



Bank of St. Helena Ltd.

www.sainthelenabank.com

Directors' Report & Audited Financial Statements:

Financial Year 2019-20

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



(290) 22390



info@sainthelenabank.com



www.sainthelenabank.com

CONTENTS

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>9</u>
RISK MANAGEMENT	<u>9</u>
CORPORATE SOCIAL RESPONSIBILITY	<u>11</u>
FINANCIAL SERVICES REGULATORY AUTHORITY	<u>11</u>
STATEMENT OF DIRECTORS RESPONSIBILITIES	<u>12</u>
INDEPENDENT AUDITORS REPORT	<u>13</u>
STATEMENT OF COMPREHENSIVE INCOME	<u>15</u>
STATEMENT OF FINANCIAL POSITION	<u>16</u>
STATEMENT OF CASH FLOWS	<u>17</u>
STATEMENT OF CHANGES IN EQUITY	<u>18</u>
FINANCIAL STATEMENTS – NOTES	<u>19</u>

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

The Directors present their report with the financial statements of the company for the year ended 31 March 2020.

DIRECTORS

The Directors shown below have held office during the period from 1 April 2019 to the date of this report.

Josephine George	Managing Director	
Leeanne Henry	Assistant Managing Director	
Paul Hickling	Non-Executive Director	
Dax Richards	Non-Executive Director & SHG Representative	(Resigned September 2019)
Anne Dillon	Non-Executive Director	April 2019 (Resigned June 2019 & Re-joined in May 2020)
Brian Deadman	Non-Executive Director & SHG Representative	April 2019
John Isaac	Non-Executive Director	April 2019
Glenn Owen	Non-Executive Director – Chairman	October 2019
Michael Bird	Non-Executive Director	November 2019

During the year Dax Richards and Anne Dillon resigned as Non-Executive Directors. Brian Deadman and John Isaac joined the Board as Non-Executive Directors in April 2019, with Glenn Owen and Michael Bird also joining the Board in October 2019 and November 2019 respectively. Anne Dillon re-joined the Board as Non-Executive Director in May 2020; bringing the total number of Board Members to eight. Glenn Owen became Chairperson of the Board of Directors in March 2020.

PRINCIPAL ACTIVITIES

Bank of St Helena Limited 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 a number of lending products and services.

REVIEW OF BUSINESS

During the year the Bank continued to work towards the agreed strategic objectives outlined in the Bank's Strategic Plan. Key Performance Indicators (KPI's) were set in line with these objectives to monitor and review the Bank's performance throughout the year, and whilst most of these were achieved during this reporting period, the economic climate in St Helena and now the threat of the world pandemic COVID-19, has played a significant role in creating variances to targets set at the outset of 2019-20.

It was envisaged that the Lending portfolio would have grown during 2019-20, but this has not materialised as expected. Whilst increases were seen in personal lending and overdraft facilities, housing and commercial lending has decreased compared to the previous year. One of the biggest achievements continues to be the uptake of local debit cards by customers and the number of businesses that now offer the service. This system allows for a more automated service which in turn allows customers more control of their banking. Online banking and the local debit card usage has more than doubled over the financial year and included the introduction of the online remittance service. Work continues on the International Prepaid Debit Card service, which has seen a number of setbacks throughout the year; however, progress is being made, with testing to commence in early 2020/21. The Virtual Tourist Card has also seen a number of delays however the project is now in phase two of development and will also be launched by the end of the financial year. Networking with other Banks and financial institutions outside of St Helena has been achieved which continues to enhance the Bank's ability to tap into support and the introduction of new products and services.

Global Environment

Bank of St Helena and the Island as a whole has continued to feel the effects of the uncertainty surrounding Brexit as well as the implications of the Coronavirus Pandemic (COVID-19). Over this period the value of the GBP 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. The rate of inflation has decreased to 1.7%, a decrease of 2.4% compared to March 2019. Customer balances have increased by 1.3%; however, this will more than likely decrease during the new financial year following the cessation of flights to the Island and consequent income in March 2020 due to COVID-19.

Financial Performance

The Bank made an operating profit of £643,457 for the year 2019-20 which was an increase of £324,443 (102%) from 2018-19, with a 23% net profit margin and a cost to income ratio of 77%. There has been a positive adjustment to fair value, resulting in a profit before tax of £782,270, and a profit after tax of £628,777. This is an increase of £344,800 compared to 2018-19.

1. Income - £2,766,303 (2019: £2,075,498)

The Bank's total income, net of interest payable, continued to grow this year with an increase of £742,703 (47.2%). Interest received increased by £744,616 (41.4%) from £1,800,019 to £2,544,635, and interest payable increased by £1,913 to £228,892. Fees and commissions decreased by £25,366 (7.4%) this year following the reduction in charges for online banking and the substantial increase in automated transactions. Other income also decreased this year by £26,532 (16.5%) from 2018-19; being largely due to the decrease in foreign currency transactions made during the year. The Bank is aware of its exposure to foreign exchange risk and whilst payments will always need to be made, the Bank tries to minimise this exposure by reducing 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 2018-2020

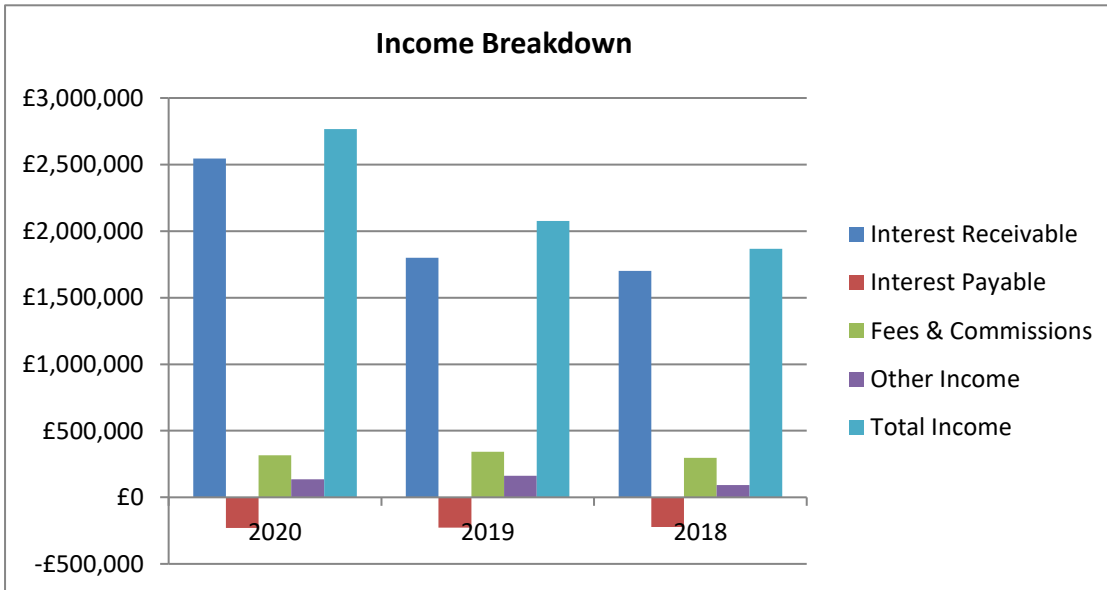
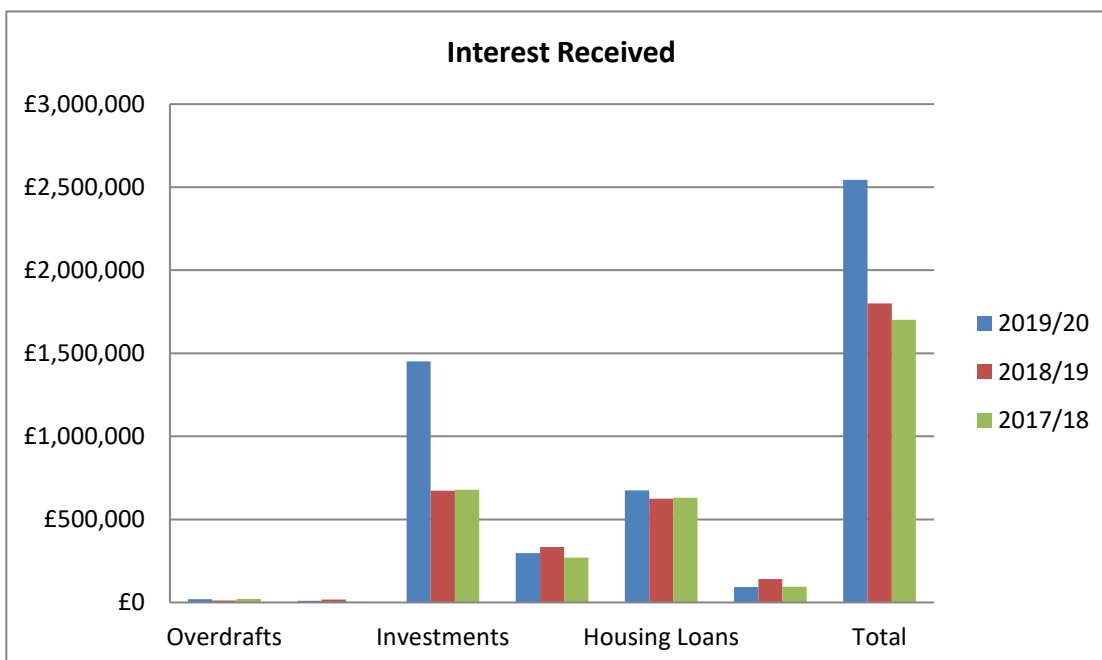


Chart 2 – Split of Interest Received 2018-2020



The split of interest received in Chart 2 shows that interest received on investments has more than doubled compared to 2018-19 which is the result of transferring existing investments to a new investment portfolio. Interest received on loans decreased by £26,029 (2%) from 2018-19 with a noticeable decrease in borrowing appetite compared to previous years. As the lending portfolio continues to experience 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 highest rates possible, the Bank remains prudent and with consideration given to operational and regulatory requirements.

2. Expenditure £2,122,846 (2019: £1,756,484)

Total expenditure increased by £366,362 (21%), which is largely due to the costs associated with the new investment portfolio, however, the majority of the Bank's other costs remained relatively similar to the previous year as the Bank continues to have a high proportion of fixed costs.

Employee costs have increased by £8,444 (1%) to £759,523 and equates to 36% of total costs. As automation continues to rise, this is expected to reduce in future years as the local debit card reduces the need for manual input.

3. Investments - £56,361,021 (2019: £56,558,475)

The Capital Value of the Bank's investments has decreased by £197,454 (0.35%) for 2019/20. All CDs (Cash Deposits) were sold during the year, resulting in a positive adjustment of £139k to fair value. All funds are now invested in bonds ranging from 1.375% 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 2020 was £1,451,508. The Bank monitors its cash holdings and operational requirements closely and additional funds will be invested when it is deemed appropriate.

4. Fixed Assets - £453,990 (2019: £532,615)

For 2019-20 there were only small additions made to the Bank's fixtures and fittings, hardware and software. The Bank's assets are reviewed on a regular basis and no impairments were identified in the year.

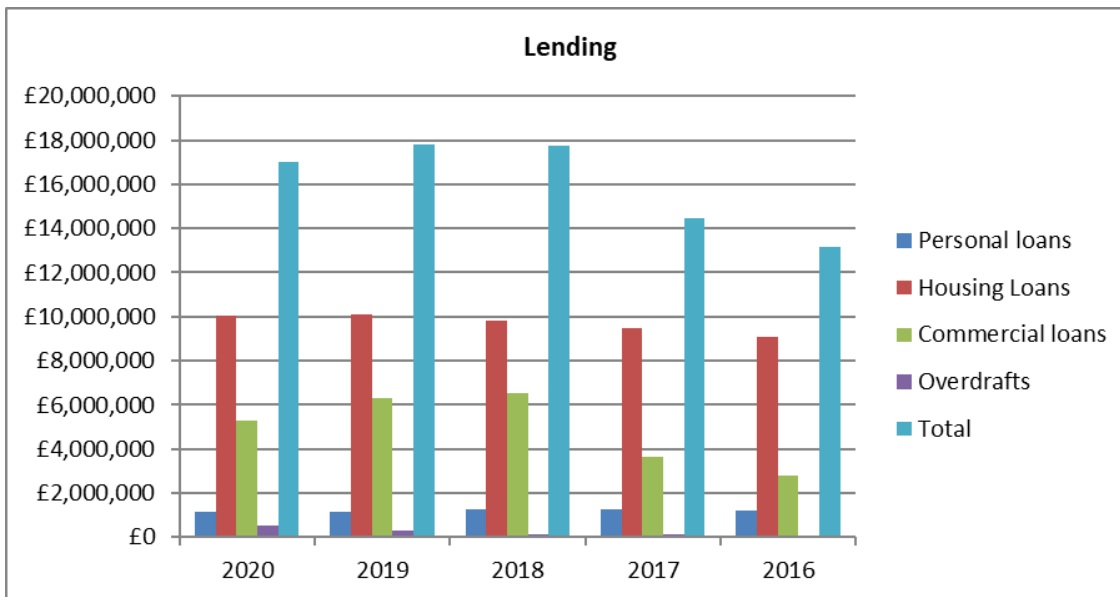
5. Lending - £15,944,925 (2019: £16,574,301)

Growth in the lending portfolio has not materialised as anticipated, and as a result the loan portfolio has decreased this year. Commercial loans went from £6,280,556 in 2018-19 to £5,296,118 in 2019-20, a decrease of £984,438 (15.7%) with no loans of significant value being approved and a large commercial loan being paid off in full. Housing loans also decreased by £34,912 to £10,040,885 against a balance of £10,075,797 at the end of 2018-19, which indicates that the economic climate continues to have a negative impact on the ability of customers to borrow. Personal lending remains relatively stable with an increase of £5,909, however, the biggest increase for the year was overdraft facilities with an increase of £211,493, of which £217,468 relates directly to commercial overdrafts.

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 but additional specific provisions were made in the year where there are doubts over repayment.

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

Chart 3 – Lending 2016-2020



6. Customer Deposits £74,208,253 (2019: £73,221,306)

Customer monies held by the Bank showed an increase of £986,947 (1.3%) at the end of 2019-20; with the Bank's higher earning interest accounts Child Bond and New Life continuing to be popular with growth of 8% and 23% respectively for the year.

Chart 4 – Customer Deposits 2016-2020

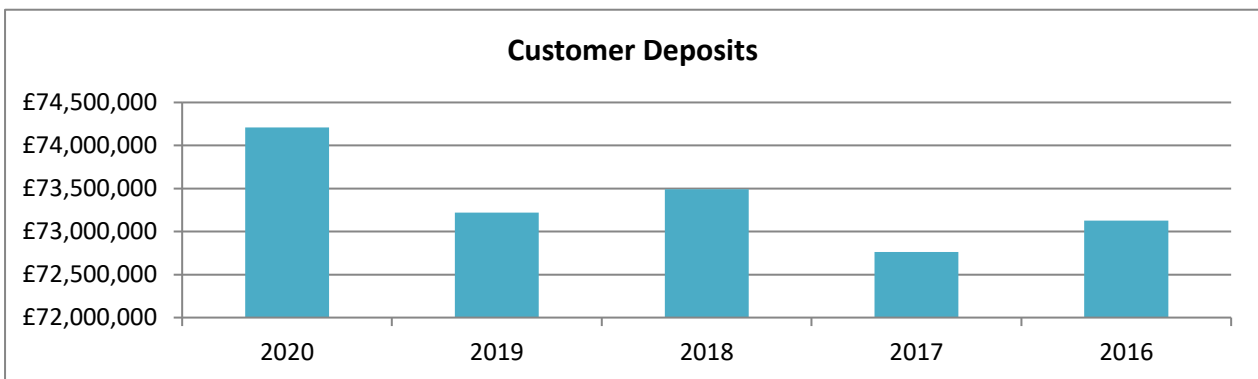
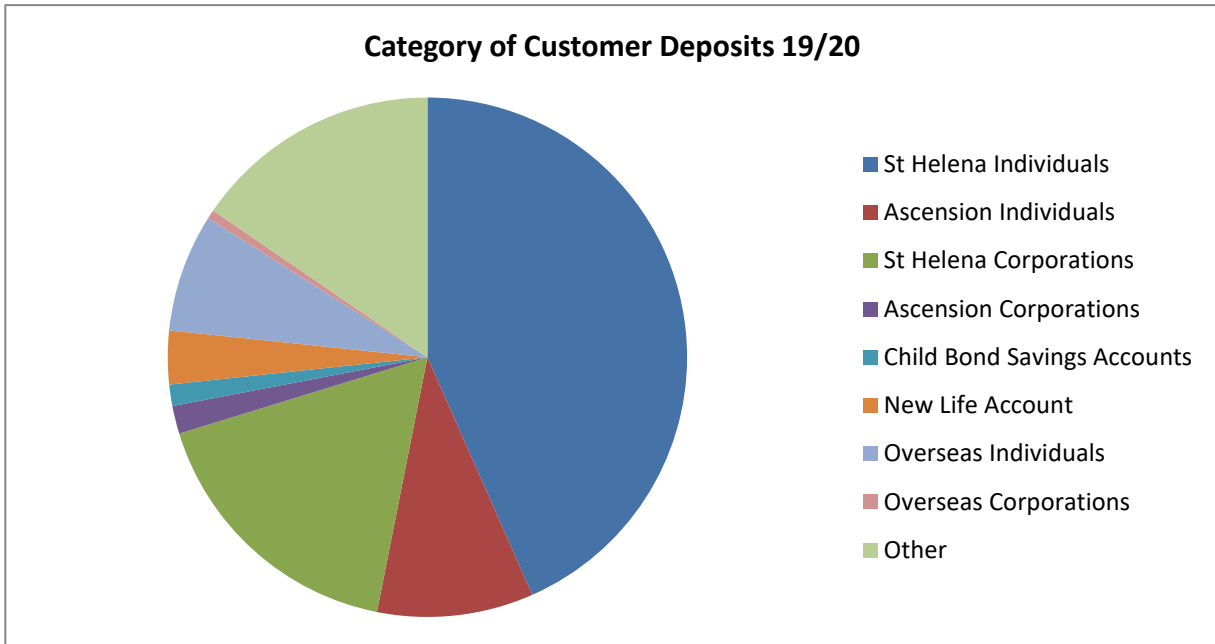


Chart 5 – Deposits per Category 2019-20



LOOKING AHEAD

The Bank has a Strategic Plan for 2018-21 which will continue to guide its products and services for the next year. For the year 2020-21, International Prepaid Debit Cards and Virtual Tourist Cards remain the top priority. International Prepaid Cards will allow the Bank's customers, who do not have access to international bank accounts, to travel abroad without the need for physically carrying large amounts of cash. A trial period for a prepaid card service is due to commence, and if successful it is hoped the cards will be available to customers in the near future. The Bank is also acutely aware of the need for international payment solutions here on the Island for visitors and has carried out extensive work on the feasibility of certain options. In the interim, development for Virtual Tourist Cards is also being undertaken which will allow visitors to use the local debit card infrastructure. This is a two phased project with the first phased having been completed and the second phase nearing completion. This will allow safer transit of money for visitors and will benefit the Island's economy as it will provide visitors with another spending option next to cash.

The cessation of flights due to COVID-19 has directly affected the operations and income of all businesses on the Island, particularly those related to the tourism industry and the Bank has introduced a number of initiatives to assist where possible. This includes a three-month deferral of loan repayments for businesses affected which will reduce income initially expected from the lending portfolio for the first quarter of 2020/21 and possibly beyond.

The local debit card and its uptake remain 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, and improved performance. 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.

RISK MANAGEMENT

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

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.

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. 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.

Reputational Risk

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

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

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

Business Risk

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

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

CORPORATE SOCIAL RESPONSIBILITY

The Bank and its Directors continue to place great importance on corporate social responsibility, and allocates a budget each year for community projects. The Bank supports projects which will benefit the Island and its community, and also makes a number of donations and sponsorships for the same purpose. The year 2019-20 saw a relatively low number of requests with £1,938 donated to community projects and £1,589 for donation and sponsorships, which includes the Bank being the lead sponsor for the New Horizons Youth Games and the Engage 2020 business conference.

FINANCIAL SERVICES REGULATORY AUTHORITY

The oversight and regulatory body for the Bank is the Financial Services Regulatory Authority (FSRA). The Bank must comply with the requirements set by the FSRA in the Financial Services Ordinance 2008, as amended 2017, and the Financial Services Regulations 2017. Monthly reports are sent to the FSRA as per the guidelines, with key ratios also monitored. The FSRA sets limits for capital requirements and associated 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 2019/20.

Table 4 – Key Management Ratios

	Capital & Liquidity Regulatory Limit	Average Achieved	Minimum Recorded	Maximum Recorded
Risk Weighted Assets	15% ⁱ	24.3%	23%	25.5%
Total Liquid Assets in St Helena:	0.50%	3%	2%	4.6%
Total Liabilities				
Total Liquid Assets: Total Liabilities	25%	68.7%	68.1%	69.9%

AUDITOR

Lindeyer Francis Ferguson Limited was appointed as auditor to the company for a third consecutive year, with a contract for an additional three years thereafter.

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.

ON BEHALF OF THE BOARD:


.....
Josephine George - Managing Director
Date: 27/08/2020


.....
Glenn Owen - Chairman
Date: 27/08/2020

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 2020 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 2020 and of its profit for the year then ended; and
- have been properly prepared in accordance with applicable law and the United Kingdom Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with our terms of engagement. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

**Chartered Accountants
Statutory Auditor**

27 August 2020

.....

North House
198 High Street
Tonbridge
Kent
TN9 1BE

**STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £	2019 £
Income			
Interest Receivable	5	2,544,635	1,800,019
Interest Payable	6	(228,892)	(226,979)
Net Interest Income		2,315,743	1,573,040
Fees & Commissions		316,192	341,558
Other Income	7	134,368	160,900
Total Income		2,766,303	2,075,498
Expenditure			
Employee Costs	8	759,523	751,079
Premises Costs		72,667	59,897
Investment Management Fees		102,178	46,493
Investment Losses	27	442,567	-
Depreciation Tangible Fixed Assets		87,024	86,160
Depreciation Intangible Fixed Assets		47,213	53,904
Specific Provisions		92,225	242,814
Audit Fees		35,000	32,875
Financial Services Authority Fees		22,000	25,331
Other Expenditure	9	462,449	457,931
Total Expenditure		2,122,846	1,756,484
Profit before gain on financial assets		643,457	319,014
Gain on financial assets			
Change in fair value of financial assets		138,813	37,825
Profit on ordinary activities, before taxation		782,270	356,839
Taxation	10	(157,568)	(134,973)
Deferred Taxation	21	4,075	62,111
Profit on ordinary activities, after tax		628,777	283,977

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	Note	2020 £	2019 £
Fixed Assets			
Tangible Fixed Assets	11	358,013	389,537
Intangible Fixed Assets	12	95,977	143,078
		<u>453,990</u>	<u>532,615</u>
Current Assets			
Cash	16	884,191	979,139
Bank Balances	17	4,822,149	2,778,866
Investments	14	56,361,021	56,558,475
Other Assets	15	3,015,932	2,478,081
Lending	13	15,944,925	16,574,301
		<u>81,028,218</u>	<u>79,368,862</u>
Total Assets		81,482,208	79,901,477
Liabilities			
Customer Current & Deposit Accounts	18	74,208,253	73,221,306
Other Liabilities	19	398,018	433,011
Total Liabilities		74,606,271	73,654,317
TOTAL NET ASSETS		6,875,937	6,247,160
REPRESENTED BY:			
Share Capital	23	3,219,285	3,219,285
Retained Earnings	24	3,656,652	3,027,875
Total Equity		6,875,937	6,247,160

The financial statements on pages 15 to 29 were approved and authorised for issue by the Board on 27 August 2020 and were signed on its behalf by:

..... *E. B. C.*

Chairman

Date: *27/08/2020*

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	2020	2019
	£	£
Cash Flows from Operating Activities		
Profit on Ordinary Activities before Taxation	782,270	356,839
Depreciation Charge	134,237	140,064
Movement on Provisions	16,301	248,445
Movement in Fair Value of Assets	(138,813)	(37,825)
Decrease/(Increase) in Lending	550,582	(175,593)
(Increase) in Other Assets	(533,776)	(520,849)
Increase/(Decrease) in Customer Deposits	986,947	(271,694)
Increase in Other Liabilities	32,181	14,041
Taxation Paid	(162,249)	(83,909)
Net Cash Flows from Operating Activities	<u>(1,667,680)</u>	<u>(330,481)</u>
Cash Flows from Investing Activities		
Sale of CD's	336,267	602,712
Purchase of Fixed Assets	(55,612)	(83,570)
Net Cash Flows from Investing Activities	<u>280,655</u>	<u>519,142</u>
Net increase in Cash and Cash Equivalents	1,948,335	188,661
Cash and Cash Equivalents at beginning of year	<u>3,758,005</u>	<u>3,569,344</u>
Cash and Cash Equivalents at end of year	<u><u>5,706,340</u></u>	<u><u>3,758,005</u></u>

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Called Up Share Capital £	Retained Earnings £	Total Equity £
At 1 April 2018	3,219,285	2,743,898	5,963,183
Total Comprehensive Income for the year 18/19	-	283,977	283,977
At 31 March 2019	3,219,285	3,027,875	6,247,160
Total Comprehensive Income for the year 19/20	-	628,777	628,777
At 31 March 2020	3,219,285	3,656,652	6,875,937

1. COMPANY INFORMATION

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

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

2. BASIS OF PREPARING THE FINANCIAL STATEMENTS

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

The financial statements have been prepared on a going concern basis using the historical cost convention, except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. At the time of approving the financial statements, the Directors have a reasonable expectation the company has adequate resources to continue in operational existence for the foreseeable future. Whilst the bank has been affected by the threat of COVID-19, the full impact will not be realised until the next financial year and possibly beyond. 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 profit and loss account in the period to which they relate.

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

Leases

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

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

Inventories

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

5. INTEREST RECEIVABLE	2020	2019
	£	£
Interest on Overdrafts	19,157	11,972
Interest on UK Bank Accounts	9,292	17,537
Interest on Investments	1,451,508	672,618
Interest on Commercial Lending	297,043	333,003
Interest on Housing Loans	675,361	623,852
Interest on Personal Loans	92,274	141,037
	<u>2,544,635</u>	<u>1,800,019</u>
	<u><u>2,544,635</u></u>	<u><u>1,800,019</u></u>
6. INTEREST PAID	2020	2019
	£	£
Interest on Current Accounts	69,145	75,528
Interest on Deposit Accounts	159,747	151,451
	<u>228,892</u>	<u>226,979</u>
	<u><u>228,892</u></u>	<u><u>226,979</u></u>
7. OTHER INCOME	2020	2019
	£	£
Foreign Exchange	101,963	144,035
Profit on Sale of Investment	28,851	13,985
Other	3,554	2,880
	<u>134,368</u>	<u>160,900</u>
	<u><u>134,368</u></u>	<u><u>160,900</u></u>
8. EMPLOYEE COSTS	2020	2019
	£	£
Staff Costs	748,148	743,006
Directors' Remuneration	11,375	8,073
	<u>759,523</u>	<u>751,079</u>
	<u><u>759,523</u></u>	<u><u>751,079</u></u>

The Bank currently contributes to a Cash Roll Up scheme for employees. In 2020 the Bank contributed £51,822 (2019: £51,825) to the scheme on behalf of employees.

Directors' remuneration includes only Non-Executive Directors.

The average monthly number of staff in the year was 44 (2019: 47)

**9. OTHER EXPENSES**

	2020	2019
	£	£
Licence Fees	109,350	96,640
Communication Expenses	101,778	99,936
Bank Charges	11,058	22,830
Computer & Equipment	46,733	48,116
Other Fees	103,226	89,994
Other Operating Expenses	90,304	100,415
	<u>462,449</u>	<u>457,931</u>

10. TAXATION

	2020	2019
	£	£
Charge		
<i>Current tax</i>		
Profit on ordinary activities, before tax	782,270	356,839
Profit on ordinary activities multiplied by standard rate of corporation tax of 25%	195,567	89,210
Non-allowable deduction - provisions	4,075	62,111
Change in fair value of financial assets	(34,703)	(9,456)
Claim for investment tax credit	(7,371)	(6,892)
	<u>157,568</u>	<u>134,973</u>
<i>Deferred Tax</i>		
Origination of timing differences	4,075	62,111
	<u>4,075</u>	<u>62,111</u>
Liability		
Tax Calculated as Due at 1 April	61,021	9,957
Total Tax Due for year	157,568	134,973
Less Tax Paid in year	(162,249)	(83,909)
Tax (Asset) as at 31 March	<u>(56,340)</u>	<u>(61,021)</u>

11. TANGIBLE FIXED ASSETS

	Land & Buildings	Plant, Equipment, Fixtures & Fittings and Computers	Total
	£	£	£
COST			
At 1 April 2019	416,580	387,833	804,413
Additions	-	52,812	52,812
Disposals	-	(10,954)	(10,954)
At 31 March 2020	<u>416,580</u>	<u>429,691</u>	<u>846,271</u>
DEPRECIATION AND IMPAIRMENT			
At 1 April 2019	171,830	243,046	414,876
Charge for year	20,684	63,652	84,336
Disposals	-	(10,954)	(10,954)
At 31 March 2020	<u>192,514</u>	<u>295,744</u>	<u>488,258</u>
NET BOOK VALUE			
At 31 March 2020	<u>224,066</u>	<u>133,947</u>	<u>358,013</u>
At 31 March 2019	<u>244,750</u>	<u>144,787</u>	<u>389,537</u>

12. INTANGIBLE FIXED ASSETS

	Software	Total
	£	£
COST		
At 1 April 2019	520,127	520,127
Additions	2,800	2,800
At 31 March 2020	<u>522,927</u>	<u>522,927</u>
DEPRECIATION AND IMPAIRMENT		
At 1 April 2019	377,049	377,049
Charge for year	49,901	49,901
At 31 March 2020	<u>426,950</u>	<u>426,950</u>
NET BOOK VALUE		
At 31 March 2020	<u>95,977</u>	<u>95,977</u>
At 31 March 2019	<u>143,078</u>	<u>143,078</u>

**13. LENDING**

	2020	2019
	£	£
Personal Loans	1,161,249	1,155,340
Housing Loans	10,040,885	10,075,797
Commercial Loans	5,296,118	6,280,556
Overdrafts	498,604	287,111
	<u>16,996,856</u>	<u>17,798,804</u>
Less: Undrawn Loan Balance	(496,334)	(747,700)
Total Lending	16,500,522	17,051,104
Less Provisions	(555,597)	(476,803)
Total Net Realisable Lending	<u>15,944,925</u>	<u>16,574,301</u>

Lending Maturity Analysis

Maturing in less than 1 year	2,213,203	1,153,750
Maturing between 1 to 3 years	1,333,422	2,013,973
Maturing between 3 to 7 years	3,329,897	2,563,200
Maturing between 7 to 15 years	7,325,449	9,742,484
Maturing between 15 to 20 years	2,794,885	2,325,397
	<u>16,996,856</u>	<u>17,798,804</u>

14. INVESTMENTS

	2020	2019
	£	£
Crown Agents Sterling Bonds	56,361,021	56,558,475
	<u>56,361,021</u>	<u>56,558,475</u>
Investments Maturity Analysis		
Maturing within 1 year	-	11,011,290
Maturing within 2 years	8,803,694	21,871,549
Maturing within 3+ years	47,557,327	23,675,636
	<u>56,361,021</u>	<u>56,558,475</u>

At the year-end date the nominal value of these investments was £55,240,000 (2019: £55,740,000).

All investments may be cashed on demand.

**15. OTHER ASSETS**

	2020	2019
	£	£
Accrued Interest Receivable	1,197,725	936,947
Debtors (Balance held with SHG)	1,381,111	1,158,210
Prepayments	119,294	75,601
Items in the course of collection from Lloyds	16,340	20,548
Stock	150,437	138,062
Deferred Tax	151,025	146,950
Fees Due	-	1,763
	<u>3,015,932</u>	<u>2,478,081</u>

16. CASH BALANCES

	2020	2019
	£	£
St Helena Currency	577,667	653,561
Other Currencies	306,524	325,578
	<u>884,191</u>	<u>979,139</u>

17. BANK BALANCES

	2020	2019
	£	£
Crown Agents: Cash & Call	4,247,442	2,119,922
Lloyds: Currency Accounts	38,933	10,578
Lloyds: GBP Account	535,774	648,366
	<u>4,822,149</u>	<u>2,778,866</u>

18. CUSTOMER CURRENT & DEPOSIT ACCOUNTS

	2020	2019
	£	£
Balance at 1 April	73,221,306	73,493,000
Interest On Depositors' Accounts	228,892	226,979
Less SHG Withholding Tax	(12,238)	(11,750)
Net deposits/withdrawals in the year	770,293	(486,923)
Balance at 31 March	<u>74,208,253</u>	<u>73,221,306</u>
Comprising:		
St Helena Individuals	32,191,808	32,190,636
Ascension Individuals	7,225,052	6,881,878
St Helena Corporations	12,714,912	12,432,044
Ascension Corporations	1,290,610	818,978
Child Bond Savings Accounts	987,121	915,968
New Life Account	2,472,234	2,005,492
Overseas Individuals	5,456,584	6,079,069
Overseas Corporations	409,553	196,313
Other ¹	11,460,379	11,700,928
	<u>74,208,253</u>	<u>73,221,306</u>

19. OTHER LIABILITIES AND PROVISIONS

	2020	2019
	£	£
Leave Pay Provision	48,501	51,598
General Accruals	19,966	20,952
Tax Due	56,340	61,021
Accrued Bonus Payable	33,866	17,001
Accrued Investment Management Fees	24,357	15,544
Audit Fees	37,125	31,000
Accrued Interest Payable	51,690	53,807
SHG Withholding Tax	12,238	11,750
Other liabilities	113,935	170,338
	<u>398,018</u>	<u>433,011</u>

¹ Other deposits consist of any other Organisations, Societies and Charities

20. OTHER FINANCIAL COMMITMENTS

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

	2020 £	2019 £
Undrawn Loan Balance	488,485	743,724
Deferred Loans	9,049	3,976
Undrawn Overdrafts	77,252	124,957
	<u>574,786</u>	<u>872,657</u>

21. DEFERRED TAX

	Bad & Doubtful Debts £	Leave Pay £	Total £
Balance at 1 April 2018	73,346	11,493	84,839
Movement in the year	60,703	1,408	62,111
Balance as at 31 March 2019	<u>134,049</u>	<u>12,901</u>	<u>146,950</u>
Movement in the year	4,849	(774)	4,075
Balance as at 31 March 2020	<u>138,898</u>	<u>12,127</u>	<u>151,025</u>

22. PROVISIONS

	Bad & Doubtful Debts £	Leave Pay £	Operational Losses £	Total £
Balance at 1 April 2018	293,385	45,967	-	339,352
Movement in the year	183,418	5,631	59,396	248,445
Balance as at 31 March 2019	<u>476,803</u>	<u>51,598</u>	<u>59,396</u>	<u>587,797</u>
Movement in the year	78,794	(3,097)	(59,396)	16,301
Balance as at 31 March 2020	<u>555,597</u>	<u>48,501</u>	-	<u>604,098</u>

23. SHARE CAPITAL

	2020	2019
	£	£
Issued and fully paid		
Number: Class:		
3,219,285 Ordinary	3,219,285	3,219,285

Share capital in St Helena has no nominal value; the value above represents the 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	2020	2019
	£	£
At 1 April	3,027,875	2,743,898
Profit in year	628,777	283,977
At 31 March	3,656,652	3,027,875

25. LEASE COMMITMENTS

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

	2020	2019
	£	£
Within one year	4,348	10,785
Two to five years	60	2,000
	4,408	12,785

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 £1,381,111 (2019: £1,158,210) 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 £264,931 (2019: £237,208).

Personal and housing loans may be granted to Senior Management at a rate of 2% above the base rate (currently 4%). Previously this was 0.5% above the base rate, of which some loans are still being repaid at this interest rate. Interest on staff salary advances is also 2% above the base rate whilst interest on staff overdrafts is charged at 4% above the base rate. Loans granted to Non-Executive Directors are done so based on normal market terms and conditions. At the year end the value of loans outstanding, overdrafts and advances due from Senior Management, and loans due from Non-Executive Directors was £330,521 (2019: £377,136).

27. Investment Losses

	2020 £	2019 £
Investment Losses	442,567	-
	<u>442,567</u>	<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.



Head Office: Market Street · Jamestown · St Helena Island · STHL 1ZZ

T. +290 22390 · F. +290 22553 · email. info@sainthelenabank.com · web www.sainthelenabank.com

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