

AMENDED Directors' Report & Audited Financial Statements:

Financial Year 2022 - 23



Bank of St. Helena Ltd.



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Bank of St Helena Ltd



CONTENTS

COMPANY INFORMATION	<u>2</u>
DIRECTORS' REPORT	<u>3</u>
DIRECTORS	<u>3</u>
PRINCIPAL ACTIVITIES	<u>3</u>
REVIEW OF BUSINESS	<u>4</u>
LOOKING AHEAD	<u>8</u>
RISK MANAGEMENT	<u>8</u>
CORPORATE SOCIAL RESPONSIBILITY	<u>10</u>
FINANCIAL SERVICES REGULATORY AUTHORITY	<u>10</u>
STATEMENT OF DIRECTORS RESPONSIBILITIES	<u>11</u>
INDEPENDENT AUDITORS REPORT	<u>12</u>
STATEMENT OF COMPREHENSIVE INCOME	<u>14</u>
STATEMENT OF FINANCIAL POSITION	<u>15</u>
STATEMENT OF CASH FLOWS	<u>16</u>
STATEMENT OF CHANGES IN EQUITY	<u>17</u>
FINANCIAL STATEMENTS – NOTES	<u>18</u>

DIRECTORS: Josephine George
Leeanne Henry
Michael Bird
Anne Dillon
Damian Burns
Phil Sharman
Sanjay Gupta

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 2023.

DIRECTORS

The Directors shown below have held office during the period from 1 April 2022 to the date of this report unless stated otherwise by date of appointment, resignation or retirement.

Glenn Owen	Non-Executive Director – Chairman	Resigned 22 August 2023
Josephine George	Managing Director	
Leeanne Henry	Assistant Managing Director	
Paul Hickling	Non-Executive Director	Retired 31 August 2023
Anne Dillon	Non-Executive Director	
John Isaac	Non-Executive Director	Resigned 23 August 2023
Michael Bird	Non-Executive Director	Appointed Interim Chairman 1 September 2023
Damian Burns	Non-Executive Director & SHG Representative	Appointed 27 April 2022
Phil Sharman	Non-Executive Director & SHG Representative	Appointed 1 September 2023
Sanjay Gupta	Non-Executive Director	Appointed 13 October 2023

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 global issues, which has played a significant role in creating variances to targets set at the outset of 2022-23.

Interest received has reduced by 4.4% during the year 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 continues to be the ability to remain profitable, whilst being able to assist customers where possible during these unprecedented times. The Bank was also able to expand upon its product offerings during the year, with increased borrowing thresholds for First Time Home Owners, favourable rates for Agriculture Lending and the introduction of Student Assistance Loans, all being approved within 2022-23. The Tourist Card Project has now reached completion and will be launched in the new financial year and 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, the Bank and the Island as a whole has continued to feel the effects of the uncertainty relating to global issues which include COVID-19, the war in Europe, inflation, interest rates hikes, disruptions to supply chains and climate change. 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 sustain products and service and remain profitable. 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. During this year the Bank has also gained international recognition for the challenges it faces; however, it has also been noted how resilient the Bank has been which has seen the Bank receiving the World Commerce Review Award for Best Bank of Financial Inclusion for 2023 and also features of banking on St Helena in both the World Commerce Review magazine and Executive Global.

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. Whilst currently experiencing an economic downturn, it is hoped that the increasing customer base from tourists and returning St Helenians will enable businesses and the Island's economy as a whole to recover. However, outward migration and the rising costs of imports increasing the cost of goods and services continue to be of concern, which is evidenced by the rate of inflation increasing to 5.7%¹, an increase of 2.4% compared to March 2022 and the lack of any substantial growth in customer deposits.

Financial Performance

The Bank made an operating profit of £340,874 for the year 2022-23 which was a decrease of £131,471 from 2021-22, with a 13% net profit margin and a cost to income ratio of 83%. The results for the year can be seen on page 14. Ordinary dividends were paid amounting to £118,086 (2021: £47,161).

¹ St Helena Government Statistics Office

Income - £2,702,281 (2022: £2,797,871)

The Bank's total income, net of interest payable, decreased by £95,590 (3.4%). Interest received decreased by £119,997 (4.4%) from £2,7157,577, to £2,595,580, with decreases in the interest from the Bank's Investment Portfolio, housing loans and commercial lending; whilst interest payable increased by £11,184 (3.5%) and is the result of the increase in customer balances during the year. Fees and commissions increased by £22,627 (7.3%), with the most significant increases being in commissions for Local Debit Card and foreign currency exchange, increasing by £13,594 and £10,518 respectively; and the most significant reduction being in remittance fees which decreased by £8,399. Other income increased by £12,964 (13.3%) from 2021-22; 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 2021-2023

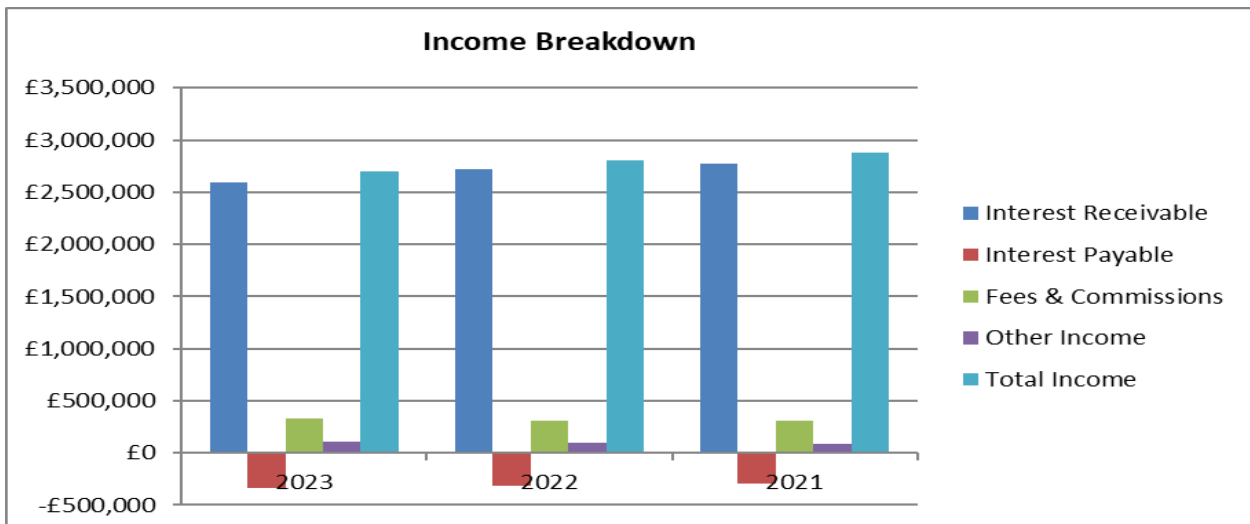
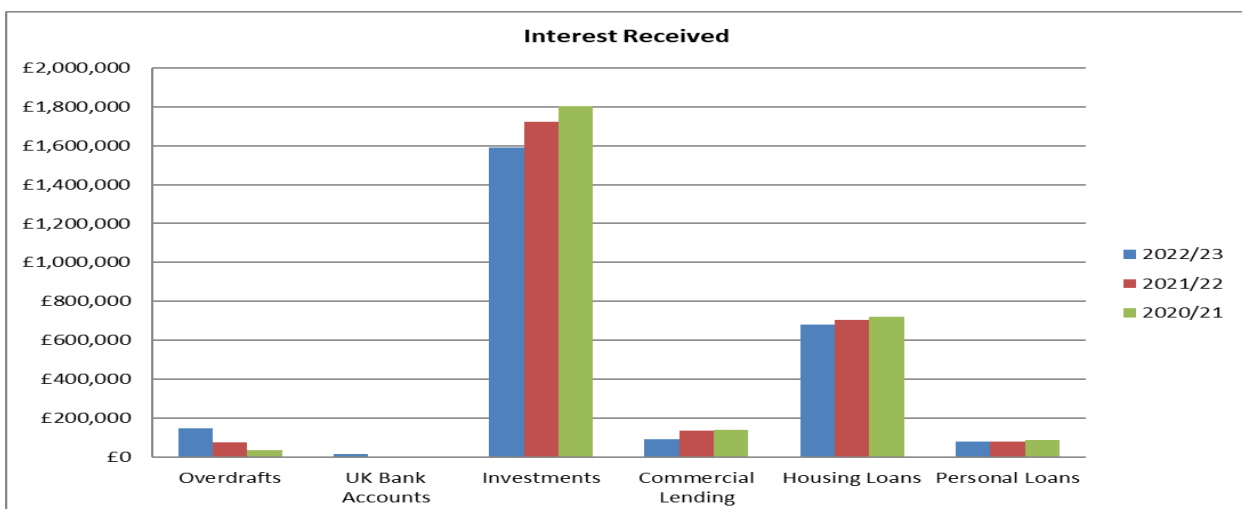


Chart 2 – Split of Interest Received 2021-2023



The split of interest received in Chart 2 shows interest received on investments has decreased by £133,609 (7.8%) compared to 2021-22 which is the result of the reduction in interest rates received on new investments compared to the more favourable rates previously experienced.

The Bank has continued to enhance its lending products to meet customer needs; however, interest received on loans remains on par with 2021-22, decreasing by a minimal £252. As the Lending Portfolio continues to decline, the Bank relies heavily on the income receive 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. Expenditures £2,247,782 (2022: £2,168,077)

Total expenditures increased by £79,705 (3.7%) and is mainly the result of the increase in provisions for lending to the value of £143,716 compared to 2021-22. Increases in expenditure was experienced in the majority of the Bank's other costs, with the most significant increases seen in employee costs and other expenses, which increased by £70,045 (8.5%) and £62,417 (10.7%) respectively; whilst investment amortisation decreased by £245,432 (61.2%) following the maturity £25.688m throughout the year and the subsequent reinvestment below nominal costs.

2. Investments - £68,061,348 (2022: £67,306,640)

The Capital Value of the Bank's investments has increased by £754,708 (1.1%) for 2022/23. 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 2023 was £1,588,780. The Bank monitors its cash holdings and operational requirements closely and additional funds will be invested when it is deemed appropriate. An additional £1.31m was invested during 2022/23.

3. Fixed Assets - £526,139 (2022: £543,484)

Fixed assets decreased by £17,345 (3.2%) for 2022/23. During the year additions to fixed assets totalled £161,085, the majority of which related to the commissioning of IT software and equipment. The Bank's assets are reviewed on a regular basis and no impairments were identified in the year.

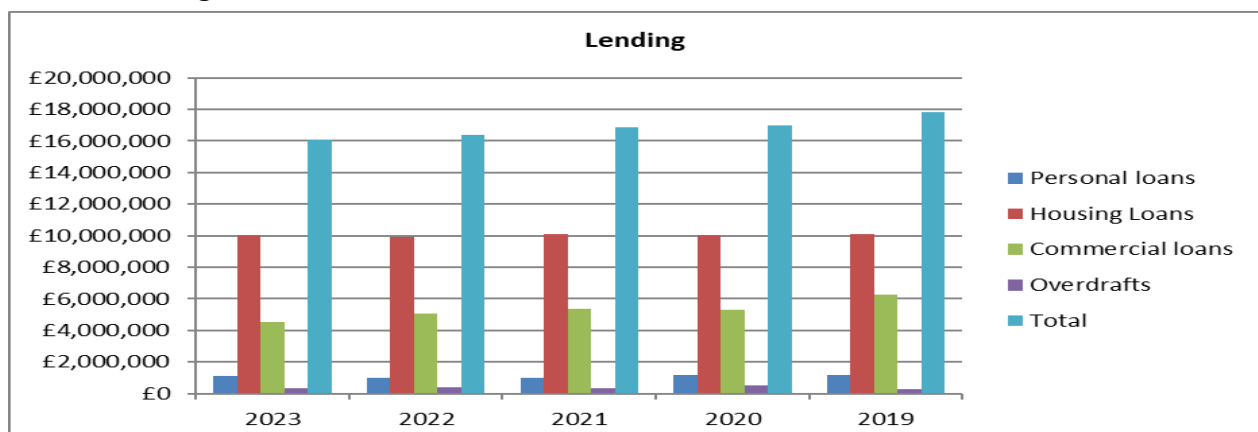
4. Lending - £14,254,929 (2022: £14,830,356)

The Lending Portfolio has continued to decline, with a decrease of £575,427 (3.9%), and is largely due to the current economic climate which, like the previous year continues to be heavily influenced by global issues. Whilst housing and personal loans collectively increased by £306,216 (2.8%), reductions were experienced commercial loans and overdrafts, decreasing by £553,395 (10.9%) and £31,540 (7.8%) respectively which indicates that the economy continues to have a negative impact on business customers and their appetite to borrow.

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.

Chart 3 below depicts the trend in the total Lending Portfolio over the last 5 years.

Chart 3 – Lending 2019-2023



5. Customer Deposits £83,670,475 (2022: £83,339,982)

Customer monies held by the Bank showed an increase of £330,493 (0.4%) at the end of 2022-23; with the Bank's higher earning interest accounts, Child Bond and New Life continuing to be popular with a collective growth of £335,047 (8.3%). The largest increases were in the accounts of St Helena Individuals and New Life accounts, which increased by £1,322,276 (3.6%) and £301,137 (10.3%) respectively, compared to 2021-22.

Chart 4 – Customer Deposits 2019-2023

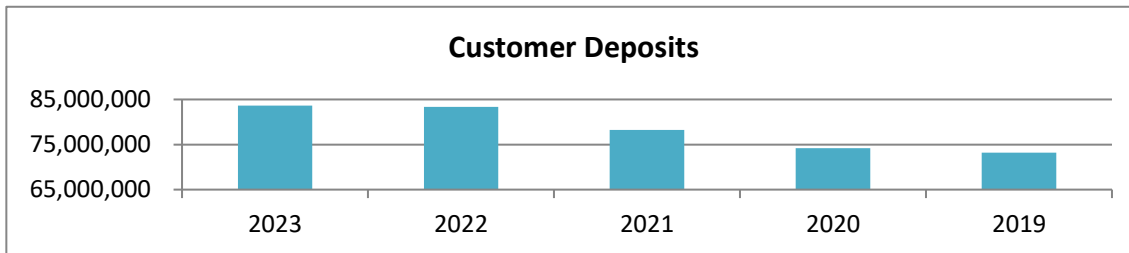
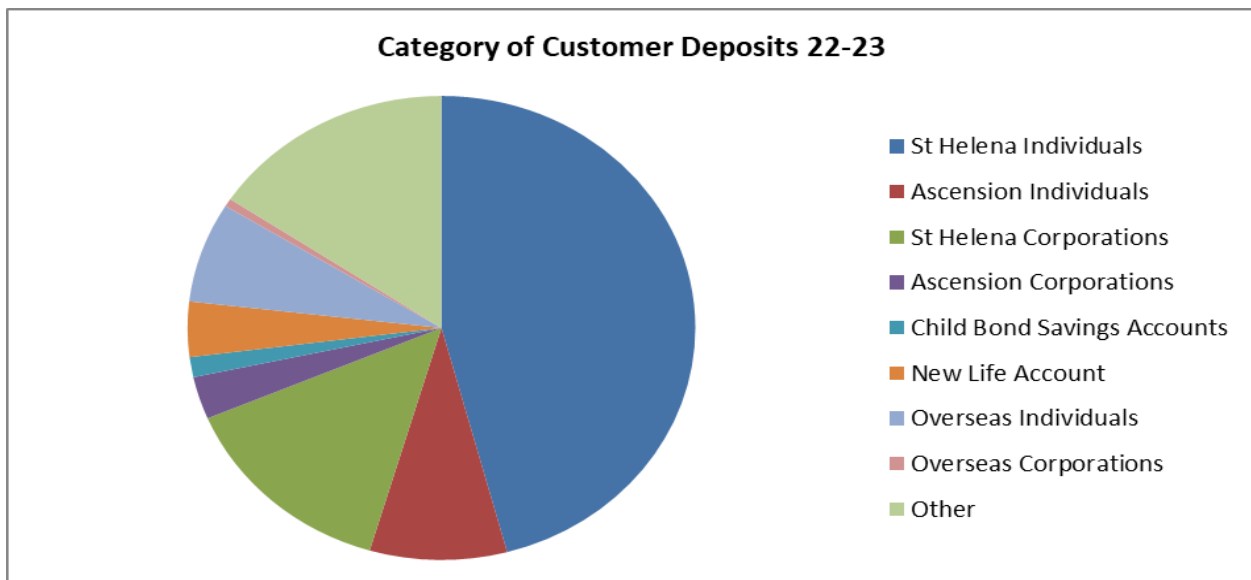


Chart 5 – Deposits per Category 2022-23



LOOKING AHEAD

The Bank continues to work towards the Strategic Plan for 2021-24 which will guide its activities for the next year. The Bank is optimistic that over this period much will be achieved with the support of our customers, Shareholder, FSRA and various Stakeholders. A highlight for 2023-24 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 a safer spending option as an alternative to physical cash.

The Island continues to be affected by global economic issues which continues to increase inflation and 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's priority areas remain securing a continuous service for all who rely on BOSH, providing financial assistance for personal and business customers, safety and security 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) which measures our impact on our society. 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 providing regular reviews on 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 risk and compliance function provides 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 required 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 Business Continuity 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 their 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 £3,000 was donated to community projects and £3,733 for donation and sponsorships, which includes the Bank of St Helena Golf Competition, National Sports Association St Helena, Boy Scouts Association, Church Lads & Girls Brigade, Miss St Helena Pageant, St Helena Cricket Association, Human Rights & Equality Commission, 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. The FSRA sets limits for capital requirements and associated risk weighted assets which are shown in table 4 below. Monthly reports are sent to the FSRA as per the Regulations, with key ratios also monitored.

Table 4 – Key Management Ratios

	Capital & Liquidity Regulatory Limit	As at 31 March 2023
Risk Weighted Assets	15%	16.4%
Total Liquid Assets in St Helena: Total Liabilities	0.5%	4.1%
Total Liquid Assets: Total Liabilities	25%	15.1%

The Bank was within the regulatory limit for Risk Weighted Assets and Liquid Assets in St Helena. The ratio for Total Liquid Assets was not met at 31 March 2023; however, this issue has been addressed and the Bank is now within the regulatory limit for all key management ratios.

AUDITOR

Lindeyer Francis Ferguson Limited was re-appointed as auditor to the company for a further two years, with this being the final year of the current appointment.

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.

This amended Directors' report replaces that previously issued on 31st July 2023 and the original report is hereby withdrawn.



Josephine George – Managing Director

Date: 28 November 2023



Michael Bird – Interim Chairman

Date: 28 November 2023

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 2023 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 2023 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 directors' 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, data protection regulations and the SWIFT customer security framework.

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 including all correspondence, 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, including considering how fraud might occur. This was performed by:

- Making an assessment of the systems and controls in place, and whether any weaknesses were identified which could suggest or allow fraud;
- Assessing how fraud might occur, and considered whether management have incentives and opportunities to manipulate the financial results (including overriding controls);
- Evaluating management's assessment of risk of fraud and whether they are aware of any actual or suspected fraud; and
- Identifying 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.

We then designed and performed audit procedures in response to the risks identified, including performing substantive testing on all material income streams, assessing evidence over lending recoverability including tracing post year repayments, reviewing journal entries and adjustments, and challenging assumptions and accounting estimates.

The audit has been planned and performed in accordance with auditing standards, however, because of the inherent limitations of audit procedures there remains a risk that we will not detect all irregularities, including those that may lead to material misstatements in the financial statements. There are inherent difficulties in detecting irregularities, and irregularities that result from fraud may be more difficult to detect than irregularities that result from error, for example due to concealment, 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 audit procedures are able to identify it.

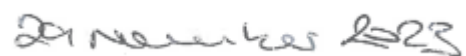
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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**
Chartered Accountants
Statutory Auditor



North House
198 High Street
Tonbridge
Kent
TN9 1BE

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023**

	Note	2023 £	2022 £
Income			
Interest Receivable	5	2,595,580	2,715,577
Interest Payable	6	(334,708)	(323,524)
Net Interest Income		2,260,872	2,392,053
Fees & Commissions		331,016	308,389
Other Income	7	110,393	97,429
Total Income		2,702,281	2,797,871
Expenditure			
Employee Costs	8	890,498	820,453
Premises Costs		65,258	65,848
Investment Management Fees		155,474	132,108
Investment Amortisation		153,492	398,924
Depreciation Tangible Fixed Assets		136,545	107,731
Depreciation Intangible Fixed Assets		41,885	44,847
Bad Debt Provision		106,179	(37,537)
Audit Fees		32,000	31,000
Financial Services Authority Fees		23,000	23,669
Other Expenditure	9	643,451	581,034
Total Expenditure		2,247,782	2,168,077
Profit on ordinary activities, before taxation		454,499	629,794
Taxation	10	(126,589)	(147,378)
Deferred Taxation	21	12,964	(10,071)
Profit on ordinary activities, after tax		340,874	472,345

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023**

	Note	2023 £	2022 £
Fixed Assets			
Tangible Fixed Assets	11	485,933	483,895
Intangible Fixed Assets	12	40,206	59,589
		<u>526,139</u>	<u>543,484</u>
Current Assets			
Cash	16	1,158,711	834,388
Bank Balances	17	3,794,163	4,171,239
Investments	14	68,061,348	67,306,640
Other Assets	15	3,911,332	3,349,036
Lending	13	14,254,929	14,830,356
		<u>91,180,483</u>	<u>90,491,659</u>
Total Assets		91,706,622	91,035,143
Liabilities			
Customer Current & Deposit Accounts	18	83,670,475	83,339,982
Other Liabilities	19	480,789	362,591
Total Liabilities		84,151,264	83,702,573
TOTAL NET ASSETS		7,555,358	7,332,570
REPRESENTED BY:			
Share Capital	23	3,219,285	3,219,285
Retained Earnings	24	4,336,073	4,113,285
Total Equity		7,555,358	7,332,570

The financial statements on pages 14 to 28 were approved and authorised for issue by the Board on 28 November 2023 and were signed on its behalf by:



Michael Bird - Interim Chairman
Date: 28 November 2023

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023**

	2023	2022
	£	£
Cash Flows from Operating Activities		
Profit on Ordinary Activities before Taxation	454,499	629,794
Depreciation Charge	178,430	152,578
Movement on Provisions	51,855	(40,284)
Decrease in Lending	521,915	442,826
(Increase)/Decrease in Other Assets	(549,331)	592,948
Increase in Customer Deposits	330,493	5,083,812
Increase in Other Liabilities	73,556	46,838
Taxation Paid	(80,291)	(243,138)
Dividend Paid	(118,086)	(47,161)
Net Cash Flows from Operating Activities	863,040	6,618,213
Cash Flows used in Investing Activities		
Purchase of Fixed Income Instruments	(754,708)	(6,316,992)
Purchase of Fixed Assets	(161,085)	(225,004)
Net Cash Flows used in Investing Activities	(915,793)	(6,541,996)
Net (Decrease)/Increase in Cash and Cash Equivalents	(52,753)	76,217
Cash and Cash Equivalents at beginning of year	5,005,627	4,929,410
Cash and Cash Equivalents at end of year	<u>4,952,874</u>	<u>5,005,627</u>

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Called Up Share Capital £	Retained Earnings £	Total Equity £
At 1 April 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
Total Comprehensive Income for the year 22/23	-	340,874	340,874
Dividend Paid During 22/23	-	(118,086)	(118,086)
At 31 March 2023	3,219,285	4,336,073	7,555,358

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	2023	2022
	£	£
Interest on Overdrafts	145,126	76,493
Interest on UK Bank Accounts	13,866	3
Interest on Investments	1,588,780	1,722,388
Interest on Commercial Lending	88,852	134,274
Interest on Housing Loans	681,251	705,332
Interest on Personal Loans	77,705	77,087
	<u>2,595,580</u>	<u>2,715,577</u>
	<u><u>2,595,580</u></u>	<u><u>2,715,577</u></u>
6. INTEREST PAID	2023	2022
	£	£
Interest on Current Accounts	79,273	81,915
Interest on Deposit Accounts	255,435	241,609
	<u>334,708</u>	<u>323,524</u>
	<u><u>334,708</u></u>	<u><u>323,524</u></u>
7. OTHER INCOME	2023	2022
	£	£
Foreign Exchange	108,833	96,085
Other	1,560	1,344
	<u>110,393</u>	<u>97,429</u>
	<u><u>110,393</u></u>	<u><u>97,429</u></u>
8. EMPLOYEE COSTS	2023	2022
	£	£
Staff Costs	731,524	675,336
Directors' Remuneration	158,974	145,117
	<u>890,498</u>	<u>820,453</u>
	<u><u>890,498</u></u>	<u><u>820,453</u></u>

The Bank currently contributes to a Cash Roll Up scheme for employees. In 2023 the Bank contributed £70,724 (2022: £69,330) to the scheme on behalf of employees.

The average monthly number of staff in the year was 46 (2022: 45)

9. OTHER EXPENDITURE

	2023	2022
	£	£
Licence Fees	123,258	113,782
Communication Expenses	138,311	140,888
Bank Charges	17,763	13,938
Computer & Equipment	103,374	116,557
Other Fees	119,977	87,075
Other Operating Expenses	140,768	108,794
	<u>643,451</u>	<u>581,034</u>

10. TAXATION

	2023	2022
	£	£
Charge		
<i>Current tax</i>		
Profit on ordinary activities, before tax	454,499	629,794
Profit on ordinary activities multiplied by standard rate of corporation tax of 25%	113,625	157,449
Non-allowable deduction – provisions	12,964	(10,071)
	<u>126,589</u>	<u>147,378</u>
<i>Deferred Tax</i>		
Origination of timing differences	12,964	(10,071)
	<u>12,964</u>	<u>(10,071)</u>
Liability		
Tax Calculated as Due at 1 April	6,602	102,362
Total Tax Due for year	126,589	147,378
Less Tax Paid in year	(80,291)	(243,138)
Tax due as at 31 March	<u>52,900</u>	<u>(6,602)</u>

11. TANGIBLE FIXED ASSETS

	Land & Buildings	Plant, Equipment, Fixtures & Fittings and Computers	Total
	£	£	£
COST			
At 1 April 2022	416,580	732,614	1,149,194
Additions	-	138,583	138,583
At 31 March 2023	416,580	871,197	1,287,777
DEPRECIATION AND IMPAIRMENT			
At 1 April 2022	233,882	431,417	665,299
Charge for year	20,684	115,861	136,545
At 31 March 2023	254,566	547,278	801,844
NET BOOK VALUE			
At 31 March 2023	162,014	323,919	485,933
At 31 March 2022	182,698	301,197	483,895

12. INTANGIBLE FIXED ASSETS

	Software	Total
	£	£
COST		
At 1 April 2022	569,977	569,977
Additions	22,502	22,502
At 31 March 2023	592,479	592,479
DEPRECIATION AND IMPAIRMENT		
At 1 April 2022	510,388	510,388
Charge for year	41,885	41,885
At 31 March 2023	552,273	552,273
NET BOOK VALUE		
At 31 March 2023	40,206	40,206
At 31 March 2022	59,589	59,589

13. LENDING

	2023	2022
	£	£
Personal Loans	1,143,421	978,286
Housing Loans	10,032,716	9,891,635
Commercial Loans	4,534,454	5,087,849
Overdrafts	369,891	401,431
	<u>16,080,482</u>	<u>16,359,201</u>
Less: Undrawn Loan Balance	(788,785)	(545,589)
Total Lending	15,291,697	15,813,612
Less Provisions	(1,036,768)	(983,256)
Total Net Realisable Lending	<u><u>14,254,929</u></u>	<u><u>14,830,356</u></u>

Lending Maturity Analysis

Maturing in less than 1 year	562,217	1,048,901
Maturing between 1 to 3 years	1,571,118	1,779,185
Maturing between 3 to 7 years	3,318,588	3,696,828
Maturing between 7 to 15 years	7,292,441	8,093,854
Maturing between 15 to 20 years	3,336,118	1,740,433
	<u><u>16,080,482</u></u>	<u><u>16,359,201</u></u>

14. INVESTMENTS

	2023	2022
	£	£
Crown Agents Sterling Bonds	68,061,348	67,306,640
	<u>68,061,348</u>	<u>67,306,640</u>
Investments Maturity Analysis		
Maturing within 1 year	22,081,416	17,659,163
Maturing within 2 years	6,974,838	22,266,322
Maturing within 3+ years	39,005,094	27,381,155
	<u><u>68,061,348</u></u>	<u><u>67,306,640</u></u>

INVESTMENT AMORTISATION

	2023	2022
	£	£
Investment Amortisation	153,492	398,924
	<u>153,492</u>	<u>398,924</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 £68,000,000 (2022: £66,688,000).

All investments may be cashed on demand.

15. OTHER ASSETS

	2023	2022
	£	£
Accrued Interest Receivable	988,111	1,212,609
Debtors (Balance held with SHG)	2,275,111	1,511,357
Prepayments	218,500	171,286
Items in the course of collection from Lloyds	20,641	7,917
Stock	140,057	189,919
Deferred Tax	268,912	255,948
	<u>3,911,332</u>	<u>3,349,036</u>

16. CASH BALANCES

	2023	2022
	£	£
St Helena Currency	693,967	493,556
Other Currencies	464,744	340,832
	<u>1,158,711</u>	<u>834,388</u>

17. BANK BALANCES

	2023	2022
	£	£
Crown Agents: Cash & Call	2,955,898	3,069,641
Lloyds: Currency Accounts	39,530	57,922
Lloyds: GBP Account	798,735	1,043,676
	<u>3,794,163</u>	<u>4,171,239</u>

18. CUSTOMER CURRENT & DEPOSIT ACCOUNTS

	2023 £	2022 £
Balance at 1 April	83,339,982	78,256,170
Interest On Depositors' Accounts	334,708	316,899
Less SHG Withholding Tax	(19,269)	(17,251)
Net deposits/withdrawals in the year	15,054	4,784,164
Balance at 31 March	<u>83,670,475</u>	<u>83,339,982</u>
Comprising:		
St Helena Individuals	38,349,405	37,027,128
Ascension Individuals	7,309,177	7,320,031
St Helena Corporations	11,767,540	12,425,174
Ascension Corporations	2,478,738	2,308,823
Child Bond Savings Accounts	1,168,988	1,135,079
New Life Account	3,210,997	2,909,860
Overseas Individuals	5,837,654	5,844,154
Overseas Corporations	472,341	456,160
Other ²	13,075,635	13,913,573
	<u>83,670,475</u>	<u>83,339,982</u>

19. OTHER LIABILITIES

	2023 £	2022 £
Leave Pay Provision	38,878	40,535
General Accruals	20,162	22,039
Tax Due	52,900	6,602
Accrued Bonus Payable	23,921	33,147
Accrued Investment Management Fees	34,305	17,845
Audit Fees	25,004	27,354
Accrued Interest Payable	74,459	71,034
SHG Withholding Tax	19,269	17,251
Other liabilities	191,891	126,784
	<u>480,789</u>	<u>362,591</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:

	2023	2022
	£	£
Undrawn Loan Balance	788,785	545,589
Undrawn Overdrafts	189,565	109,441
	<u>978,350</u>	<u>655,030</u>

21. DEFERRED TAX

	Bad & Doubtful Debts	Leave Pay	Total
	£	£	£
Balance at 1 April 2021	255,197	10,822	266,019
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>
Movement in the year	13,378	(414)	12,964
Balance as at 31 March 2023	<u>259,191</u>	<u>9,721</u>	<u>268,912</u>

22. PROVISIONS

	Bad & Doubtful Debts	Leave Pay	Total
	£	£	£
Balance at 1 April 2021	1,020,793	43,282	1,064,075
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>
Movement in the year	53,512	(1,657)	51,855
Balance as at 31 March 2023	<u>1,036,768</u>	<u>38,878</u>	<u>1,075,646</u>

23. SHARE CAPITAL

		2023	2022
		£	£
Issued and fully paid			
Number:	Class:		
3,219,285	Ordinary	<u>3,219,285</u>	<u>3,219,285</u>

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 Limited 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		2023	2022
		£	£
At 1 April		4,113,285	3,688,101
Profit in year		340,874	472,345
Dividend paid in respect of prior year profit		<u>(118,086)</u>	<u>(47,161)</u>
At 31 March		<u>4,336,073</u>	<u>4,113,285</u>

As per Shareholder direction, a Dividend payment of 0.03668 pence per share for the year ended 31 March 2022 was made to St Helena Government during the year.

25. LEASE COMMITMENTS

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

	2023	2022
	£	£
Within one year	268	60
Two to five years	4,150	4,358
	<u>4,418</u>	<u>4,418</u>

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 £2,275,111 (2022: £1,511,357) 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 £339,611 (2022: £331,434).

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 £284,191 (2022: £303,323).

27. AMENDED FINANCIAL STATEMENTS

These financial statements replace the original financial statements, are now the statutory financial statements and are prepared as they were at the date of the original financial statements.



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Established and regulated in St Helena under the Financial Services Ordinance, 2008 and 2017, the Financial Services Regulations, 2017, the Company Ordinance, 2004 and the Company Regulations, 2004