjustments	(11,387)	
<b>Net cash (outflow) from operating activities</b>	<b>(2,385,540)</b>	<b>(2,470,182)</b>

**Note 2 to the Cash Flow Statement: Gross cash flows  
Servicing of finance**

Net Cash inflow due to increase in Savings Accounts	2,347,670	2,916,076
Capital Expenditure		
Purchase of fixed assets	(19,994)	0

**Note 3 to the Cash Flow Statement: Analysis of change in cash and cash equivalents**

Cash in hand and Bank	2,379,714	2,459,673
<b>(Decrease) in Cash for the period</b>		<b>(79,959)</b>

Signed:		
Name	Title	Date



## Notes to the Accounts for the year ended 31 March 2007

### 1 Accounting Policies

The Financial statements are prepared under the historical cost convention.

Receipts and payments are accounted for on an accruals basis.

The accounting conventions are in accordance with the Bank of St. Helena Ordinance and CAP 111.

Investments are stated in the balance sheet at the original cost price, less the amortised acquisition premium from nominal value which is spread over the holding period of the investment. Market value is not used as the intention is to hold the investments until maturity, at which point their nominal value will be recovered.

Assets with a value of £1,000 and over are capitalised, and are then depreciated. Assets acquired before August 2006 are depreciated over 3 years; Assets acquired on and after August 2006 are depreciated over 5 years.

Foreign Currency Values are converted to St. Helenian Pounds at the market rate prevailing on the reporting date.

### 2 Interest Received

	£ 2006/2007	£ 2005/2006
Interest on Overdrafts	38,811	1,587
Interest on Money Market Placements	94,083	82,931
Interest on Government Placements	1,479,423	1,594,462
Interest on Commercial Lending	17,506	10,644
Interest on Personal Lending	265,043	165,418
	<u>1,894,866</u>	<u>1,855,042</u>

### 3 Other Income

Foreign Exchange	<u>60,711</u>	<u>53,542</u>
	<u>60,711</u>	<u>53,542</u>

### 4 Employee Costs

Staff Costs	164,950	128,180
Directors' Remuneration	6,336	5,100
	<u>171,286</u>	<u>133,280</u>

### 5 Other Expenses

Licence Fees	20,796	21,443
Communication Expenses	27,084	27,325
Bank Charges	33,131	26,346
Advertising & Sponsorships	6,532	0
Write Offs	3,728	0
Other	44,506	41,434
	<u>135,777</u>	<u>116,548</u>

**Notes to the Accounts for the year ended 31 March 2007**
**6 Tax Calculation**

	£
	<b>2006/2007</b>
Profit on ordinary activities, before tax	229,043
Add: Non-allowable deduction - Provisions	27,100
Less: Losses carried forward from previous year(s)	0
	<u>256,143</u>
£3,000 @ 17%	510
£253,143 @ 27%	<u>68,349</u>
Tax Due	68,859
Tax Assessed on 2005/2006 Profits	<u>22,095</u>
Total Tax Due in 2006/2007	<u>90,954</u>
Less: Tax Paid in year	<u>(22,095)</u>
<b>Tax Liability as at 31 March 2007</b>	<b><u>68,859</u></b>

**7 Fixed Assets**

	FIXED ASSETS		INTANGIBLE ASSETS	
	Land & Buildings	Furniture & Equipment	Total	Software
	£	£	£	£
<b>COST</b>				
At 1 April 2006	0	34,198	34,198	176,862
Additions	2,895	17,099	19,994	0
At 31 March 2007	<u>2,895</u>	<u>51,297</u>	<u>54,192</u>	<u>176,862</u>
<b>DEPRECIATION</b>				
At 1 April 2006	0	31,727	31,727	151,552
Charge for year	579	7,601	8,180	23,016
At 31 March 2007	<u>579</u>	<u>39,328</u>	<u>39,907</u>	<u>174,568</u>
<b>NET BOOK VALUE</b>				
At 31 March 2007	<u>2,316</u>	<u>11,969</u>	<u>14,285</u>	<u>2,294</u>
At 1 April 2006	<u>0</u>	<u>2,471</u>	<u>2,471</u>	<u>25,310</u>

**8 Bank Balances**

	£	£
	<b>2006/2007</b>	<b>2005/2006</b>
Crown Agents: Cash & Call	1,879,314	2,166,055
Crown Agents: Cash in transit	(4,614)	(4,460)
Lloyds TSB: Currency Accounts	24,035	16,242
Lloyds TSB: GBP Account	405,032	165,212 (see Note 9)
	<u>2,303,767</u>	<u>2,343,049</u>

**9 Reconcile Lloyds TSB: GBP Account**

Net balance (as per statement)	494,097	120,068
Apply uncleared Credits	(81,478)	(51,314)
Apply uncleared Debits	(7,587)	96,458
Effective balance	<u>405,032</u>	<u>165,212</u>





## Notes to the Accounts for the year ended 31 March 2007

<b>10 Cash</b>	<b>£</b>		<b>£</b>
	<b>2006/2007</b>		<b>2005/2006</b>
St Helena £	50,816		97,200
Other Currencies	25,131		19,424
	<u>75,947</u>		<u>116,624</u>
<b>11 Lending</b>			
Personal Loans	602,794		515,592
Housing Loans	3,827,723		2,602,925
Commercial Loans	305,552		222,507
Overdrafts	647,184		104,781
	<u>5,383,253</u>		<u>3,445,805</u>
<b>12 Lending Maturity Analysis</b>			
Maturing in less than 1 year	736,936	14%	455,815 13%
Maturing in 1 to 3 years	629,442	12%	448,640 13%
Maturing in 3 to 7 years	306,352	06%	227,220 07%
Maturing in 7 to 15 years	1,126,075	21%	904,430 26%
Maturing in 15 to 20 years	2,584,448	47%	1,409,700 41%
	<u>5,383,253</u>		<u>3,445,805</u>
Note: 'Maturity' for repayment loans is the date on which the final repayment is made. For overdrafts it is the next renewal date.			
<b>13 Other Assets</b>			
Accrued Interest Receivable	330,743		350,936
Debtors (Balance with SHG / AIG)	292,836		506,323
Prepayment – Software Licence	14,854		15,070
Balances Held On Suspense	29,519		2,914
	<u>667,952</u>		<u>875,243</u>
<b>14 Savings Accounts</b>			
Balance at 1 April 2006	26,449,299		23,533,223
Interest On Depositors' Accounts	1,078,401		960,174
Net Deposits received in year	1,269,269		1,955,902
Balance at 31 March 2007	<u>28,796,969</u>		<u>26,449,299</u>
<b>Comprising:</b>			
St Helena Individuals	16,699,514		15,159,103
Ascension Individuals	6,857,571		6,221,174
St Helena Corporations	3,995,271		4,224,493
Ascension Corporations	60,498		69,209
Governments	1,102,525		769,613
Child Bond Savings Accounts	41,653		0
Other	39,937		5,707



## Notes to the Accounts for the year ended 31 March 2007

<b>15 Other Liabilities</b>	<b>£</b> <b>2006/2007</b>	<b>£</b> <b>2005/2006</b>
Loan Disbursement Accounts	588,650	375,900
Provisions	74,600	47,500
Credit Suspense	32,804	18,609
Tax Due	68,859	0
Accrued Interest Payable	686	93
Other Liabilities	<u>765,599</u>	<u>442,102</u>
<b>16 Reserve Account</b>		
Balance at 1 April 2006	3,290,974	3,191,158
Profit on ordinary activities after tax	138,089	111,070
2004/5 General Ledger EOY Adjustments		(12,011)
Amortisation on Investments Adjustment		757
2006/7 Other Adjustments	643	
Balance at 31 March 2007	<u>3,429,706</u>	<u>3,290,974</u>



Notes to the Accounts for the year ended 31 March 2007

17 UK Government Security Investments Holdings (GBP)

UK GILTS	Nominal Held		Market Value		Net Book Value	Purchases		Amortisation	Maturities	Net Book Value	Analysis of Net Book Value 31/3/07	
	£ 31/03/06	£ 31/03/07	£ 31/03/06	£ 31/03/07	£ 31/03/06	£ Nominal	£ Premium	£	£	£ 31/03/07	£ Nominal	£ Un/am premium
UK Govt 7.5% 07/12/06	5,815,000	0	5,931,882		5,895,555			(80,555)	(5,815,000)			
UK Govt 7.5% 07/12/06	800,000	0	816,080		814,626			(14,626)	(800,000)			
UK Govt 8.5% 16/07/07	400,000	400,000	420,200	403,438	418,022			(13,864)		404,158	400,000	4,158
UK Govt 8.5% 16/07/07	700,000	700,000	735,350	706,016	727,738			(21,342)		706,396	700,000	6,396
UK Govt 7.25% 07/12/07	6,000,000	6,000,000	6,268,800	6,067,407	6,259,950			(152,156)		6,107,794	6,000,000	107,794
UK Govt 5% 07/03/08	1,740,000	1,740,000	1,757,574	1,733,006	1,767,077			(13,862)		1,753,215	1,740,000	13,215
UK Govt 5% 07/03/08	6,810,000	6,810,000	6,878,781	6,782,626	6,899,396			(45,874)		6,853,522	6,810,000	43,522
UK Govt 5% 07/03/08	585,000	585,000	590,909	582,649	591,509			(3,349)		588,160	585,000	3,160
UK Govt 5% 07/03/08		1,000,000		995,980		1,000,000	875	(307)		1,000,568	1,000,000	568
UK Govt 5.75% 07/12/09		6,975,000		7,038,531		6,975,000	170,190	(14,227)		7,130,963	6,975,000	155,963
TOTALS:	22,850,000	24,210,000	23,399,576	24,309,653	23,373,873	7,975,000	171,065	(360,162)	(6,615,000)	24,544,776	24,210,000	334,776