



# Bank of St. Helena

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

## Directors' Report and Audited Financial Statements for the Financial Year 2005-06

**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*.



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## **Directors' Report, for the Financial Year 2005-6**

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## 1 Performance

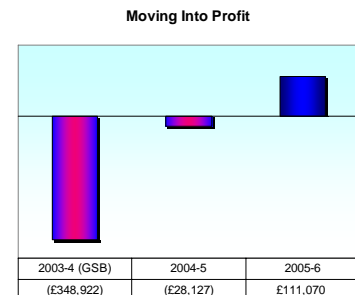
The Bank of St. Helena was established on 1<sup>st</sup> April 2004 according to the provisions of the *Banking Ordinance 2003* and the *Bank of St. Helena Ordinance 2003*.

The directors are pleased to report that the bank has achieved sustained growth during both of its first two years of operation.

In 2005-6, as in the preceding year, deposits and loans have shown a solid month-on-month increase.

The Bank made a comfortable profit this year, which will rebuild the bank's reserves, depleted in previous years by the costs associated with creating the bank and setting up its modern computer systems.

The lending book has again expanded throughout the year. So far there are no significant problems with bad debts. Lending, particularly commercial lending, remains a key engine of economic growth, and will be an important aspect of the economic uplift that the 2005 Air Access decision is expected to provide. The directors wish the bank to be seen as the natural source of funds for commercial development by businesses in St. Helena.



Despite the continued growth in savings account balances, it is the directors' belief that there remains a quantity of unbanked funds in St. Helena. The bank will continue to offer an attractive rate of interest and flexible, largely charge-free banking, with the aim of attracting into the bank more of these funds.

## 2 Management and Controls

The bank has operated throughout the year under sound management, as evidenced by the close adherence to the key management ratios, as shown below:

<b>Risk assets Ratio</b>	
Average over the year	61%
Minimum during the year	57%
<i>Minimum Permitted Value</i>	8%

The Bank has maintained adequate liquidity throughout the year:


<b>Liquidity Ratios</b>	Average over the year	Minimum during the year	<i>Minimum Permitted Value</i>
Liquid assets in St Helena:	2.0%	1.4%	0.5%
Total liquid assets	82.7%	80.0%	25.0%

The bank's supervisory body, the Banking Supervisory Authority of St Helena, reviewed the bank's operations, policies and strategy in April 2006 and reported that the bank had met all the requirements of the Ordinance and that there were no significant matters of concern.

### 3 Services

The bank continues to offer new and improved services. In 2005-6 the bank introduced a number of useful tools to assist its business and personal customers, including:

- Overdrafts for business customers. Overdrafts are a more flexible way for a business to borrow money, and will help businesses to control costs while investing for the future.
- A cheque book scheme, allowing non-cash payment to be made in local outlets both on St. Helena and Ascension Island.
- The sale of Travellers Cheques, providing customers with a secure means of carrying funds while travelling overseas.
- Extension of the facility to provide Cash advances on Credit and Debit Cards to the Ascension Island office.



Bank of St. Helena Post Office Building, 98765432  
www.bankofsthenelava.com Main Street, Jamestown, St. Helena, STHE 1222  
Tel: +290 2792 Date: \_\_\_\_\_

Pay: £ \_\_\_\_\_  
Amount (words): \_\_\_\_\_  
Fred & Wilma Flintstone  
Authorised Signature(s): \_\_\_\_\_

Bank Use Only 903412  
System Used \_\_\_\_\_  
Date Input \_\_\_\_\_  
Input By: \_\_\_\_\_  
Checked By: \_\_\_\_\_

### 4 Staffing

In February the bank recruited an additional Cashier for the Jamestown office, to reduce queues in busy periods.

Rosemary Bargo has been appointed Chief Operations Officer, and now is responsible for the day-to-day running of all the bank's operational activities.

### 5 Security

The board is pleased to report that the bank's 'disaster recovery' facilities are now operational. These will enable the bank to continue providing customer service in the event of an incident which rendered the Post Office Building unusable or inaccessible.

The bank is also installing an alternative power supply for 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's income rose by 14% but its costs only increased by 6%, resulting in a profit of £111,070 for the year.

## Directors' Report, for the Financial Year 2005-6, page 5 of 7

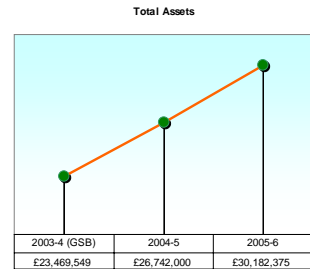
This profit, less any applicable tax, will be taken into the bank's reserves, depleted in previous years by the costs associated with creating the bank and setting up its modern computer systems.

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 13% during the past year.

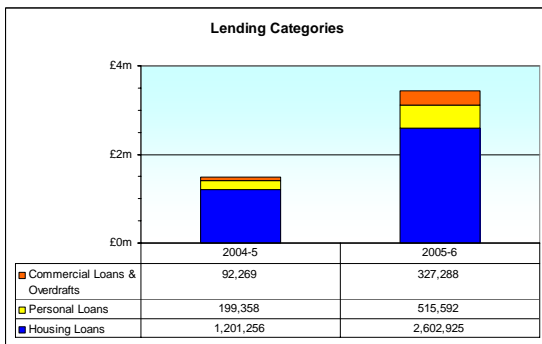
Much of this is attributable to the steady growth in savings accounts and the Directors are pleased that more customers are investing their funds with the bank.



### Lending

Lending, a key engine for economic development, grew strongly, rising by 131%.

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 now available for business customers and are proving popular with business borrowers because of their flexibility.

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

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.

So far there are no significant problems with bad debts, but 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 below:

	This Year	Last Year
<b>Income &amp; Expense</b>		
Total Income	£2,008,968	£1,769,166
Total Expenses	£1,897,898	£1,797,293
<b>Profit</b>	£111,070	(£28,127)
<b>Balance Sheet</b>		
Savings Accounts	£26,449,299	£23,533,223
<b>Total Assets</b>	£30,182,375	£26,742,000
<b>Lending</b>		
Commercial Loans	£222,507	£91,437
Overdrafts	£104,781	£832
Housing Loans	£2,602,925	£1,201,256
Personal Loans	£515,592	£199,358
<b>Total Lending</b>	£3,445,805	£1,492,883

## 7 Community and Social

Following the introduction of Registered Charities in St. Helena the bank announced that it will waive all transaction charges on accounts opened in the name of a Registered Charity.

The Directors plan to introduce further support for community development projects during the 2006-7 financial year.

## 8 Conclusion

The bank has shown further strong growth in 2005-6, and is poised for a continuation of this in 2006-7. The Directors are pleased that many positive comments continue to be received about the operation of the bank.

## **Directors' Report, for the Financial Year 2005-6, page 7 of 7**

In planning for the future, the Directors continue to develop the bank's services and infrastructure to ensure that the bank continues to support the needs of its customers and is well positioned to address the opportunities and challenges that the 2005 Air Access decision is expected to offer.

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

Carolyn Thomas  
Chairman





# SAINT HELENA AUDIT SERVICE

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www.audit.gov.sh

## BANK OF SAINT HELENA Financial Statements for the year ended 31<sup>st</sup> March 2006

### 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 Accounts which incorporate the Balance Sheet as at 31<sup>st</sup> March 2006, the Income Statement and the Cash Flow Statement for the year ended 31<sup>st</sup> March 2006, 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 United Kingdom Auditing Standards 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 believe that the audit has provided a reasonable basis for my opinion.

#### **Audit Opinion**

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> 2006, and of the results of its operations for the year then ended in accordance with accepted accounting standards.

---

1<sup>st</sup> July 2006  
Andy Bonner  
Chief Auditor



## Income Statement for the year ended 31 March 2006

	£ 2005/2006	£ 2004/2005	Notes
<b>Income</b>			
Interest Received	1,855,042	1,716,374	2
Fees & Commissions	100,384	41,823	
Other Income	53,542	10,969	
<b>Total Income</b>	<b>2,008,968</b>	<b>1,769,166</b>	
<b>Expenditure</b>			
Interest on Deposits	960,174	856,096	
Employee Costs	133,280	122,159	
Premises Costs	4,340	5,590	
Investment Management Fees	21,745	22,232	
Depreciation	72,114	73,465	
Provisions	28,500	19,000	
Audit Fees	5,000	2,200	
Bank Supervisory Authority Fees	9,073	12,056	
Investment Premium Amortisation	547,124	612,169	13
Other Expenses	116,548	72,326	3
<b>Total Expenses</b>	<b>1,897,898</b>	<b>1,797,293</b>	
<b>Profit / (Loss) on ordinary activities</b>	<b>111,070</b>	<b>(28,127)</b>	

Signed:		
Name	Title	Date



### Balance Sheet as at 31 March 2006

	£ 2005/2006	£ 2004/2005	Notes
<b>Assets</b>			
Fixed Assets	2,471	36,130	
Intangible Assets	25,310	65,597	
Investments	23,373,873	22,234,542	4
Bank Balances	2,343,049	1,936,311	5
Cash	116,624	77,468	6
Lending	3,445,805	1,492,883	7
Debtors & Prepayments	875,243	899,069	8
<b>Total Assets</b>	<b>30,182,375</b>	<b>26,742,000</b>	
<b>Liabilities</b>			
Customer Accounts	26,449,299	23,533,223	9
Other Liabilities	442,102	17,619	10
<b>Total Liabilities</b>	<b>26,891,401</b>	<b>23,550,842</b>	
<b>TOTAL NET ASSETS</b>	<b>3,290,974</b>	<b>3,191,158</b>	
REPRESENTED BY:			
<b>GENERAL RESERVE</b>	<b>3,290,974</b>	<b>3,191,158</b>	11

Signed:		
Name	Title	Date



## Cash Flow Statement for the year ended 31 March 2006

	£	Notes
Net cash inflow / (outflow) from operating activities	(2,470,182)	1 (below)
Net cash inflow / (outflow) from financing activities	2,916,076	2 (below)
<b>Increase in cash</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**

Operating Profit / (Loss)	111,070
Depreciation Charge	73,946
Movement on Provisions	28,500
Investment Premium Amortisation	547,124
(Increase) / Decrease in Investments	(1,685,698)
(Increase) / Decrease in Lending	(1,952,922)
(Increase) / Decrease in Debtors	23,826
Increase / (Decrease) in Creditors	395,983
04/05 General Ledger E.O.Y. Adjustments	(12,011)
<i>Net Cash In / (out) flow from Operating Activities</i>	<i>(2,470,182)</i>

**Note 2 to the Cash Flow Statement:  
Reconciliation of Net Cash Inflow from Financing Activities**

Net Cash inflow due to increase in Customer Accounts	2,916,076
<i>Net Cash In / (out) flow from Financing Activities</i>	<i>2,916,076</i>

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

	01/04/2005 > Cash Flows >	31/03/2006
Cash in hand and Bank	2,013,779	2,459,673
<i>Increases / (Decrease) in Cash for the period</i>	<i>445,894</i>	

Signed:			
Name	Title		Date



## Notes to the Accounts for the year ended 31 March 2006

### 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 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 over three years.

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

### 2 Breakdown of Interest Received

	£	£
	<b>2005/2006</b>	<b>2004/2005</b>
Interest on Overdrafts	1,587	455
Interest on Money Market Placements	82,931	84,463
Interest on Government Placements	1,594,462	1,540,134
Interest on Commercial Lending	10,644	2,676
Interest on Personal Lending	165,418	88,646
	<u>1,855,042</u>	<u>1,716,374</u>

### 3 Breakdown of Other Expenses

	£	£
	<b>2005/2006</b>	<b>2004/2005</b>
Licence Fees	21,443	23,101
Communication Expenses	27,325	21,023
Bank Charges	26,346	9,200
Write Offs	0	3,063
Other	41,434	15,939
	<u>116,548</u>	<u>72,326</u>

### 4 Breakdown of Investments

	£	£
	<b>2005/2006</b>	<b>2004/2005</b>
UK Gov Securities	23,373,873	21,234,542 (see Note 13)
Money Market Placement	0	1,000,000
Total	<u>23,373,873</u>	<u>22,234,542</u>

## 5 Breakdown of Bank Balances

	£	
	2005/2006	2004/2005
Crown Agents: Cash & Call	2,166,055	1,692,949
Crown Agents: Cash in transit	(4,460)	100,000
Lloyds TSB: Currency Accounts	16,242	8,187
Lloyds TSB: SHP Account	165,212	279,273
Total	<u>2,343,049</u>	<u>2,080,409</u>

## 6 Breakdown of Cash

	£	
	2005/2006	2004/2005
St Helena £	97,200	69,677
Sterling	6,998	5,032
Other Currencies	12,426	2,759
Total	<u>116,624</u>	<u>77,468</u>

## 7 Breakdown of Lending

	£	
	2005/2006	2004/2005
Personal Loans	515,592	199,358
Housing Loans	2,602,925	1,201,256
Commercial Loans	222,507	91,437
Overdrafts	104,781	832
Total	<u>3,445,805</u>	<u>1,492,883</u>

### Lending Maturity Analysis

Maturing in less than 1 year	455,815
Maturing in 1 to 3 years	448,640
Maturing in 3 to 7 years	227,220
Maturing in 7 to 15 years	904,430
Maturing in 15 to 20 years	1,409,700
Total	<u>3,445,805</u>

## 8 Breakdown of Debtors & Prepayments

	£	
	2005/2006	2004/2005
Accrued Interest Receivable	350,936	497,270
Debtors (Balance with SHG / AIG)	506,323	388,773
Prepayment – Software Licence	15,070	11,255
Balances Held On Suspense	2,914	1,771
Total	<u>875,243</u>	<u>899,069</u>

## 9 Breakdown of Customer Accounts

	£	£
	2005/2006	2004/2005
Balance at 1 April 2005	23,533,223	20,837,091
Interest On Depositors' Accounts	960,174	780,279
Net Deposits received in year	<u>1,955,902</u>	<u>1,915,853</u>
Balance as at End of Year	26,449,299	23,533,223
<b>Comprising:</b>		
St Helena Individuals	15,159,103	13,740,247
Ascension Individuals	6,221,174	5,804,785
St Helena Corporations	4,224,493	3,996,284
Ascension Corporations	69,209	62,906
Ascension Island Government	769,613	
Other	5,707	(70,999)

## 10 Breakdown of Other Liabilities

	£	£
	2005/2006	2004/2005
Total Loan Disbursement Accounts	375,900	0
Total Provisions	47,500	19,000
Total Credit Suspense	18,609	(1,118)
Total Accrued Interest Payable	93	(263)
Other Liabilities	<u>442,102</u>	<u>17,619</u>

## 11 Reconciliation of Reserve Account Movements

	£
	2005/2006
General Reserve as at 1 April 2005	3,191,158
Profit on Ordinary Activities for 2005/06	111,070
04/05 General Ledger E.O.Y. Adjustments	(12,011)
Amortisation on Investments Adjustment	757
General Reserve as at 31 March 2006	<u>3,290,974</u>

## 12 Reconcile Lloyds TSB: SHP Account

	£	£
	2005/2006	2004/2005
Net balance (as per statement)	120,068	350,969
Less uncleared Credits	(51,314)	(72,943)
Plus uncleared Debits	96,458	1,247
Effective balance	<u>165,212</u>	<u>279,273</u>



## Notes to the Accounts for the year ended 31 March 2006

### 13 UK Government Security Investment Holdings

UK GILTS	Nominal Held	Nominal Held	Net Book Value	Purchases		Amortisation	Maturities	Net Book Value 31/03/2006	Analysis of Net Book Value 31/3/06	
	31/03/2005	31/03/2006	31/03/2005	Nominal	Premium				Nominal	Un/am premium
UK Govt 8.50% 07/12/05	5,796,000	0	5,976,018			(180,018)	(5,796,000)			
UK Govt 8.50% 07/12/05	800,000	0	820,705			(20,705)	(800,000)			
UK Govt 7.5% 07/12/06	5,815,000	5,815,000	6,009,700			(114,145)		<b>5,895,555</b>	5,815,000	80,555
UK Govt 7.5% 07/12/06	800,000	800,000	835,482			(20,856)		<b>814,626</b>	800,000	14,626
UK Govt 8.5% 16/07/07	400,000	400,000	431,805			(13,783)		<b>418,022</b>	400,000	18,022
UK Govt 8.5% 16/07/07	700,000	700,000	748,920			(21,182)		<b>727,738</b>	700,000	27,738
UK Govt 7.25% 07/12/07	6,000,000	6,000,000	6,411,914			(151,964)		<b>6,259,950</b>	6,000,000	259,950
UK Govt 5% 07/03/08	0	1,740,000	0	1,740,000	37,932	(10,855)		<b>1,767,077</b>	1,740,000	27,077
UK Govt 5% 07/03/08	0	6,810,000	0	6,810,000	102,150	(12,754)		<b>6,899,396</b>	6,810,000	89,396
UK Govt 5% 07/03/08	0	585,000	0	585,000	7,371	(862)		<b>591,509</b>	585,000	6,509
<b>TOTALS:</b>	<b>20,311,000</b>	<b>22,850,000</b>	<b>21,234,544</b>	<b>9,135,000</b>	<b>147,453</b>	<b>(547,124)</b>	<b>(6,596,000)</b>	<b>23,373,873</b>	<b>22,850,000</b>	<b>523,873</b>