



Bank of St. Helena

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Directors' Report and Audited Financial Statements
for the Financial Year 2007/2008

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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.



Bank of St. Helena

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Directors' Report, for the Financial Year 2007/2008

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Directors' Report, for the Financial Year 2007/2008

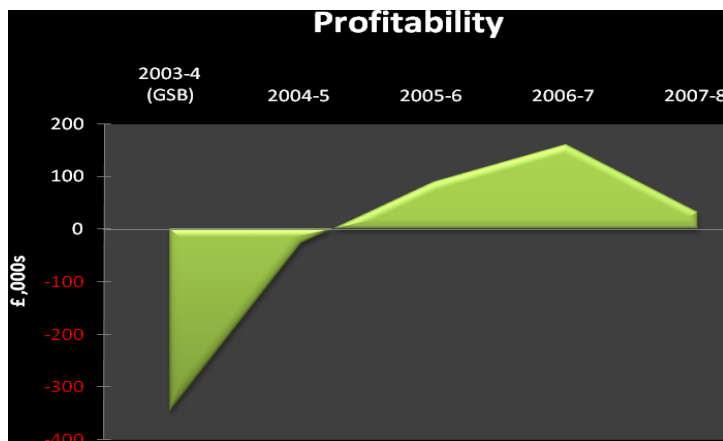
Bank of St. Helena is pleased to publish its Directors' Report and Audited Financial Statements, for the Financial Year 2007/2008.

1 Performance

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

The decline in profit this year was contributed by the following factors:

- The bank's investment in UK Government securities in which UK interest rates are relatively low,
- The introduction of a Retirement Bonded Savings Account with a 1% APR above the current base rate,
- The reduction of Commercial Loan rates by 1% and the removal of the charge levied for the purchase of foreign currency.



As in previous years, the lending book has grown. 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. This year the introduction of Direct Debits proved to be highly successful, the bank is currently working with two companies on this product and look forward to providing this service to other companies in the coming year. We have also seen the introduction of an additional savings account; the New Life Account which is a Retirement Bonded Savings Account, further information on our services and products can be obtained from the bank or the bank's website.

Directors' Report, for the Financial Year 2007/2008

3 Management and Controls

The bank has operated throughout the year under sound management, as revealed by the close adherence to the key management ratios.

<u>Management and Controls</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
Risk Assets Ratio (limit: 8%)	48.56%	45.90%	50.60%
Total Liquid Assets in St Helena; Total Liabilities (limit: 0.50%):	2.05%	1.50%	2.80%
Total Liquid Assets: Total Liabilities (limit: 25.00%):	76.05%	75.00%	76.90%

The Bank's supervisory body, the Banking Supervisory Authority of St Helena, received regular financial information from the bank and reviewed the bank's operations in January 2008. The Supervisory Authority confirmed that the bank had met all the requirements of the Banking Ordinance. Looking forward, the main matter of concern is the profitability of the bank. Relatively low UK interest rates have reduced the bank's earnings from UK Government securities. This means that unless UK long term interest rates increase there is no scope for offering a higher rate of interest on deposits.

4 Staffing

The bank continues to recruit to provide improved customer service, two additional cashiers were recruited this year and a Commercial Lending Manager was recruited to provide better support to business borrowers and to achieve the bank's strategic objectives.

5 Security

The bank is installing an alternative power supply for its operations, to cater for the risk of a failure in the wide-area national power system; this should be completed in June 2008.

6 Financial Results

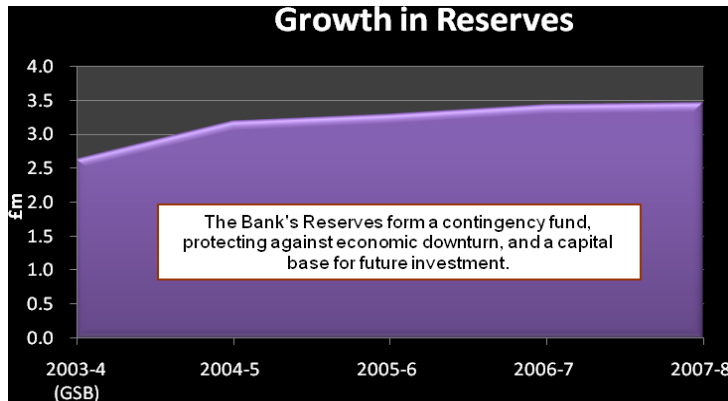
Income and Expenses

The bank had a decrease in income by 2% and an increase in cost by 5.5%. As a result the bank achieved a post-tax profit of £30,954 for the year; 81% lower than in 2006/2007.

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

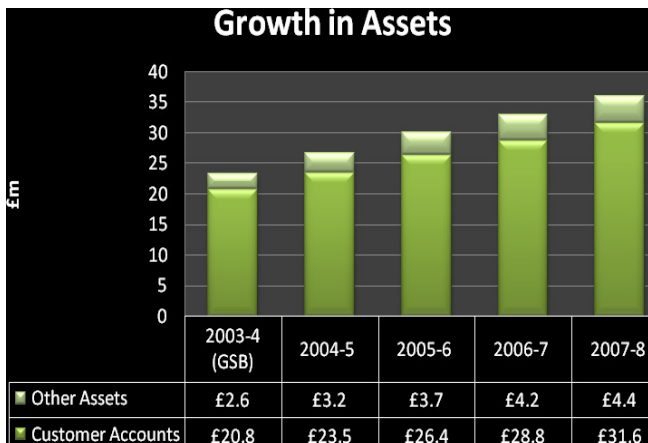
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since the creation of the bank in April 2004, as illustrated by the chart.



In keeping with its community, social and strategic objectives the bank will also release a proportion of this profit for community projects, and for the purchase and refurbishment of the new bank building in 2008/2009.

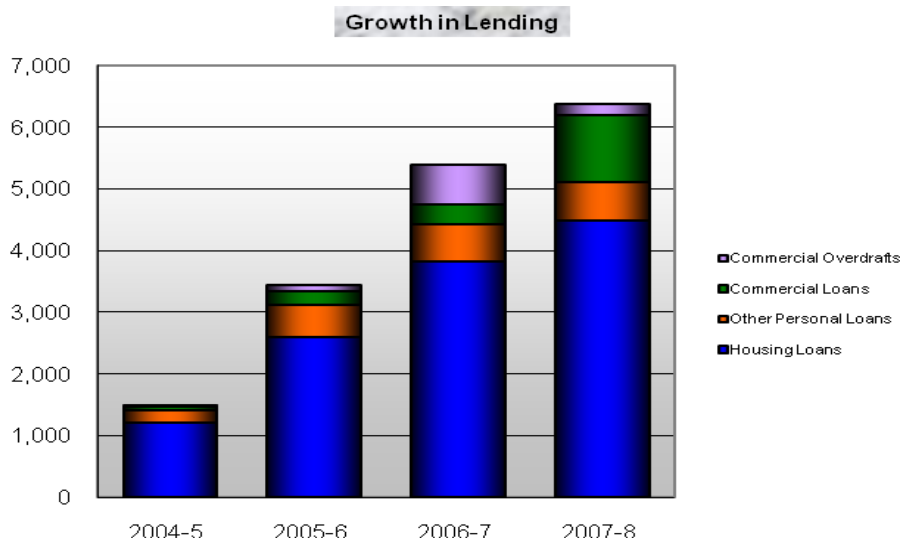
Balance Sheet



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.

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Lending

Lending is a major contributor to the Island's economy and this year's figures reported a growth of 18%.

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

Housing loans remain an area of growth, with 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, to travel and to visit friends and relatives overseas.

Bad debts are monitored by the Directors in which appropriate provisions are made to counteract with these loans.

Directors' Report, for the Financial Year 2007/2008

Key Figures

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

	This Year	Last Year
Income & Expense		
Total Income	£2,028,349	£2,070,730
Total Expenses	£1,949,678	£1,841,687
Tax Due	£47,717	£68,859
Profit after tax	£30,954	£160,184
Balance Sheet		
Savings Accounts	£31,551,851	£28,796,969
Total Assets	£35,943,900	£32,992,274
Lending		
Commercial Loans	£1,080,412	£305,552
Overdrafts	£175,716	£647,184
Housing Loans	£4,491,501	£3,827,723
Personal Loans	£618,836	£602,794
Total Lending	£6,366,465	£5,383,253

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.

Report of the Fund's Activities in 2007/2008:

The budget set for 2007/2008 was £10,000, and it was announced that the fund would not expect to make a donation worth more than £1,000 to any single organisation, activity or event.

The following projects were allocated funding during 2007/2008:

THE FIRST JAMESTOWN SCOUTS

Two scouts from St Helena were sent to the UK to join the World Jamboree, to celebrate the centenary year when scouting started in the UK.

Directors' Report, for the Financial Year 2007/2008

ST HELENA NATIONAL TRUST

The production of a book entitled "For the Love of Music" written by Miss Emma-Jane Yon, this book portrayed the history of music on St Helena.

The hiring of expert personnel from overseas that specialised in Historic Building Identification, Renovation and Restoration. Their objective was to identify buildings of architectural importance on St Helena and to provide training in the recording of historic buildings and restoration planning.

HALF TREE HOLLOW SCHOOL

For the printing expense of 200 kids cook books, produced by staff and children of Half Tree Hollow School.

ST HELENA BAPTIST CHURCH

A kitchenette was installed in the Schoolroom of the St Helena Baptist Church, which can be utilised by the public for various functions.

COUNCILLOR ROBERT ROBERTSON

Assist with funding on the publication of a book "The Government of St Helena", this book gives everyone an understanding of how government works.

Summary of funds allocated and disbursed

The project allocations and disbursements for 2007/2008 were as follows:

APPLICATIONS APPROVED:	£ Approved	£ Disbursed to date (Note 1)
The First Jamestown Scouts	980.00	980.00
St Helena National Trust "Love of Music"	1,000.00	1,000.00
St Helena National Trust: Historic Building Identification, Renovation and Restoration	1,000.00	1,000.00
Half Tree Hollow School	350.00	
St Helena Baptist Church	1,000.00	1,000.00
Councilor Robert Robertson	250.00	
BALANCE OF APPROVED APPLICATIONS	4,580.00	3,980.00



Directors' Report, for the Financial Year 2007/2008

Notes

1. *Approved and Disbursed Funds*

When funds are approved for a project they do not have to be drawn immediately. Some projects rely on funding from more than one source, and may delay drawing until all the necessary funding from all sources has been secured. The Community Projects Fund will hold allocated but undrawn funds indefinitely. Should a project no longer need the allocated funds, they will be returned to the Community Projects Fund budget for re-allocation.

The Community Projects Fund in 2008/2009

Once again the Bank is pleased with the success, and has confirmed that the Community Projects Fund will continue in 2008/2009.

A new budget has been set and the 2008/2009 fund will operate with the same categories as before, namely:

- Developing St. Helena's Young People.
- Developing St. Helena's Environment.
- Developing St. Helena's Arts & Culture.

To learn more please obtain a copy of the "Community Projects Fund Guide", available from the bank or online from www.SaintHelenaBank.com

Directors' Report, for the Financial Year 2007/2008

8 Conclusion

The bank has shown a further growth in 2007/2008. Looking forward, the bank's profitability is likely to be a concern due to the current relatively low UK interest rates earned on its investment in UK Government securities. This will be closely monitored by the bank's Directors.

In planning for the future 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 that St Helena and Air Access will provide.

Once again 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 2008/2009.

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

Carolyn Thomas
Chairman



Bank of St. Helena

www.sainthelenabank.com

Independent Auditor's Report



SAINT HELENA AUDIT SERVICE

✉ enquiries@audit.gov.sh ☎ (00 290) 📠 Garden Hall, Castle Gardens,
2111 Jamestown

www.audit.gov.sh

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 31st March 2008, the Income Statement and the Cash Flow Statement for the year ended 31st March 2008, 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 31st 2008, and of the results of its operations for the year then ended in accordance with laws in force in St Helena and its Dependencies.

23 September 2008

Anthony Kilner
Chief Auditor



Bank of St. Helena

www.sainthelenabank.com

St Helena Audit Service
Castle Gardens
Jamestown
Island of St. Helena

22 September 2008

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of Bank of St. Helena for the year ended 31 March 2008 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Bank of St. Helena as of 31 March 2008.

We acknowledge responsibility for the fair presentation of the financial statements in accordance with the Banking Ordinance 2003, Bank of St Helena Ordinance 2003, Banking Directives (as amended) and generally accepted accounting practice.

We confirm to the best of our knowledge and belief, the following representations:

- There have been no irregularities (proven or alleged) involving management or employees who have a significant role in internal control that could have a material effect on the financial statements.
- Internal controls are designed and implemented to prevent and detect fraud.
- We have made available to you all books of account and supporting documentation.
- The financial statements are free of material misstatements, including omissions.
- The organisation has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements.
- We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- We are not aware of any significant contingent liabilities in particular, in relation to guarantees or letters of credit.

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

Carolyn Thomas
Chair



Bank of St. Helena

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Audited Financial Statements
for the Financial Year 2007/2008

Profit and Loss Account for the year ended 31 March 2008

	£	£
	2007/2008	2006/2007
Income		
Interest Received	1,874,498	1,894,866
Fees & Commissions	102,473	115,153
Other Income	51,378	60,711
Total Income	2,028,349	2,070,730
Expenditure		
Interest on Deposits	1,167,380	1,078,401
Employee Costs	232,609	171,286
Premises Costs	6,954	5,378
Investment Management Fees	19,038	18,237
Depreciation	9,728	31,196
Provisions	95,292	27,100
Audit Fees	11,800	5,000
Bank Supervisory Authority Fees	8,270	9,150
Investment Premium Amortisation	229,008	360,162
Other Expenses	169,599	135,777
Total Expenses	1,949,678	1,841,687
Profit on ordinary activities, before tax	78,671	229,043
Tax Due	(47,717)	(90,954)
Profit on ordinary activities, after tax	30,954	138,089

Signed:

Name	Title	Date

Balance Sheet as at 31 March 2008

	£ 2007/2008	£ 2006/2007
Assets		
Fixed Assets	15,480	14,285
Intangible Assets	0	2,294
Investments	25,903,209	24,544,776
Other Assets	835,115	667,952
Bank Balances	2,693,935	2,303,767
Cash	129,696	75,947
Lending	6,366,465	5,383,253
Total Assets	35,943,900	32,992,274
Liabilities		
Savings Accounts	31,551,851	28,796,969
Other Liabilities	931,389	765,599
Total Liabilities	32,483,240	29,562,568
TOTAL NET ASSETS	3,460,660	3,429,706
REPRESENTED BY:		
GENERAL RESERVE	3,460,660	3,429,706

Signed:

Name	Title	Date

Cash Flow Statement for the year ended 31 March 2008

	£ 2007/2008	£ 2006/2007	Notes
Net cash (outflow) from operating activities	(2,233,477)	(2,385,540)	1 (below)
Net cash inflow from financing activities	2,754,882	2,347,670	2 (below)
Taxation	(68,859)	(22,095)	
Capital Expenditure	(8,629)	(19,994)	2 (below)
Increase / (Decrease) in Cash for the period	443,917	(79,959)	3 (below)

Note 1 Reconciliation of Operating Profit to net Cash Outflow from Operating Activities

Profit on ordinary activities, before tax	78,671	229,043	
Depreciation Charge	9,728	31,196	
Movement on Provisions	64,140	27,100	
Investment Premium Amortisation	229,008	360,162	
(Increase) in Investments	(1,587,441)	(1,531,065)	
(Increase) in Lending	(983,212)	(1,937,448)	
(Increase)/Decrease in Other Assets	(167,163)	207,291	
Increase in Other Liabilities	122,792	254,638	
05/06 & 04/05 General Ledger Adjustments	0	(15,070)	
Other Adjustments	0	(11,387)	
<i>Net cash (outflow) from operating activities</i>	<i>(2,233,477)</i>	<i>(2,385,540)</i>	

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

Net Cash inflow due to increase in Savings Accounts	2,754,882	2,347,670	
Capital Expenditure			
Purchase of fixed assets	(8,629)	(19,994)	

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

Cash in hand and Bank	2,823,631	2,379,714	
<i>Increase/(Decrease) in Cash for the period</i>		<i>443,917</i>	

Signed:		
Name	Title	Date

Notes to the Accounts for the year ended 31 March 2008

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

	£ 2007/2008	£ 2006/2007
Interest on Overdrafts	17,385	38,811
Interest on Money Market Placements	99,774	94,083
Interest on Government Investments	1,381,897	1,479,423
Interest on Commercial Lending	39,724	17,506
Interest on Personal/Housing Loans	335,718	265,043
	<u>1,874,498</u>	<u>1,894,866</u>

3 Other Income

Foreign Exchange	51,378	60,711
	<u>51,378</u>	<u>60,711</u>

4 Employee Costs

Staff Costs	224,961	164,950
Directors' Remuneration	7,648	6,336
	<u>232,609</u>	<u>171,286</u>

5 Other Expenses

P&L on Disposal of Fixed Assets	(5)	0
License Fees	39,638	20,796
Communication Expenses	29,117	27,084
Bank Charges	39,420	33,131
Computer & Equipt	22,412	6,532
Other Fees	7,654	3,728
Other	31,363	44,506
	<u>169,599</u>	<u>135,777</u>

Notes to the Accounts for the year ended 31 March 2008

6 Tax Calculation	£ 2007/2008	£ 2006/2007
Profit on ordinary activities, before tax	78,671	229,043
Add: Non-allowable deduction - Provisions	98,986	27,100
	177,657	256,143
Tax Due at 1 April 2007	68,859	22,095
Total Tax Due in year	47,717	90,954
Less: Tax Paid in year	(68,859)	(22,095)
Tax Liability as at 31 March 2008	47,717	68,859

7 Fixed Assets

	FIXED ASSETS			INTANGIBLE ASSETS
	Land & Buildings	Furniture & Equipment	Total	Software
	£	£	£	£
COST				
At 1 April 2007	2,895	51,297	54,192	176,862
Additions	0	8,629	8,629	0
At 31 March 2008	2,895	59,926	62,821	176,862
DEPRECIATION				
At 1 April 2007	579	39,328	39,907	174,568
Charge for year	579	6,855	7,434	2,294
At 31 March 2008	1,158	46,183	47,341	176,862
NET BOOK VALUE				
At 31 March 2008	1,737	13,743	15,480	0
At 31 March 2007	2,316	11,969	14,285	2,294

8 Bank Balances	£ 2007/2008	£ 2006/2007
Crown Agents: Cash & Call	2,049,932	1,879,314
Crown Agents: Cash in transit	0	(4,614)
Lloyds TSB: Currency Accounts	30,548	24,035
Lloyds TSB: GBP Account	613,455	405,032
	2,693,935	2,303,767

9 Reconcile Lloyds TSB: GBP Account

Net balance (as per statement)	859,523	494,097
Apply uncleared Credits	(148,615)	(81,478)
Apply uncleared Debits	(18,351)	(7,587)
Effective balance	692,557	405,032

Notes to the Accounts for the year ended 31 March 2008

10 Cash	£	£		
	2007/2008	2006/2007		
St Helena Currency	108,671	50,816		
Other Currencies	21,025	25,131		
	<u>129,696</u>	<u>75,947</u>		
11 Lending				
Personal Loans	618,836	602,794		
Housing Loans	4,491,501	3,827,723		
Commercial Loans	1,080,412	305,552		
Overdrafts	175,716	647,184		
	<u>6,366,465</u>	<u>5,383,253</u>		
12 Lending Maturity Analysis				
Maturing in less than 1 year	310,690	05%	736,936	14%
Maturing in 1 to 3 years	902,560	14%	629,442	12%
Maturing in 3 to 7 years	514,200	08%	306,352	06%
Maturing in 7 to 15 years	1,190,655	19%	1,126,075	21%
Maturing in 15 to 20 years	3,448,360	54%	2,584,448	47%
	<u>6,366,465</u>		<u>5,383,253</u>	
Note: 'Maturity' for repayment loans is the date on which the final repayment is made. For overdrafts it is the next renewal date. The Savings Bank Loan portfolio for 2007/2008 is calculated using a single time period 1-3 years, last year the balance was pro-rata across the time periods.				
13 Other Assets				
Accrued Interest Receivable	214,415		330,743	
Debtors (Balance with SHG / AIG)	593,081		292,836	
Prepayment – Software License	12,396		14,854	
Balances Held On Suspense	15,223		29,519	
	<u>835,115</u>		<u>667,952</u>	
14 Savings Accounts				
Balance at 1 April 2007	28,796,969		26,449,299	
Interest On Depositors' Accounts	1,167,380		1,078,401	
Net Deposits received in year	1,587,502		1,269,269	
Balance at 31 March 2008	<u>31,551,851</u>		<u>28,796,969</u>	
	Comprising:			
St Helena Individuals	18,629,820		16,699,514	
Ascension Individuals	7,210,131		6,857,571	
St Helena Corporations	4,201,622		3,995,271	
Ascension Corporations	35,595		60,498	
Governments	963,052		1,102,525	
Child Bond Savings Accounts	102,461		41,653	
New Life Account	324,160		0	
Other	85,010		39,937	

15 Other Liabilities	£ 2007/2008	£ 2006/2007
Loan Disbursement Accounts	727,756	588,650
Provisions	138,740	74,600
Credit Suspense	947	32,804
Tax Due	47,717	68,859
Community Project Funds Payments	4,478	
Audit Fees	4,141	
Accrued Interest Payable	7,000	
Other Liabilities	610	686
	<u>931,389</u>	<u>765,599</u>
16 Reserve Account		
Balance at 1 April 2007	3,429,706	3,429,706
Profit on ordinary activities after tax	30,954	138,089
2006/7 Other Adjustments	0	643
Balance at 31 March 2008	<u>3,460,660</u>	<u>3,568,438</u>

Notes to the Accounts for the year ended 31 March 2008

UK GOVERNMENT SECURITY INVESTMENT HOLDINGS (GBP)	Nominal Held		Market Value		Net Book Value	Purchases		Amortisation	Maturities	Net Book Value	Analysis of Net book Value 31/03/08	
	£	£	£	£	£	£	£	£	£	£	£	£
	31/03/07	31/03/08	31/03/07	31/03/08	31/03/07	Nominal	Premium/ Discount			31/03/08	Nominal	Un/am premium/ Discount
UK Govt 8.5% 16/07/07	400,000	0	403,438	0	404,158			(4,158)	(400,000)			
UK Govt 8.5% 16/07/07	700,000	0	706,016	0	706,396			(6,396)	(700,000)			
UK Govt 7.25% 07/12/07	6,000,000	0	6,067,407	0	6,107,794			(107,794)	(6,000,000)			
UK Govt 5% 07/03/08	1,740,000	0	1,733,006	0	1,753,215			(13,215)	(1,740,000)			
UK Govt 5% 07/03/08	6,810,000	0	6,782,626	0	6,853,522			(43,522)	(6,810,000)			
UK Govt 5% 07/03/08	585,000	0	582,649	0	588,160			(3,160)	(585,000)			
UK Govt 5% 07/03/08	1,000,000	0	995,980	0	1,000,568			(568)	(1,000,000)			
UK Govt 5.75% 07/12/09		7,975,000	7,038,531	8,223,854	7,130,963	1,000,000	(850)	(56,583)		8,073,530	7,975,000	98,530
UK Govt 4.75% 07/06/10		513,000		522,063		513,000	(13,389)	3,641		503,252	513,000	(9,748)
UK Govt 4.25% 07/03/11		17,300,000		17,475,374		17,300,000	23,680	2,747		17,326,427	17,300,000	26,427
TOTALS:	17,235,000	25,788,000	24,309,653	26,221,291	24,544,776	18,813,000	9,441	(229,008)	(17,235,000)	25,903,209	25,788,000	115,209