Directors Report & Audited Financial Statements:

Financial Year 2018-19

This report is also available on our website or by email. Please contact us should you have any enquiries.

(290) 22390 info@sainthelenabank.com www.sainthelenabank.com

CONTENTS

DIRECTORS:	Josephine George Leeanne Henry Paul Hickling Dax Richards Brian Deadman John Isaac
REGISTERED OFFICE:	Market Street Jamestown St Helena Island STHL 1ZZ
REGISTERED NUMBER:	95
AUDITORS:	Lindeyer Francis Ferguson Limited North House 198 High Street Tonbridge Kent TN9 1BE

The directors present their report with the financial statements of the company for the year ended 31 March 2019.

DIRECTORS

The directors shown below have held office during the period from 1 April 2018 to the date of this report.

Josephine George	Managing Director (Designate)	
Leeanne Henry	Assistant Managing Director	
Helena Bennett	Non-Executive Director – Chairman	(Resigned 31 March 2019)
Connie Stevens	Non-Executive Director	(Resigned 31 March 2019)
Paul Hickling	Non-Executive Director	
Dax Richards	Non-Executive Director & Shareholder Representative	
Anne Dillon	Non-Executive Director	April 2019 (Resigned June 2019)
Brian Deadman	Non-Executive Director	April 2019
John Isaac	Non-Executive Director	April 2019

During the year Helena Bennett and Connie Stevens resigned as Executive Directors effective from 31 March 2019. As a result, they were replaced with Anne Dillon and Brian Deadman. John Isaac also joined the Board in April. In June 2019, Anne Dillon resigned as an Executive Director, bringing the total number of Board members to six.

PRINCIPAL ACTIVITIES

Bank of St Helena Limited provides banking and financial services within St Helena and via its branch in Ascension Island. From providing basic customer accounts when the Bank took over the running of the Government Savings Bank in 2004, the Bank now offers a wide variety of services including international remittances, local debit card services and online banking, together with a number of lending products and services.

REVIEW OF BUSINESS

During the year the Bank continued to work towards the agreed strategic objectives outlined in the Bank's strategic plan. Key Performance Indicators (KPI's) were set in line with these objectives to monitor and review the Bank's performance throughout the year, and whilst most of these were achieved during this reporting period the economic climate in St Helena has played a significant role in creating variances to targets set at the outset of 2018-19.

It was envisaged that the Lending portfolio would have grown during 2018-19, this has not materialised as expected in commercial lending, however it was pleasing to note that housing and personal lending continued to grow. One of the biggest achievements this year was the uptake of local debit cards by customers and the number of businesses that now offers the service. This system allows for a more automated service which in turn allows customers more control of their banking. Via online banking and the local debit card services automation has more than doubled over the financial year. Work continues on the International prepaid debit card service with testing planned for FY 2019/20; also phase one of the virtual/tourist cards has been completed with phase two now in progress. Networking with other Banks and financial institutions outside of St Helena has been achieved which has enhanced the Bank's ability to tap into support and introduction of new services.

Global Environment

Bank of St Helena and the island as a whole has continued to feel the effects of the uncertainty around Brexit, Over this period the value of the GBP has risen and fallen which has had an impact on matters relating to foreign currency exchange.

The Bank's returns on investments increased in 2018-19 as a result of the global climate, with investments made towards the end of the year being at significantly improved rates.

Local Environment

The performance of the Bank is very much influenced by the current economic climate which includes customer deposits, revenue generated and the lending portfolio. The rate of inflation has increased to 4.1%, an increase of 1.3% compared to March 2018. There has also been a slight decline in customer deposits of 0.4% compared to the same time last year; as the cost of living has seen a reduction in the spending power of the local population which has translated in reduced successful business activity on the island.

The commencement of air access has not realised the expected gains as previously envisaged however the Bank is endeavouring to use this opportunity to better ready itself for an increase in visitors to the island in the coming years.

Financial Performance

The Bank made an operating profit of £319,014 for the year 2018-19 which was a decrease of £84,779 (21%) from 2017-18, with a 15% net profit margin and a cost to income ratio of 85%. There has been a positive adjustment to fair value, as opposed to the negative adjustment of 2017-18, resulting in a profit before tax of £356,839, and a profit after tax of £283,977. This is an increase of £410,777compared to the loss of 2017-18. It is hoped with increased automation, this will increase even further going forward.

1. Income - £2,075,498 (2018: £1,866,572)

The Bank's total income, net of interest payable, continued to grow this year with an increase of £208,926 (11.2%). Interest received increased by £98,198 (5.8%) from £1,701,821 to £1,800,019 and interest payable increased by £3,951 to £226,979. Fees and commissions increased by £45,831 (15.5%) this year as the Bank saw a noticeable increase in transactions, and new account packages were rolled out with the local debit card acceptance service. Other income also increased this year by £68,848 (74.8%) from 2017-18; being largely due to the large foreign currency transactions made during the year. The Bank is aware of its exposure to foreign exchange risk and whilst payments will always need to be made, the Bank tries to minimise this exposure by reducing holdings whilst still maintaining sufficient funds to service customer requests. Chart 1 below depicts the split of income.

Chart 1 – Split of income 2017-2019

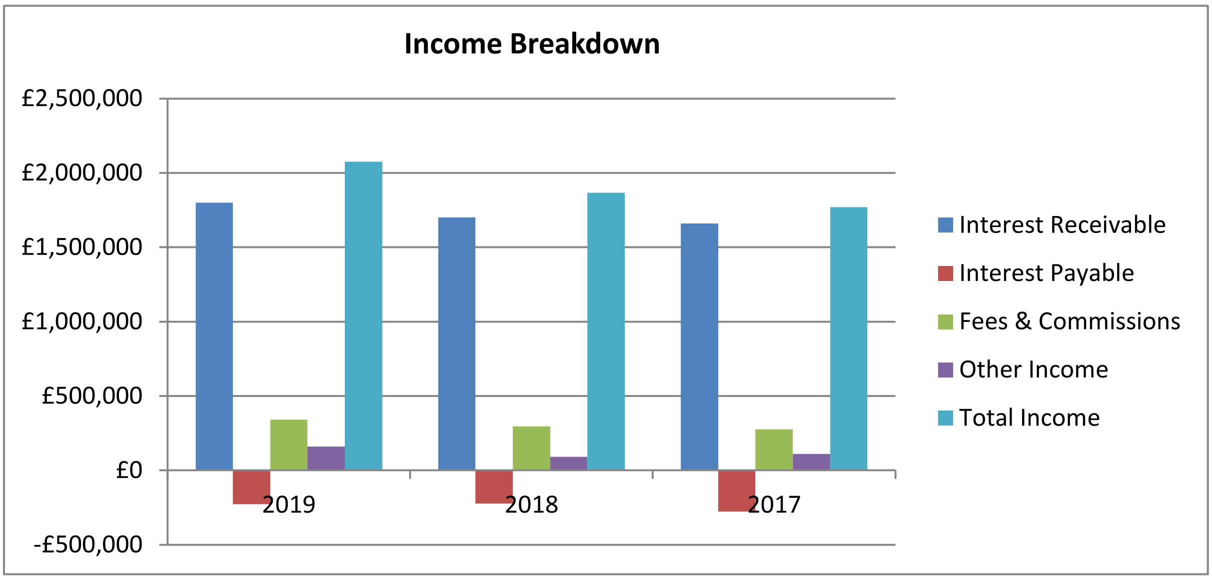
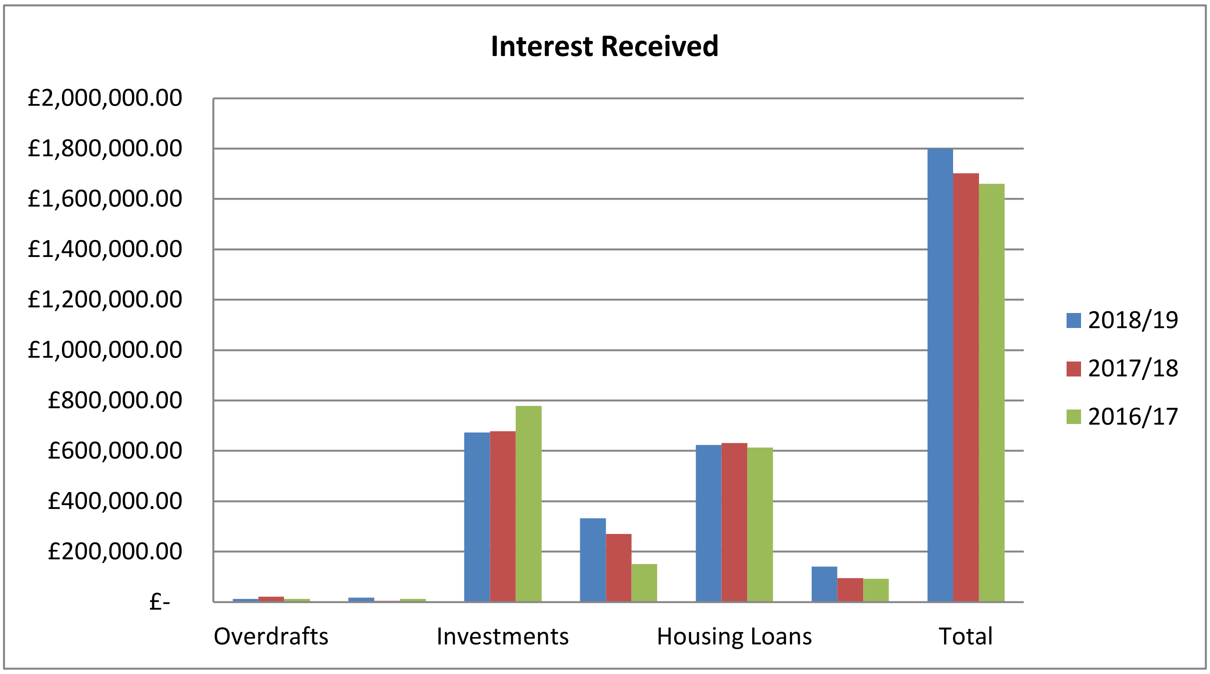


Chart 2 – Split of Interest Received 2016-2019



The split of interest received in Chart 2 shows that whilst the interest received on investments remained stable, there are both increases and decreases in the income received from loans. Interest received on loans increased by £110,645(9%) from 2017-18 with £62,107 of this relating to commercial loans and overdraft facilities. Whilst the lending portfolio has seen a slight decline, the Bank is optimistic about the potential of the new investment portfolio and the higher interest rates being received. Whilst reinvestments are made at the highest rates possible, the Bank remains prudent and with consideration given to operational and regulatory requirements,

2. *Expenditure £1,756,484 (2018: £1,462,779*)

Total expenditure increased by £293,705 (20%) however the majority of the Bank's other costs remained relatively similar to previous year as the Bank has a high proportion of fixed costs. Depreciation and Other Expenses, namely communications (internet), fees paid and other operating expenses are noticeably higher this year however the largest increase can be seen in specific provisions which increased by £186,305

Employee costs have increased by £13,718 (2%) to £751,079 and equates to 43% of total costs, however this is expected to reduce in future years as the local debit card reduces the need for manual input.

3. *Investments - £56,558,475 (2018: £57,123,362)*

The Bank's investments have continued to fall this year following a decline in customer balances as previous years. However, the market value of investments has seen an increase, resulting in a positive fair value adjustment in the income statement, as opposed to the losses seen last year. The Bank monitors its cash holdings and operational requirements closely and additional funds will be invested when it is deemed appropriate.

4. *Fixed Assets - £532,615 (2018: £589,109)*

For 2018-19 there were only small additions made to the Bank's fixtures and fittings, hardware and software. The Bank's assets are reviewed on a regular basis and no impairments were identified in the year.

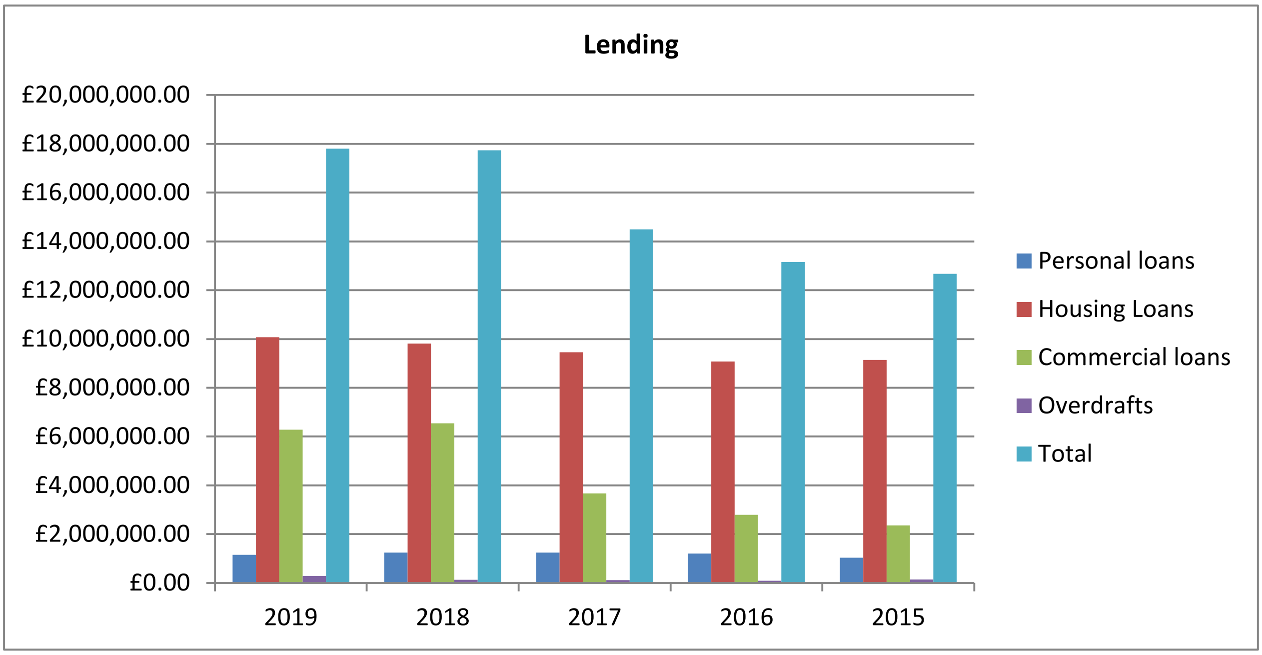
5. *Lending - £16,574,301 (2018: £16,582,126)*

Lending has not materialised as was initially anticipated, and as a result the loan portfolio has decreased this year. Commercial loans went from £6,609,363 in 2017-18 to £6,280,556 in 2018-19, a decrease of £328,757 (5%) with no loans of significant value being approved. Personal loans also decreased by £86,830 to £1,155,340 against a balance of £1,242,170 at the end of 2017-18, which indicates that the economic climate has had a negative impact on the ability of customers to borrow. On a positive note, housing loans saw an increase of £260,218 for the year with the Bank seeing demand for higher value housing loans.

Given the current economic climate mentioned above, the Bank has also seen a noticeable increase in unauthorised overdrafts for both personal and business customers. The Bank's debts are closely monitored and managed in line with the Bank's policies and procedures but additional specific provisions were made in the year where there are doubts over repayment.

The Bank operates well within its capital and liquidity limits set by the Financial Services Regulatory Authority (FSRA) and the Bank is in a position to facilitate future growth in lending. Chart 3 below depicts the trend in lending over the last 5 years.

Chart 3 – Lending 2015-2019



6. Customer Deposits £73,221,306 (2018: £73,493,000)

Customer monies held by the Bank show a decrease of £271,694 (0.4%) at the end of 2018-19. However, the Bank's higher earning interest accounts, Child Bond and New Life continue to be popular and show growth of 3% and 5% respectively for the year.

Chart 4 – Customer Deposits 2015-2019

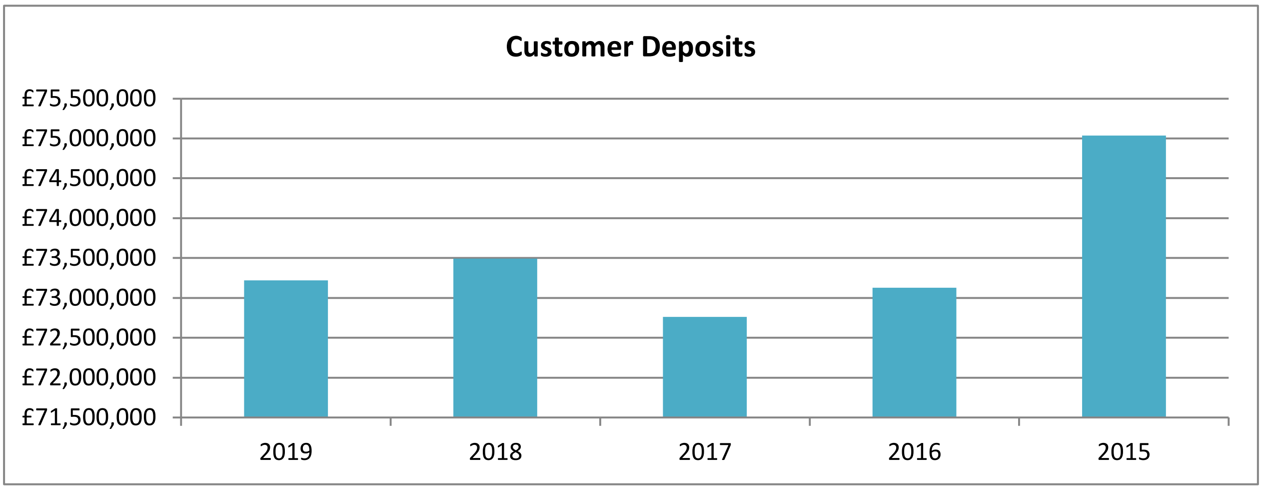
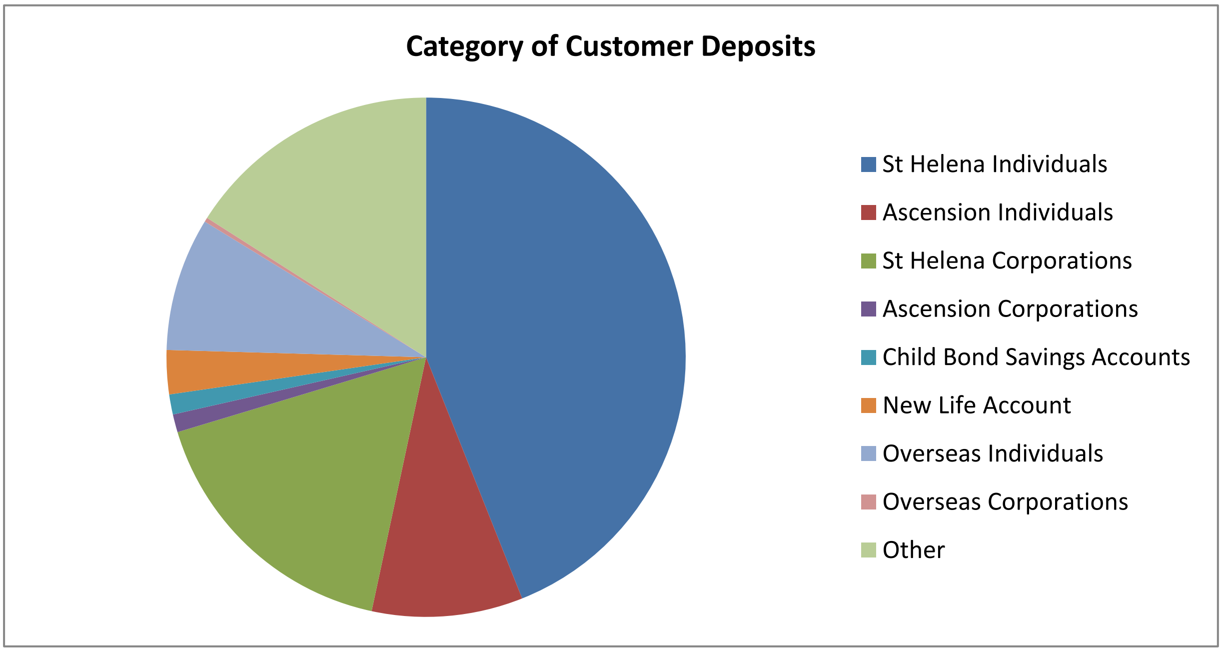


Chart 5 – Deposits per Category 2018-19



LOOKING AHEAD

The Bank has a Strategic Plan for 2018-21 which will guide its products and services for the next 3 years. For the year 2019-20, International Prepaid Debit Cards and Virtual Tourist Cards are the top priority. International Prepaid Cards will allow the Bank's customers, who do not have access to international bank accounts, to travel abroad without the need for physically carrying large amounts of cash; a trial period for a prepaid card service is due to commence, and if successful it is hoped the cards will be available to customers in the near future. The Bank is also acutely aware of the need for international payment solutions here on island for visitors, and has carried out extensive work on the feasibility of certain options. It is hoped that the anticipated fibre optic link will allow real time communications offshore which will facilitate such international services. In the interim development for Virtual Tourist Cards is also being undertaken which will allow tourist visitors to use the local debit card infrastructure. Phase one has been completed and phase two is currently in progress. This will allow safer transit of money for visitors and will benefit the islands economy as it will provide visitors with another spending option next to cash.

The local debit card and its uptake remain essential to reduce risk and improve the service for the Bank and its customers. Greater automation of transactions will allow the Bank to realise benefits moving forward in the form of reduced risk, reduced costs, and improved performance. It is also hoped that the Bank will see improved returns on its investment portfolio in the coming year as the economy continues its recovery post Brexit. Achieving better returns will allow the Bank to give back to invest in new products and services which will benefit customers, the stakeholder, shareholders, the Bank and the island.

RISK MANAGEMENT

Being a financial institution Bank of St Helena is exposed to a number of risks, however the Bank is aware of these and they are appropriately managed. The Audit & Risk Committee, comprising of non-executive directors, has oversight and input into all risk management policies, and reports directly to the Board. The Bank's Risk Register is regularly reviewed and was revised this year in line with the Strategic Plan 2018-2021.

An internal auditor also reports to this committee as they regularly review the Bank's systems and processes as well as compliance with policies and procedures. Internal audit reports are reviewed by management and appropriate action is taken where recommendations have been made. Independent and objective assurance on the year end financial statements is provided by an external audit service.

The primary risks identified are detailed below and the Bank has a number of policies and internal procedures to manage these.

Credit Risk

The offering of lending services exposes the Bank to credit risk. Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments, resulting in losses for the Bank. To manage and mitigate its exposure to risk the Bank periodically reviews its Credit Policy which ensures that due diligence is carried out for every application to ensure responsible lending. It is the Bank's policy to ensure that risk is spread across the portfolio, and within commercial lending, split across different business sectors. Loans are collateralised where practicable, and proof of insurance on this security is also requested to further reduce risk. As with the previous year, at year end over 90% of loans were secured.

Loans are closely monitored and where it is identified that a customer is, or will be in default, from an agreed loan service plan, senior management and the Board are notified and the loan assessed as to its recoverability. Where it is deemed prudent to do so, a provision will be made against part or the full outstanding balance.

Market Risk
By holding foreign currency and investing in UK markets the Bank is exposed to market risk, and in particular foreign exchange risk and interest rate risk respectively.

To minimise foreign exchange risk the Bank only holds sufficient foreign currency to cover its operational needs. The St Helena Pound (SHP) is on parity with sterling (GBP), however, the fluctuating GBP has had an impact on the Euro and Rand holdings and associated foreign currency differences arising through trade and on translation.

Moving forward the Bank will also review its investment policy to ensure that returns are maximised whilst ensuring customer deposits remain safe.

Operational Risk
This is the risk associated with the day to day operations of the Bank, and can include losses due to input errors, inadequate IT systems, security failures and possible inefficiencies of internal processes and procedures.

The Bank regularly reviews its operating processes and procedures and manages risk through internal controls. Emphasis is also placed on training for staff in areas such as Know Your Customer (KYC), Anti-Money Laundering (AML) and Fraud Detection and Prevention to reduce risk through awareness.

A disaster recovery plan is in place and this has been successfully tested, with reviews being undertaken of hardware, software and levels of security, protection and compliance throughout. The Bank operates within the regulations set by the Financial Services Regulatory Authority and compliance is essential to the continuing operation of the Bank. All international payments are sent via the SWIFT platform for safe and secure transmission to other financial institutions.

A significant volume of transactions are manually processed by the Bank and whilst there is inherent risk of human error the Bank mitigates this with a triple tiered level of checking. It is anticipated that the introduction of the Local Debit Card will significantly reduce manual input and therefore the risk of errors.

Reputational Risk
Reputational risk can arise as a result of operational risk but also as consequence of any action or inaction perceived by stakeholders as inappropriate or unethical.

The Bank embraces its wider role as a responsible citizen and gives back to the community through project funding and donations, whilst ensuring the Bank's mission statement is upheld – to develop and deliver banking products and services which are appropriate, affordable and accessible to all.

The directors, managers and staff all undertake periodic training in ethical behaviour to make sure due regard is given to any arising situation. Customer and employee feedback is also regularly reviewed to inform improved ways of conducting business and to minimise reputational risk.

Business Risk
Business risk refers to the possibility of losses or lower profits as a result of certain factors, and encompasses strategic risk, operational risk, compliance risk and reputational risk. Operational risk, which highlights compliance risk, and reputational risk have been detailed above.

The level of business risk is dependent on the decisions made by management and the Board. The Bank is fully aware of the rising expectations of customers and a strategic plan is in place which identifies strategic priorities and how these will be achieved.

CORPORATE SOCIAL RESPONSIBILITY

The Bank and its Directors continue to place great importance on corporate social responsibility, and allocates a budget each year for community projects. The Bank supports projects which will benefit the island and its community, and also makes a number of donations and sponsorships for the same purpose. In the year 2018-19 £6,940 was given for community projects and £1,062 for donation and sponsorships, which includes the Bank being a major sponsor for the New Horizons Youth Games, and supporting international events such as the Guides Jamboree, Cape to St Helena Yacht Race, Youth Island Games, and the Island's international football and cricket teams.

FINANCIAL SERVICES REGULATORY AUTHORITY

The oversight and regulatory body for the Bank is the Financial Services Regulatory Authority (FSRA). The Bank must comply with the requirements set by the FSRA in the Financial Services Ordinance 2008, as amended 2017, and the Financial Services Regulations 2017. Monthly reports are sent to the FSRA as per the guidelines, with key ratios also monitored. The FSRA sets limits for capital requirements and associated weighted risk assets; these are shown in table 4 below, where it can be seen that the Bank stayed within these limits during the year 2018/19.

Table 4 – Key Management Ratios

	Capital & Liquidity Regulatory Limit	Average Achieved	Minimum Recorded	Maximum Recorded
Risk Weighted Assets	15%[1]	22.8%	22.5%	23.1%
Total Liquid Assets in St Helena: Total Liabilities	0.50%	2.9%	2.1%	3.7%
Total Liquid Assets: Total Liabilities	25%	68.3%	67.4%	69.4%

AUDITOR

Lindeyer Francis Ferguson Limited was appointed as auditor to the company for a second consecutive year, and have received a three-year contract for their services.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have prepared the financial statements in accordance with the Companies Ordinance 2004, Financial Services Ordinance 2008, as amended 2017, Financial Services Regulations 2017 and United Kingdom Generally Accepted Accounting Practice including the use of FRS102. 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:

[1] Effective on issuance of the Financial Services Regulations 24 May 17, previously 12%

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 Ordinance 2004, Financial Services Ordinance 2008, as amended 2017, and the Financial Services Regulations 2017. 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information (as defined by Section 146 of the Companies Ordinance 2004) of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information

This report has been prepared in accordance with the provisions set out in the Companies Ordinance 2004, Financial Services Ordinance 2008, as amended 2017, and the Financial Services Regulations 2017.

ON BEHALF OF THE BOARD:

.... pp
Josephine George - Managing Director

Date: 9/8/19

....
Chairman

Date: 09/08/19

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANK OF ST HELENA LIMITED

Opinion

We have audited the financial statements of Bank of St Helena Limited (the 'company') for the year ended 31 March 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended; and
- have been properly prepared in accordance with applicable law and the United Kingdom Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with our terms of engagement. 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.

Lindeyer Francis Ferguson Ltd

12 August 2019

Jonathan Healey FCA (Senior Statutory Auditor)
for and on behalf of Lindeyer Francis Ferguson Limited ....

Chartered Accountants
Statutory Auditor

North House
198 High Street
Tonbridge
Kent
TN9 1BE

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £	2018 £
Income			
Interest Receivable	5	1,800,019	1,701,821
Interest Payable	6	(226,979)	(223,028)
Net Interest Income		1,573,040	1,478,793
Fees & Commissions		341,558	295,727
Other Income	7	160,900	92,052
Total Income		**2,075,498**	**1,866,572**
Expenditure			
Employee Costs	8	751,079	737,361
Premises Costs		59,897	55,903
Investment Management Fees		46,493	41,560
Depreciation Tangible Fixed Assets		86,160	62,709
Depreciation Intangible Fixed Assets		53,904	36,292
Specific Provisions		242,814	56,509
Audit Fees		32,875	27,913
Financial Services Authority Fees		25,331	25,417
Other Expenditure	9	457,931	419,115
Total Expenditure		**1,756,484**	**1,462,779**
Profit before gain /(loss) on financial assets		319,014	403,793
Gain/(loss) on financial assets			
Change in fair value of financial assets		37,825	(446,980)
Profit /(Loss) on ordinary activities, before taxation		356,839	(43,187)
Taxation	10	(134,973)	(98,604)
Deferred Taxation	21	62,111	14,991
Profit /(Loss) on ordinary activities, after tax		**283,977**	**(126,800)**

The income statement has been prepared on the basis that all operations are continuing operations.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019 £	2018 £
Fixed Assets			
Tangible Fixed Assets	11	389,537	400,191
Intangible Fixed Assets	12	143,078	188,918
		532,615	589,109
Current Assets			
Cash	16	979,139	951,316
Bank Balances	17	2,778,866	2,618,028
Investments	14	56,558,475	57,123,362
Other Assets	15	2,478,081	1,895,121
Lending	13	16,574,301	16,582,126
		79,368,862	79,169,953
Total Assets		**79,901,477**	**79,759,062**
Liabilities			
Customer Current & Deposit Accounts	18	73,221,306	73,493,000
Other Liabilities	19	433,011	302,879
Total Liabilities		**73,654,317**	**73,795,879**
TOTAL NET ASSETS		**6,247,160**	**5,963,183**
REPRESENTED BY:			
Share Capital	23	3,219,285	3,219,285
Retained Earnings	24	3,027,875	2,743,898
Total Equity		**6,247,160**	**5,963,183**

The financial statements on pages 16 to 29 were approved and authorised for issue by the Board on 09 August 2019 and were signed on its behalf by:

Chairman

Date: 09/08/19

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	£	£
Cash Flows from Operating Activities		
Profit on Ordinary Activities before Taxation	356,839	(43,187)
Depreciation Charge	140,064	99,001
Movement on Provisions	248,445	59,962
Movement in Fair Value of Assets	(37,825)	446,980
(Increase) in Lending	(175,593)	(3,093,120)
(Increase) in Other Assets	(520,849)	(584,089)
(Decrease)/increase in Customer Deposits	(271,694)	731,671
Increase/(decrease) in Other Liabilities	14,041	(133,193)
Taxation Paid	(83,909)	(123,560)
Net Cash Flows from Operating Activities	(330,481)	(2,639,535)
Cash Flows from Investing Activities		
Sale of CD's	602,712	1,500,000
Purchase of Fixed Assets	(83,570)	(54,929)
Net Cash Flows from Investing Activities	519,142	1,445,071
Net increase/(decrease) in Cash and Cash Equivalents	188,661	(1,194,464)
Cash and Cash Equivalents at beginning of year	3,569,344	4,763,808
Cash and Cash Equivalents at end of year	3,758,005	3,569,344

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Called Up Share Capital £	Retained Earnings £	Total Equity £
At 1 April 2017	3,219,285	2,870,698	6,089,983
Total Comprehensive Income for the year 17/18	-	(126,800)	(126,800)
At 31 March 2018	**3,219,285**	**2,743,898**	**5,963,183**
Total Comprehensive Income for the year 18/19	-	283,977	283,977
At 31 March 2019	**3,219,285**	**3,027,875**	**6,247,160**

1. COMPANY INFORMATION

Bank of St Helena Ltd is a company incorporated and registered in St Helena. The principal place of business and registered office is Market Street, Jamestown, St Helena Island, STHL 1ZZ.

The Shareholder Certificate is held by the Attorney General who holds the certificate on behalf of St Helena Government. St Helena Government has 100% shareholding.

2. BASIS OF PREPARING THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Ordinance 2004, the Financial Services Ordinance 2008, as amended 2017, and the Financial Services Regulations 2017.

The financial statements have been prepared on a going concern basis using the historical cost convention, except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. At the time of approving the financial statements, the directors have a reasonable expectation the company has adequate resources to continue in operational existence for the foreseeable future. The directors have therefore continued to adopt the going concern basis of accounting in preparing these financial statements.

The financial statements are presented in St Helena Pounds, rounded to the nearest pound.

3. JUDGEMENTS AND KEY ESTIMATES

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these significant judgements and estimates have been made include:

Specific Provisions

Specific provisions relate to loans were there is uncertainty over the recovery of the balance. Management monitor bad debts closely and assess the likelihood of repayment on a regular basis. Where management consider it likely that the terms and conditions of repayment will not be met, a specific provision will be made against a loan balance.

4. ACCOUNTING POLICIES

Income

Interest receivable is credited to the income statement as it is accrued on investments and loans throughout the year.

Fees and commissions are charged by the Bank for services provided and credited to the profit and loss account in the period to which they relate.

The majority of other income relates to the exchange differences arising on foreign currency - see below. All other income relates to non-routine transactions i.e. recovery of bad debts, and is charged to the income statement as appropriate in the reporting period.

Leases

The Bank pays rental under a number of operating leases. Rents are charged to the income statement on a straight line basis over the lease term.

Foreign currency

All Cash and Bank Balances held in foreign currencies are converted and presented in St Helena Pounds, using the adopted mid rates derived from current market mid rates at the reporting date.

Exchange differences are recognised in the income statement in the period in which they arise.

Provisions

Provisions are made when specific debts are not being serviced in accordance with their terms and conditions, and therefore the likelihood of full recovery of the loan is doubtful. Provisions reduce the carrying amount of the lending portfolio.

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

Movements in provisions are charged to the income statement in the period in which they arise.

Taxation
Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Fixed assets
Tangible and intangible assets are measured at cost less accumulated depreciation.
Depreciation is calculated to write down the cost of all fixed assets over their expected useful lives using a straight line method. The rates applicable are:

– Buildings	20 years
– Plant, Equipment, Furniture and Fittings	5-10 years
– Computer and Software	3-5 years

The Bank maintains a capitalisation threshold of £1,000; therefore any assets with a cost less than this amount will be expensed through the profit and loss account. The land element of land and buildings is not depreciated.

Cash & Cash Equivalents
Cash and cash equivalents are stated in the Statement of Financial Position at cost value, with foreign currency balances converted and presented in St Helena Pounds, using the adopted mid rates derived from current market mid rates at the reporting date.

Lending
Lending pertains to all loans made to customers. Balances at the year-end represent the remaining capital payments due less any undrawn amounts and/ or any specific provisions made against a loan.

Lending procedures are stringent with all large exposures being reviewed on a regular basis by the Board and the FSRA. Where it is identified that the recovery of any debt is in doubt a specific provision will be made against the loan. The difference between the carrying value and expected recoverable value is charged to the profit and loss account as it is identified.

Interest is accrued at the applied rate and charged to the income statement.

All fees relating to the administration of loans are charged to the income statement in the period they arise.

Investments
The Bank held Certificate of Deposits (CD's) and Sterling Bonds in the investment portfolio during the year. Investments are initially recorded at cost and subsequently measured at fair value with changes in fair value recognised in the income statement.

Any gains or losses arising from the sale of CD's prior to the maturity date is recognised in the income statement in the period in which the sale occurred.

Inventories
The Bank holds stock only in relation to its own operations. Stock items are held at cost, being the purchase price plus the allocated cost of freight and customs duty. The cost of stock is recognised in the income statement when it is issued from stock for use in operations.

5. INTEREST RECEIVABLE

	2019	2018
	£ £	£
Interest on Overdrafts	11,972	21,498
Interest on UK Bank Accounts	17,537	4,484
Interest on Investments	672,618	678,592
Interest on Commercial Lending	333,003	270,896
Interest on Housing Loans	623,852	630,830
Interest on Personal Loans	141,037	95,521
	1,800,019	1,701,821

6. INTEREST PAID

	2019	2018
	£	£
Interest on Current Accounts	75,528	73,440
Interest on Deposit Accounts	151,451	149,588
	226,979	223,028

7. OTHER INCOME

	2019	2018
	£	£
Foreign Exchange	144,035	89,381
Profit on Sale of Investment	13,985	-
Other	2,880	2,671
	160,900	92,052

8. EMPLOYEE COSTS

	2019	2018
	£	£
Staff Costs	743,006	727,894
Directors' Remuneration	8,073	9,467
	751,079	737,361

The Bank currently contributes to a Cash Roll Up scheme for employees in lieu of an approved pension scheme. In 2019 the Bank contributed £51,825 (2018: £45,368) to the scheme on behalf of employees.

Directors' remuneration includes only non-executive directors.

The average monthly number of staff in the year was 47 (2018: 48)

9. OTHER EXPENSES

	2019	2018
	£	£
Licence Fees	96,640	89,487
Communication Expenses	99,936	97,844
Bank Charges	22,830	27,083
Computer & Equipment	48,116	32,298
Other Fees	89,994	83,896
Other Operating Expenses	100,415	88,507
	457,931	419,115

10. TAXATION

	2019	2018
Charge	£	£
Current tax		
(Loss)/Profit on ordinary activities, before tax	356,839	(43,187)
Profit on ordinary activities multiplied by standard rate of corporation tax of 25%	89,210	(10,797)
Non-allowable deduction - provisions	62,111	14,991
Change in fair value of financial assets	(9,456)	111,745
Claim for investment tax credit	(6,892)	(17,335)
	134,973	98,604
Deferred Tax		
Origination of timing differences	62,111	14,991

Liability		
Tax Calculated as Due at 1 April	9,957	34,913
Total Tax Due for year	134,973	98,604
Less Tax Paid in year	(83,909)	(123,560)
Tax (Asset)/Liability as at 31 March	(61,021)	(9,957)

11. TANGIBLE FIXED ASSETS

	Land & Buildings	Plant, Equipment, Fixtures & Fittings and Computers	Total
	£	£	£
COST			
At 1 April 2018	416,580	328,697	745,277
Additions	-	75,506	75,506
Disposals	-	(16,370)	(16,370)
At 31 March 2019	416,580	387,833	804,413
DEPRECIATION AND IMPAIRMENT			
At 1 April 2018	151,146	193,940	345,086
Charge for year	20,684	65,476	86,160
Disposals	-	(16,370)	(16,370)
At 31 March 2019	171,830	243,046	414,876
NET BOOK VALUE			
At 31 March 2019	244,750	144,787	389,537
At 31 March 2018	265,434	134,757	400,191

12. INTANGIBLE FIXED ASSETS

	Software	Total
	£	£
COST		
At 1 April 2018	512,063	512,063
Additions	8,064	8,064
Disposals	-	-
At 31 March 2019	520,127	520,127
DEPRECIATION AND IMPAIRMENT		
At 1 April 2018	323,145	323,145
Charge for year	53,904	53,904
Disposals	-	-
At 31 March 2019	377,049	377,049
NET BOOK VALUE		
At 31 March 2019	143,078	143,078
At 31 March 2018	188,918	188,918

13. LENDING

	2019	2018
	£	£
Personal Loans	1,155,340	1,242,170
Housing Loans	10,075,797	9,815,579
Commercial Loans	6,280,556	6,609,363
Overdrafts	287,111	133,918
	17,798,804	17,801,030
Less: Undrawn Loan Balance	(747,700)	(925,519)
Total Lending	17,051,104	16,875,511
Less Provisions	(476,803)	(293,385)
Total Net Realisable Lending	16,574,301	16,582,126

Lending Maturity Analysis

Maturing in less than 1 year	1,153,750	2,274,777
Maturing between 1 to 3 years	2,013,973	4,033,741
Maturing between 3 to 7 years	2,563,200	5,410,615
Maturing between 7 to 15 years	9,742,484	5,288,644
Maturing between 15 to 20 years	2,325,397	793,253
	17,798,804	17,801,030

"Maturity' for facility loans is the date on which payments fall due. For overdrafts it is the next renewal date which will be within one year.

14. INVESTMENTS

	2019	2018
	£	£
Crown Agents Sterling Bonds/CD's	56,558,475	57,123,362
	56,558,475	57,123,362
Investments Maturity Analysis		
Maturing within 1 year	11,011,290	25,311,630
Maturing within 2 years	21,871,549	9,962,499
Maturing within 3+ years	23,675,636	21,849,233
	56,558,475	57,123,362

At the year-end date the nominal value of these investments was £55,740,000 (2018: £57,300,000).

All investments may be cashed on demand.

15. OTHER ASSETS

	2019	2018
	£	£
Accrued Interest Receivable	936,947	366,924
Debtors (Balance held with SHG)	1,158,210	1,185,505
Prepayments	75,601	76,529
Items in the course of collection from Lloyds	20,548	17,490
Stock	138,062	162,071
Deferred Tax	146,950	84,839
Fees Due	1,763	1,763
	2,478,081	1,895,121

16. CASH BALANCES

	2019	2018
	£	£
St Helena Currency	653,561	700,157
Other Currencies	325,578	251,159
	979,139	951,316

17. BANK BALANCES

	2019	2018
	£	£
Crown Agents: Cash & Call	2,119,922	1,728,279
Lloyds: Currency Accounts	10,578	48,994
Lloyds: GBP Account	648,366	840,755
	2,778,866	2,618,028

18. CUSTOMER CURRENT & DEPOSIT ACCOUNTS

	2019	2018
	£	£
Balance at 1 April	73,493,000	72,761,329
Interest On Depositors' Accounts	226,979	223,028
Less SHG Withholding Tax	(11,750)	(13,408)
Net deposits/withdrawals in the year	(486,923)	522,051
Balance at 31 March	73,221,306	73,493,000
Comprising:		
St Helena Individuals	32,190,636	31,197,459
Ascension Individuals	6,881,878	7,448,751
St Helena Corporations	12,432,044	11,993,321
Ascension Corporations	818,978	1,266,762
Child Bond Savings Accounts	915,968	889,744
New Life Account	2,005,492	1,914,001
Overseas Individuals	6,079,069	5,512,089
Overseas Corporations	196,313	437,669
Other[2]	11,700,928	12,833,204
	73,221,306	73,493,000

19. OTHER LIABILITIES AND PROVISIONS

	2019	2018
	£	£
Leave Pay Provision	51,598	45,967
General Accruals	20,952	16,235
Tax Due	61,021	9,957
Accrued Bonus Payable	17,001	21,252
Accrued Investment Management Fees	15,544	10,200
Audit Fees	31,000	29,000
Accrued Interest Payable	53,807	56,762
SHG Withholding Tax	11,750	13,408
Other liabilities	170,338	100,098
	433,011	302,879

[2] Other deposits consist of any other Organisations, Societies and Charities

20. OTHER FINANCIAL COMMITMENTS

The Bank has agreed in principal, loans and overdrafts of which only a portion may have been drawn by the customer. The undrawn balance at 31 March represents a financial commitment of the Bank in the amount of:

	2019	2018
	£	£
Undrawn Loan Balance	743,724	854,574
Deferred Loans	3,976	70,345
Undrawn Overdrafts	124,957	190,588
	872,657	1,115,507

21. DEFERRED TAX

	Bad & Doubtful Debts	Leave Pay	Total
	£	£	£
Balance at 1 April 2017	59,219	10,629	69,848
Movement in the year	14,127	864	14,991
Balance as at 31 March 2018	73,346	11,493	84,839
Movement in the year	60,703	1,408	62,111
Balance as at 31 March 2019	134,049	12,901	146,950

22. PROVISIONS

	Bad & Doubtful Debts	Leave Pay	Operational Losses	Total
	£	£	£	£
Balance at 1 April 2017	236,876	42,514	-	279,390
Movement in the year	56,509	3,453	-	59,962
Balance as at 31 March 2018	293,385	45,967	-	339,352
Movement in the year	183,418	5,631	59,396	248,445
Balance as at 31 March 2019	476,803	51,598	59,396	587,797

Operational losses relate to an incidence of fraudulent activity during the year. The provision relates to funds which have been returned to the customer post year end.

23. SHARE CAPITAL

		2019	2018
Issued and fully paid		£	£
Number:	Class:		
3,219,285	Ordinary	3,219,285	3,219,285

Share capital in St Helena has no nominal value; the value above represents the monies received for the shares.

Per the Articles of Incorporation, the company has Authorised share capital of 6,000,000 ordinary shares, all of which have the same voting rights.

24. RESERVES

Retained Earnings	2019 £	2018 £
At 1 April	2,743,898	2,870,698
Profit/(Loss) in year	283,977	(126,800)
At 31 March	**3,027,875**	**2,743,898**

25. LEASE COMMITMENTS

The Bank's future minimum lease payments are as follows:

	2019 £	2018 £
Within one year	10,785	3,408
Two to five years	2,000	8,647
	12,785	12,055

26. RELATED PARTY TRANSACTIONS

The Bank's shareholder, St Helena Government (SHG), holds current accounts with the Bank to make and receive payments, and to account for cash held by SHG on behalf of the Bank. At the year end the net balance of these accounts was £1,158,210 (2018: £1,185,505) being due to the Bank. No interest is payable or receivable on these accounts.

All directors and senior management are considered key management personnel. Total remuneration paid to these individuals in the year was £237,208 (2018: £225,998).

Personal and housing loans may be granted to senior management at a rate of 2% above the base rate (currently 4%). Previously this was 0.5% above the base rate, of which some loans are still being repaid at this interest rate. Interest on staff salary advances is also 2% above the base rate whilst interest on staff overdrafts is charged at 4% above the base rate. Loans granted to non-executive directors are done so based on normal market terms and conditions. At the year end the value of loans outstanding, overdrafts and advances due from senior management, and loans due from non-executive directors was £377,136 (2018: £199,324).

Head Office: Market Street · Jamestown · St Helena Island · STHL 1ZZ
T. +290 22390 · F. +290 22553 · email. info@sainthelenabank.com · web www.sainthelenabank.com