Bank of St. Helena Ltd.

www.sainthelenabank.com

Directors Report & Audited Financial Statements:

Financial Year 2016 - 17

This report is also available on our website or by email.
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DIRECTORS:	Leeanne Henry Rosemary Bargo Paul Hickling Connie Stevens Helena Bennett Josephine George Niall O'Keeffe Dax Richards
REGISTERED OFFICE:	Market Street Jamestown St Helena Island STHL 1ZZ
REGISTERED NUMBER:	95
AUDITORS:	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB

The directors present their report with the financial statements of the company for the year ended 31 March 2017.

DIRECTORS

The directors shown below have held office during the period from 1 April 2016 to the date of this report. Dates are shown where directors were appointed during the year or after the year end.

Rosemary Bargo	Managing Director	
Leeanne Henry	Non-Executive Director & Chairman	November 2016
Helena Bennett	Non-Executive Director	July 2016
Connie Stevens	Non-Executive Director	October 2016
Paul Hickling	Non-Executive Director	October 2016
Josephine George	Executive Director	March 2017
Niall O'Keeffe	Non-Executive Director & Shareholder Representative	May 2017
Dax Richards	Non-Executive Director & Shareholder Representative	May 2017

A number of changes in the Board occurred during the reporting period and the following Non-Executive Directors resigned during the year:

Carolyn Thomas	May 2016
Cherie Dillon	September 2016
Joan Peters	April 2016
David Colin Owen (Shareholder representative)	July 2016
Gary Rowe	September 2016
Tracey Williams	September 2016
Thomas Holvey (Shareholder representative)	March 2017

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS

The financial year in review started with great optimism in anticipation of air-access to St Helena and the launch of the Bank's new products and services. Whilst work continued on both throughout the financial year and is on-going to date, the benefits of both were not realised as expected. These factors together with other internal and external influences have had a significant impact on the Bank's results, especially against budget when both local and international environments are considered in planning and decision making.

Global Environment

At the start of the financial year 16/17 there was already unrest in the global economy with the UK planning to hold a referendum on exiting the EU. A subsequent leave vote in June 16 resulted in the sterling (GBP) falling considerably as confidence in the UK economy fell. GBP continued to remain weak throughout the year and has been further impacted by the unscheduled UK general election in June 17.

With the St Helena Pound on parity with sterling the Bank has seen a change in foreign exchange differences and rising costs for purchases made in other currencies. Most affected by the changes in the global economy is the Bank's investment portfolio. Even before the Brexit decision interest rates were low, and the returns the Bank has seen on its Certificate of Deposit's (CD's) have been reducing. The Bank of England base rate remains at 0.25% following a decision to reduce it in August 2016, and with the weakening pound causing a price increase in goods, interest rates remained low throughout the rest of the year.

Local Environment

The St Helena economy continues to be supported with financial aid but the airport is set to lead the way to self-sufficiency. The delay in commercial operation of the airport has resulted in considerable unsettlement on the island as future access to St Helena is unknown. The uncertainty has led to a noticeable lull in business activity across the island, and in the demand for loans.

The changes in the global economy have understandably also affected the local economy. At the end of the first quarter in 2017 inflation was at 7% when comparing the Retail Price Index (RPI) at the end of the first quarter of 2016[1]. This has therefore impacted on peoples spending ability.

The population dynamic of the island is also changing *"At the end of December 2016 the number of people on St Helena, residents plus visitors, stood at 4,640…This is a 2.5 per cent (116 person) decrease over the previous 12 months"*[2]. With the airport project largely completed the island has seen a reduction in the resident population. This is reflected in the 36%[3] decrease in business visitors. The uncertainties over the RMS schedule and the commencement of commercial flights also impacted visitor numbers. Tourist visitors declined by 33%[2] with over a 50% decrease in the number of cruise ship arrivals. Declining visitors to St Helena has a negative impact on the economy as less money circulates, and specifically those involved in the tourism industry are believed to have felt the greatest effect. The impact of the fall in the resident population can also be seen in customer deposits which continued to decrease this year.

Financial Performance

Despite a number of factors in both the internal and external environments the Bank made a profit after tax of £307,620 for the financial year 2016/17. This is an increase of £20,792 (7%) from 2015/16.

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[1] RPI (Retail Price Index) 126.62 at end Q1 2017 compared to RPI 118.3 at the end of Q1 2016
[2] SHG – Quarterly Statistical News Bulletin – Q4 2016 published February 2017
[3] April to December 2016 compared to the same period in 2015

1. *Income - £1,769,224 (2016: £1,583,029)*

Total income for the Bank, which is net of interest payable, amounted to £1,769,224 for 2016/17 which was a £186,195 (12%) increase from 2015/16. The main driver for this was a decrease in interest payable which fell by £182,015 as a result of interest rates on current accounts being cut from 0.5% to 0.1% in July 16. With low interest rates being achieved on investments the 0.5% interest rate on current accounts was no longer sustainable hence the decision to reduce interest rates. At the same time the Bank did introduce a Term Saving Account which offers an higher interest rate of 0.6%; uptake was slow but steady and at the year end £14.6m of customer deposits was held in these accounts. With the current economic situation it is unlikely that the Bank will be able to increase interest rates in the near future, however, the Bank continuously reviews its products and services and will give back to customers where it is able.

Table 1 – Interest rates payable on customer deposits

Account type	Applied interest rate	
	2016/17	2015/16
Current account (from 1 July 2016)	0.1%	0.5% - 1%
Term Savings account (from 1 July 2016)	0.6%	-
New Life account	2.5%	2.5%
Child Bond account	3.5%	3.5%

Chart 1 – Income breakdown 2015-2017

The UK economy woes impacted significantly on the interest the Bank received on its CD's (Certificate of Deposit) as interest received on investments fell by £60,164 (7%) to £778,996. £16m of the banks investments came due in the year and significantly lower rates were offered on reinvestment, the average rate of those matured was 1.36% with reinvestments in 16/17 averaging 0.92%. The investment portfolio and interest rates are closely monitored and the Bank ensures that its returns are maximised whilst protecting customer monies as far as practicable. Overall total interest received only fell by £17,459 (1%) and this was due to interest receivable on loans, namely housing, mostly offsetting the decrease in investment income.
Interest receivable on loans did not however perform as expected due to the delay on the airport and a general reluctance to invest. Movements in the loan portfolio can be seen in section 5.

Table 2 – Interest receivable on loan balances and overdrafts

Account type	Applied interest rate	
	2016/17	2015/16
Housing loans – all secured	7%	7%
Commercial loans - secured	6%	6%
Commercial loans – unsecured	7%	7%
Personal – secured	7%	7%
Personal - unsecured	8%	8%
Unauthorised overdrafts	10%	10%

Fees and commissions increased by £39,981 (17%) to £275,737. Commissions on retail FX vary depending on demand for Sterling and an increase was seen in the year. Lending fees and charges were revised in the year with effect from 1st July 2016, and this generated additional income for the Bank, together with a large commercial loan which attracted much higher fees. The Bank remitted over 8,000 international payments during 16/17 with a value of over £40m; this was in comparison to 15/16 where 7,882 payments were remitted with a value of £33.22m. Associated charges therefore increased by over £8k.

Other income, which is largely made up of foreign exchange differences, continued to fall this year as sterling continued to depreciate. The Bank is aware of its exposure to foreign exchange risk and whilst payments will always need to be made, the Bank tries to minimise this exposure by reducing holdings whilst still maintaining sufficient funds to service customer requests.

2. *Expenditure £1,379,883 (2016: £1,198,258)*

The Bank's highest cost is for personnel. Employee costs have increased by £52,860 (9%) this year with increases in salary and training costs. Staff personal and professional development is a high priority and incentives and employee rewards are aligned with individual and corporate performances.

Table 3 – Employee costs per section

	2017		2016	
	Number	Cost	Number	Cost
Directors	4	£17,869	4	£16,774
Management	6	£189,867	6	£168,345
Tellers	15	£205,802	12	£170,618
Lending	5	£62,369	5	£65,493
Operations	17	£196,572	18	£198,389
Total	**47**	**£672,479**	**45**	**£619,619**

Premises costs have increased by £8,298 (16%) this year to £59,225. Rising utility costs contributed to this but the Bank also invested in energy efficient lighting which is hoped to reduce the Bank's carbon footprint and electricity costs in the longer term.

Other expenses includes all the Bank's general running costs including fees, charges and communications and will vary year on year depending on demand and requirements. For the year 2016/17 these totalled £384,706 which was an increase of 9% when compared to 2015/16. Operational costs are closely monitored to reduce the cost to income ratio as far as practicable without compromising the service to customers.

The other major cost to report on this year is for loan specific provisions. The movement in these provisions for the year was £95,082, and whilst some provisions held on lending customer balances were released, the main addition to the year end loan specific provision was £93k against a commercial loan. The total provision on this loan was £100,000 at 31 March 2017. The Bank and Board continue to monitor non-performing loans and allocate a provision against a debt where it is felt prudent to do so.

3. Investments - £58,800,000 (2016: £59,800,000)

The Banks invests in CD's to generate a return on its customer deposits. As detailed in section 1 above the UK economy is currently limiting returns. During the year £16m of CD's matured with £15m being reinvested. The continuing decrease in customer deposits has resulted in a coinciding decrease in investments as cash is released to service the Bank's operational requirements.

4. Fixed Assets - £633,181 (2016: £398,145)

An upgrade was made to the BankWare system during the year to enhance the current customer service offering, and in preparation for the local debit card project. New features include teller receipt printing, on-line banking upgrade, PDF email statements and new customer identification and AMLTrac facilities which assist in compliance for Know Your Customer procedures. The Bank reviews its fixed assets on a regular basis and no impairments were identified for 2016/17. Capital costs incurred in the year for the local debit card project are included within fixed asset additions for the year and will be depreciated once the project is on-line.

5. Lending - £13,545,515 (2016: £12,238,744)

Whilst not growing as expected the Bank's overall lending portfolio saw a 11% increase for 2016/17 compared to an increase of 7% in the previous year. This rise was a result of one significant commercial loan being signed in March 2017, increasing the commercial loan portfolio by 32% to £3,666,920 compared to £2,786,630 at 31 March 2016. Housing loans £9,462,601 (2016: £9,081,987) and personal loans £1,245,321 (2016: £1,197,480) have both maintained a 4% increase. With the airport due to open in the financial year 16/17, the Bank was anticipating a number of loan requests from new ventures, however these did not materialise as expected. The Bank operates well within its limits 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 2 below depicts the trend in lending over the last 5 years.

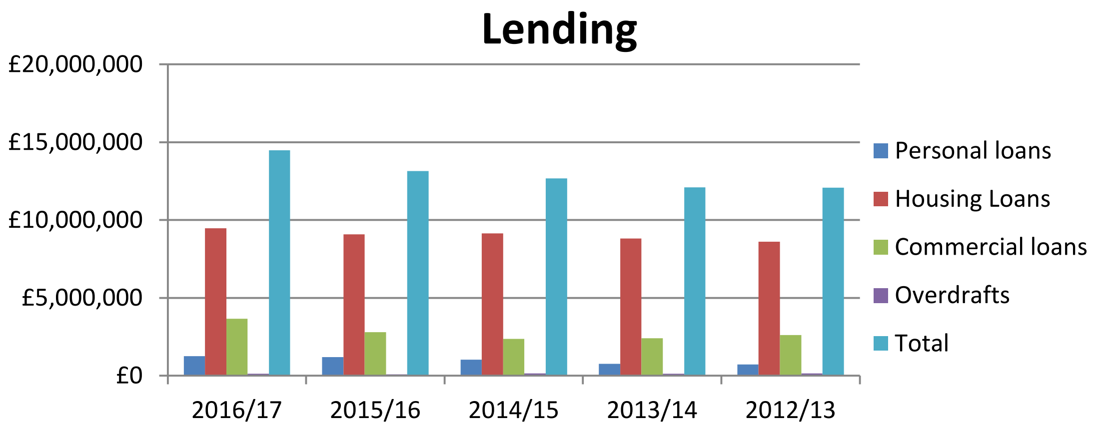

Chart 2 – Lending per type

6. *Customer Deposits £72,761,329 (2016: £73,126,044)*

Customer monies held by the Bank have continued to decrease during 2016/17. From Chart 3 below it can be seen that at a peak in 2014/15 deposits have been eroding ever since with a decrease of 2.6% in 2015/16 and 0.5% in 2016/17. This can be linked to the completion of the airport and contractors leaving the island.

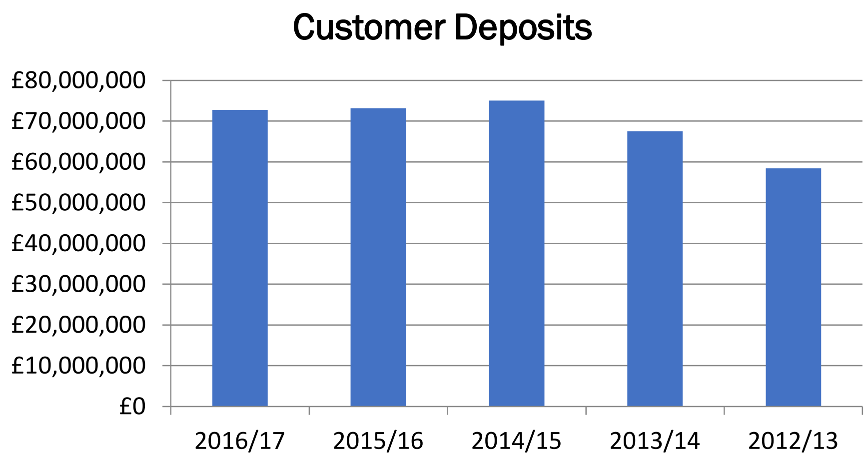

Chart 3 – Customer deposits at 31 March

During the year the Bank introduced a new Term Savings Account which offers an interest rate of 0.6% provided no more than 1 withdrawal is made in the year. Given that the Current Account interest rate payable was dropped to 0.1%, the Bank saw uptake of this new product and at the year end £14,573,184 was held in Term Savings Accounts.

Whilst overall deposits fell in the year, monies held in New Life and Child Bond accounts continued to grow with increases from 2015/16 of 40% and 20% respectively. These accounts offer favourable interest rates (see Table 1) and with the maturity of New Life accounts being extended to 65 years, balances have grown. Chart 4 below depicts the category of customer deposits.

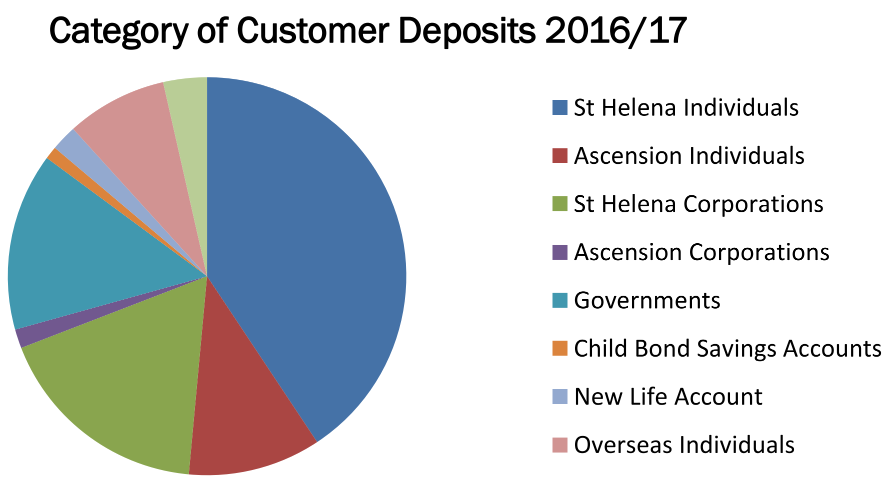

Chart 4 – Category of Customer Deposits

7. Projects

Development on the local debit card commenced once Board approval had been given in March 2016. Software provider IFS together with the Bank's IT section have been working on the project throughout the financial year 16/17. Significant installations were made in the year and testing in an in-house environment commenced. It was hoped that the project would be able to roll out in November but this was delayed to ensure that the system was robust and ready. At the year end the Bank was liaising with merchants participating in the trial and organising workshops for service operation. The capital cost of the project stood at £230,296 at 31 March 2017.

LOOKING AHEAD

The financial year 17/18 is set to be an exciting time for the Bank as the Local Debit Card project will be rolled out, with the trial having commenced in June. Debit cards will bring great benefits to its customers, both merchants and individuals as transactions are made in real time. A higher degree of automation will also significantly reduce the amount of manual work the Bank undertakes which will lead to greater efficiency and cost savings in the longer term.

International pre-paid cards are still firmly on the Bank's agenda and it is hoped that a suitable provider can be found in the next financial year. The Bank is acutely aware of the need for this product, specifically in reducing the amount of cash being carried when going overseas. This project has been set back due to card licencing and which jurisdiction St Helena falls into. The safety of customer funds is paramount and the Bank will ensure relevant due diligence procedures are carried out before any agreement is reached.

The outlook on the UK economy is grey; *"CPI inflation has been pushed above the 2% target by the impact of last year's sterling depreciation. It reached 2.9% in May, above the MPC's expectation. Inflation could rise above 3% by the autumn, and is likely to remain above the target for an extended period as sterling's depreciation continues to feed through into the prices of consumer goods and services*[4]. With this forecast it is unlikely that interest rates will rise significantly in the short term and this will continue to impact on the Bank's interest income from investments. It is hoped that an increase in lending and interest receivable on loans will offset this but careful consideration will need to be given to the Bank's investment policy if returns are continuing to fall short of budget.

Locally the economic outlook is brighter as the St Helena airport is expected to become operational in the second half of 2017. It is hoped that this will give confidence to both local and international investors, and increased activity will be seen.

RISK MANAGEMENT

Being a financial institution Bank of St Helena is exposed to a number of risks, however the Bank is aware of these and they are appropriately managed. The Audit & Risk Committee, comprising of non-executive directors, has oversight and input into all risk management policies, and reports direct to the Board.

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

[4] Bank of England - Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 14 June 2017

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

Credit Risk

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

Market Risk

As discussed in the review of business both the UK and local economies have been giving rise to a number of uncertainties and a resultant lack of confidence in the markets. This has led to decreasing interest rates and devaluation in sterling. 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 continued weakening of GBP has had an impact on the Euro, Dollar and Rand holdings and associated foreign currency differences arising through trade and on translation.

Interest rates continued to fall in 2016/17 and so did the returns the Bank saw on investments. To mitigate this interest rate risk the Bank reduced current account interest rates payable in July 16. Moving forward the Bank will also review its investment policy to ensure that returns are maximised ensuring customer deposits are safe.

Operational Risk

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

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

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

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

Reputational Risk

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

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

The directors, managers and staff all undertake 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.

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 and the Financial Services Regulations 2017. Monthly reports are sent to the FSRA as per the guidelines, with key ratios also monitored. The FSRA sets limits for capital requirements and associated weighted risk assets; these are shown in table 4 below, and it can be seen that the Bank stayed within these limits during the year 2016/17.

Table 4 – Key Management Ratios

	Capital & Liquidity Regulatory Limit	Average Achieved	Minimum Recorded	Maximum Recorded
Risk Weighted Assets	12%	24.9%	23.8%	25.7%
Total Liquid Assets In St Helena : Total Liabilities	0.50%	2.7%	1.1%	4.2%
Total Liquid Assets : Total Liabilities	25%	72.3%	70.6%	73.4%

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, Financial 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 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 the directors are 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, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are 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 and the Financial Services Regulations 2017.

ON BEHALF OF THE BOARD:

L Henry
....
Leeanne Henry - Chairman

Date: 1/9/17

....
Josephine George - Executive Director

Date: 01/09/2017

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bank of St Helena Limited, which comprise the statement of financial position as 31 March 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with FRS102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bank of St Helena Limited as 31 March 2017 and of its financial performance and its cash flows for the year then ended in accordance with FRS102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland.

Nick Bennett
Senior Statutory Auditor

For and on behalf of Moore Stephens LLP, Statutory Auditor
Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

11 September 2017

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £	2016 £
Income			
Interest Receivable	4	1,660,832	1,678,291
Interest Payable	5	(277,822)	(459,837)
Net Interest Income		1,383,010	1,218,454
Fees & Commissions		275,737	235,757
Other Income	6	110,477	128,819
Total Income		**1,769,224**	**1,583,030**
Expenditure			
Employee Costs	7	672,479	619,619
Premises Costs		59,225	50,927
Investment Management Fees		43,675	44,221
Depreciation Tangible Fixed Assets		49,838	40,247
Depreciation Intangible Fixed Assets		21,563	24,014
Provisions		95,082	28,416
Audit Fees		34,315	20,000
Financial Services Authority Fees		19,000	18,583
Other Expenditure	8	384,706	352,231
Total Expenditure		**1,379,883**	**1,198,258**
Profit on ordinary activities, before taxation		389,341	384,772
Taxation	9	(107,058)	(104,356)
Deferred Taxation	20	25,337	6,412
Profit on ordinary activities, after tax		**307,620**	**286,828**

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 £	2016 £
Fixed Assets			
Tangible Fixed Assets	10	445,448	367,316
Intangible Fixed Assets	11	187,733	30,829
		633,181	398,145
Current Assets			
Cash	15	773,870	781,279
Bank Balances	16	3,989,938	3,935,946
Investments	13	58,800,000	59,800,000
Other Assets	14	1,296,039	1,712,065
Lending	12	13,545,515	12,238,744
		78,405,362	78,468,034
Total Assets		79,038,543	78,866,179
Liabilities			
Customer Current & Deposit Accounts	17	72,761,329	73,126,044
Other Liabilities	18	457,573	228,114
Total Liabilities		**73,218,902**	**73,354,158**
TOTAL NET ASSETS		**5,819,641**	**5,512,021**
REPRESENTED BY:			
Share Capital	22	3,219,285	3,219,285
Retained Earnings	23	2,600,356	2,292,736
Total Equity		**5,819,641**	**5,512,021**

The financial statements on pages 17 to 30 were approved and authorised for issue by the Board on 01 September 2017 and were signed on its behalf by:

L S Henry
....
Leeanne Henry - Chairman

Date: ......1/9/17......

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	£	£
Cash Flows from Operating Activities		
Profit on Ordinary Activities before Taxation	389,341	384,772
Adjustments to reconcile Profit for the year to net Cash Flow from Operating Activities		
Depreciation Charge	71,401	64,261
Gain on disposal of Tangible Fixed Assets	-	(10)
Movement on Provisions	101,346	25,648
(Increase) in Lending	(1,401,853)	(825,232)
Decrease in Other Assets	441,363	879,190
(Decrease) in Customer Deposits	(364,715)	(1,911,529)
Increase/(Decrease) in Other Liabilities	201,620	(38,250)
Taxation Paid	(85,483)	(106,909)
Net Cash Flows from Operating Activities	(646,980)	(1,528,059)
Cash Flows from Investing Activities		
Sale/(Purchase) of CD's	1,000,000	1,500,000
Purchase of Fixed Assets	(306,437)	(63,261)
Disposal of Fixed Assets	-	10
Net Cash Flows from Investing Activities	693,563	1,436,749
Net (decrease)/ increase in Cash and Cash Equivalents	46,583	(91,310)
Cash and Cash Equivalents at beginning of year	4,717,225	4,808,535
Cash and Cash Equivalents at end of year	4,763,808	4,717,225

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Called Up Share Capital	Retained Earnings	Total Equity
	£	£	£
At 1 April 2016	3,219,285	2,292,736	5,512,021
Total Comprehensive Income for the year 16/17	-	307,620	307,620
At 31 March 2017	**3,219,285**	**2,600,356**	**5,819,641**

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 ultimate controlling party of Bank of St Helena is St Helena Government (SHG) by virtue of their 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 which is adopted as best practice in St Helena, and with the Companies Ordinance 2004, the Financial Services Ordinance 2011 and Financial Services Directives.

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.

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

3. ACCOUNTING POLICIES

Income

Interest receivable is credited to the profit and loss account 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 profit and loss account as appropriate in the reporting period.

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 profit and loss in the period in which they arise.

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
– Equipment, Furniture and Fittings	5-10 years
– Computer and Software	3 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.

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 profit and loss account.

All fees relating to the administration of loans are charged to the profit and loss account in the period 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 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.

Investments

The only investments held by the Bank are Certificate of Deposits (CD's). Investments are recorded at cost.

Any gains or losses arising from the sale of CD's prior to the maturity date is recognised in the profit and loss account in the period in which the sale occurred.

Provisions

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

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

Movements in provisions are charged to the profit and loss account in the period in which they arise.

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.

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.

4. INTEREST RECEIVABLE

	2017	2016
	£	£
Interest on Overdrafts	12,446	8,816
Interest on UK Bank Accounts	12,289	1,962
Interest on Investments	778,996	839,160
Interest on Commercial Lending	150,811	153,554
Interest on Housing Loans	668,853	639,851
Interest on Personal Loans	37,437	34,948
	1,660,832	1,678,291

5. INTEREST PAID

	2017	2016
	£	£
Interest on Current Accounts	152,630	446,860
Interest on Deposit Accounts	125,192	12,977
	277,822	459,837

6. OTHER INCOME

	2017	2016
	£	£
Foreign Exchange	110,128	126,290
Gain on Disposal of Fixed Assets	-	10
Loss on Sale of Investment	(2,190)	-
Other	2,539	2,519
	110,477	128,819

7. EMPLOYEE COSTS

	2017	2016
	£	£
Staff Costs	654,610	605,036
Directors' Remuneration	17,869	14,583
	672,479	619,619

The Bank currently contributes to a Cash Roll Up scheme for employees in lieu of an approved pension scheme. In 2017 the Bank contributed £38,728 (2016: £35,838) to the scheme on behalf of employees.

Directors’ remuneration includes only non-executive directors.

The average number of staff in the year was 47 (2016: 45).

8. OTHER EXPENSES

	2017 £	2016 £
Licence Fees	84,295	81,991
Communication Expenses	86,659	84,833
Bank Charges	25,200	27,588
Computer & Equipment	50,057	50,489
Other Fees	64,423	48,860
Other Operating Expenses	74,073	58,470
	384,706	352,231

9. TAXATION

	2017 £	2016 £
Charge		
Profit on ordinary activities, before tax	389,341	384,772
Profit on ordinary activities multiplied by standard rate of corporation tax of 25%	97,335	96,194
Non-allowable deduction - provisions	25,337	6,412
Tax underprovided in previous years	-	1,750
Retrospective claim for investment tax credit	(11,137)	-
Claim for investment tax credit	(4,477)	-
	107,058	104,356
Liability		
Tax Calculated as Due at 1 April	13,338	15,891
Tax Underprovided for in the prior year	-	1,750
Retrospective claim for Investment Tax Credit	(11,137)	-
Total Tax Due for year	118,195	102,606
Less Tax Paid in year	(85,483)	(106,909)
Tax Liability as at 31 March	34,913	13,338

10. TANGIBLE FIXED ASSETS

	Land & Buildings	Plant, Equipment, Fixtures & Fittings and Computers	Total
	£	£	£
COST			
At 1 April 2016	416,580	213,214	629,794
Additions	-	127,970	127,970
Disposals & Adjustments	-	(29,939)	(29,939)
At 31 March 2017	416,580	311,245	727,825
DEPRECIATION AND IMPAIRMENT			
At 1 April 2016	109,778	152,700	262,478
Charge for year	20,684	29,154	49,838
Disposals & Adjustments	-	(29,939)	(29,939)
At 31 March 2017	130,462	151,915	282,377
NET BOOK VALUE			
At 31 March 2017	286,118	159,330	445,448
At 31 March 2016	306,802	60,514	367,316

Included within additions is £98,123 of costs relating to the local debit card project, which was still in progress at the year end.

11. INTANGIBLE FIXED ASSETS

	Software	Total
	£	£
COST		
At 1 April 2016	300,646	300,646
Additions	178,467	178,467
Disposals & Adjustments	-	-
At 31 March 2017	479,113	479,113
DEPRECIATION AND IMPAIRMENT		
At 1 April 2016	269,817	269,817
Charge for year	21,563	21,563
Disposals & Adjustments	-	-
At 31 March 2017	291,380	291,380
NET BOOK VALUE		
At 31 March 2017	187,733	187,733
At 31 March 2016	30,829	30,829

Included within additions is £132,173 of costs relating to the local debit card project, which was still in progress at the year end.

12. LENDING

	2017	2016
	£	£
Personal Loans	1,245,321	1,197,480
Housing Loans	9,462,601	9,081,987
Commercial Loans	3,666,920	2,786,630
Overdrafts	116,071	86,439
	14,490,913	13,152,536
Less: Undrawn Loan Balance	(708,522)	(771,998)
Total Lending	13,782,391	12,380,538
Less Provisions	(236,876)	(141,794)
Total Net Realisable Lending	13,545,515	12,238,744

Lending Maturity Analysis

	2017	2016
Maturing in less than 1 year	304,173	1,286,342
Maturing between 1 to 3 years	1,593,759	2,355,091
Maturing between 3 to 7 years	1,929,942	1,888,037
Maturing between 7 to 15 years	7,105,288	4,809,617
Maturing between 15 to 20 years	3,557,751	2,813,449
	14,490,913	13,152,536

"Maturity' for repayment loans is the date in which the final scheduled repayment is due. For overdrafts it is the next renewal date which will be within one year. The Savings Bank Loan Portfolio adopted from SHG in April 2004 is calculated using a single time period of 1-3 years.

13. INVESTMENTS

	2017	2016
	£	£
Crown Agents Sterling CD's	58,800,000	59,800,000
	58,800,000	59,800,000

Investments Maturity Analysis

	2017	2016
Maturing within 1 year	33,000,000	16,000,000
Maturing within 2 years	23,800,000	21,000,000
Maturing within 3+ years	2,000,000	22,800,000
	58,800,000	59,800,000

All investments may be cashed on demand

At the year-end date the market value of investments was £59,070,342 (2016: £60,006,236) which was £270,342 (2016: £206,236) higher than the carrying value.

14. OTHER ASSETS

	2017	2016
	£	£
Accrued Interest Receivable	455,650	532,129
Debtors (Balance held with SHG)	649,275	1,028,865
Prepayments	70,542	43,015
Items in the course of collection from Lloyds	11,469	13,686
Stock	39,255	49,859
Deferred Tax	69,848	44,511
	1,296,039	1,712,065

15. CASH BALANCES

	2017	2016
	£	£
St Helena Currency	474,421	577,284
Other Currencies	299,449	203,995
	773,870	781,279

16. BANK BALANCES

	2017	2016
	£	£
Crown Agents: Cash & Call	2,587,341	2,163,776
Lloyds: Currency Accounts	27,586	27,868
Lloyds: GBP Account	1,375,011	1,744,302
	3,989,938	3,935,946

17. CUSTOMER CURRENT & DEPOSIT ACCOUNTS

	2017	2016
	£	£
Balance at 1 April	73,126,044	75,037,570
Interest On Depositors' Accounts	277,822	459,837
Less SHG Withholding Tax	(16,569)	(42,645)
Net Deposits received in year	(625,968)	(2,328,718)
Balance at 31 March	72,761,329	73,126,044

Comprising:		
St Helena Individuals	29,597,645	27,883,798
Ascension Individuals	7,847,115	7,968,162
St Helena Corporations	12,858,941	15,020,294
Ascension Corporations	1,121,505	998,152
Governments	10,514,336	10,812,882
Child Bond Savings Accounts	751,934	627,040
New Life Account	1,532,923	1,096,392
Overseas Individuals	5,959,280	5,770,151
Other	2,577,650	2,949,173
	72,761,329	73,126,044

18. OTHER LIABILITIES AND PROVISIONS

	2017	2016
	£	£
Leave Pay Provision	42,514	36,250
General Accruals	34,871	8,747
Tax Due	34,913	13,338
Accrued Bonus Payable	20,492	20,251
Accrued Investment Management Fees	10,870	10,968
Audit Fees	44,000	20,000
Accrued Interest Payable	89,560	6,077
SHG Withholding Tax	16,569	42,645
Other liabilities	163,784	69,838
	457,573	228,114

19. 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:

	2017	2016
	£	£
Undrawn Loan Balance	708,522	771,998
Deferred Loans	22,283	30,184
Undrawn Overdrafts	57,970	67,688
	788,775	**869,870**

20. DEFERRED TAX

	Bad & Doubtful Debts	Leave Pay	Total
	£	£	£
Balance at 1 April	35,448	9,063	44,511
Movement in the year	23,771	1,566	25,337
	59,219	10,629	69,848

21. PROVISIONS

	Bad & Doubtful Debts	Leave Pay	Total
	£	£	£
Balance at 1 April	141,794	36,250	178,044
Movement in the year	95,082	6,264	101,346
Balance as at 31 March	236,876	42,514	279,390

22. SHARE CAPITAL

			2017	2016
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.
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.

23. RESERVES

	Retained Earnings £
At 1 April 2016	2,292,736
Profit in year	307,620
At 31 March 2017	**2,600,356**

24. 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 £649,275, 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 £207,736 (2016: £185,119).

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 £304,660 (2016: £326,891). Undrawn amounts totalled £4,091 (2016: £10,575). After the year end loans approved for key management personnel totalled £386,886.

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