



Directors' Report & Audited Financial Statements: **Financial Year 2021 - 22**



Bank of St. Helena Ltd.



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Bank of St Helena Ltd

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DIRECTORS:

Josephine George
Leeanne Henry
Glenn Owen
Paul Hickling
John Isaac
Michael Bird
Anne Dillon
Damian Burns

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
United Kingdom
TN9 1BE

The Directors present their report with the financial statements of the company for the year ended 31 March 2022.

DIRECTORS

The Directors shown below have held office during the period from 1 April 2021 to the date of this report.

Glenn Owen	Non-Executive Director – Chairman	
Josephine George	Managing Director	
Leeanne Henry	Assistant Managing Director	
Paul Hickling	Non-Executive Director	
Anne Dillon	Non-Executive Director	
Brian Deadman	Non-Executive Director & SHG Representative	Resigned 31 March 2022
John Isaac	Non-Executive Director	
Michael Bird	Non-Executive Director	
Damian Burns	Non-Executive Director & SHG Representative	Appointed 27 April 2022

Mr Brian Deadman resigned from his position as Non-Executive Director and SHG representative of the Board on 31 March 2022 and was replaced by Mr Damian Burns on 27 April 2022.

PRINCIPAL ACTIVITIES

Bank of St Helena Limited (the Bank/BOSH/the Company) provides banking and financial services within St Helena and via its branch on 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 an array of lending products and services.

REVIEW OF BUSINESS

During the year, the Bank worked towards the agreed strategic objectives outlined in the Bank's Strategic Plan for 2021-2024. 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 continues to be affected by the world pandemic COVID-19, which has played a significant role in creating variances to targets set at the outset of 2021-22.

Interest received has reduced by 2% during the year, with decreases in all areas with the exception of overdrafts and is a reflection of the global and the local economic environments, which has resulted in a decrease in the interest rates of overseas investments and a lack of appetite for lending. One of the biggest achievements for the Bank was the ability to remain profitable and within regulatory ratios, whilst being able to assist customers where possible during these unprecedented times. The Bank was also able to expand upon its lending offerings during the year, with mortgages extended from 25 to 30 years, Short-Term Contractor Financing and Financial Support for Young Entrepreneurs being approved with effect from 1 April 2022. The Tourist Card Project has now reached completion and will be launched in the new financial year. With the reinstatement of flights to South Africa in March 2022, the Tourist Card will benefit those wishing to visit the Island by alleviating the need to carry physical cash. Continued networking with other Banks and financial institutions outside of St Helena continues to enhance the Bank's ability to tap into support for current services and the introduction of new products and services.

Global Environment

During the year, Bank of St Helena and the Island as a whole has continued to feel the effects of the uncertainty relating to global issues which include the financial implications of Brexit, the Coronavirus Pandemic (COVID-19) and more recently the war in Ukraine. Despite St Helena's geographic isolation, the Island is not immune to the global economic environment. The Bank has been fortunate to have an investment strategy and Investment Managers who continue to produce the necessary income which enables the Bank to remain profitable. COVID-19 has had a significant impact on the global economy and St Helena felt the effects with the closing of international airports around the world, causing the Island's tourism industry to come to a 'stand still'. Over the reporting period the value of the GBP Sterling has continued to fluctuate which has had an impact on matters relating to foreign currency exchange.

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. Although the community of St Helena remains COVID free at this time, the island continues to feel the impact with businesses having to downsize or even close due to lack of tourism during the year, along with outward migration and the rising costs of imports increasing the cost of goods and services, which is evidenced by the rate of inflation increasing to 3.3%¹, an increase of 2.9% compared to March 2021. Customer balances have increased by 6.5% and it is hoped that this can be retained for the year ahead as the Island opens to international travel.

Financial Performance

The Bank made an operating profit of £472,345 for the year 2021-22 which was an increase of £283,702 from 2020-21, with a 17% net profit margin and a cost to income ratio of 77%.

¹ St Helena Government Statistics Office

Income - £2,797,871 (2021: £2,883,462)

The Bank's total income, net of interest payable, decreased by £85,591 (3%). Interest received decreased by £61,748 (2.2%) from £2,777,325, to £2,715,577, with decreases in the interest from the Bank's Investment Portfolio and the majority of lending products; whilst interest payable increased by £32,310 (11.1%) and is the result of the increase in customer balances during the year. Fees and commissions increased by £2,042 (0.7%), with the most significant increases being in online banking and remittance fees, increasing by 31.8% and 19% respectively; and the most significant reduction being in loan fees which decreased by 29%. Other income increased by £6,425 (7.1%) from 2020-21; resulting from the fluctuation of foreign currency 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 foreign cash holdings whilst still maintaining sufficient funds to service customer requests. Chart 1 below depicts the split of income.

Chart 1 – Split of income 2020-2022

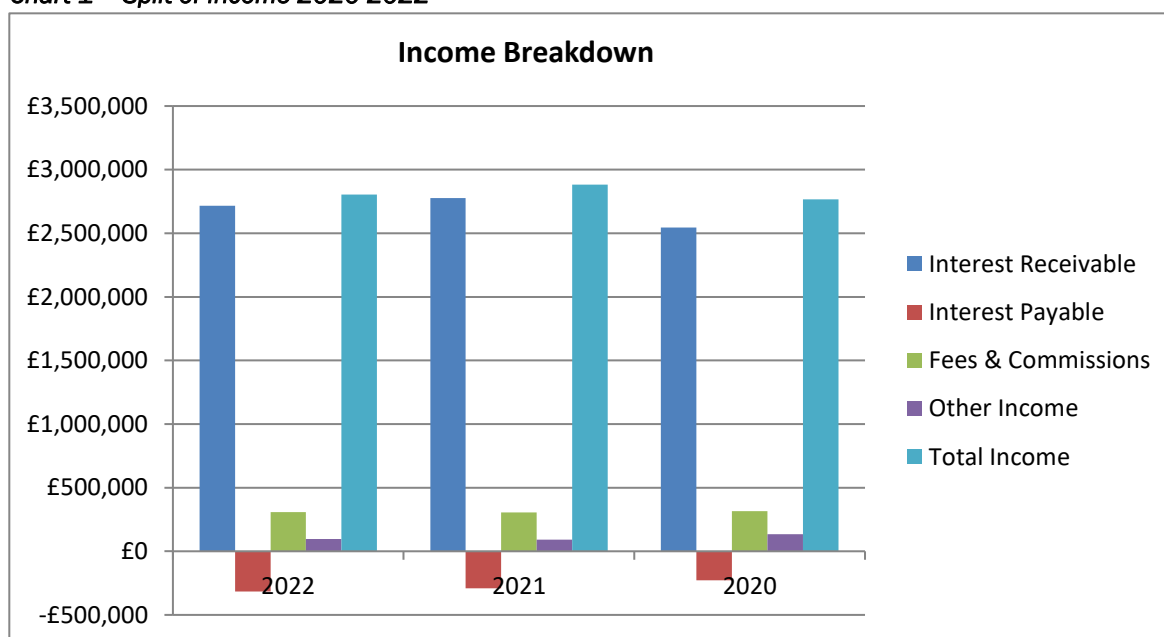
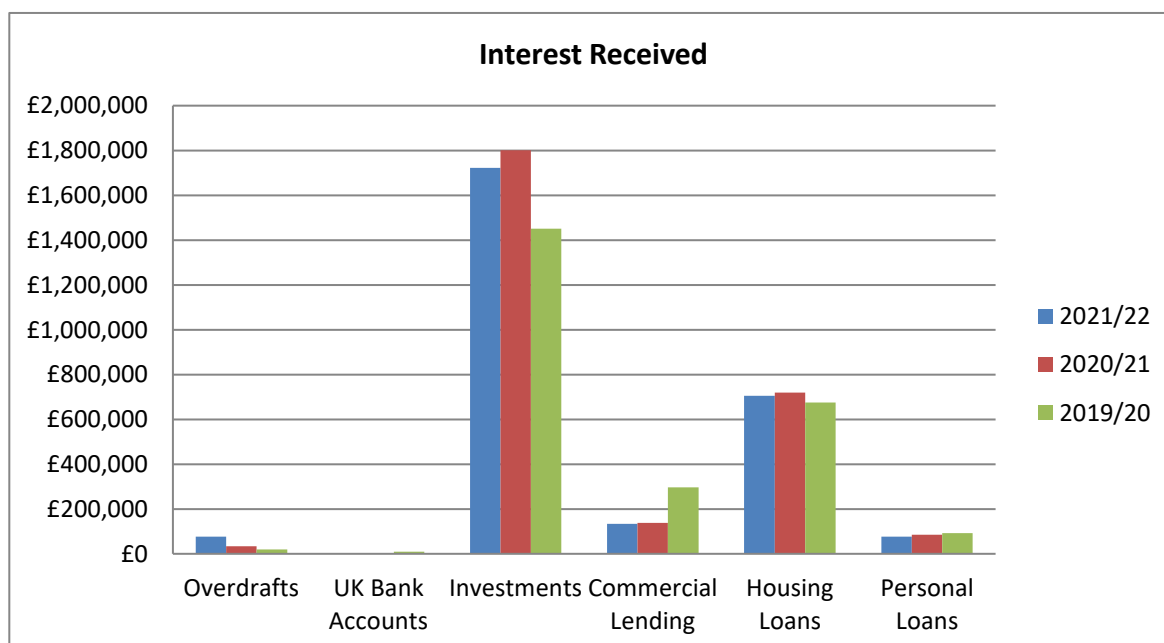


Chart 2 – Split of Interest Received 2020-2022



The split of interest received in Chart 2 shows interest received on investments has decreased by £78,945 (4.4%) compared to 2020-21 which is the result of the reduction in interest rates received on new investments compared to the more favourable rates previously experienced. Interest received on loans increased by £17,422 (1.8%) from 2020-21, with the Bank introducing a number of initiatives to assist both personal and business customers affected by COVID-19. As the Lending Portfolio continues to decline, the Bank relies heavily on the income received from offshore investments and will continue to invest additional funds when the opportunity arises. Whilst reinvestments are made at the most competitive rates possible, the Bank remains prudent and with consideration given to operational and regulatory requirements.

1. Expenditure £2,168,077 (2021: £2,622,110)

Total expenditure decreased by £454,033 (17.3%), and is mainly the result of the release in provisions for lending to the value of £414,950. Increases in expenditure were experienced in the majority of the Bank's other costs, with the most significant increases seen in employee costs and depreciation, which increased by £45,498 (5.9%) and £37,189 (32.2%) respectively; whilst investment amortisation decreased by £93,649 (19%) following the maturity of £11.74m throughout the year.

2. Investments - £67,306,640 (2021: £60,989,648)

The Capital Value of the Bank's investments has increased by £6,316,992 (10.4%) for 2021/22. All funds are invested in fixed income instruments ranging from 0.99% to 6%. Investments are initially recorded at cost and subsequently measured at fair value with changes in fair value recognised in the income statement. The interest income from investments for the year ended 31 March 2022 was £1,722,388. The Bank monitors its cash holdings and operational requirements closely and additional funds will be invested when it is deemed appropriate. An additional £6.45m was invested during 2021/22.

3. Fixed Assets - £543,484 (2021: £471,058)

Fixed assets increased by £72,426 (15.4%) for 2021/22, with additions totalling £225,004 the majority of which related to the commissioning of 10 IT Servers. The Bank's assets are reviewed on a regular basis and no impairments were identified in the year; however, one item had become obsolete and was disposed of in the accounting records.

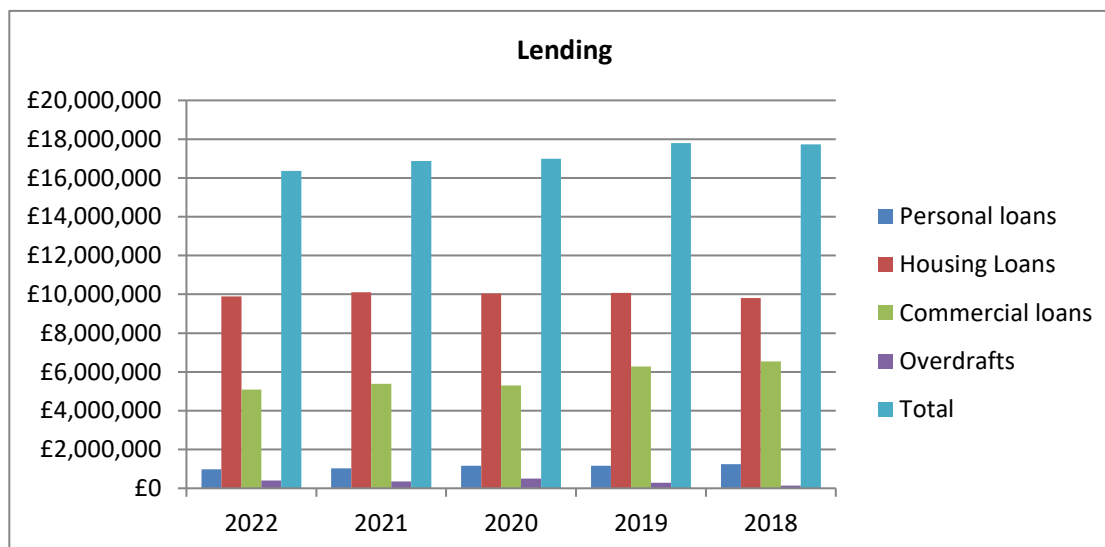
4. Lending - £14,830,356 (2021: £15,235,645)

The Lending Portfolio has continued to decline, with a decrease of £405,289 (2.7%), and is largely due to the current economic climate which, like the previous year continues to be heavily influenced by the COVID-19 Pandemic. Reductions were experienced in all areas, with the exception of Overdrafts, which increased by £50,347 (14.3%); with the biggest reductions being in commercial and housing loans which decreased by £304,381 (5.6%) and £209,858 (2.1%) respectively; and a reduction of £43,259 (4.2%) in personal lending.

Given the current economic climate mentioned above, the Bank has also seen a noticeable increase in those that struggle to honour their commitments for both personal and business customers. The Bank's debts are closely monitored and managed in line with the Bank's policies and procedures, 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 the total Lending Portfolio over the last 5 years.

Chart 3 – Lending 2018-2022



5. Customer Deposits £83,339,982 (2021: £78,256,170)

Customer monies held by the Bank showed an increase of £5,083,812 (6.5%) at the end of 2021-22; with the Bank's higher earning interest accounts, Child Bond and New Life continuing to be popular; however, the largest increases were in the accounts of Other Organisations/Charities and St Helena Corporations, which increased by £2,507,528 (22%) and £1,636,545 (15.2%) respectively, compared to 2020-21.

Chart 4 – Customer Deposits 2018-2022

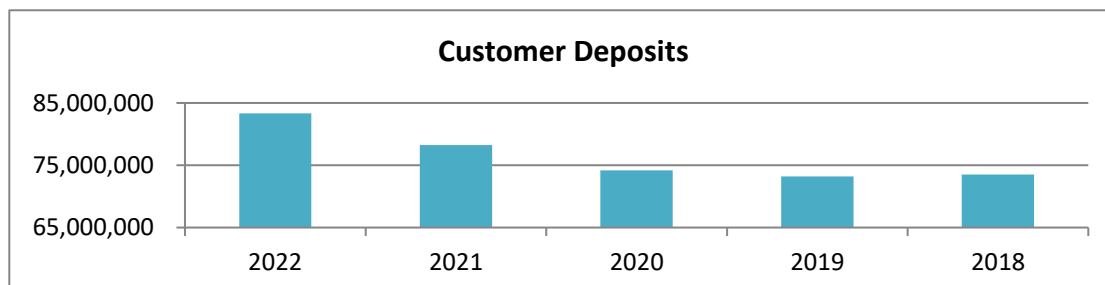
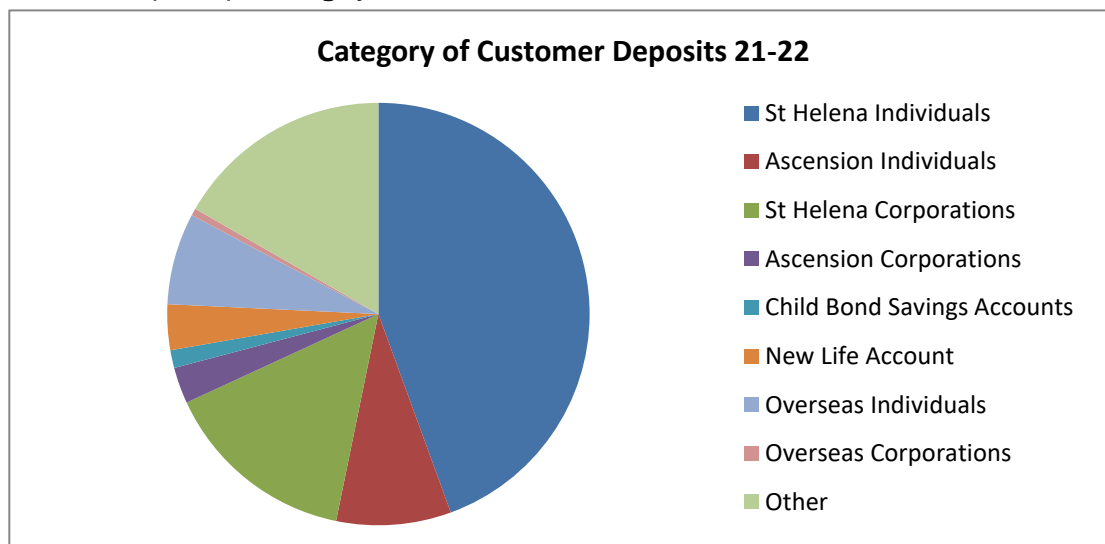


Chart 5 – Deposits per Category 2021-22



LOOKING AHEAD

The Bank continues to work towards the Strategic Plan for 2021-24 which will guide its products and services for the next year. The Bank is optimistic that over this period much will be achieved with the support of the Shareholder, FSRA and various Stakeholders. A highlight for 2022-23 will be the launch of Tourist Cards, the Bank's innovative international payment solution on the Island, which will coincide with the Island's plans to encourage tourists back to St Helena. This innovative payment solution will allow safer transit of money for visitors and will benefit the Island's economy as it will provide visitors with another spending option as an alternative to physical cash.

The Island continues to be affected by global economic issues following the on-set of COVID-19 and the war in Ukraine, which has directly affected the operations and income of all businesses on the Island. This has in-turn disseminated onto the local population, with greater financial hardships being experienced. The Bank introduced a number of initiatives to assist where possible and will continue to support its customers during this unprecedented time. The Bank's priority areas remain the securing a continuous service for all who rely on BOSH, providing financial assistance for personal and business customers and ensuring that it retains the strength to be able to assist customers in the years to come.

The Local Debit Card remains essential to reducing risk and improving the service for the Bank and its customers. Greater automation of transactions is allowing the Bank to realise benefits moving forward in the form of improving the efficiency and effectiveness for personal and business customers, reduced operational risk, reduced costs, improved performance and supporting Environmental, Social and Governance (ESG). It is also hoped that the Bank's Investment Portfolio will continue to grow which will allow the Bank to continue to invest in new products and services which will benefit customers, the stakeholder, shareholders, the Bank and the Island's economy.

RISK MANAGEMENT

Being a financial institution, the Bank is exposed to a number of risks; however, the Bank is aware of these and they are appropriately managed. The Audit & Risk Management Committee, comprising of a Non-Executive Director and two Independent Members, has oversight and input into all risk management policies and reports directly to the Board. The Bank's Risk Register is regularly reviewed and will be revised this year in line with the Strategic Plan 2021-2024.

The 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. In addition, a dedicated and independent risk and compliance function was introduced during the year to provide focused support, testing and monitoring of risk-taking activities, practices and risk exposures across all departments. This function reports administratively to the Managing Director and functionality to the Board through this Committee.

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 of financial loss due to a borrower or counterparty defaulting on their contractual obligations relating to repayments resulting in losses for the Bank. Credit risk has been the major cause of bank failures and losses in the world to date. 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 and staff receive training to ensure skills are refreshed in these areas. It is the Bank's policy to ensure that risk is spread across the portfolio, and within commercial lending, split across different business sectors hence seeking to balance the risk and return. 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.

Liquidity Risk

Liquidity risk is the risk of having insufficient cash to meet financial obligations as they come due. This includes ensuring that the Bank has readily available sources of liquidity to cover unanticipated withdrawals of deposits, large wire transfers and loan draw downs.

Market Risk

Market risk is the risk of financial loss in our investment and currency portfolios from changes in market factors which include interest rates, foreign exchange rates, equity and commodity prices.

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 personnel input errors, inadequate IT systems, security failures and possible inefficiencies and failures 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.

With the introduction of Local Debit Cards and Online Banking services, the volume of transactions manually processed by the Bank has decreased hence minimising the inherent risk of human error by the Bank; however, as this is still a risk, the Bank mitigates this with a triple tiered level of checking.

The Bank recognises the importance of its staff to operations and is focused on recruiting, retaining and developing a high-quality workforce.

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 in a sustainable way.

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 are 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. During the year £7,755 was donated to community projects and £925 for donation and sponsorships, which includes the Bank being the lead sponsor for the New Horizons Youth Games (which has been done for 16 years thus far) and Bank of St Helena Golf Competition, and also includes donations to all schools, Boy Scouts Association, Church Lads & Girls Brigade, St Helena Girl Guide and Brownie Units, St Helena Judo Club, St Helena Football Association, Jamestown Rifle Club, BASH, St Helena Veterans Association and the St Helena Yacht Club.

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 Regulations, with key ratios also monitored. The FSRA sets limits for capital requirements and associated risk weighted assets; these are shown in table 4 below, where it can be seen that the Bank complied with all the requirements during the year 2021/22.

Table 4 – Key Management Ratios

	Capital & Liquidity Regulatory Limit	Average Achieved	Minimum Recorded	Maximum Recorded
Risk Weighted Assets	15%	25.4%	24.8%	26.1%
Total Liquid Assets in St Helena: Total Liabilities	0.5%	3.3%	2.4%	5.8%
Total Liquid Assets: Total Liabilities	25%	71.8%	71.2%	72.6%

AUDITOR

Lindeyer Francis Ferguson Limited was re-appointed as auditor to the company for a further two years.

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:

- 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

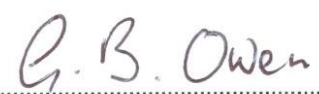
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information (as defined by Section 146 of the Companies Ordinance 2004) of which the Company's Auditors are unaware. Additionally, the Directors individually have taken all the necessary 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.



.....
Josephine George - Managing Director

Date: 29/07/22



.....
Glenn Owen - Chairman

Date: 29/07/22

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 2022 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 2022 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 11, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory framework applying to the company, and the procedures that management adopt to ensure compliance, and have considered the extent to which non-compliance might have a material effect on the financial statements, and in particular we identified: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102), the Companies Ordinance 2004, the Financial Services Ordinance 2008, as amended 2017, the Financial Services Regulations 2017 and the requirements set out by the Financial Services Regulatory Authority (FSRA).
- We have also identified other laws and regulations that do not have a direct effect on the amounts or disclosures within the financial statements, but for which compliance is fundamental to the company's operations and to avoid material penalties, including employment law, health and safety law and data protection regulations.
- Having reviewed the laws and regulations applicable to the company, we designed and performed audit procedures to obtain sufficient appropriate audit evidence. Specifically we:
 - Assigned an engagement team to the audit with particular familiarity in dealing with companies who are registered with financial services authorities;
 - Obtained and reviewed internal policies and procedures and external guidance;
 - Made enquiries of the Management team and Board of Directors, reviewed meeting minutes, reviewed submissions made to the FSRA, reviewed work completed by the internal auditor and reviewed reported incidents and accidents during the year; and
 - Reviewed the completeness and accuracy of associated disclosures made in the financial statements.

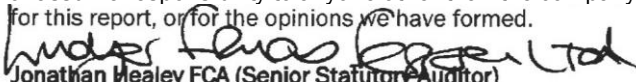
We assessed the susceptibility of the company's financial statements to material misstatement and fraud, and in doing so we:

- Assessed the systems and controls in place, and whether any weaknesses were identified which could suggest or allow fraud;
- Considered how fraud might occur, and considered whether management have incentives and opportunities to manipulate the financial results (including overriding controls);
- Evaluated management's assessment of risk of fraud and whether they are aware of any actual or suspected fraud;
- Identified key risks of fraud as balances within customer accounts and transactions which have taken place within these, revenue recognition, the estimation of the bad debt provision and management override of controls; and
- Designed and performed audit procedures to obtain sufficient appropriate audit evidence including reviewing journals and adjustments, challenging assumptions and accounting estimates, reviewing the recoverability of bad debts with consideration of balances that have now been recovered and performing substantive testing on income.

The audit has been planned and performed in such a way as to best identify risks of material misstatement, however the inherent limitations of audit procedures means that there remains a risk that material misstatements may not be identified. In particular we are aware of the inherent difficulties in detecting irregularities, and irregularities that result from fraud may be more difficult to detect than irregularities that result from error, due for example, to override of controls, collusion or misrepresentations. In addition, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. 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.


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


29 July 2022

**Chartered Accountants
Statutory Auditor**

North House
198 High Street
Tonbridge
Kent
TN9 1BE

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 £	2021 £
Income			
Interest Receivable	5	2,715,577	2,777,325
Interest Payable	6	(323,524)	(291,214)
Net Interest Income		2,392,053	2,486,111
Fees & Commissions		308,389	306,347
Other Income	7	97,429	91,004
Total Income		2,797,871	2,883,462
Expenditure			
Employee Costs	8	820,453	774,955
Premises Costs		65,848	60,858
Investment Management Fees		132,108	129,099
Investment Amortisation	27	398,924	492,573
Depreciation Tangible Fixed Assets		107,731	76,798
Depreciation Intangible Fixed Assets		44,847	38,591
Bad Debt Provision	22	(37,537)	465,196
Audit Fees		31,000	13,742
Financial Services Authority Fees		23,669	24,000
Other Expenditure	9	581,034	546,298
Total Expenditure		2,168,077	2,622,110
Profit on ordinary activities, before taxation		629,794	261,352
Taxation	10	(147,378)	(187,703)
Deferred Taxation	21	(10,071)	114,994
Profit on ordinary activities, after tax		472,345	188,643

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

	Note	2022 £	2021 £
Fixed Assets			
Tangible Fixed Assets	11	483,895	407,422
Intangible Fixed Assets	12	59,589	63,636
		<u>543,484</u>	<u>471,058</u>
Current Assets			
Cash	16	834,388	1,056,499
Bank Balances	17	4,171,239	3,872,911
Investments	14	67,306,640	60,989,648
Other Assets	15	3,349,036	3,952,056
Lending	13	14,830,356	15,235,645
		<u>90,491,659</u>	<u>85,106,759</u>
Total Assets		<u>91,035,143</u>	<u>85,577,817</u>
Liabilities			
Customer Current & Deposit Accounts	18	83,339,982	78,256,170
Other Liabilities	19	362,591	414,261
Total Liabilities		<u>83,702,573</u>	<u>78,670,431</u>
TOTAL NET ASSETS		<u>7,332,570</u>	<u>6,907,386</u>
REPRESENTED BY:			
Share Capital	23	3,219,285	3,219,285
Retained Earnings	24	4,113,285	3,688,101
Total Equity		<u>7,332,570</u>	<u>6,907,386</u>

The financial statements on pages 14 to 28 were approved and authorised for issue by the Board on 29 July 2022 and were signed on its behalf by:

G. B. Owen
.....
Chairman

Date: *29/07/22*
.....

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022**

	2022	2021
	£	£
Cash Flows from Operating Activities		
Profit on Ordinary Activities before Taxation	629,794	261,352
Depreciation Charge	152,578	115,389
Movement on Provisions	(40,284)	459,977
Decrease in Lending	442,826	244,084
Decrease/(Increase) in Other Assets	592,948	(821,130)
Increase in Customer Deposits	5,083,812	4,047,917
Increase/(Decrease) in Other Liabilities	46,838	(24,560)
Taxation Paid	(243,138)	(141,681)
Dividend Paid	(47,161)	(157,194)
Net Cash Flows from Operating Activities	6,618,213	3,984,154
Cash Flows used in Investing Activities		
Purchase of Fixed Income Instruments	(6,316,992)	(4,628,627)
Purchase of Fixed Assets	(225,004)	(132,457)
Net Cash Flows used in Investing Activities	(6,541,996)	(4,761,084)
Net Increase/(Decrease) in Cash and Cash Equivalents	76,217	(776,930)
Cash and Cash Equivalents at beginning of year	4,929,410	5,706,340
Cash and Cash Equivalents at end of year	5,005,627	4,929,410

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Called Up Share Capital £	Retained Earnings £	Total Equity £
At 1 April 2020	3,219,285	3,656,652	6,875,937
Total Comprehensive Income for the year 20/21	-	188,643	188,643
Dividend Paid During 20/21	-	(157,194)	(157,194)
At 31 March 2021	3,219,285	3,688,101	6,907,386
Total Comprehensive Income for the year 21/22	-	472,345	472,345
Dividend Paid During 21/22	-	(47,161)	(47,161)
At 31 March 2022	3,219,285	4,113,285	7,332,570

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. Whilst the Bank has been affected by the threat of COVID-19, 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. However, the Bank will continue to operate with prudence to minimise the impact of the Bank as a going concern. 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 where 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 income statement 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 rent 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, 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 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.

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	2022	2021
	£	£
Interest on Overdrafts	76,493	33,978
Interest on UK Bank Accounts	3	228
Interest on Investments	1,722,388	1,801,333
Interest on Commercial Lending	134,274	137,783
Interest on Housing Loans	705,332	718,843
Interest on Personal Loans	77,087	85,160
	<u>2,715,577</u>	<u>2,777,325</u>
6. INTEREST PAID	2022	2021
	£	£
Interest on Current Accounts	81,915	72,229
Interest on Deposit Accounts	241,609	218,985
	<u>323,524</u>	<u>291,214</u>
7. OTHER INCOME	2022	2021
	£	£
Foreign Exchange	96,085	65,101
Other	1,344	25,903
	<u>97,429</u>	<u>91,004</u>
8. EMPLOYEE COSTS	2022	2021
	£	£
Staff Costs	675,336	640,785
Directors' Remuneration	145,117	134,170
	<u>820,453</u>	<u>774,955</u>

The Bank currently contributes to a Cash Roll Up scheme for employees. In 2022 the Bank contributed £69,330 (2021: £68,180) to the scheme on behalf of employees.

The average monthly number of staff in the year was 45 (2021: 44)

9. OTHER EXPENDITURE

	2022	2021
	£	£
Licence Fees	113,782	111,592
Communication Expenses	140,888	128,337
Bank Charges	13,938	17,119
Computer & Equipment	116,557	98,268
Other Fees	87,075	90,968
Other Operating Expenses	108,794	100,014
	<u>581,034</u>	<u>546,298</u>

10. TAXATION

Charge	2022	2021
	£	£
<i>Current tax</i>		
Profit on ordinary activities, before tax	629,794	261,352
Profit on ordinary activities multiplied by standard rate of corporation tax of 25%	157,449	65,338
Non-allowable deduction - provisions	(10,071)	114,994
Claim for investment tax credit	-	7,371
	<u>147,378</u>	<u>187,703</u>
<i>Deferred Tax</i>		
Origination of timing differences	<u>(10,071)</u>	<u>114,994</u>
Liability		
Tax Calculated as Due at 1 April	102,362	56,340
Total Tax Due for year	147,378	187,703
Less Tax Paid in year	(243,138)	(141,681)
Tax due as at 31 March	<u>(6,602)</u>	<u>(102,362)</u>

11. TANGIBLE FIXED ASSETS

	Land & Buildings	Plant, Equipment, Fixtures & Fittings and Computers	Total
	£	£	£
COST			
At 1 April 2021	416,580	555,898	972,478
Additions	-	184,204	184,204
Disposals	-	(7,488)	(7,488)
At 31 March 2022	416,580	732,614	1,149,194
DEPRECIATION AND IMPAIRMENT			
At 1 April 2021	213,198	351,858	565,056
Charge for year	20,684	87,047	107,731
Disposals	-	(7,488)	(7,488)
At 31 March 2022	233,882	431,417	665,299
NET BOOK VALUE			
At 31 March 2022	182,698	301,197	483,895
At 31 March 2021	203,382	204,040	407,422

12. INTANGIBLE FIXED ASSETS

	Software	Total
	£	£
COST		
At 1 April 2021	529,177	529,177
Additions	40,800	40,800
At 31 March 2022	569,977	569,977
DEPRECIATION AND IMPAIRMENT		
At 1 April 2021	465,541	465,541
Charge for year	44,847	44,847
At 31 March 2022	510,388	510,388
NET BOOK VALUE		
At 31 March 2022	59,589	59,589
At 31 March 2021	63,636	63,636

13. LENDING

	2022 £	2021 £
Personal Loans	978,286	1,021,545
Housing Loans	9,891,635	10,101,493
Commercial Loans	5,087,849	5,392,230
Overdrafts	401,431	351,084
	<u>16,359,201</u>	<u>16,866,352</u>
Less: Undrawn Loan Balance	(545,589)	(609,914)
Total Lending	<u>15,813,612</u>	<u>16,256,438</u>
Less Provisions	(983,256)	(1,020,793)
Total Net Realisable Lending	<u><u>14,830,356</u></u>	<u><u>15,235,645</u></u>

Lending Maturity Analysis

Maturing in less than 1 year	1,048,901	972,431
Maturing between 1 to 3 years	1,779,185	1,834,387
Maturing between 3 to 7 years	3,696,828	3,798,504
Maturing between 7 to 15 years	8,093,854	7,726,217
Maturing between 15 to 20 years	1,740,433	2,534,813
	<u><u>16,359,201</u></u>	<u><u>16,866,352</u></u>

14. INVESTMENTS

	2022 £	2021 £
Crown Agents Sterling Bonds	<u>67,306,640</u>	<u>60,989,648</u>
	<u><u>67,306,640</u></u>	<u><u>60,989,648</u></u>
Investments Maturity Analysis		
Maturing within 1 year	17,659,163	11,751,737
Maturing within 2 years	22,266,322	21,752,345
Maturing within 3+ years	27,381,155	27,485,566
	<u><u>67,306,640</u></u>	<u><u>60,989,648</u></u>

INVESTMENT AMORTISATION

	2022 £	2021 £
Investment Amortisation	<u>398,924</u>	<u>492,573</u>
	<u><u>398,924</u></u>	<u><u>492,573</u></u>

All investments which are bought at a premium price are amortised monthly, and this, being a real cost to the Bank has been included in the expenditure for the year.

At the year-end date the nominal value of these investments was £66,688,000 (2021: £60,240,000).

All investments may be cashed on demand.

15. OTHER ASSETS

	2022	2021
	£	£
Accrued Interest Receivable	1,212,609	1,295,713
Debtors (Balance held with SHG)	1,511,357	1,950,131
Prepayments	171,286	148,062
Items in the course of collection from Lloyds	7,917	7,579
Stock	189,919	284,552
Deferred Tax	255,948	266,019
	<u>3,349,036</u>	<u>3,952,056</u>

16. CASH BALANCES

	2022	2021
	£	£
St Helena Currency	493,556	445,761
Other Currencies	340,832	610,738
	<u>834,388</u>	<u>1,056,499</u>

17. BANK BALANCES

	2022	2021
	£	£
Crown Agents: Cash & Call	3,069,641	2,558,879
Lloyds: Currency Accounts	57,922	27,210
Lloyds: GBP Account	1,043,676	1,286,822
	<u>4,171,239</u>	<u>3,872,911</u>

18. CUSTOMER CURRENT & DEPOSIT ACCOUNTS

	2022	2021
	£	£
Balance at 1 April	78,256,170	74,208,253
Interest On Depositors' Accounts	316,899	291,214
Less SHG Withholding Tax	(17,251)	(16,979)
Net deposits/withdrawals in the year	4,784,164	3,773,682
Balance at 31 March	<u>83,339,982</u>	<u>78,256,170</u>
Comprising:		
St Helena Individuals	37,027,128	36,165,345
Ascension Individuals	7,320,031	7,402,452
St Helena Corporations	12,425,174	10,788,629
Ascension Corporations	2,308,823	2,016,738
Child Bond Savings Accounts	1,135,079	1,045,209
New Life Account	2,909,860	3,000,854
Overseas Individuals	5,844,154	6,095,236
Overseas Corporations	456,160	335,662
Other ²	13,913,573	11,406,045
	<u>83,339,982</u>	<u>78,256,170</u>

19. OTHER LIABILITIES

	2022	2021
	£	£
Leave Pay Provision	40,535	43,282
General Accruals	22,039	33,062
Tax Due	6,602	102,361
Accrued Bonus Payable	33,147	13,755
Accrued Investment Management Fees	17,845	24,000
Audit Fees	27,354	25,417
Accrued Interest Payable	71,034	54,703
SHG Withholding Tax	17,251	16,979
Other liabilities	126,784	100,702
	<u>362,591</u>	<u>414,261</u>

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

20. OTHER FINANCIAL COMMITMENTS

The Bank has agreed, in principle, 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:

	2022	2021
	£	£
Undrawn Loan Balance	545,589	609,914
Deferred Loans	-	5,018
Undrawn Overdrafts	109,441	216,948
	<u>655,030</u>	<u>831,880</u>

21. DEFERRED TAX

	Bad & Doubtful Debts	Leave Pay	Total
	£	£	£
Balance at 1 April 2020	138,898	12,127	151,025
Movement in the year	116,299	(1,305)	114,994
Balance as at 31 March 2021	<u>255,197</u>	<u>10,822</u>	<u>266,019</u>
Movement in the year	(9,384)	(687)	(10,071)
Balance as at 31 March 2022	<u>245,813</u>	<u>10,135</u>	<u>255,948</u>

22. PROVISIONS

	Bad & Doubtful Debts	Leave Pay	Total
	£	£	£
Balance at 1 April 2020	555,597	48,501	604,098
Movement in the year	465,196	(5,219)	459,977
Balance as at 31 March 2021	<u>1,020,793</u>	<u>43,282</u>	<u>1,064,075</u>
Movement in the year	(37,537)	(2,747)	(40,284)
Balance as at 31 March 2022	<u>983,256</u>	<u>40,535</u>	<u>1,023,791</u>

23. SHARE CAPITAL

		2022	2021
		£	£
Issued and fully paid			
Number:	Class:		
3,219,285	Ordinary	3,219,285	3,219,285

Share capital in Bank of St Helena has no nominal value; the value above represents the value of the net assets transferred from the Government Savings Bank to Bank of St. Helena on 1 April 2004 and subsequently converted into Share Capital when Bank of St. Helena was incorporated on 30 March 2016.

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	2022	2021
	£	£
At 1 April	3,688,101	3,656,652
Profit in year	472,345	188,643
Dividend paid in respect of prior year profit	(47,161)	(157,194)
At 31 March	4,113,285	3,688,101

As per Shareholder direction, a Dividend payment of 0.01465 pence per share for the year ended 31 March 2021 was made to St Helena Government during the year.

25. LEASE COMMITMENTS

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

	2022	2021
	£	£
Within one year	60	1,560
Two to five years	4,358	3,015
	4,418	4,575

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 £1,511,357 (2021: £1,950,131) 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 £331,434 (2021: £293,728).

Personal and housing loans may be granted to Senior Management at base rate (currently 4%). Previously this was 0.5% and 2% above the base rate, of which some loans are still being repaid at these interest rates. 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 £303,323 (2021: £319,115).

