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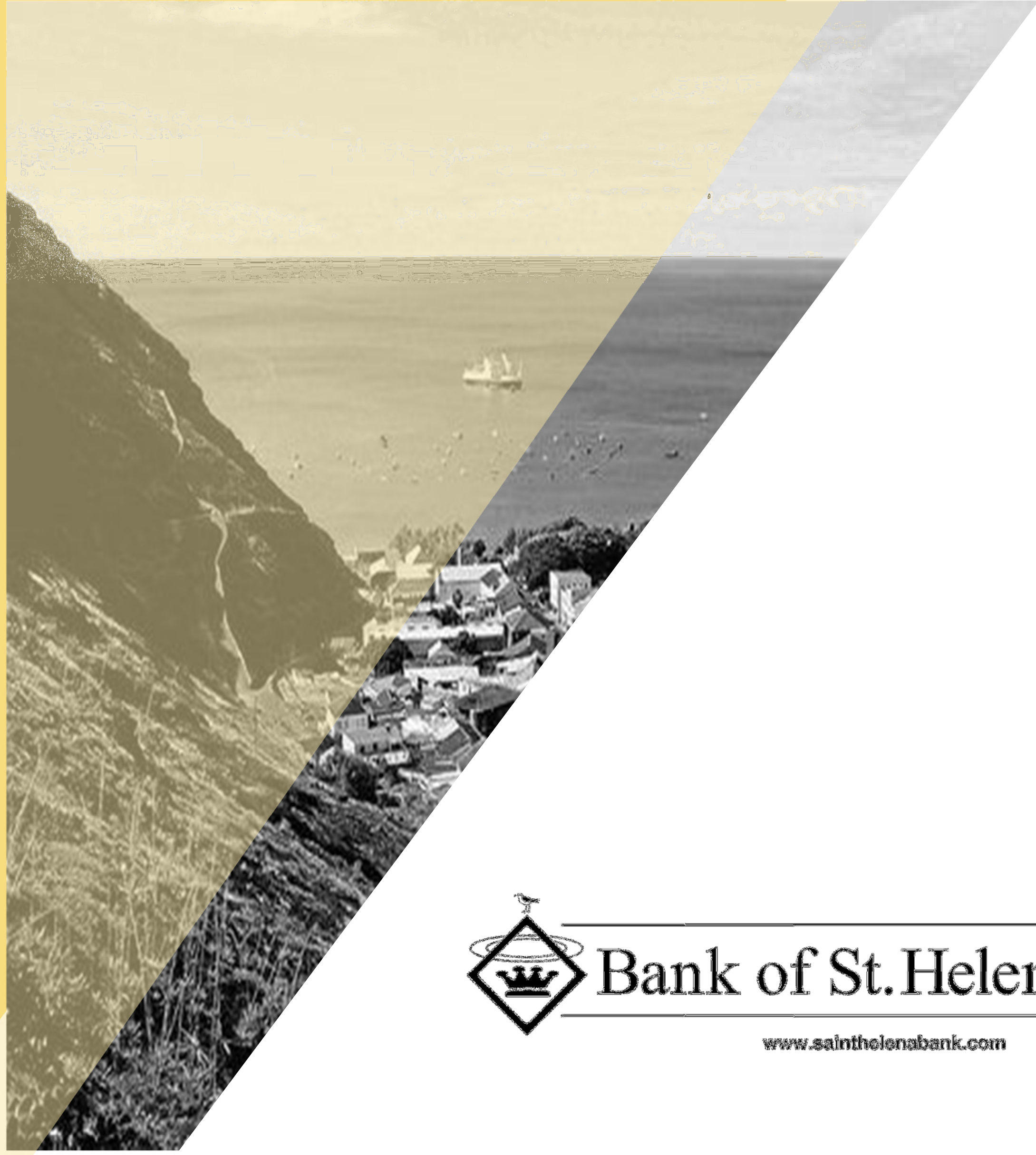

Directors' Report & Audited Financial Statements:

Financial Year 2014 - 15

Bank of St Helena Ltd Registration No. 95

CONTENTS

The following depicts the range of interest rates applied to Lending products and Customer Deposits:

	2014-15	2013-14
Current Accounts	1%	1.5%
Deposit Accounts	1% - 3.5%	1.5% - 3.5%
Housing Loans	3.5% - 8%	4% - 8%
Commercial Loans	2.5% - 7%	3% - 7%
Personal Loans	6% - 8%	4.5% - 8%
Unauthorised Overdrafts	10%	10%

Capital Management - The Bank's policy on capital management is to maintain the level of capital sufficient to keep the trust of its shareholder and the population in general as well as complying with all regulatory requirements. FSRA requires the Bank to maintain a risk assets ratio of not less than 12% i.e. weighted risk assets against Own Capital. This is monitored on a monthly basis by both the Board and the FSRA. The Bank was in compliance with the FSRA requirements in respect of capital management during the two presented reporting periods.

24 Estimates & Judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying FRS 102 accounting policies.

Provisions for doubtful debts are estimates made by Management of the amount expected to be irrecoverable for debts which have defaulted at the time of reporting and based on subsequent events after the reporting period.

Management bases its estimates on its knowledge and experience of past loans of similar types and quality, and its experience of the amount and timing of loan recoveries including where relevant the realisation of collateral.

25 Fair values of assets and liabilities

The Bank's assets and liabilities are not carried at fair value due to being carried at amortised cost. At the end of the reporting period 31 March 2015, the Market Value of Investments was £171,039 (2013/14: £361,145) above that of the carrying book value of Investments.

Directors' Report

For the year ended 31 March 2015

To Our Shareholders, Customers and Stakeholders,

The Directors are pleased to submit their report and the audited financial statements of Bank of St. Helena Limited ("the Bank") for the year ended 31 March 2015.

The Bank is a Limited Company and the St Helena Government (SHG) owns the Bank, as Majority Shareholder. At the time of reporting the Bank's Capital Base comprises of Share Capital (SHG) £3.2Million and General Reserves of £2 million. The Bank's Articles of Incorporation provide for 6 Million Shares; allowing for future sales of the remaining 2.8 Million shares, should the Bank wish to raise further capital.

The Bank's current governance structure, as a company limited by shares, includes a Board appointed by the shareholders, regulated by the Financial Services Regulatory Authority and governed by the Companies Ordinance 2004, the Companies Regulations 2004, the Financial Services Ordinance 2008 and issued Directives, and its Articles of Incorporation issued March 2013.

The Board comprises a Chairman, Managing Director and three Non-Executive Directors. The Board sets the strategic aims and values and provides the right leadership and control to enable the Bank to achieve its aims; uphold its core values and ensure the successful generation of value for the company, the shareholders and other key stakeholders. The authority to implement, monitor and evaluate the policies and strategies, for the day-to-day operations, is delegated to the Managing Director and the Bank's Senior Management Team.

A Balanced Scorecard approach is used to measure progress and performance against strategic goals.

1. Principal Activities

Bank of St Helena Limited provides banking services and related financial services within St Helena and its sub-branch on Ascension Island through its core products: Current, Deposit and Savings Accounts and Personal, Housing and Commercial Loans.

The Bank offers a variety of services which includes Teller Services, as well as an international remittance service, which allows its Customers to conduct business on an international level. To compliment these services, the Bank offers On-Line Banking services to St Helena customers and, from 18 May 2015 this service was extended to overseas customers. The Bank does not offer offshore banking services, customers must have right of residence in St. Helena or Ascension Island.

2. Business Review

The Bank's main objective is to engage in "banking in St Helena and Ascension, and such other things as are incidental or conducive to meeting its objective."[1]Whilst providing banking products and services to its customers, the Directors are ever mindful of the bank's mission in ensuring that the development and delivery of banking products and services are appropriate, affordable and accessible to all.

The Bank views its purpose as helping its customers, as well as other stakeholders, to realise their respective personal and business aspirations in a way that minimises risk and maximises success. The Bank's planning and decision making process takes cognisance of both the global environment and the local environment in a bid to ensure that The Bank remains focused on its vision of being known as the financial cornerstone from which commercial and retail customers can safely build a prosperous economy for the Island of St. Helena.

2.1 Global Economic Environment

"In the February 2014 Inflation Report, the MPC [Monetary Policy Committee] said that, given the likely persistence of headwinds weighing on the economy, when Bank Rate did begin to rise, it was expected to do so more gradually than in previous cycles. At its meeting on 8 May [2015], the MPC noted that while those headwinds had begun to ease, a path that implied only gradual rises in Bank Rate over the next few years, broadly in line with the current market path, remained consistent with absorbing slack and returning inflation to the target within two years. In the light of the economic outlook, the Committee voted to maintain Bank Rate at 0.5% and the stock of purchased assets at £375 billion".[2]

Bank of England's continuing low official bank rate directly influences credit interest rates on The Bank's overseas investments and returns remain extremely low.

At 31 March 2015, Bank of St Helena had £61.3 Million of its £75M Depositors portfolio invested in Cash Deposits with major UK Banks; currently receiving minimal interest. This has a direct impact on the

[1] Bank of St. Helena Ltd – Articles of Incorporation March 2013
[2]http://www.bankofengland.co.uk/monetarypolicy/Pages/qe/default.aspx

Credit Risk - Credit Risk is the risk that a borrower will default on their contractual obligations relating to repayments, resulting in losses to Bank of St Helena. To manage this risk the Board approves and periodically reviews the Bank's Lending Policy. All loan applications are assessed and approved or otherwise based on the approved lending policy. Loans are regularly reviewed and their performance assessed to ensure that any likelihood of default in repayment is identified promptly and addressed with the client; or that appropriate provisions are made in accordance with the Bank's policies. The Bank does not have a system of ratings for individual loans and hence Management have not presented additional information on the credit quality of loans not overdue at the reporting date. The Bank's maximum exposure to credit risk is represented by the carrying value of all assets except in the case of lending where undrawn loan commitments also represent exposure to credit risk. It is the Bank's policy to take collateral wherever possible in support of its loan and over 90% of the loan book is collateralised. This collateral is comprised mostly of real estate in support of housing loans but also includes vehicles and plant and machinery where appropriate. It is a condition of lending that borrowers maintain up to date adequate insurance for pledged assets. Should it become necessary for the Bank to repossess collateral, its policy is to sell it on open market for the highest possible consideration.

Liquidity Risk - The Bank must adhere to the Financial Services Ordinance and Financial Services Directives to ensure that it maintains sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The Bank's main objective is to ensure that its assets (cash balances and investments) are able to service its Customer Deposits and other liabilities as and when required. FSRA requires Bank of St Helena to maintain Liquidity rates as follows: Liquid assets within St Helena of no less than 0.5% against Liabilities, liquid assets overall of no less than 25% against Liabilities. The Bank was in compliance with all liquidity requirements of the FSRA during the two presented reporting periods. All the Bank's financial liabilities are repayable on demand hence Management have not presented a table of outflows, as it would not add any additional information to the users of the financial statements.

Market Risk - Market Risk is generally comprised of interest rate risk, currency risk and other price risk. The Bank deals in foreign currency for its overseas remittance service and cash exchange transactions. However foreign exchange rates are reviewed regularly to ensure the Bank is not at risk. CDs are sensitive to prevailing market interest rate conditions which appear more likely to be heading upwards rather than downwards thereby reducing the market value of our CD portfolio, however as the Bank's CDs are held at amortised cost this will not impact the carrying value of them unless they are sold before maturity, which is not the Bank's policy. There is therefore no impact on profit or loss or equity.

Interest Rate Risk - Interest rate risk pertains primarily to Bank funds held in investments i.e. Cash Deposits. At present Bank of St Helena may only invest in those financial instruments as approved by the Financial Services Authority. All of the Banks investments are currently held in CDs, which have a fixed interest rate for a fixed period and which may be cashed on demand. This reduces the interest rate risk to Bank of St Helena. Subsequently, the Bank is able to consider Interest Receivable when deciding on Interest Payable on Customer Deposits.

Key Management Personnel

All Directors and the Senior Management Team who have authority and responsibility for planning, directing and controlling the activities of the Bank are considered to be Key Management Personnel. Total remuneration in respect of these individuals for 2013/14 was £108,339 and for 2014/15 is £171,498.

Loans may be granted to the Senior Management Team for personal expenses including house purchases and construction at an interest rate 0.5% above the base rate (4%). Should the persons cease to work for Bank of St Helena, the interest rate will revert to the normal lending rate. The total value of loans outstanding to these individuals is £182,680 at 31 March 2015.

The Bank does not currently hold indemnity insurance for Directors.

22 Restatement of Accounts

During the Financial Year 2014/15, the Management of the Bank adopted the FRS102 Financial Reporting Framework for the presentation of its Financial Statements.

This adoption identified a number of misstatements for the year 2013/14 which have been corrected in the Financial Statements for the Financial Year 2014/15.

The table below shows the effect of restatements of financial data as at 31 March 2014:

	Previously reported Amounts	Effect of restatement	Restated Amounts
	£	£	£
Statement of Financial Position			
Assets			
Deferred Tax Assets	0	30,530	30,530
Liabilities & equity			
Retained Earnings	1,359,070	380,530	1,739,600
Operational Reserves	100,000	(100,000)	0
Capital Expenditure Reserve	250,000	(250,000)	0
Statement of Comprehensive Income			
Deferred Tax	0	11,802	11,802

23 Risk & Risk Management

The main financial risks arising from Bank of St Helena's activities are credit risk, liquidity risk, market risk and interest rate risk. The Board approves and reviews policies for the management of each of these risks

interest rates payable on the Bank's Customer Deposits which translated this year to a reduction in interest rates payable on Customer Deposits by 0.5%. The Directors appreciate that this may not have

been well received by its customers but such was an unavoidable decision to ensure that the Bank is able to remain profitable in the face of reduced income from one of its main sources of return.

2.2 Local Economic Environment

Financial aid from the UK Government, European Union and other agencies continues to keep the economy of St Helena resilient. St. Helena Airport Project updates[3] report that the project is on target to be completed by February 2016. Air Access is deemed as St Helena's route to self-sufficiency.

Enterprise St. Helena (ESH) is leading the drive to attract investment in infrastructure, products and services for the island. *"The arrival of an airport in 2016 will open St Helena to a wealth of opportunity. Currently only accessible by ship, taking between two and six days from port, a direct link to the rest of the world gives residents, returning 'Saints' and visitors the ease of migration. The movement of people brings the movement of money and this provides a unique opportunity for new investment and growth in St Helena. With tourism seen as the driver for growth, all industries will benefit from expansion, creating a vibrant and attractive economy."*[4]

To date, however, the forecasted increase in business development, in the advent of Air Access, has not yet materialised. The government has had to intervene in the Hotel Accommodation market due to the absence of private sector development projects.

During 2014/15 the Bank has received relatively few requests for commercial loans to aid the expansion of existing businesses or new business start-ups. This rather unresponsive period of economic growth makes income generation for the Bank even more challenging. ESH has increased their marketing efforts in both South Africa and the UK in a bid to attract investment in the development of tourism accommodation and services.

The Bank and ESH continue to work closely to ensure that businesses intending to invest on St Helena are guided towards appropriate financing packages, along with advisory support that is geared towards promoting and supporting business development.

The St Helena Government Statistics Office reports that "*The St Helena RPI grew by 2.8 percent in the year leading up to the first calendar quarter of 2015, down from 3.3 percent growth in the year leading up to the last calendar quarter of 2014. The average rate of annual inflation of the RPI in financial year 2014/15 was 2.6 percent".* It also reported that "*At the end of calendar year 2014 the resident population stood at 4,802 with an average in quarter 4 of 2014 of 4,665. This is a 5.5 per cent increase over the previous 12 months.*"[5]The increase in economically active residents can be seen as a contributor to the low annual rate of inflation as outputs are increased along with increased disposable income.

The Bank is well aware of rising expectations from its customers, particularly in relation to technology that can enhance the ease with which customers can effect business through the Bank. The challenge for the Board will be balancing the high capital investment required in the short-term to be able to generate long term rewards; including a reduction in costs and operational risk.

[3] http://www.brshap.co.za/press/default.html

[4] http://www.investinsthelena.com/about-st-helena/why-st-helena/opportunity/

[5] http://www.sainthelena.gov.sh/statistics/

2.3 Performance review over the year

During the year, the Bank has continued to make progress towards the achievement of its critical success factors: secure, safe and user-friendly systems and processes; right complement of numbers and skills within the staffing team; robust risk management to safeguard the assets of the Bank and its customers; enhancement of shareholder and stakeholder value.

2.3.1 Secure, safe and user-friendly systems

The Bank has invested £9,600in professional services to inform a feasibility study of the introduction of card based payment systems for residents and visitors. A cost/benefit analysis will be undertaken during the financial year 2015/16 to inform the decision on a system that delivers on the three requisites of value for money – economical, efficient and effective.

2.3.2 Right complement of numbers and skills within the staffing team

The Directors believe that there is an undisputed correlation between the quality of the product and service delivery of the Bank and the quality of the skills, depth of knowledge and breadth of experience of its Senior Management and operational teams. £17,515 has been invested in staff development which resulted in the achievement of: NVQs in Customer Services; Bachelors' degrees in Business Administration; PRINCE 2 Project Management and Certificate in Leadership from London Business School. Bank Management and Staff continue to also engage in on-going refresher courses in subjects directly related to ensuring effective day-to-day operations such as health & safety, Anti-Money Laundering, Anti-Fraud and Ethics. The implementation of fair and appropriate financial rewards is linked to the achievement of personal and corporate targets.

2.3.3 Robust risk management to safeguard the assets of the Bank and its customers

Risk assessment and control is embedded in all of the Bank's decision making processes. High priority is accorded to 'Know Your Customer' (KYC) which contributes to the detection and prevention of money laundering. Directors, Management and Staff annually undertake refresher training in anti-money laundering and anti-fraud. The Bank has moved to a new SWIFT (Society for Worldwide Interbank Financial Telecommunication) platform for inward and outward remittances. This allows a safe automated way for the Bank to communicate and transfer funds between itself and other banks.

An Audit and Risk Management Committee was established to oversee the Bank's risk management strategy and practices including the internal and external audit services.

During the year the Bank reviewed and revised its Disaster Recovery Plan. This is a comprehensive, but clear, plan of action in the event that the Bank's normal place of business is unavailable for day-to-day operations. The plan will be tested during the financial year 2015/16.

2.3.4 Enhancement of shareholder and stakeholder value

"Value" can be defined as the measurement of the wealth or worth of a business to the shareholders. As the Bank is owned by the St. Helena Government, the ultimate shareholders are the people of St. Helena. Shareholder value is said to be created or "added" when the net return on assets held by the business exceeds the returns required by those who have contributed capital to the business (the Government on behalf of the people of St. Helena).

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18 Other Income

Foreign Exchange	127,585	117,305
Gain on Disposal of Fixed Assets	0	20,000
Gain on Sale of Investment	46,745	0
Other	2,196	3,224
	176,526	140,529

19 Employee Costs

Staff Costs	557,368	492,652
Directors' Remuneration	12,945	13,722
	570,313	506,374

The Bank currently contributes to a Cash Roll Up scheme for employees in lieu of an approved pension scheme. In 2013/14 the Bank contributed £27,994 to the scheme on behalf of employees, and in 2014/15 the Bank contributed £34,790 on behalf of employees.

Directors remuneration includes only non-executive directors.

The average number of staff in the year was 40

20 Other Expenses

Licence Fees	78,626	73,722
Communication Expenses	67,076	62,072
Bank Charges	57,042	52,631
Computer & Equipment	65,075	20,980
Other Fees	54,507	38,314
Other Operating Expenses	85,973	35,918
	408,299	283,637

21 Related Party Transactions

Terms and conditions of Related Party Transactions

Bank of St Helena Ltd was incorporated in April 2014. The total issued and paid up share capital in Note 14 is owned by the St Helena Government.

SHG hold current accounts with the Bank to make payments to local suppliers and customers as well as to receive payments from customers. No Interest is payable or receivable on these accounts. The value of these accounts are netted against each other at the period end, and the value is reflective of the Cash Deposits held by SHG on behalf of the Bank. No Interest is payable or receivable on the Bank's Cash Deposits held with SHG. All amounts owing to the Bank by SHG in respect of Cash Deposits is disclosed under Note 6 Other Assets.

14 Share Capital

6,000,000 Authorised Shares

3,219,285 Issued and fully paid Ordinary shares with no par value

15 Capital & Reserves

	Retained Earnings	Called Up Share Capital	2014/15 Total Equity	2013/14
	£	£	£	£
At 1 April	1,739,600	3,219,285	4,958,885	1,413,653
Transfer in respect of owners share capital	0	0	0	3,219,285
Profit in year after taxation	266,308	0	266,308	325,947
At 31 March	**2,005,908**	**3,219,285**	**5,225,193**	**4,958,885**

For the year 2013/14 3,219,285 ordinary shares of no par value were issued to the Bank's shareholder, St Helena Government (SHG). These shares were fully paid up using the Reserves that the Bank carried over from the Government Savings Bank in April 2004; which was owned by SHG.

For the year 2013/14 £250,000 of Reserves was transferred to a Capital Expenditure Reserve. Under FRS 102, this has been transferred to Retained Earnings

Directors have determined that an operational provision in the amount of £100,000 raised in 2011/12 is now transferred to Retained Earnings

16 Interest Receivable	£ **2014/15**	£ **2013/14**
Interest on Overdrafts	13,396	11,466
Interest on UK Bank Accounts	3,965	11,809
Interest on Investments	1,030,536	1,180,456
Interest on Commercial Lending	130,366	143,502
Interest on Personal/Housing Loans	644,668	615,799
	1,822,931	1,963,032

17 Interest Paid		
Interest on Current Accounts	13,744	13,176
Interest on Deposit Accounts	673,434	908,254
	687,178	921,430

This year, the Bank continued to maintain a healthy level of profit of £266,308after tax, resulting in an increase of 5% in Capital and Reserves (Total Shareholders' Funds). Profit ensures the stability of the Bank's Assets and Liabilities and that retained earnings are conducive with the growth in the Bank's Risk Weighted Assets.

The increase in economic activity due to the works associated with Air Access appears to have levelled off. The growth in the value of the Bank's Customers Deposits was 11% (£7,517,203), a lower rate of growth than the previous year's16% (£9,073,082) growth.

The demand for Commercial Lending continues to be low, with a 0.8% (20,745) decrease in this portfolio overall, which includes overdraft facilities. However this year's performance is an improvement on the previous year's decrease of 8% (£205,066). The Bank's Personal and Housing Loan Portfolios reflect growth of 37% (£277,923) and 4% (£319,973) respectively. The demand for personal loans is primarily for Vehicle Purchases, Travel Expenses and Household Improvements. Overall, the growth in the lending portfolio has been helped by increasing the unsecured loan limit from £1,000 to £5,000. To ensure that it maintains responsible lending practices, the Bank does however have a cap on the level of unsecured lending – 95% of all loans must have adequate security.

The Bank continues to offer a reduced interest rate for Commercial Lending, and has introduced a further reduced interest rate of 5% for funding required for tourism-related accommodation. Within commercial lending the Bank has introduced a variable rate of interest, linked to the 12 month GBP London Interbank Offered Rate (LIBOR), for longer term (5 years or more) repayment periods and larger exposures (£150,000 and above).

The Directors remain committed to ensuring that a stable affordable interest rate can be paid to Depositors Accounts. However, as the Bank's overseas investments mature and come due for re-investment, the returns are significantly lower. A decrease of 13% (£149,920) in interest earned on investments has necessitated a further 0.5% reduction in the interest rate payable to Depositors. As reported in section 2.1 above, there appears to be no indication of if or when the Bank of England base rate is likely to increase. For the last six years, interest earned on the Bank's UK investments has steadily declined, along with the Bank's interest rate payable on Depositors' balances, and the Directors would like to thank the Depositors for their continued loyalty throughout.

The Bank's income derived from fees and commission and other income for its other core services are continuously reviewed by Management to eliminate, as far as possible, any subsidisation of its services. For this financial year the review of fees and charges has resulted in an increase of 8% (£19,689) in Fees and Commission and 26% (£35,997) in Other Income, with the most significant increase in 'Other Income' being realised from a gain on sale of an overseas investment.

Management remains committed to ensuring that expenses are being managed efficiently. There was an overall increase of 23% (£224,900). Three lines of expenditure are over and above the average overall increase. A substantial increase(2.4 times greater than the previous year) is reflected in Audit fees; this was due to a combination of a change in the charging practice of the Bank's previous external auditor (which was beyond the control of the Bank) and the fees for the Bank's newly appointed External Auditors. Similarly there was a 71.4% (£7,500) increase in fees charged by the Financial Services Regulatory Authority. The overall 44% (£124,662) increase in Other Expenses was primarily due to an increase in expenditure on computer equipment, fees and other expenses to support the move to the SWIFT platform as well as in support of the bank's computer/equipment replacement program. (see paragraph 2.3.3 above).

The Bank's Capital position remains strong at 22.7%, well within the capital ratio limit of 12% set by the Financial Services Regulatory Authority (FSRA), reflecting a growth in Weighted Risk Assets of 7.4%

(£1,566,380). Investments have shown the greatest level of growth. The Bank's Board however is ever mindful of the impact on the weighted risk assets and the Bank's future ability to lend if significant investments are made in intangible assets.

The Bank's Liquidity position also remains robust at 3.1% and 72.9% respectively; well within the required liquidity ratios of 0.50% liquid assets within St Helena and 25% total liquid assets overall set by the FSRA. Adequate liquidity is required to assure the Bank Board that the Bank is able to meet its financial commitments as they fall due.

The key highlights of the Bank for 2014/15 were:

- 11% growth in its investment portfolio
- 11% growth in value of Depositors Accounts
- 11% growth in total income

Management, Directors and Staff of the Bank remain committed to providing secure, appropriate and user-friendly products, services and processes with the overall aim of enhancing customer experience.

The Bank reaffirms its commitment to confidentiality, professionalism and honesty in all dealings with Customers, Shareholders, Suppliers and other Stakeholders.

3. Looking Ahead

The Board restates its key priorities as being robust and user-friendly systems; that enable secure and efficient ways of doing business; whilst safeguarding and enriching the interests of its shareholders, staff and other stakeholders.

In 2015/16 the Directors will evaluate new and upgraded systems that will improve the ease with which customers can transact business with the Bank. A range of options - Automated Teller Machines (ATMs), introduction of Debit/Credit Card payment methods and Electronic Funds Transfer at Point of Sale - have been proposed and all will be considered within the parameters of affordability, appropriateness and added value. A significant increase in Intangible Assets will have a direct impact on the Bank's lending capacity and therefore the option of investment partners will be explored.

Maintaining a healthy cost to income ratio of 60-70% remains the target. However increased profitability will continue to be a challenge as Management appraises options for increasing net interest income against a background of diminishing returns on investments and minimal growth in the lending portfolios.

Effecting new business development has proven to be a slow process for a number of private sector businesses. "Both domestic and inward investment are below the levels needed to ensure that significant economic growth can be realised when tourist numbers increase"[6]The Bank will continue to work closely with ESH to support private sector growth whilst deploying, at all times, responsible lending and risk management practices.

The banking sector will continue to face economic uncertainty as well as increasing political and regulatory challenges. The Bank is confident that it will deliver against these in terms of its commitment to doing business the right way, the first time.

[6] http://www.sainthelena.gov.sh/statistics/ SHG Report 'State of the Island 2015'

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11 Other Financial Commitments

The Bank has agreed in principal, loans and overdrafts of which only the portion drawn by the customer is disclosed in the Financial Statements. The undrawn balance at 31 March 2015 represents financial commitment of the Bank in the amount of:

	£ 2014/15	2013/14
Undrawn Loan Balance	1,121,989	1,007,415
Deferred Loan	300,000	300,000
Undrawn Overdrafts	43,898	135,713
	1,465,887	**1,443,128**

12 Tax Calculation

Profit on ordinary activities, before tax	357,073	432,136
Add: Non-allowable deduction - Provisions	48,257	47,208
Bad debts recovered less write-offs	0	0
Profit for tax purposes	405,330	479,344
Tax Calculated as Due at 1 April	46,891	19,406
Tax Underprovided for in the prior year	1,750	1,155
Total Tax Due for year	96,584	116,836
Less Tax Paid in year	(129,334)	(90,506)
Tax Liability as at 31 March	15,891	46,891

Deferred Tax Calculation

	2014/15	Move in Year	2013/14	Move in Year	2012/13
Loan Specific Provision	115,371	20,754	94,617	19,705	74,912
Leave Pay Provision	37,025	9,522	27,503	27,503	
Total	152,396	30,276	122,120	47,208	74,912
Deferred Tax at 25%	38,099	7,569	30,530	11,802	18,728

13 Movement in Provisions

	£ 2014/15	£ 2013/14
Balance at 1 April	122,120	74,912
Add Specific Provision	20,754	19,705
Less Write Offs	0	0
Provision for Leave Pay	9,522	27,503
	152,396	122,120

Specific Provision includes provisions for bad/doubtful debts

9 Customer Current & Deposit Accounts

	£	£
	2014/15	**2013/14**
Balance at 1 April	67,520,367	58,447,285
Interest On Depositors' Accounts	687,178	921,430
Less SHG Witholding Tax	(57,814)	(88,021)
Net Deposits received in year	6,887,839	8,239,673
Balance at 31 March	75,037,570	67,520,367
Comprising:		
St Helena Individuals	26,564,703	24,309,667
Ascension Individuals	8,509,279	8,203,604
St Helena Corporations	20,168,565	17,378,932
Ascension Corporations	114,758	47,249
Governments	10,659,357	9,774,594
Child Bond Savings Accounts	534,335	440,664
New Life Account	1,252,707	1,058,770
Overseas Individuals	5,587,061	5,192,015
Other	1,646,805	1,114,872
	75,037,570	67,520,367

10 Other Liabilities and Provisions

	£	£
	2014/15	**2013/14**
Leave Pay Provision	37,025	27,503
General Accruals	40,235	18,394
Tax Due	15,891	46,891
Accrued Bonus Payable	18,793	22,744
Accrued Investment Management Fees	11,093	10,270
Audit Fees	27,467	14,500
Accrued Interest Payable	6,867	7,815
SHG Withholding Tax	57,814	88,021
Short Term Commitments	54,510	0
	269,695	236,138

The prevention of money laundering remains a high priority, with Anti-Money Laundering (AML) policies and processes being systematically reviewed and revised to ensure that the Bank's lines of defence are fit

and able to combat this crime. This includes the regular updating of the skills and knowledge of Directors, Management and Staff.

The Board has recently reviewed the Bank's salary structure and reiterated the importance of linking skills, experience and performance with remuneration and rewards. Having the right complement of staff in terms of numbers, skills and experience, and ensuring that they are adequately incentivised, is crucial to the achievement of the Bank's key priorities.

The Directors aim to foster the right environment for sustainable business growth. This includes nurturing a culture of accountability and co-operation as all endeavour to uphold the Bank's guiding principles and achieve the strategic aims. The Board strives to provide the right level of leadership; challenge, monitor and control performance and ensure that the risks are managed in line with the Banks risk appetite and strategy.

The Directors, Management and Staff remain committed to adding value for the Bank's shareholders, customers and other stakeholders.

4. Financial Performance

4.1 Commentary on the Statement of Comprehensive Income

The Bank's 2014/15 financial performance is presented in the Statement of Comprehensive Income on page 23 with the accompanying notes and comments below providing greater detail.

A summary of the Statement of Comprehensive Income is reproduced below:

	Year to 31 March 2015	Year to 31 March 2014
Total Income	**£1,565,029**	**£1,415,192**
Total Expenditure	**£1,207,956**	**£983,056**
Profit before Tax	**£357,073**	**£432,136**
Taxation	**£98,334**	**£117,991**
Deferred Taxation	**£7,569**	**£11,802**
Profit after Tax	**£266,308**	**£325,947**

4.1.1 Income

Total Income increased by 11% (£149.837) and Net interest income increased by 9% (94,151) relative to the previous financial year. Returns on investments remain relatively low overseas and this year the Bank saw only marginal increases in the rates offered on its investment in UK Bank Certificates of Deposit (CDs). The Bank was able to sustain a relatively small increase in its Net Interest Income due primarily to

the reduction of a further 0.5% on the interest rate payable to Depositors. The income derived from an additional amount of £6 Million being invested in UK Bank CDs and a 5% (£28,869) increase in interest received on its Personal/Housing Loan portfolio also helped.

Fees and Commissions have grown by 8% (£19,689) and Other Income increased by 26% (35,997) with a gain of £46,745 on the sale of an investment being the key contributor to this favourable outcome. This latter event was however a one-off with the Bank choosing to cash in the CD before its maturity date.

The Bank continues to review its fees and commissions to eliminate as far as possible any cross subsidisation of its services. The Bank continues to monitor foreign exchange rates to ensure that the rate offered is favourable and in line with what other overseas financial institutions offer.

4.1.2 Expenditure

Although the Bank's Total Income increased, the Profit before Tax (PBT) decreased by 17% (£75,063) when compared with the previous year. As highlighted above, the PBT suffered from a substantial increase of 23% (£224.900) in Total Expenditure. Expense lines that increased the most, relative to the previous year, included:

- £21,794 increase in External Audit fees. This was due to a combination of a change in the charging practice of the previous year's external auditor and the fees of the new external auditors.
- FSRA fees have increased by 71% (£7,500)
- An increase in Employee costs of 13% (£63,939). Please see explanation in 4.1.3 below.
- Other Expenses increased by 44% (£124,662). This latter increase was primarily due to an increase in expenditure on computer equipment, fees and other expenses to support the move to the SWIFT platform and the Bank's computer & equipment replacement program.

Operational costs are closely monitored to ensure that services are delivered as cost effectively as possible; although reducing operational expenditure is not a primary focus, especially where to do so could compromise the quality and effectiveness of the service delivery.

Directors and Management are committed to reducing the cost-to- income ratio.

6 Other Assets

	£ 2014/15	£ 2013/14 (Restated)
Accrued Interest Receivable	765,729	1,026,521
Debtors (Balance held with SHG)	1,710,934	856,223
Prepayments	40,351	46,245
Items in the course of collection from Lloyds TSB	17,456	14,317
Stock	12,274	0
Deferred Tax	38,099	30,530
	2,584,843	1,973,836

7 Bank Balances

	2014/15	2013/14
Crown Agents: Cash & Call	3,132,048	2,031,284
Lloyds TSB: Currency Accounts	56,802	85,274
Lloyds TSB: GBP Account	980,764	1,324,533
	4,169,614	3,441,091

8 Cash

	£ 2014/15	£ 2013/14
St Helena Currency	516,073	494,830
Other Currencies	122,848	72,273
	638,921	567,103

4 Lending

	£ 2014/15	£ 2013/14
Personal Loans	1,034,641	756,718
Housing Loans	9,139,722	8,819,749
Commercial Loans	2,361,679	2,397,375
Overdrafts	141,253	126,302
	12,677,295	12,100,144
Less: Undrawn Loan Balance	(1,121,989)	(1,007,415)
Total Lending	11,555,306	11,092,729
Less Provisions	(115,371)	(94,617)
Total Net Realisable Lending	11,439,935	10,998,112

Lending Maturity Analysis

	From 31st March 2015		From 31st March 2014	
Maturing in less than 1 year	363,305	03%	374,590	03%
Maturing between 1 to 3 years	1,257,863	10%	1,218,144	10%
Maturing between 3 to 7 years	1,584,679	13%	1,199,628	10%
Maturing between 7 to 15 years	5,471,062	43%	5,209,750	43%
Maturing between 15 to 20 years	4,000,386	31%	4,098,032	34%
	12,677,295		12,100,144	

Note: 'Maturity' for repayment loans is the date on which the final repayment is due. For overdrafts it is the next renewal date. The Savings Bank Loan portfolio adopted from SHG from the 1 April 2004 is calculated using a single time period 1-3 years.

5 Investments

	2014/15	2013/14
Crown Agents Sterling CD's	61,300,000	55,300,000
	61,300,000	55,300,000

Investments Maturity Analysis

Maturing within 1 year	33,300,000	10,000,000
Maturing within 2 years	16,000,000	33,300,000
Maturing within 3+ years	12,000,000	12,000,000
	61,300,000	55,300,000

All investments may be cashed on demand

4.1.3 Employee Costs and Numbers

As at 31 March 2015, the Bank had the following staff:

	As 31 March 2015		As 31 March 2014	
	Numbers	**Cost**	**Numbers**	**Cost**
Teller Services	12	£134,183	12	£170,443
Operations (Accounts, Admin, Marketing, IT, Operation Assistants)	14	£166,870	13	£149,672
Lending	5	£50,790	5	£68,221
Management	6	£202,271	3	£104,333
Directors	4	£16,199	4	£13,705
TOTAL	**41**	**£570,313**	**37**	**£506,374**

Employee Costs for this financial year includes costs for the following:

Recruitment of4 additional employees; 3 for Teller Operations and 1 additional post in Lending

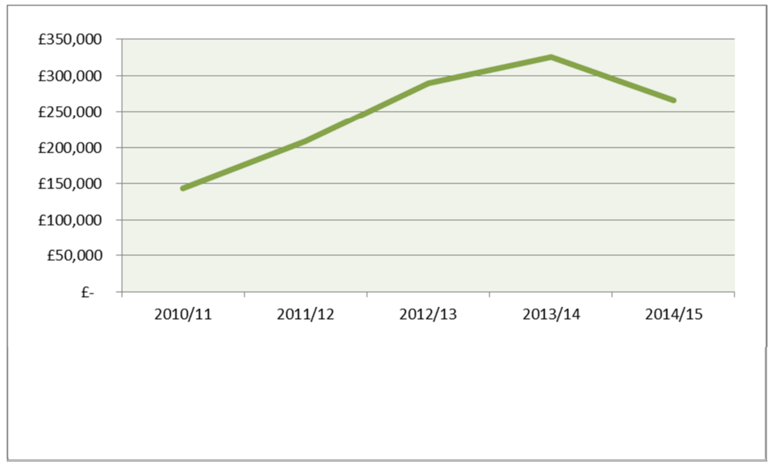
£18,682 was invested in overseas visits to the UK by the Managing Director and the Information Technology Officer to meet with potential banking software and other service providers as well as participate in training programmes. The team also conducted business on Ascension Island.

Staff personal and professional development continues to be accorded high priority and incentives and employee rewards are aligned with individual and corporate performances.

Bank of St.Helena Ltd.

4.2 Commentary on the Statement of Financial Position

This financial year has seen an overall growth of 5% (£266,308) in the Bank's Net Assets. Below is a chart outlining the Bank's Net Profits achieved each financial year for the last five years.



4.2.1 Fixed Assets

Fixed Assets are stated at Cost less Accumulated Depreciation. The Bank undertakes impairment reviews of its Fixed Assets; no impairments of Fixed Assets were identified for the year 2014/15.Verification of the physical presence of the moveable Fixed Assets and Inventory Assets are undertaken on an annual basis.

4.2.2 Investments

The Bank continues to invest in CDs with UK Banks, due to the greater return that can be earned on the latter, relative to UK Gilts. The Bank's investment intentions remain the same; which is to hold the investments to maturity. The investment portfolio has been staggered to enable a rolling programme with placements maturing at regular intervals thus providing greater flexibility for reinvestment as market conditions change. This financial year saw an11% (£6,000,000) growth in the value of the Bank's Overseas Investments as compared to the previous year; a direct result of the growth in balances on Customer Deposits and Cash balances surplus to the operational on-island requirements of the Bank.
The investment maturity analysis can be seen in Note 5 to the Accounts. During the financial year 2015/16 54% (£33,300,000) of the investment portfolio will come due for reinvestment. As outlined in section 2.1 above, there is no evidence to suggest that interest rates are likely to rise within the next year so the Bank's returns on its overseas investments will continue to be low. This has necessitated a reduction of 0.5% in interest payable on the Bank's Depositors accounts for the financial year 2015/16.

4.2.3 Customer Deposits

During the last year, Customer Deposits has seen an overall increase of 11%. Note 9 to the accounts shows that the most significant movements have been in:

- St. Helena individuals 9% (£2,255,036);
- St Helena Corporations 16% (£2,789,633)

Bank of St.Helena Ltd.

3 **INTANGIBLE ASSETS**

	Software	Total
	£	£
COST		
At 1 April 2014	268,924	268,924
Additions	31,089	31,089
Disposals & Adjustments	(16,653)	(16,653)
At 31 March 2015	283,360	283,360
DEPRECIATION AND IMPAIRMENT		
At 1 April 2014	218,116	218,116
Charge for year	27,687	27,687
Disposals & Adjustments	0	0
At 31 March 2015	245,803	245,803
NET BOOK VALUE		
At 31 March 2015	37,557	37,557
At 31 March 2014	50,808	50,808

	Software	Total
	£	£
COST		
At 1 April 2013	258,257	258,257
Additions	28,153	28,153
Disposals & Adjustments	(17,486)	(17,486)
At 31 March 2014	268,924	268,924
DEPRECIATION AND IMPAIRMENT		
At 1 April 2013	215,254	215,254
Charge for year	20,348	20,348
Disposals & Adjustments	(17,486)	(17,486)
At 31 March 2014	218,116	218,116
NET BOOK VALUE		
At 31 March 2014	50,808	50,808
At 31 March 2013	43,003	43,003

2 Fixed Assets

TANGIBLE ASSETS

	Land & Buildings	Plant, Equipment, Fixtures & Fittings and Computers	Total
	£	£	£
COST			
At 1 April 2014	416,580	162,039	578,619
Additions	0	28,272	28,272
Disposals & Adjustments		(17,399)	(17,399)
At 31 March 2015	416,580	172,912	589,492
DEPRECIATION AND IMPAIRMENT			
At 1 April 2014	68,119	126,060	194,179
Charge for year	20,975	18,177	39,152
Disposals & Adjustments	0	(5,427)	(5,427)
At 31 March 2015	89,094	138,810	227,904
NET BOOK VALUE			
At 31 March 2015	327,486	34,102	361,588
At 31 March 2014	348,461	35,979	384,440

	Land & Buildings	Plant, Equipment, Fixtures & Fittings and Computers	Total
	£	£	£
COST			
At 1 April 2013	526,580	162,425	689,005
Additions	0	11,972	11,972
Disposals & Adjustments	(110,000)	(12,358)	(122,358)
At 31 March 2014	416,580	162,039	578,619
DEPRECIATION AND IMPAIRMENT			
At 1 April 2013	55,100	116,232	171,332
Charge for year	23,019	22,186	45,205
Disposals & Adjustments	(10,000)	(12,358)	(22,358)
At 31 March 2014	68,119	126,060	194,179
NET BOOK VALUE			
At 31 March 2014	348,461	35,979	384,440
At 31 March 2013	471,480	46,193	517,673

The Bank's New Life Account and Child Bond Savings Accounts have attracted 10 and 38 new customers plus a growth in deposits of 18% (£193,937) and 21% (£93,671) respectively. Both are long-term savings accounts and the interest rates are slightly more favourable than those paid on the standard Deposit accounts.

The Bank regularly reviews its interest rates policies to help ensure that the Bank maintains a healthy balance between its own profitability and the return that its Depositors receive. The Directors are ever mindful of the Bank's privileged position on the island and therefore the added responsibility to make decisions that will aid the wider development agenda of wealth creation for the island and its people.

Figure 1 below shows the growth in the overall value of Deposits and Figure 2 shows the proportion of funds held by the different categories of Depositors.

Figure 1

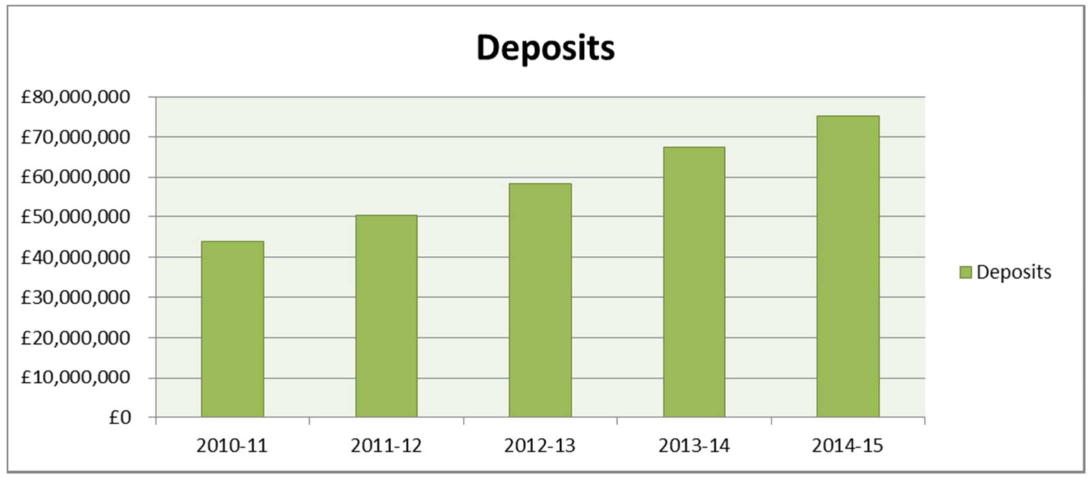
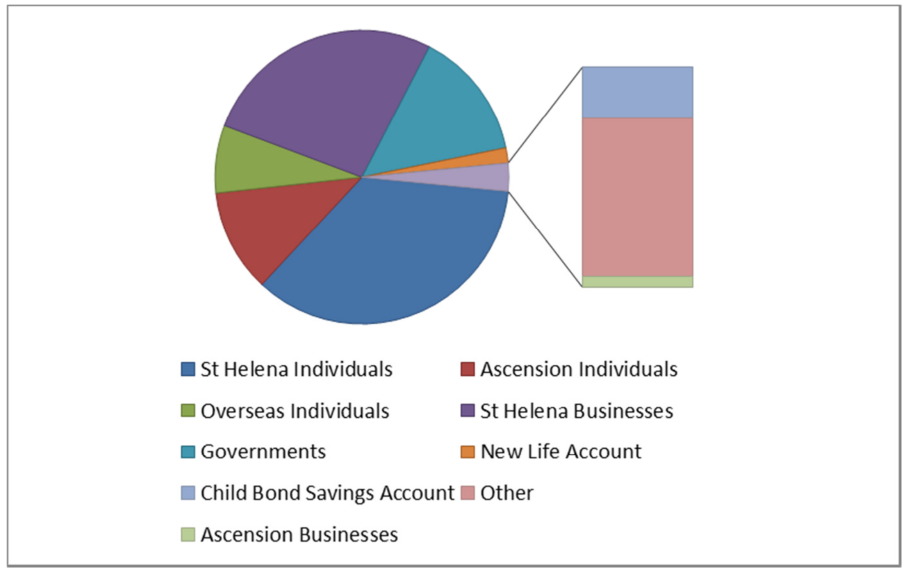


Figure 2



4.2.4 Lending

The overall lending portfolio again realised growth of just 5% (577,151). The Bank's Personal and Housing Loan Portfolios reflected growth of 36.7% (£277,923) and 3.6% (£319,973) respectively. Commercial Lending, which includes overdraft facilities, once again did not reflect the expected increase; instead decreasing by 0.8% (20,745) overall. As reported above, the forecasted increase in business development, in the advent of Air Access, has not yet materialised. The government has had to intervene in the Hotel Accommodation market due to the absence of private sector development projects.

"……..delivery of the Capital Programme, plans for hotel development and housing, and support for both local and international investors [are] critical to achieving this Goal [A Vibrant Economy Providing Opportunities for all to Participate]. Rising incomes appear to have been increasingly saved, with bank deposits doubling over the last five years. Higher levels of capital expenditure, particularly in the private sector, would result in significant increases in capacity, productivity and ability to deliver the services that tourists demand, including hospitality, transport and banking services."[7]

The Directors are optimistic that the year 2015/16 will see growth in the Bank's Commercial Lending portfolio.

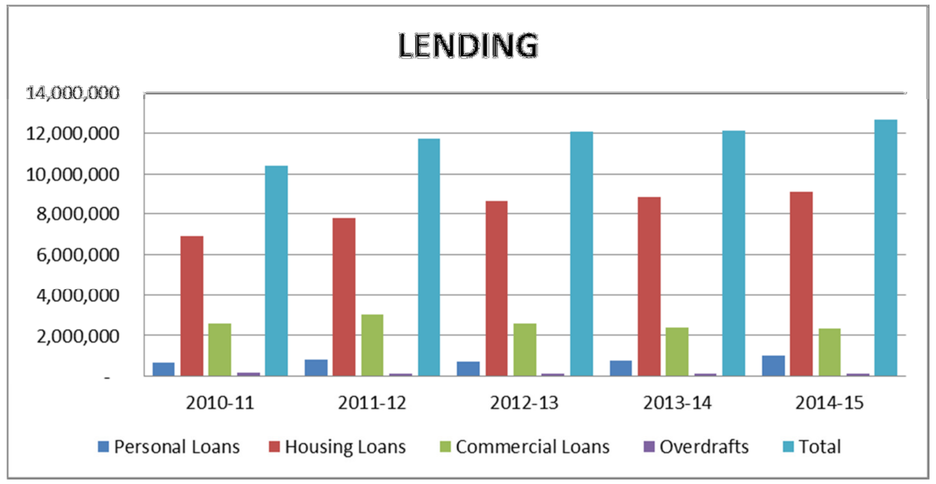
The Bank has a number of non-performing loans - those that are more than 3 months in arrears and not meeting their repayment requirements on a regular basis. These total £101,965which gives a non-performing loan ratio of 0.8%. Specific provisions are provided for loans that are non-performing or doubtful in line with the Bank's policies and procedures. This Financial Year has seen specific provisions increased by 22% (£20,754). The total value of the specific provisions at 31 March 2015, expressed as a percentage of the total lending at that date was 1%.

It has been estimated in the Bank's Strategic Plan for 2014-2017, taking into account the potential growth in capital, that the Bank could support an additional £15 million of lending and remain within the capital constraints of its Risk Assets Ratio.

Therefore whilst lending activities have not reached the levels expected; the Bank remains in a strong position to facilitate such growth in the next 3 years.

A copy of the Bank's Lending Portfolios over the last five years is outlined in figure 3 below:

Figure 3



[7]http://www.sainthelena.gov.sh/statistics/ State of the Island 2015

Statement of Liabilities

All Liabilities are stated at the expected cost to Bank of St Helena based on historical data and previous experience. Liabilities represent the expected outflows of economic resources to settle financial obligations from past events, including customer cash deposits (Customer Current & Deposit Accounts).

Customer Accounts

Customer account balances are carried at amortised cost with interest income being recognised on the effective interest rate basis.

Taxation

Taxation is the calculated tax payable on the taxable income for the year, using the applicable taxation rates, including capital allowances and taking into account, any adjustments for taxation payable in previous years.

Lending

Lending pertains to all loans made to customers and held at Bank of St Helena with fixed or determinable payments and it is expected that substantially all of the initial investment will be recovered, other than those specifically provided for under Liabilities within the Statement of Financial Position

Lending balances are carried at amortised cost.

All large exposures are reviewed on a regular basis by the Board of Directors and the Financial Services Regulatory Authority.

The Bank assesses, at each balance sheet date, if there is objective evidence that any of its loans are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics. Individually significant loans are assessed on a loan by loan basis. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised.

Any bad debts/impairment losses are recognised in the Income and expenditure account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

Investments

Investments are recognised initially at fair value and subsequently at amortised cost with interest recognised on the effective interest rate basis.

Bank Balances

Bank Balances 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 the current market mid rates at the reporting date.

Cash and 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.

Provisions

Provisions represent the recognition of a potential decline in the value of an asset. Movements on provisions are effected through the Profit & Loss Account. An increase in a provision will be charged to expenditure, and a decrease taken as income. Provisions are made when specific debts are not being serviced in accordance with pre-agreed terms and the likelihood of full recovery is doubtful. An example when such could occur is a decline in business trading which could lead to a business becoming bankrupt. Provisions reduce the carrying amounts of the asset of Lending in the Statement of Financial Position.

Movements in provisions are charged to the Profit & Loss Account and transferred to the Statement of Financial Position.

Provisions for Leave Pay are amounts owing to employees at the end of the financial year, and are charged to the Profit and Loss Account and the liability in the Statement of Financial Position.

4.2.5 Other Liabilities

Details of the Bank's Liabilities, other than the Customer Deposits, can be seen in note 10 of the Notes to the Accounts. Creditors for the supply of sundry products and services are paid as and when invoices become due for payment.

5. Key Management Ratios

Ratio	Capital & Liquidity Regulatory Limit	Average Achieved	Minimum Recorded	Maximum Recorded
Weighted Risk Assets	12%	23.55%	22.70%	24.00%
Total Liquid Assets in St Helena: Total Liabilities	0.50%	2.13%	1.40%	3.10%
Total Liquid Assets: Total Liabilities	25.00%	72.35%	71.60%	73.20%

The table above shows the Bank's capital and liquidity positions throughout the Financial Year 2014/15. The Financial Services Regulatory Authority (FSRA) sets and monitors the capital requirements for the Bank which is required to maintain a prescribed level of capital with reference to Risk Weighted Assets and the perceived risk management framework. The Bank is pleased to report that it has stayed well within the compliant ratios for this Financial Year.

The Financial Supervisor reported that Bank of St Helena Limited continues to be regulated by the Financial Services Regulatory Authority. Chris Duncan the Chairman of the FSRA visited St Helena and the Bank in February 2015. The Chairman of the FSRA advised that the purpose of his visit was to [8]'…give assurance to Saints that their money is safe….' and reported that '…the bank has been constant and this year again a modest profit will be made and that's a very positive situation for a regulator....'

6 Risk Management

The Board sets the strategic direction of the Bank, monitors the performance of the business and oversees the management of risk. The Bank is 'risk aware' and its approach to risk generally is cautious.

The Bank aims to appropriately manage all risks that arise from its activities. Through its normal operations, the primary risks to the Bank are credit risk, liquidity risk, market risk, business risk, reputational risk and operational risk. There are a number of policies and internal procedures in place to manage these primary risks.

An Internal Auditor regularly reviews the Bank's financial results and systems as well as compliance with approved policies and procedures. Internal Audit reports, together with management responses, are

[8]The St Helena Independent Volume X, Issue 12, Friday 27th February 2015 "St Helena Bank Safe" says banking regulator Chris Duncan

reviewed by the Directors on a monthly basis. Independent and objective assurance on the Bank's financial statements is provided by an external audit service.

The external audit assurance for the Accounts to 31 March 2015, has been contracted to a UK based firm of accountants, Moore Stephens.

In the current financial year, 2015/16, the Board established an Audit & Risk Committee (A&RC)comprising the Non-Executive Directors and a suitably competent independent person. The role of the A&RC is to assist the Board with its oversight responsibilities by reviewing: the financial information provided to external stakeholders; the systems of internal control; all audit processes and compliance with laws, regulations, directives and policies that may apply.

6.1 Credit Risk

The Bank is the primary source for financing on St Helena and with the expected increase in economic activity brought on by improved access to the Island; the Bank will be expected to bring online products and services that are conducive with customer demands, including specific lending products that are geared toward stimulating economic activity.

Credit Risk is the potential loss that the Bank could face if customers are unable or unwilling to fulfil their contractual obligations to the Bank, particularly in terms of loan repayments.

The Bank spreads the risk of its lending portfolio by ensuring that lending is not targeted to anyone portfolio. The overall lending portfolio, at 31 March 2015 comprised: Housing Loans 72% (£9,139,722); Commercial Loans & Overdrafts 20% (2,502,932) and Personal Loans 8% (£1,034,641). Within the Commercial Lending Portfolio, lending is spread across the various sectors with Construction being the largest segment of the commercial portfolio.

The Management and Directors pay close attention to assessing the probability that individuals or businesses will be able to generate the cash income required to service their respective financial commitments. Any significant deviations from agreed loan service plans would have an adverse impact on the Bank's profitability. Therefore the Bank practices responsible lending, to ensure that a healthy balance between risk and reward has been maintained; which includes the assessment of the customers' ability to repay, adequate collateral and insurances are being secured where appropriate. 96% of the total Loan Portfolio has adequate security and 99% of the total Loan Portfolio has loans that are serviced regularly and in accordance with agreed repayment terms and conditions. In addition the Bank has internal processes to identify problematic loans, once identified; these loans are dealt with promptly in ensuring that the risk impact on the Bank is mitigated.

The Bank's total credit exposure is defined as Balance Sheet items as the Bank does not have any off-Balance-Sheet items that carry credit risk.

By volume and value, the main form of collateral is real property with the remainder being a combination of non-current assets such as machinery, boats and vehicles.

6.2 Liquidity Risk

Adequate liquidity is required so that the Bank is assured that it is able to meet its financial commitments as they fall due. The Liquidity position of the Bank remained robust throughout the Financial Year and

Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Investment securities at amortised cost

This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has acquired for the purposes of their cash flows rather than actively trading to create trading income. Management determines the classification of such securities at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period.

Recognition and de-recognition of financial instruments

Financial assets

Financial assets and liabilities are initially recognised at cost, which normally is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred, respectively. Loans and receivables are recognised on the day they are transferred to or originated by the Bank.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. If there is doubt over repayment of loans granted, they are revalued to their recoverable amount with further recognition of interest income based on the interest rate used for the discount of future cash flows in order to determine the recoverable amount. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument, the Bank uses contractual cash flows over the full contractual term of the financial instrument.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

• the rights to receive cash flows from the asset have expired;

• the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement and has no obligation to pay amounts to eventual recipients unless it collects equivalent amounts from the original assets; and

• the Bank either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the statement of comprehensive income in the period in which they arise.

Expenditure

Expenditure is accrued costs of operations, including the purchase of small equipment, with charges made to the Profit and Loss Account and transferred to the Statement of Financial Position, as expected payments.

Fixed Assets

All Tangible Assets and Intangible Assets with a value of £1,000.00 and over, upon acquisition, are capitalised and depreciated using the straight line method over these useful lives:

Buildings	20 years
Plant, Equipment, Furniture & Fittings	10 years
Computers & Software	3 years

Prior to 2013/14, all Fixed Assets with the exception of Buildings were depreciated over 2-5 years using the straight line method. Buildings were depreciated over 50 years using the straight line method. During the financial year 2012/13 the Bank commissioned a revaluation of its buildings. It was found that at this time the island's markets were limited and immature, and due to a number of variables, there remains uncertainty about the value of the buildings. The Bank has changed the accounting estimate applied to the useful life of the asset; reducing its useful life from 50 years to 20 years. This ensures that the value of the building is disclosed at a prudent value and life span.

Depreciation for the period is charged to the Profit & Loss Account. The Accumulated Depreciation is offset against the cost of the existing Fixed Assets to arrive at the Net Book Value of the said assets. Gains and losses on disposal of assets are determined by the difference recognised between the proceeds of sale of assets and their respective Net Book Value.

The existence and condition of all assets is verified on an annual basis.

Recognition/Derecognition of Financial Assets

The Bank classifies its financial assets in the following categories: at fair value through profit or loss and at amortised cost.

Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

After initial recognition assets at fair value through profit or loss are measured at fair value with gains or losses being recognised as a component of income for the year.

Financial assets carried at amortised cost

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor and are carried at amortised cost using the effective interest rate method.

This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

constant monitoring of this risk is performed by the Directors via monthly performance reports; also provided to the FSRA. Liquidity ratios are detailed in section 5 above.

Whilst Lending has not grown significantly for the year, Customer Deposits have grown by £7.5 million, resulting in the funding and liquidity of the Bank remaining robust throughout the year.

6.3 Market Risk

Market Risk is defined as the risk of losses because the fair value of financial assets and liabilities vary with market conditions.

The Bank's level of market risk is minimal. In accordance with Banking Directives, the Bank places investments with banks whose headquarters are in Zone 'A' countries. Zone 'A' countries comprise members of the European Union, the USA and Switzerland.[9] Although higher returns are available on more risky instruments such as corporate bonds and equities, such is not currently in keeping with the risk appetite of the Board or the FSRA.

Interest Rate Risk is a form of Market Risk. The Bank is currently facing the effects of low interest rates received on its investments with UK Banks and the very low demand for loans. The overview of the Global and Local environment presented in paragraphs 2.1 and 2.2 respectively outlines the current economic climate that the Bank is facing to date.

The Bank was able to mitigate the loss in net interest income by the interest received from the additional amount of £6,000,000 invested in CDs, and by lowering the interest rate payable to Depositors Accounts by 0.5%. Management remains aware that as economic activity increases so will the expectations of depositors for tiered interest rate accounts. The Directors regularly review interest rates along with affordability.

Foreign Exchange Risk is another form of Market Risk. The St. Helena pound is currently pegged to the UK Pound Sterling. The Bank does however trade in a variety of currencies with the South African Rand being the greatest of the foreign currencies in volume and value. The Bank measures and manages foreign exchange risk on the basis of the net exposure to each currency.

6.4 Operational Risk

The Bank is exposed to operational risk in the form of losses due to human error, inadequate IT systems and IT systems security failure, unreliability of internal processes and procedures and other external events including legal risk.

The Bank is constantly faced with risks associated with its day to day operations and has implemented appropriate policies and procedures to mitigate this risk along with internal controls. Each business unit and support function is responsible for the day-to-day monitoring of its operational risks and for reducing and preventing losses caused by operational risks.

The Bank manages risk through internal controls and standard operating procedures. Risk identification, assessment and mitigation is regularly monitored and reviewed in accordance with the Bank's risk appetite.

[9] Financial Services Regulatory Authority Directives February 2014

The role of the Internal Auditor is segregated from the role of the units that enter into business transactions with customers or otherwise expose the Bank to risk. Compliance reports, with management action plans, are reviewed regularly by the Board.

The Bank has a triple tiered level of checking which is necessitated by the high volume of manual data capture and processing. A Checker section verifies the daily work entered onto the Bank's core banking system for the immediate detection of human error; allowing for the immediate correction of errors, therefore mitigating possible monetary losses to the Bank.

In addition to internal controls, the Bank emphasis on the updating and training of staff with regards to Anti-Money laundering and Fraud Detection and Prevention. Such includes; 'Due Diligence' and 'Know your Customer' (KYC) procedures

The introduction of SWIFT provides the Bank with safe and secure communication channels when doing business with other financial institutions.

A robust and comprehensive Disaster Recovery Plan is now in place and will be tested during the 2015/16 financial year.

Regular reviews are undertaken of the Bank's hardware, software and levels of protection of such. This includes ensuring that the Bank has adequate systems that can cope with the increased activity experienced and planned by the Bank.

The Bank is actively pursuing additional premises to meet its increased demands.

Internal controls and standard operating procedures are updated regularly to reflect the changing challenges and demands of the business environment.

6.5 Business Risk

Business risk is defined as strategic risk and other risks related to external factors. The Bank reviews its business areas to minimise the risk of financial losses arising from sanctions and claims resulting from non-compliance with legislation, rules and standards.
The Directors consider that the Bank is in a stable financial position as demonstrated by its 2014/15 financial performance and previous years' performances.
The Bank's strategic priorities during the next three years, as stated in section 3 'Looking Ahead' are robust and user-friendly systems; that enable secure and efficient ways of doing business; whilst safeguarding and enriching the interests of its shareholders, staff and other stakeholders.

The level of business risk and the threat to the future profitability of the Bank is dependent upon the decisions that the Directors and Management make in relation to its products and services.

The Board and management are fully aware of rising expectations of customers in relation to technological developments that will enable new and improved ways of doing business with the Bank. Directors are closely scrutinising current proposals to introduce new products and services and ascertaining how potential resource constraints can be mitigated so that the Bank remains well placed to generate profits for the foreseeable future.

Regular dialogue with and reporting to the FSRA, helps to ensure that awareness of and compliance with legislation, directives and standards are accorded high priority by Directors, Management and Staff.

Notes to the Accounts year ended 31 March 2015

1 Accounting Policies and Regulatory Framework

The Financial Statements are prepared under the historical cost convention. Accounting conventions are in accordance with the Company Ordinance 2004 and Banking Financial Services Directive issued under the provisions of the Financial Services Ordinance 2008.

The Financial Statements have been prepared in accordance with the Banking Financial Services Directive and conforms to the FRS 102 financial reporting framework for the Financial Year 2014-15.

First-time adoption of FRS 102. These are the Bank's first financial statements to comply with FRS 102. The date of transition to FRS 102 is 1 April 2013. The transition to FRS 102 has resulted in a small number of accounting policy changes compared to those applied previously. Note 22 to the financial statements describes the differences between the retained earnings and surplus presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ended at 31 March 2014. (i.e. comparative information). In respect of financial instruments the Bank has adopted the recognition and measurement principles of IFRS 9 ' Financial instruments'

The Financial Statements have been presented, with Bank of St Helena Ltd being considered a going concern in light of the Bank's current position within the financial services sector of St Helena, its adequate resources required to remain operational and profitable, as well as the recent commitment by the British Government to air access for St Helena.

The financial statements are prepared in Saint Helena Pounds which equate to GBP and are rounded to the nearest pound.
The ultimate controlling party is the St Helena Government (SHG) due to its 100% shareholding.

Income

Net Interest Income comprises of Interest Received netted against Interest Payable. Interest Received is credited to the Profit and Loss Account as it is accrued throughout the year

Interest Payable is charged to the Profit and Loss Account as it is accrued throughout the year.

Fees and Commissions are accrued as and when the rendering of a service has been provided by Bank of St Helena.

Other Income is comprised of gains and losses on foreign currency exchange transactions, as detailed in the 'Foreign Currency' section.

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.

Profit/Loss on foreign currency exchange transactions are the cumulative gains/losses margin on buying/selling of foreign currency by Bank of St Helena. Foreign exchange rates are based on the prevailing global market mid rates plus Bank of St Helena margins. All cumulative gains are credited to Income and all cumulative losses are charged to Expenditure.

Statement of Changes in Equity for the year ended 31 March 2015

	Called Up Share Capital £	Retained Earnings £	Total Equity £
At 1 April 2013 (restated)	0	4,632,938	4,632,938
Transfer in respect of owners share capital	3,219,285	(3,219,285)	0
Total Comprehensive income/(loss) for the year 2013/14 (restated)	0	325,947	325,947
31 March 2014 (restated)	3,219,285	1,739,600	4,958,885
Total Comprehensive income/(loss) for the year 2014/15	0	266,308	266,308
At 31 March 2015	**3,219,285**	**2,005,908**	**5,225,193**

The Board and Management are ever mindful of the detriment that could be caused to customers, the Bank, its employees and other stakeholders through inappropriate judgement in the execution of their respective roles and responsibilities.

6.6 Reputational Risk

Reputational risk can be seen as one of the consequences of operational risk but it could also arise from any association, action or inaction perceived by shareholders, employees, customers or other stakeholders as inappropriate or unethical.

All Directors, Management and Staff undertake training in ethical behaviour to help ensure that due regard is given to doing the right thing, in the right way at all times.

Customer satisfaction surveys are undertaken on a regular basis with concerns and suggestions from customers being properly evaluated and appropriately actioned. Employee feedback is encouraged and used to inform improved ways of conducting business.

The Bank embraces its wider role as a responsible citizen of the community and aims always to ensure that it upholds its mission statement – To develop and deliver banking products and services which are appropriate, affordable and accessible to all.

Living and operating within a small community provides even greater incentive for the Directors, Management and Staff to uphold ethical standards and the core values of the Bank as the reputation of the Bank will directly impact on the reputation and standing of the individuals.

7. The Bank as a Responsible Citizen of the Community

The Directors continue to place great importance on the Bank's corporate social responsibilities within the community. Through its Community Projects Funding programme, the Bank remains committed to contributing to projects that will encourage and enable young citizens and other community groups to undertake initiatives linked to environmental, sports, arts and other cultural developments. In addition the Bank provides money for sponsorships of events/activities on the Island. For the year to 31 March 2015, £4,621 had been contributed to community development projects. The Bank continues to be the lead sponsor of the annual Youth Games that is organised by New Horizons.

8. Directors

In accordance with the Companies Ordinance 2004 and the Financial Services Ordinance 2008, the Chairman, Managing Director and Non-Executive Directors are appointed by the Shareholders in consultation with the Chairman of the Financial Services Regulatory Authority.

In accordance with section 12 of the Bank of St. Helena Limited's Articles of Incorporation, the Directors are required to declare any interests which are considered to be directly or indirectly connected to the topic being considered.

The Bank considers all of the Non-Executive Directors to be independent. The level of remuneration for the Directors is set by the Board of the Bank; confirmed by resolution at the AGM of the Company and reported to the Financial Services Regulatory Authority.

If any of the Directors, or persons deemed to be connected parties of the Directors, have loans with the Bank, the balances outstanding are reported on a monthly basis to the Board and the Financial Services

Regulatory Authority. This report is also periodically audited by the Bank's External Auditors to give independent assurance to the Regulator.

The Directors of the Bank during the year to 31 March 2015 were:

Mrs Carolyn Thomas	Chairman
Miss Rosemary Bargo	Managing Director
Mrs Kerry Yon	Non-executive Director
Mrs Joan Peters	Non-executive Director
Mr David Colin Owen	Non-executive Director (Shareholder representative)

9. Statement of the Directors' responsibility in respect of the Accounts and Audit and Annual Report

In accordance with the Financial Services Ordinance and Companies Ordinance 2004, the Directors have a responsibility to:

1. keep accounts of its transactions;
2. have its accounts audited annually and
3. not later than four months from the closing of its financial year or at any other time as may be exceptionally authorised by the Regulatory Authority, publish a copy of its audited financial statements in accordance with section 31 of the Financial Services Ordinance.
4. Submit a copy of the published accounts to the Companies Registrar, not less than 21 days before the annual meeting of the shareholders

The Directors, as at the date when this report is approved, each confirm that as far as is possible, each director has satisfied his/herself that the financial information is accurate and that there is no relevant audit information of which the auditors have not been made aware and that financial controls and systems of risk management are robust.

By order of the Board

Carolyn Thomas

Chairman

Rosemary J Bargo

Managing Director

Cash Flow Statement for the year ended 31 March 2015

	£ 2014/15	£ 2013/14 (restated)
Cash flows from operating activities		
Profit on ordinary activities before tax	357,073	432,136
Adjustments for non-cash items		
Depreciation Charge	66,839	65,553
Gain on disposal	0	(20,000)
Movement on Provisions	30,276	47,208
	454,188	524,897
Taxation paid	(129,334)	(90,506)
Movements in:		
Lending	(462,577)	(268,258)
Other Assets	(603,438)	636,673
Other Liabilities	7,572,238	9,075,259
Net cash flows from operating activities	6,831,077	9,878,065
Cashflows from investing activities		
Purchase of CD's & Fixed Deposits	(6,000,000)	(11,500,000)
Purchase of fixed assets	(59,361)	(40,125)
Disposal of fixed assets	28,625	120,000
Net cashflows from investing activities	(6,030,736)	(11,420,125)
Net Increase in cash and cash equivalents	800,341	(1,542,060)
Cash and cash equivalents at beginning of year	4,008,194	5,550,254
Cash and cash equivalents at end of year	**4,808,535**	**4,008,194**

Statement of Financial Position at 31 March 2015

	£ 2014/15	£ 2013/14 (restated)	Notes
Assets			
Cash	638,921	567,103	8
Bank Balances	4,169,614	3,441,091	7
Investments	61,300,000	55,300,000	5
Other Assets	2,584,843	1,973,836	6
Lending	11,439,935	10,998,112	4
Tangible Fixed Assets	361,588	384,440	2
Intangible Fixed Assets	37,557	50,808	3
Total Assets	**80,532,458**	**72,715,390**	
Liabilities			
Customer Current & Deposit Accounts	75,037,570	67,520,367	9
Other Liabilities	269,695	236,138	10
Total Liabilities	**75,307,265**	**67,756,505**	
TOTAL NET ASSETS	**5,225,193**	**4,958,885**	
REPRESENTED BY:			
Share Capital	3,219,285	3,219,285	
Retained Earnings	2,005,908	1,739,600	
Total Equity	**5,225,193**	**4,958,885**	15

Signed: Carolyn Thomas		
Name: Carolyn Thomas	Title: Chairman	Date: 23/09/2015

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 at 31 March 2015 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.

Bank of St.Helena Ltd.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bank of St Helena Limited as at 31 March 2015 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

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

30 September 2015

Bank of St.Helena Ltd.

Statement of Comprehensive Income for the year ended 31 March 2015

	£ 2014/15	£ 2013/14 (restated)	Notes
Income			
Interest Receivable	1,822,931	1,963,032	16
Interest Payable	(687,178)	(921,430)	17
Net Interest Income	1,135,753	1,041,602	
Fees & Commissions	252,750	233,061	
Other Income	176,526	140,529	18
Total Income	**1,565,029**	**1,415,192**	
Expenditure			
Employee Costs	570,313	506,374	19
Premises Costs	44,237	43,147	
Investment Management Fees	41,647	38,067	
Depreciation Tangible Fixed Assets	39,152	45,205	2
Depreciation Intangible Fixed Assets	27,687	20,348	3
Provisions	20,754	19,705	13
Audit Fees	37,867	16,073	
Financial Services Authority Fees	18,000	10,500	
Other Expenses	408,299	283,637	20
Total Expenses	**1,207,956**	**983,056**	
Profit on ordinary activities, before tax	357,073	432,136	
Taxation	(98,334)	(117,991)	12
Deferred Taxation	7,569	11,802	12
Profit on ordinary activities, after tax	**266,308**	**325,947**	