



# **St Helena Government**

## **Financial Statements**

**2013/2014**

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## Financial Secretary's Report

### Introduction

The purpose of this report, which can also be referred to as a Financial Statement Discussion and Analysis, is to highlight information and provide explanations of significant items, transactions and events affecting the financial position, financial performance and cash flows of St Helena Government (SHG). It is designed to complement and enhance understanding of the Financial Statements and provide information useful to users for accountability and decision making purposes.

### Overview

SHG is the governing body of the Island of St Helena and is led by the Legislative Council of Elected Members and Ex Officio Members as defined in the Constitution. SHG is domiciled and operates within the Island of St Helena in the South Atlantic Ocean.

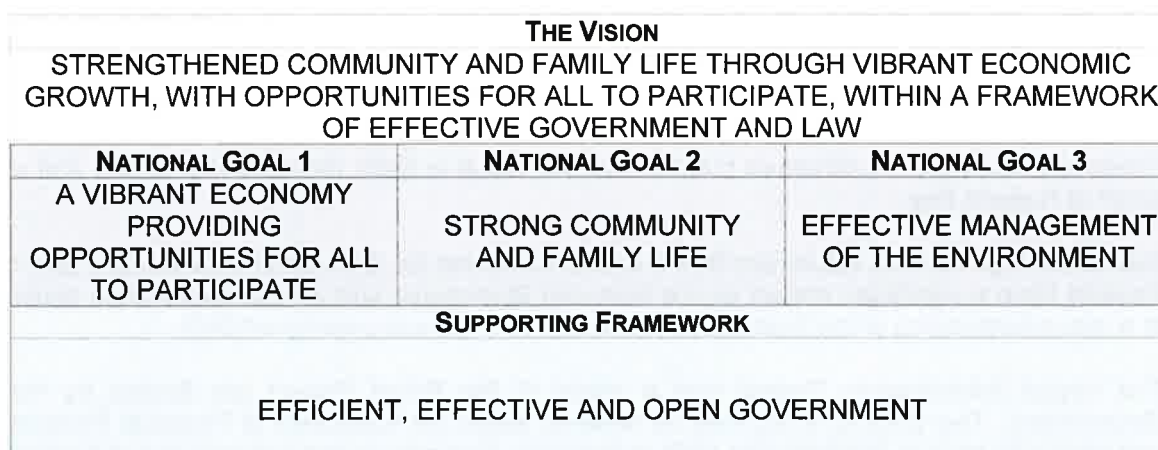
SHG's principle activity is the provision of essential public services, which include Health, Social Services, Education, Environmental and Natural Resources Management, Policing and Access.

SHG receives a significant proportion of its funding each year from the UK Government, through the Department for International Development (DfID). The Development Aid Planning Mission (DAPM), which is made up of delegates from DfID, visited in February 2013 and following a series of discussions with the Governor, Elected Members, senior SHG officials, the private sector and civil society organisations an aid settlement for 2013/14 was agreed. This was documented in the Aide Memoire 2013.

### Strategic Priorities

The Sustainable Development Plan (SDP) is SHG's highest level planning document. It sets out the strategic vision for St Helena.

Our priorities are focussed on the challenge of making St Helena ready to maximise the benefits arising from air access and to deliver key services for the community. The diagram below shows the national framework:



SHG's annual budget is approved in March each year by Legislative Council and is developed through the Medium Term Expenditure Framework (MTEF) process. Following confirmation in November 2011 of the award of the airport contract, strategic priorities have continued to be adjusted to put economic development at the forefront, as well as front line services such as Education, Health and Social Welfare. Supporting strategic priorities whilst remaining within the funding limits has involved SHG making difficult decisions to reduce or cease activity in other areas.

Appropriation Ordinance, 2013, enacted by the Governor of St Helena on the advice and consent of Legislative Council set out the approved budget for Directorates in the financial year commencing 1 April 2013. The approved budget for 2013/14 (£28,603k) was £3,276k less than the 2012/13 approved budget. This was mainly due to the divestment of utility services that were previously provided directly by SHG to a new wholly owned subsidiary company, Connect St Helena Ltd (Connect).

Financial performance against the approved budget is reported to Legislative Council monthly in the form of Management Accounts, which are in accordance with the Directorate structure under which SHG operates.

## **Financial Statements**

The Financial Statements are made up of the following core statements as well as the accompanying Notes to the Financial Statements.

- Statement of Financial Performance.
- Statement of Financial Position.
- Statement of Changes in Net Assets/Reserves.
- Statement of Cash Flows.
- Statement of Comparison of Budget and Actual Amounts.

These Financial Statements are reported under the authority of section 109(1)(a) of the Constitution for St Helena and section 10(1) of the Public Finance Ordinance. The Financial Statements are not prepared in accordance with the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants due to non-compliance with IPSAS 6 Consolidated and Separate Financial Statements. However, the Financial Statements comply with all other relevant IPSASs (further details can be found in Note 1(a) to the Financial Statements). The core statements are shown on pages 13-18, and further detailed information is presented in the Notes to the Financial Statements. All statements provide comparative figures for the previous financial year.

It should be noted that the Financial Statements do not align to the way in which financial information is reported in the Management Accounts. This is due to the Management Accounts being prepared on a modified cash basis and the Financial Statements being prepared on an accruals basis. Note 7 to the Financial Statements sets out a reconciliation between the Statement of Financial Performance and the financial performance reported in the March 2014 Management Accounts.

### Airport Infrastructure Project and the Wharf Project

These are two large infrastructure projects that will result in Saint Helena's first airport and a new wharf at Ruperts Bay.

Due to the large contract values and how they are accounted for, the Airport Infrastructure and Wharf Projects have a significant impact on the Financial Statements and without explanation could lead to a misunderstanding of the financial performance and financial position of SHG.

The Airport Infrastructure Project and a share of the Wharf Project are funded by the UK Government. This funding is reported as revenue within the Statement of Financial Performance and totals £62,947k in 2013/14 (£71,005k in 2012/13). This means that just over half of the reported total revenue in 2013/14 (65% in 2012/13) is in relation to earmarked funding for the two projects that is not available to fund other SHG services.

The project funding is credited to the Airport Infrastructure Reserve and the Wharf Reserve, which increases the reported value of SHG's Funds and Reserves in the Statement of Financial Position. The cumulative total of funding credited to both Reserves at 31 March 2014 is £175,496k (£112,549k

at 31 March 2013). SHG's total Funds and Reserves at 31 March 2014 including both Reserves is £176,055k (£105,373k at 31 March 2013).

Assets Under Construction includes the fair value of works completed on the Airport Infrastructure Project, which was £105,649k at 31 March 2014 (£57,027k at 31 March 2013). This makes up over 90% of SHG's reported Property, Plant and Equipment total in 2013/14.

The difference between the funding provided by the UK Government and the fair value of works completed on the two projects is recognised as a Prepayment in the Statement of Financial Position. £69,846k of the reported Prepayments total of £71,773k at 31 March 2014 was in relation to the two projects (£55,521k of the reported Prepayments total of £56,946k at 31 March 2013).

## **Statement of Financial Performance**

This statement sets out the expenditure and revenues of SHG during the financial year. It shows the expenditure incurred in the delivery of services and projects and the revenues received to fund services and projects. Notes 4 and 5 to the Financial Statements show a breakdown of revenue and expenditure by category.

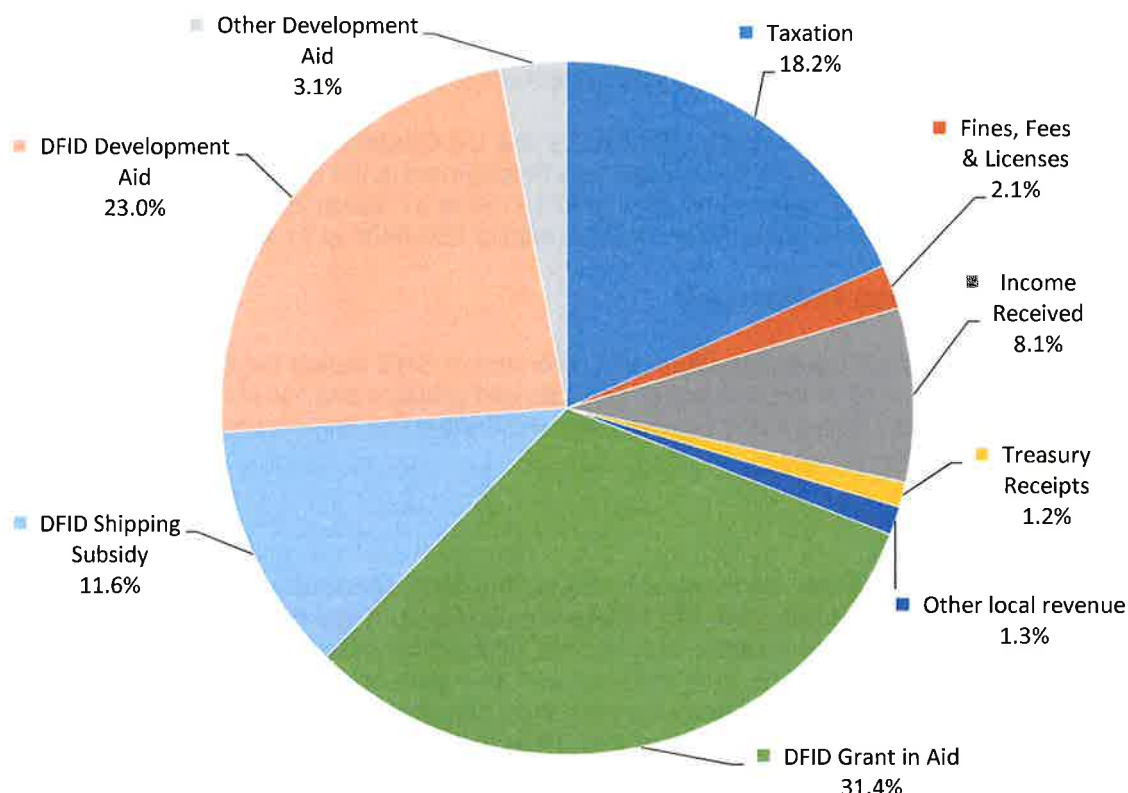
### Revenue

The Statement of Financial Performance shows that total revenue in 2013/14 was £108,186k (£109,480k in 2012/13), a reduction of £1,294k from 2012/13. Total revenue contains a number of non-cash items in order to comply with proper accounting practice, these include the Airport Infrastructure and Wharf funding from DfID, as well as a gain on the investment in Connect, share of the profit of a controlled entity and non-exchange donated asset funding. After excluding non-cash items, total revenue in 2013/14 was £42,765k (£38,475k in 2012/13). The increase is as a result of a continued increase in Taxation, Customs Duties and DfID Development Aid funding, net of a reduction in water and electricity charges received, due to the divestment of utility services to Connect.

Internal sales are not included in the Statement of Financial Performance (see Note 1(m) to the Financial Statements). As a result, in 2012/13 internal sales between the Bulk Fuel Installation (BFI) and the Infrastructure and Utilities Directorate were eliminated. Following the divestment of utility services to Connect (an external provider) on 1 April 2013, BFI turnover in relation to utility services is now included in the Statement of Financial Performance, which has resulted in an increase in BFI turnover reported in Note 4 to the Financial Statements.

The following chart shows the proportion of revenue received from each funding source during the year (excluding the non-cash items listed above):

## Composition of Local and Non-local Revenue



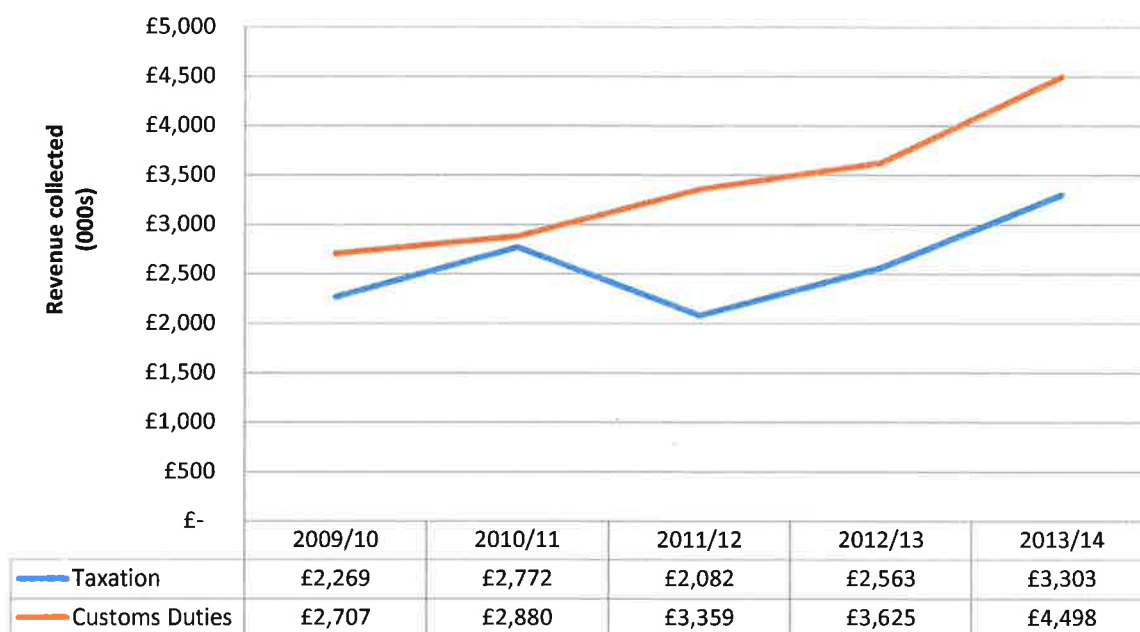
We have assessed the total revenue collected during the financial year (excluding non-cash items, internal sales, DfID Development Aid and Other Development Aid) against budgeted revenue. This has allowed us to assess the degree to which SHG achieved the revenue projected during the budget setting process. Our ability to deliver key services is dependent on our ability to appropriately forecast revenues. Actual revenue collected was £1,133k higher than the original budget for this financial year.

Revenues continued to grow during the financial year both on Taxation and Customs Duties. Revenue budgets were developed for Taxation and Customs Duties based on a series of detailed discussions and an agreed macro-economic model adjusted for changes in policies. The model was developed by the Government Economist for economic forecasting, and is expected to provide a consistent basis on which to estimate future tax revenues.

The chart below shows the growth in revenue from Taxation and Customs Duties over the past five years. The movement in Taxation during the years 2010/11 to 2013/14 takes account of changes in tax policies during that period.



## Income Tax and Customs Growth



Work continues on developing changes to import duties. During this financial year we continued with the policy to equalise Customs Duty rates on Petrol and Diesel. This policy to equalise the rates of duty on Petrol and Diesel will continue in 2014/15.

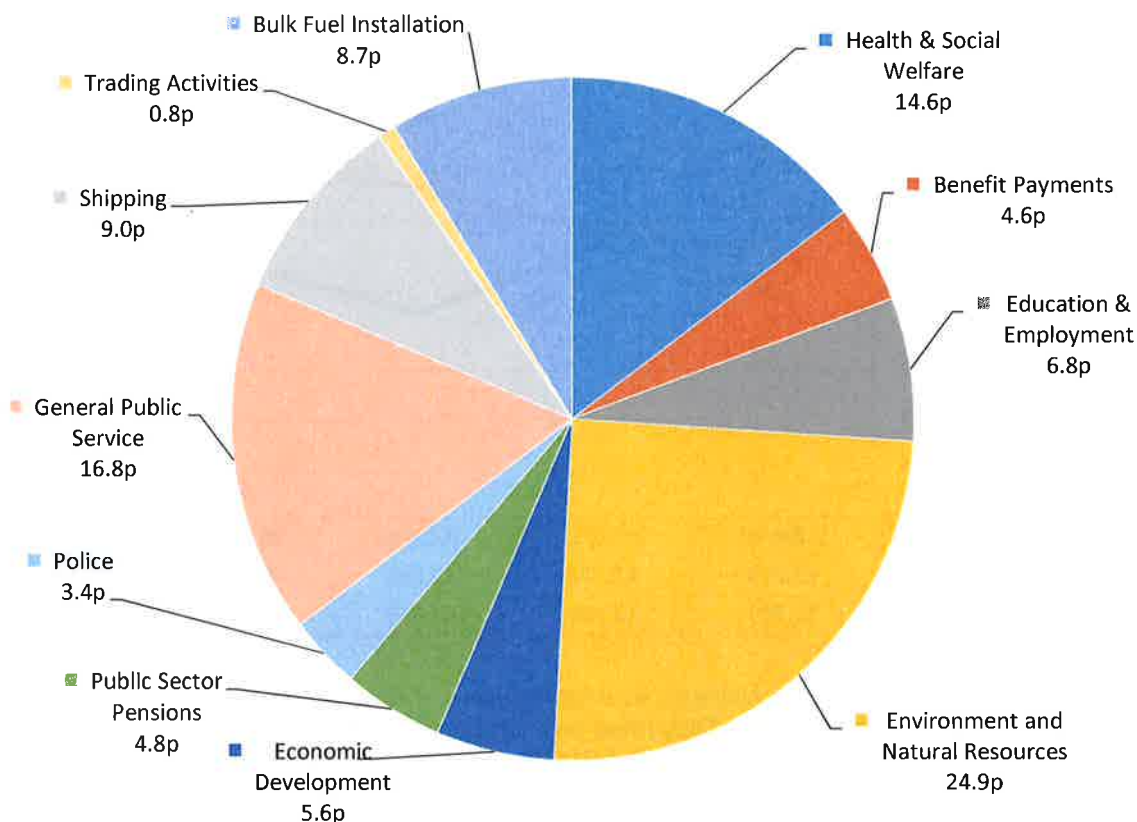
The rates on specific duties were also increased in line with inflation as in previous years and imports by Government departments are now subject to import duty. This policy change is intended to provide a 'level playing field' for local suppliers to Government who have had to pay customs duties on their imported supplies.

### Expenditure

The Statement of Financial Performance shows that total expenditure in 2013/14 was £41,637k (£36,307k in 2012/13). Total expenditure contains a number of non-cash movements to comply with proper accounting practice but the differences between years are not considered to be material. The increase from 2012/13 of £5,330k is mainly as a result of increased BFI expenditure being included in the Statement of Financial Performance following the divestment of utility services to Connect, as well as associated expenditure related to the increase in DfID Development Aid funding.

The following chart shows how much was spent on each Directorate for every £ that was spent by SHG:

## Composition of Actual Expenditure



The Statement of Financial Performance shows that the overall surplus (total revenue less total expenditure) reported at the bottom of the Statement of Financial Performance in 2013/14 was £66,549k (£73,173k in 2012/13). After removing non-cash items listed above the overall surplus was £1,128k in 2013/14 (£2,168k in 2012/13).

The overall surplus is analysed and allocated between the Consolidated Fund and Special Funds in a statement on page 63, which shows each head of expenditure paid out of and each category of revenue accruing to the Consolidated Fund and Special Funds for the year ended 31 March 2014.

### Statement of Financial Position

The Statement of Financial Position summarises the financial position of SHG at 31 March 2014 and shows the net worth of SHG's assets and liabilities of £176,055k (£105,373k at 31 March 2013). It includes Funds and Reserves, and all Assets and Liabilities employed in SHG's operations. It shows that SHG has Non-current Assets (mainly Property, Plant and Equipment) with carrying values in the accounts of £129,107k, an increase of £53,530k from 31 March 2013, which was mainly as a result of an increase in the fair value of works completed on the DfID funded Airport Infrastructure Project (see Note 1(d), Note 2 and Note 15 to the Financial Statements for further details) and the investment in Connect St Helena Ltd.

Current Assets have increased in year by £12,958k. This is due largely to an increase in Prepayments in relation to the Airport Infrastructure and Wharf Projects (£14,325k) and an increase in Recoverables from Non-Exchange Transactions (£1,653k), net of a decrease in Cash and Cash Equivalents held by SHG (£3,508k).



Current Liabilities have decreased by £505k, mainly due to a decrease in Grant Received in Advance (£584k) and Accruals (£673k) and the recognition of Provisions (£192k), net of a reduction in Trade Payables (£958k).

Non-current Liabilities have decreased by £3,689k, due to the reduction in Pension Liabilities (see Note 19 for further details).

### **Statement of Changes in Net Assets/Reserves**

This statement sets out the movements in the funds and reserves of SHG. There is a statutory authority for SHG to maintain only two forms of reserve funds:

- Consolidated Fund
- Special Funds

#### Consolidated Fund

The Consolidated Fund is analysed into six reserves and an explanation of each of the reserves along with a detailed analysis of the movements on each reserve is shown in Note 22 to the Financial Statements.

At the 31 March 2014 the Statement of Changes in Net Assets/Reserves shows that the balance on the Consolidated Fund was £167,300k (£97,087k at 31 March 2013). The increase of £70,213k is mainly as a result of recognising DfID Airport Infrastructure funding (£53,495k), DfID Wharf funding (£9,452k) and the gain on the investment in Connect (£2,202k). A further £2,649k has also been transferred from Special Funds to the Consolidated Fund in relation to the financing of capital expenditure.

#### Special Funds

Special Funds are established by order and enable individual projects and trading activities to be accounted for separate to the Consolidated Fund. Special Funds are split between Projects and Trading Accounts and Other Funds. A detailed analysis of the movements on each of the Funds can be found within Note 22 to the Financial Statements.

At the 31 March 2014 the Statement of Changes in Net Assets/Reserves shows that the balance of Special Funds was £8,755k (£8,286k at 31 March 2013).

### **Statement of Cash Flows**

This statement summarises the total movement on Cash and Cash Equivalents during the year for revenue and capital purposes. It shows that the total of SHG's Cash and Cash Equivalents reduced by £3,508k in year, which is mainly as a result of Special Fund in year expenditure being in excess of funding received.

### **Statement of Comparison of Budget and Actual Amounts**

This statement shows the original budget, final budget, expenditure and revenues of SHG services, reported in SHG's March 2014 Management Accounts. Note 6 to the Financial Statements provides an explanation of the reasons for changes between the original and final budget and an explanation of the material differences between the final budget and the actual expenditure and revenues reported in the Management Accounts. Also, as the budget and accounting bases differ, Note 6 also includes a reconciliation between the actual amounts on a modified cash basis (reported in the Management Accounts) and the amounts recognised in the Statement of Financial Performance.

### Capital Expenditure

During the financial year SHG received financial support from external bodies, including DfID, for particular capital projects. In addition to this as part of a previous DAPM visit SHG made a commitment to draw down on Reserves to further support the capital programme.

Additions of Property, Plant and Equipment in 2013/14 totalled £2,893k (excluding Airport Infrastructure additions included within Assets Under Construction). The most significant acquisition categories were Assets Under Construction (£1,158k), Plant, Machinery, Equipment and Motor Vehicles (£826k) and the RMS St Helena (£526k). The following represent significant Non-current Asset expenditures in 2013/14:

- Horse Point Waste Management Site and Waste Reception Building Redevelopment (£867k).
- Resurfacing work at Jamestown Wharf (£265k).
- Improvement works to the RMS St Helena (£526k).

In closing I would like to give special thanks to the hard work of the finance team in pulling together these Financial Statements.



Colin Owen  
Financial Secretary



## SAINT HELENA AUDIT SERVICE

External Auditors

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST HELENA GOVERNMENT**

I have audited the financial statements of St Helena Government for the year ended 31 March 2014 under the Public Finance Ordinance 2010. The St Helena Government financial statements comprise the Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Net Assets, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Revenue and Expenditure upon the Consolidated Fund and Special Funds, Statement of Trust Fund Movements, and the related notes.

#### **Respective responsibilities of the Financial Secretary and the Chief Auditor**

The Financial Secretary is responsible for preparing the financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and being satisfied that they present fairly the financial position, financial performance, and cash flows of St Helena Government. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board (APB) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the government's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Financial Secretary; and the overall presentation of the financial statements.

I also assess whether the accounts and financial statements have been prepared in accordance with all relevant laws and policies; and whether in all material respects the expenditure and income have been applied to the purposes intended and conform to the authorities which govern them.

I read all the financial and non-financial information published with the financial statements to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## **Basis for qualified opinion**

### **1. Recognition of investment in controlled entities**

As disclosed in Note 25 St Helena Government has control from an accounting perspective, either by direct shareholding or through statutory provision, of several entities, namely the Bank of St Helena, Solomon & Company (St Helena) PLC, Enterprise St Helena, St Helena Fisheries Corporation, St Helena National Trust, St Helena Line Ltd and Connect St Helena Ltd.

Connect St Helena Ltd is the only subsidiary recognised in the Statement of Financial Position on an equity basis in accordance with the accounting policy on non-current investments at Note 1(g). The non-recognition of the other controlled entities does not represent a consistent application of accounting policies as required by IPSAS 1 Presentation of Financial Statements.

Whilst I am unable to quantify the full impact of the non-recognition of the investment in the other controlled entities, I am satisfied that their omission is material, in that non-current investments and reserves in the Statement of Financial Position are understated by some £12.260m at 31 March 2014 (£11.996m at 31 March 2013).

### **2. Classification of reserves**

The Bulk Fuel Installation (BFI) is an activity of Government undertaken without a Special Fund established for that purpose. The BFI reserve is incorrectly classified within Special Funds in the Statement of Financial Position and Note 22 rather than within the Consolidated Fund. The impact on the financial statements is overstatement of Special Funds in the amount of £3.610m at 31 March 2014 (£3.796m at 31 March 2013) and an understatement of the Consolidated Fund to the same extent.

### **3. Airport infrastructure valuation**

Aid funded infrastructure amounting to £105.718m at 31 March 2014 (£57.096m at 31 March 2013) reported within Property Plant and Equipment in the Statement of Financial Position, and forming part of assets under construction in Note 15, is measured on an earned value basis. IPSAS 17, Property Plant and Equipment and IPSAS 23, Non-Exchange Transactions require that such aid funded assets are measured at replacement cost. Note 2 explains there is a high degree of estimation uncertainty associated with the valuation of the airport infrastructure.

I was unable to obtain sufficient appropriate audit evidence regarding the asset valuation by the reporting date, either from management or by using alternative audit procedures. In these circumstances, I am unable to determine whether the use of an estimate based on earned value would give rise to a material misstatement, and whether any adjustment was necessary to the reported value of Property Plant and Equipment and associated reserves.

### **4. Eligibility of social benefit payments**

Government is responsible for the payment of a social benefit in the form of Basic Island Pension. The expenditure on this social benefit in 2013/14 was £1.458m (£1.309m in 2012/13). I was unable to obtain sufficient appropriate audit evidence about the accuracy of these pension payments because no evidence of eligibility is obtained or retained by Government. I was therefore unable to determine whether any adjustment to the reported expenditure was necessary.

## **Qualified opinion on the financial statements**

Except for:

- the understatement of non-current investments, the understatement of the Consolidated Fund and the overstatement of Special Funds, as detailed in paragraphs 1 and 2 of the Basis for Qualified Opinion section above; and
- the possible effects of the matters described in paragraphs 3 and 4 of the Basis for Qualified Opinion section above;

in my opinion, the financial statements present fairly the financial position of St Helena Government as at 31 March 2014, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

## **Basis for qualified regularity opinion**

Included within expenditure is £3.623m (£1.222m for 2012/13) in respect of the Bulk Fuel Installation. This expenditure was incurred without specific statutory authority, estimate provision or legal authority under an Appropriate Ordinance.

For 2013/14 Legislative Council authorised total budgeted expenditure from Head 11 Governor of £0.169m and Head 15 Police of £0.996m. As disclosed in Note 6 to the financial statements the actual expenditures on these heads were £0.170m and £1.038m, resulting in expenditure in excess of authority amounting to £0.001m and £0.042m respectively.

## **Qualified opinion on regularity**

Except for the incurrence of expenditure without authority, as described in the basis for qualified regularity opinion paragraphs, in my opinion in all material respects the expenditure and income have been applied to the purposes intended and conform to the authorities which govern them.

## **Opinion on other matter required by statute**

Section 29(1)(b) of the Public Finance Ordinance requires me to report on whether the financial statements have been prepared in accordance with all relevant laws or policies.

Section 10(1) of the Public Finance Ordinance requires the financial statements to be prepared in a manner consistent with the International Public Sector Accounting Standards (IPSAS). IPSAS require an explicit and unreserved statement of compliance to be made. As disclosed in note 1(a), and contrary to the requirements of IPSAS 6, Consolidated and Separate Financial Statements, Government has not prepared consolidated financial statements for the economic entity that incorporate the results of the entire group.

In consequence, in my opinion, the financial statements have not been prepared in accordance with all relevant laws or policies.



Phil Sharman CPFA CA  
Chief Auditor for St Helena

14 June 2016

St Helena Audit Service, Jamestown, St Helena

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### **Financial Secretary's Statement of Responsibilities**

The Financial Secretary is responsible for the overall management and control of the St Helena Government's finances. This includes responsibility for preparing an annual statement of accounts and submitting them to the Chief Auditor.

In preparing these accounts, the Financial Secretary is required to:

- observe the directions on the Public Finance Ordinance, including the relevant accounting and disclosure requirements, applying suitable accounting policies on a consistent basis and explaining any material non-compliance with the International Public Sector Accounting Standards;
- make judgements and estimates on a reasonable basis;
- ensure that proper and adequate systems exist for bringing to account all transactions of the St Helena Government, including all revenues, expenditures, cash flows, and transfers of stores and assets;
- maintain systems of internal control to promote the efficient and economical conduct of the St Helena Government;
- be responsible for the propriety and regularity of the public expenditure and for the keeping of property and safeguarding of assets belonging to or entrusted to the Government of St Helena as required by the Public Finance Ordinance; and
- prepare the accounts on a going concern basis.



Colin Owen  
Financial Secretary

Date 14/6/2016



# Statement of Financial Performance for the year ended 31 March 2014

	Note	2013/14 £000	2012/13 (restated) £000
<b>REVENUE</b>	4		
Taxation		7,801	6,188
Fines, Fees & Licenses		893	1,123
Earnings Government Departments		60	61
Income Received		3,465	4,548
Treasury Receipts		499	502
Profit on Disposal of Non-current Assets		34	40
Gain on Investments		2,202	0
Share of Profit of Controlled Entity		231	0
Trading Activities		476	157
DfID Grant in Aid		13,396	13,060
DfID Shipping Subsidy		4,972	5,000
DfID Development Aid		9,836	6,804
Other Development Aid		1,333	992
Non-exchange Donated Asset Funding		41	0
DfID Airport Infrastructure Funding		53,495	70,926
DfID Wharf Funding		9,452	79
<b>Total Revenue</b>		<b>108,186</b>	<b>109,480</b>
<b>EXPENDITURE</b>	5		
Health and Social Welfare		6,095	5,187
Education and Employment		2,824	2,848
Environment and Natural Resources		10,321	9,830
Economic Development		2,334	1,715
Public Sector Pensions		1,987	2,115
Benefit Payments		1,934	1,839
Police		1,435	1,234
General Public Service		6,982	5,812
Shipping		3,768	4,428
Trading Activities		334	77
Bulk Fuel Installation		3,623	1,222
<b>Total Expenditure</b>		<b>41,637</b>	<b>36,307</b>
<b>SURPLUS FOR THE PERIOD</b>		<b>66,549</b>	<b>73,173</b>



## Statement of Financial Position as at 31 March 2014

	Note	31 March 2014 £000	31 March 2013 (restated) £000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	9	2,462	5,970
Investments	10	7,103	6,400
Recoverables from Non-Exchange Transactions	11	2,116	194
Trade and Other Receivables	12	1,436	1,899
Inventories	13	1,545	2,068
Prepayments	14	71,773	56,946
		<u>86,435</u>	<u>73,477</u>
<b>Non-current Assets</b>			
Investments	10	14,723	0
Trade and Other Receivables	12	240	284
Property, Plant and Equipment	15	114,144	75,293
		<u>129,107</u>	<u>75,577</u>
<b>Total Assets</b>		<b><u>215,542</u></b>	<b><u>149,054</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	17	4,645	5,342
Provisions	18	192	0
		<u>4,837</u>	<u>5,342</u>
<b>Non-current Liabilities</b>			
Pension Liabilities	19	34,650	38,339
		<u>34,650</u>	<u>38,339</u>
<b>Total Liabilities</b>		<b><u>39,487</u></b>	<b><u>43,681</u></b>
<b>NET ASSETS</b>		<b><u>176,055</u></b>	<b><u>105,373</u></b>
<b>FUNDS AND RESERVES</b>			
Consolidated Fund	22	167,300	97,087
Special Funds	22	8,755	8,286
		<u>176,055</u>	<u>105,373</u>

Colin Owen  
Financial Secretary

14/6/2016.

Date



## Statement of Changes in Net Assets/Reserves for the year ended 31 March 2014

	Consolidated Fund £000	Special Funds £000	Total Reserves £000
Balance at 1 April 2012 as previously reported	21,144	11,490	32,634
Prior Period Adjustments	1	1,736	1,737
Balance at 1 April 2012 restated	21,145	13,226	34,371
<u>Changes in Net Assets/Reserves (restated):</u>			
Surplus/(Deficit) for the Period	68,948	534	69,482
Funds Received	0	7,615	7,615
Funds Applied	0	(3,924)	(3,924)
Use of Special Funds to Finance Capital Expenditure	8,894	(8,894)	0
Actuarial Losses	(2,288)	0	(2,288)
Transfers	271	(271)	0
Unrealised Gain on Financial Assets	117	0	117
Balance at 31 March 2013	97,087	8,286	105,373
<u>Changes in Net Assets/Reserves:</u>			
Surplus/(Deficit) for the Period	63,728	1	63,729
Funds Received	0	11,122	11,122
Funds Applied	0	(8,302)	(8,302)
Use of Special Funds to Finance Capital Expenditure	2,649	(2,649)	0
Actuarial Gains	4,280	0	4,280
Transfers	(297)	297	0
Unrealised Loss on Financial Assets	(147)	0	(147)
Balance at 31 March 2014	167,300	8,755	176,055



## Statement of Cash Flows for the year ended 31 March 2014

	Note	2013/14 £000	2012/13 (restated) £000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the Period		66,549	73,173
Dividend Received		(25)	(12)
Interest Received		(247)	(234)
<u>Non Cash Movements</u>			
Recognition of DfID Infrastructure Funding	4	(62,947)	(71,005)
Depreciation	5	1,217	1,308
Impairment of Non-current Assets	5	59	0
(Gain)/Loss on Disposal/Derecognition of Non-current Assets	4/5	304	(46)
Gain on Investments	4	(2,202)	0
Share of Profit of Controlled Entity	4	(231)	0
Difference in pensions earned and benefits paid relating to the Defined Benefit Pension Scheme	19	621	791
Decrease in Defined Contribution Pension Liability	19	(30)	(47)
Derecognition of Trust Funds in year		0	(27)
Movements in Working Capital	23	(2,683)	3,092
<b>Net Cash Flows from Operating Activities</b>		<b>385</b>	<b>6,993</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend Received		25	25
Interest Received		243	234
Capital Expenditure		(2,893)	(8,892)
Proceeds from the Sale of Property, Plant and Equipment		82	102
(Increase)/Decrease in Investments		(1,350)	2,029
<b>Net Cash Flows from Investing Activities</b>		<b>(3,893)</b>	<b>(6,502)</b>
<b>NET CASH FLOW FOR THE FINANCIAL YEAR</b>		<b>(3,508)</b>	<b>491</b>
<b>Cash &amp; Cash Equivalents at 1 April</b>		<b>5,970</b>	<b>5,479</b>
<b>Net Cash Flows</b>		<b>(3,508)</b>	<b>491</b>
<b>Cash &amp; Cash Equivalents at 31 March</b>		<b>2,462</b>	<b>5,970</b>

There was no interest paid in the current or comparative year.



## Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2014

The original budget, final budget, expenditure and revenue of SHG's services, reported in SHG's March 2014 Management Accounts, is as follows:

HEAD OF EXPENDITURE	Expenditure			Revenue		
	Original	Final	Actual	Original	Final	Actual
	Budget	Budget		Budget	Budget	
	£000	£000	£000	£000	£000	£000
Governor	156	169	170	1	1	1
Corporate Support, Policy and Planning	900	946	914	238	238	254
Human Resources	5,315	5,412	5,405	0	0	0
Attorney General	61	63	54	0	0	0
Police	761	997	1,038	257	257	262
Corporate Finance	2,936	3,606	3,383	20,901	20,901	21,569
Economic Development	1,191	1,158	1,148	0	0	0
Shipping	4,972	3,311	3,200	4,972	4,972	4,972
Education and Employment	2,600	2,647	2,613	639	639	629
Health and Social Welfare	3,904	4,598	4,545	714	714	705
Internal Audit	54	54	48	0	0	0
Agriculture and Natural Resources	969	969	936	266	266	246
Infrastructure and Property	1,502	1,502	1,421	614	614	439
Environmental Management	237	238	229	0	0	3
	<b>25,558</b>	<b>25,670</b>	<b>25,104</b>	<b>28,602</b>	<b>28,602</b>	<b>29,080</b>
Pensions and Benefits *	3,045	3,045	3,053	0	0	0
	<b>28,603</b>	<b>28,715</b>	<b>28,157</b>	<b>28,602</b>	<b>28,602</b>	<b>29,080</b>

\* Pensions and Benefits is shown separately as the budget for this Head of Expenditure is not appropriated in the same way as for other Heads of Expenditure. The Pensions and Social Security ordinances state that expenditure can be charged directly to the Consolidated Fund, rather than budget being appropriated.

Appropriation Ordinance, 2013, enacted by the Governor of St Helena with the advice and consent of Legislative Council provided for the services of Government in the financial year commencing 1 April 2013. The Appropriation Ordinance makes up the original budget. Supplementary Appropriations, Withdrawal Warrants and Special Warrants have been issued in the year and these amendments, added to the original budget, make up the final budget.

Performance against budget is reported monthly in SHG's Management Accounts. The Management Accounts are prepared on a different basis from the accounting policies used in the preparation of the Financial Statements and therefore cannot be compared directly.



Note 6 provides an explanation of the reasons for changes between the original and final budget and an explanation of the material differences between the final budget and the actual expenditure and revenues reported in the Management Accounts. Also, as the budget and accounting basis differ, Note 6 also includes a reconciliation between the actual amounts on a modified cash basis (reported in the Management Accounts) and the amounts recognised in the Statement of Financial Performance.

## Note 1 - Accounting Policies

### a) Accounting Basis

These Financial Statements of St Helena Government (SHG) are prepared in accordance with the requirements of section 109(1)(a) of the Constitution for St Helena and section 10(1) of the Public Finance Ordinance.

The Financial Statements are not prepared in accordance with the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants due to non-compliance with IPSAS 6 *Consolidated and Separate Financial Statements*. However, the Financial Statements comply with all other relevant IPSASs. IPSAS 6 requires the Financial Statements of SHG to be consolidated with the Financial Statements of other entities for which SHG has control. Compliance with IPSAS 6 is not currently considered practical in view of the issues involved, which include the contrast in the sectors in which the subsidiaries are operating and the financial reporting standards adopted. The subsidiaries of SHG are listed in Note 25.

This set of Financial Statements reports the third year of adoption of the accruals basis of accounting. In the preparation of these Financial Statements SHG has used transitional provisions available within IPSAS for organisations that have recently adopted this financial reporting standard. The standards containing transitional provisions are IPSAS 13 *Leases*, IPSAS 17 *Property, Plant and Equipment* and IPSAS 23 *Revenue from Non-Exchange Transactions*. The specific effects that the transitional provisions will have on the disclosures and presentation of the accounts are detailed within the individual accounting policies.

The Financial Statements are prepared under the historical cost convention with the exception of those specific assets and liabilities described below and have been prepared on a going concern basis.

The accounting policies have been applied consistently throughout the period.

### b) Inventories

Inventories are assets in the form of materials or supplies that will be consumed in producing goods or providing services or will be sold or distributed as part of SHG's ordinary business. Inventories are valued at the lower of cost and net realisable value except for:

- Pharmacy inventory, which is measured at the lower of cost and current replacement cost as it is distributed at no charge or for a nominal charge; and
- Stamps inventory which is measured at the lower of printing cost and face value.

Cost is measured on a weighted average basis.

### c) Property, Plant and Equipment

Property, Plant and Equipment are tangible items that (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one reporting period.

In accordance with the transitional provisions of IPSAS 17 *Property, Plant and Equipment*, SHG is not required to recognise the initial value of Property, Plant, and Equipment for reporting periods up to five years following the date of first adoption of accrual accounting (1 April 2011). SHG has opted not to recognise expenditure incurred prior to 1 April 2011 on the following classes of assets in the Financial Statements:

- Land;
- Buildings;
- Infrastructure (Roads); and
- RMS St Helena.

The decision has been made by SHG due to the inability to establish reliable fair values. Buildings were valued by an independent qualified Property Surveyor with a view to establishing fair values at 1 April 2011, however there was difficulty in establishing a reliable valuation split of the land and building element of the properties and there was also a lack of market-based evidence.

## Recognition

Two main types of capital expenditure are identified as:

- Expenditure on stand-alone items.
- Expenditure on projects.

Expenditure on stand-alone items occurs when SHG buys individual goods, provided that these purchases are not part of a project, for example SHG buying IT equipment, plant, machinery, equipment and motor vehicles.

### Classifying expenditure on stand-alone items

- Stand-alone items costing more than £5,000 are capitalised.
- Stand-alone items costing less than £5,000 are charged to the Statement of Financial Performance.
- When a number of the same good is purchased at the same time, it is the value of each individual item that is assessed.

A project is a collection of tasks to achieve a certain goal. Normally, projects are related to a capital asset, for example the construction of a new road or building.

Expenditure associated with the construction of a new asset or the improvement, enhancement or extension of an existing asset is capital expenditure and will be added to the carrying value of the relevant asset. Expenditure associated with the repair, maintenance, renovation or refurbishment of an existing asset is current expenditure and will be charged to the Statement of Financial Performance.

### Classifying expenditure on projects

- All projects, costing more than £5,000 (based on the total expected value of the project), to construct new capital assets or to improve, enhance or extend existing assets are capital.
- All projects to repair, maintain, renovate or refurbish an existing asset are current and are charged to the Statement of Financial Performance.
- All projects, costing less than £5,000 (based on the total expected value of the project), to construct new assets and to improve, enhance or extend existing assets are current and are charged to the Statement of Financial Performance.

A capital project enhances the value of the existing asset, either by contributing substantially to an increase in its useful economic life, boosting its productivity or expanding its capacity. A capital project is not undertaken on a recurring basis.

Capital project expenditure can include:

- Construction of a new building, road or other infrastructure asset.
- Enhancing a road by replacing its gravel surface with asphalt.
- Extending an asset e.g. constructing a new hospital wing or lengthening a road.

A current project, on the other hand, is either in the form of repair, maintenance or minor works. Repair and maintenance work does not change the capital asset's performance, capacity or expected useful life. Examples include:

- Resurfacing a road to restore it to its original condition.
- Maintenance work carried out to sustain usability of an asset or to prevent breakdown e.g. electrical re-wiring and backlog maintenance work.

- Internal and external redecoration costs for government landlord housing or other SHG buildings.
- Restoring an asset (usually a building) to a good state of repair or to an earlier condition, but which does not significantly enhance the value of the asset e.g. renovating government landlord housing.

### Measurement

Save for the application of transitional provisions of IPSAS 17 *Property, Plant and Equipment* in relation to asset classes not currently recognised, assets are initially measured at cost, comprising the purchase price plus any costs associated with bringing the asset into use. The measurement of an asset acquired other than through purchase is deemed to be its fair value at the recognition date.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment with a finite useful life according to the following policy:

- The residual value and useful life of an asset is estimated and reviewed annually.
- Land is not subject to depreciation.
- Infrastructure (Bulk Fuel Installation) is depreciated over a 25 year period.
- Motor Vehicles are depreciated over 5-10 years.
- Plant, Machinery and Equipment are depreciated over a 10 year period.
- Furniture and Fittings are depreciated over 10-50 years.
- IT Networks and Equipment are depreciated over 5-10 years.
- RMS St Helena subsequent capital expenditure recognised at cost is subject to depreciation over the ship's remaining life (accelerated depreciation over 4 years, taking into account that the ship will be decommissioned by the end of the 2016/17 financial year).
- Each component of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is calculated on a straight-line basis over the useful economic life of the asset. Depreciation is charged to the Statement of Financial Performance in the year.

Some assets are held by SHG beyond their useful economic life and have been fully depreciated. It is not SHG's policy to revalue these assets.

### Disposals

The carrying amount of an item of Property, Plant and Equipment is derecognised: (a) on disposal; or (b) when no future economic benefits or service potential is expected from its use or disposal.

The gain or loss arising from derecognition of an item of Property, Plant and Equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The gain or loss is included in the Statement of Financial Performance when the item is derecognised.

On disposal, the carrying value of an asset not recognised within Property, Plant and Equipment (e.g. where transitional provisions have been used) isn't reflected in the Statement of Financial Performance, only the sales proceeds are (if applicable).

Non-current Assets with a cost below £5,000, which were recognised within Property, Plant and Equipment (under the previous capitalisation threshold of £1,000), have been derecognised in year to bring the Financial Statements in line with the current £5,000 capitalisation threshold).

## **Impairments**

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Assets are reviewed annually for any impairment loss and where an impairment loss occurs this is recognised immediately in surplus/deficit in the period.

## **Revaluations**

The frequency of revaluations depends upon the changes in the fair values of the items of Property, Plant and Equipment being revalued but should not usually exceed 3-5 years.

Revaluation increases are credited directly to revaluation surplus. However, any increase is recognised in surplus/deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognised in surplus/deficit. Revaluation decreases are recognised in surplus/deficit. However, the decrease is debited directly to revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that class of assets.

No revaluation exercise took place during 2013/14.

## **Cash Generating Assets**

Assets held by SHG are predominantly held for public benefit or are mixed use assets. As such, all assets are deemed to be non-cash generating.

### **d) Assets Under the Course of Construction**

Assets Under Construction (other than the Airport Infrastructure Project) are valued at the cost of completed works as at the reporting date and are a class of asset within Property, Plant and Equipment. These assets, once completed, will be transferred to completed assets within the class of assets stated above and depreciated over their useful economic life.

Assets Under Construction includes the fair value of works completed on the DfID funded Airport Infrastructure Project. The Airport Infrastructure Project meets the criteria for a non-exchange transaction defined under IPSAS 23 *Revenue from Non-Exchange Transactions*. It is determined that what SHG has received from DfID at the reporting date is not funding but a part-complete airport. IPSAS 17 *Property, Plant and Equipment* states that where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

See Note 2 for further details on the Airport Infrastructure Project.

### **e) Cash and Cash Equivalents**

Cash and Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and Cash Equivalents of SHG comprise the funds held with Bank of Saint Helena, Crown Agents Bank, Crown Agents Investment Management Ltd and Barclays Bank.

### **f) Current Investments**

The investments held at Crown Agents Investment Management Ltd, including amounts invested in Floating-Rate Notes (FRNs) of 3 years maturity are classed as Current Investments.

### **g) Non-current Investments**

Non-current investments represent SHG's interests in controlled entities. As noted in the Accounting Basis, the Financial Statements are not currently compliant with IPSAS 6. Only SHG's investment in Connect St Helena Ltd is recognised on the Statement of Financial Position. All other controlled entities not recognised in these financial statements are disclosed in Note 25. Interests recognised

are measured using the direct equity method whereby the investment is initially recognised at cost and subsequently adjusted to recognise the profit/loss and other equity movements of the underlying entity.

#### **h) Financial Instruments**

A Financial Instrument, as defined by IPSAS 28 *Financial Instruments: Presentation*, is “any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another”. Although this covers a wide range of items, for SHG, the financial assets and liabilities comprise Trade Receivables, Trade Payables, Housing and House Purchase Loans, Current Investments and Cash and Cash Equivalents held in respect of all public funds of SHG. In each case, one party’s contractual right to receive (or obligation to pay) cash is matched by the other party’s corresponding obligation to pay (or right to receive).

#### **Recognition and basis of measurement**

##### Loans and Receivables

Trade and Other Receivables (excluding those arising under legislation) and Housing and House Purchase Loans are deemed to be loans and receivables. As such they are initially recognised and subsequently measured at amortised cost.

Trade Receivables are initially recognised at their original invoice amount. An appropriate allowance is made for doubtful receivables based on an assessment of all outstanding amounts at the reporting date. Debts that are considered doubtful have been provided for in full through the Statement of Financial Performance. Bad debts are written off when identified. No adjustments are made to discount the receivable to present value as it has been concluded that the effect would not be material based on the short payment terms relating to these balances.

Housing and House Purchase Loans are initially recognised at their principal amounts and interest accrues on the balance using the effective interest rate. An allowance is made for doubtful loan balances based on an assessment of all outstanding loans at the reporting date.

##### Available for Sale Financial Assets

Deposits and investments held with Bank of Saint Helena, Barclays Bank, Crown Agents Bank and Crown Agents Investment Management Ltd are deemed to be available for sale financial assets and as such are measured at fair value. The fair value of bank deposits and other cash equivalents is the amount receivable on demand at the reporting date. Funds managed by Crown Agents Investment Management Ltd are measured at market value. The unrealised movement in market value (the gain/loss) at the reporting date recognised directly in Net Assets/Reserves through the Statement of Changes in Net Assets/Reserves, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in Net Assets/Reserves shall be recognised in surplus/deficit through the Statement of Financial Performance. Interest earned on these funds is recognised in the Consolidated Fund through the Statement of Financial Performance.

##### Financial Liabilities

Trade Payables are initially recognised and subsequently held at amortised cost. No adjustments are made to discount the payable to present value as it has been concluded that the effect would not be material based on the short settlement times associated with these balances.

SHG has no borrowings or other financial liabilities.

The carrying value of financial assets and liabilities held at amortised cost is considered to be a reasonable approximation of their fair value.



**i) Staff Benefits**

Staff Benefits comprise deferred leave accumulated by employees over a number of years. Staff are allowed to accumulate up to a maximum of 90 days.

An accrual is made for the leave liability. The value of the accrual is based on the number of days of deferred leave accrued by each employee, across the public service, multiplied by the rate of pay for a working day. In addition an adjustment is made to account any difference in leave taken and leave accrued in the current holiday year as at 31 March.

The deferred leave accrual is released when an employee takes a portion or all of their deferred leave entitlement. This occurs either when the employee takes leave during the year above their annual entitlement, when an employee leaves the public service or where they are paid their deferred leave.

**j) Pension and Retirement Benefits**

SHG manages and operates two pension schemes for employees, the Defined Benefit Pension Scheme and the Defined Contribution Pension Scheme.

Defined Benefit Pension Scheme (DBPS)

The DBPS is an unfunded scheme. Pensions and retirement benefits of eligible employees who started on or before the 31 March 2010 are non-contributory and are paid to employees in accordance with the Pensions Ordinance, CAP 150.

The cost of retirement benefits are recognised in the Statement of Financial Performance when they are earned by the employees rather than when they are eventually paid as pensions.

The liabilities of the scheme are included in the Statement of Financial Position on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees.

The discount rate used in calculating the Pension Liability is the rate on the FTSE Actuaries UK Gilts Index (20 year duration). The discount rate is the annualised yield on this index as at 28 March 2014 (3.4% pa).

The change in the Pension Liability is analysed into the following components:

Service Cost (recognised in the Statement of Financial Performance) comprising:

- Current Service Cost – the increase in liabilities resulting from employee service in the current period.
- Past Service Cost – the change in liabilities as a result of a scheme amendment whose effect relates to years of service earned in earlier years. Curtailments are also considered to be negative past service costs.

Interest Cost - the increase during a period in the present value of a defined benefit obligation that arises because the benefits are one period closer to settlement.

Actuarial Gains and Losses – changes in the defined benefit obligation that arise because events have not coincided with assumptions made at the last actuarial valuation. These are recognised directly in Net Assets/Reserves immediately in the period in which they occur.

Defined Contribution Pension Scheme (DCPS)

Employees commencing employment on or after 1 April 2010, who are eligible for adoption into the scheme, have been adopted into the DCPS in accordance with the Trust Deed 2010 under which

the scheme has been created. Pension contributions are paid into the scheme by SHG and charged to the Consolidated Fund. Individual pension accounts under the MiSaint Pension Scheme offered by Solomon & Company are established for each member of the scheme and contributions are transferred from the DCPS to that scheme. As such, the balance on the DCPS represent contributions held on behalf of scheme members not yet transferred to the MiSaint scheme. No pension benefits are payable directly from the DCPS.

Interest earned from the invested funds held are credited directly to the individual fund of each employee on the scheme and is not credited to the revenues of SHG. The Trust Fund was established by SHG and is therefore recorded on the Statement of Financial Position. The Trust Funds held with Bank of Saint Helena are recognised as an asset within Cash and Cash Equivalents and the amounts earned by employees as a Pensions Liability.

#### **k) Funds and Reserves**

There is a statutory authority for SHG to maintain only two forms of Funds and Reserves; the Consolidated Fund and Special Funds. The Consolidated Fund is divided into six reserves (see Note 22 for further information). All revenue and expenditure generated and incurred by SHG through normal "day to day" government business is channelled through the General Reserve within the Consolidated Fund. Whenever SHG receives money provided by any Government or International Body outside St Helena, on terms or conditions that such money may only be used for purposes specified by the donor, the Governor may, by Order, establish a Special Fund for the purpose of receiving, managing, disbursing and accounting for such money.

#### **l) Revenue and Expenditure Recognition**

Revenue and expenditure is accounted for on an accruals basis meaning that the revenue is recognised when goods and services are supplied or rendered by SHG. Expenditure is recognised when it is incurred, upon delivery of goods or when services are employed.

Revenue generated during the financial year but not received by the year end has been recognised as Accrued Income. Monies received in this financial year which relates to the next financial year have been recognised as Income Received in Advance.

The transitional provisions of IPSAS 23 *Revenue from Non Exchange Transactions* has been adopted in relation to tax revenues. Taxes have been accounted for on a cash basis whereby revenue is recognised when cash is received. The transitional period is up to five years for tax revenues from the initial adoption of IPSAS. Tax revenues are then required to be recognised in the period in which they are generated.

In accordance with IPSAS 23 *Revenue from Non Exchange Transactions*, revenue is recognised equal to the inflow of resources from a non-exchange transaction recognised as an asset. Therefore, an amount equal to the estimated replacement cost of the airport reported within Assets Under Construction and the payments made in advance by DfID to Basil Read for forward funding reported within Prepayments has been recognised as revenue within the Statement of Financial Performance. The revenue is credited to the Airport Infrastructure Reserve and Wharf Reserve and following completion will be written off over the useful economic life of each asset.

The fair value of Non-current Assets donated to SHG are recognised as revenue in the Statement of Financial Performance.

Goods and services paid for during the financial year but not yet received at the year-end have been accounted as prepayments. Goods and services received during the year that have not been paid by the financial year end have been accounted for as accrued expenses.

#### **m) Internal Recharges**

During the normal course of business, Government directorates provide services to each other for example: transport services. Internal sales during the year are eliminated in the Financial Statements. The directorate providing such services recognises those sales within their cost centre

at the predetermined transfer price, which is subsequently netted out with the originating expenditure within their cost centre. The receiving directorate then recognises the expenditure for the service received. The cost of service provision is then accounted for as a transfer between reserves in the Statement of Financial Position.

**n) Translation of Foreign Currencies**

These Financial Statements are reported in St. Helena Pounds (SHP) which is at par with the Pound Sterling. Revenue and Expenditure earned or incurred are translated into SHP at the rate of exchange prevailing on the date the transaction occurred.

Gains or losses on the rate of exchange occurring as a result of difference between the date transactions occurred and the date of the actual cash receipt or payment is recognised and the net effect of all gains and losses is taken to the Statement of Financial Performance at the year end.

Financial Assets and Liabilities denominated in foreign currencies at the year-end are translated into SHP at the rate of exchange prevailing at the year-end date.

**o) Standards, amendments and interpretations in issue but not yet effective or adopted**

IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosure in respect of new IPSASs, amendments and interpretations that are, or will be, applicable after the accounting period. There are a number of IPSASs and amendments issued by the IPSAS Board that are effective after this accounting period. The following standards and amendments have not been adopted early in these accounts and SHG has no plan to early adopt any of these standards.

<b>Standard, amendment or interpretation</b>	<b>Period effective</b>
Annual Improvements 2014	2015/16
IPSAS 33, First Time Adoption of Accruals Basis IPSASs	2017/18
IPSAS 34, Separate Financial Statements	2017/18
IPSAS 35, Consolidated Financial Statements	2017/18
IPSAS 36, Investments in Associates and Joint Ventures	2017/18
IPSAS 37, Joint Arrangements	2017/18
IPSAS 38, Disclosure of Interests in Other Entities	2017/18

As noted within the accounting basis, these accounts do not currently comply fully with IPSAS 6 *Consolidated and Separate Financial Statements* in respect of consolidation of entities under SHG control. As a result of this, it is anticipated that the application of new group accounting standards IPSAS 34, 35, and 38 may have a material impact on these accounts, but the effect cannot currently be estimated. None of the remaining new or amended standards are currently anticipated to have future material impact on the Financial Statements of SHG.

## **Note 2 - Key Sources of Estimation Uncertainty**

Key assumptions about the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

### **Pension Liability**

The estimation of the Pension Liability depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. The Government Actuary's Department was engaged to provide SHG with expert advice about the assumptions to be applied and to calculate the Pension Liability at the year end. Further details of the assumptions used are disclosed within Note 19.

### **Provision for Bad and Doubtful Debts**

SHG reassess its Provision for Doubtful Debts at each reporting date. Trade Receivables are provided against on the basis of age. Significant arrears on loans and advances are provided for and where arrears are significant the loan is provided against in full. Debts which have been authorised by the Financial Secretary to be written off following the reporting period are provided for in full at the reporting date. Details of the provision held for doubtful debts can be found in Note 12.

### **Provision for Inventory Obsolescence**

A provision is made against the carrying value of Inventories where inventory obsolescence is identified during inventory count procedures performed at the end of the financial period. For pharmaceutical items any items identified as being past or close to its use by date are provided against until removed from the inventory system. Additionally, any spare parts held in transport inventories that are identified as being faulty, rusty or damaged are also provided for in full until removed from the inventory system. Aged explosives held by SHG with no intended future use are also provided for in full. The assessment as to the condition of these items is performed by relevant supervisors experienced in that area of operations. The Provision for Inventory Obsolescence can be found in Note 13.

### **Airport Infrastructure Project**

Construction of an international airport on St Helena commenced in late 2011. The project is a tripartite arrangement funded by the UK Government but with the resulting asset vesting with SHG. The airport has been judged by management to have been acquired through a non-exchange transaction and as such the asset received is measured at fair value as at the date of acquisition.

Construction of the airport is not expected to be completed until the 2016/17 financial year. Under this circumstance, management considers that it is neither practical nor value for money to obtain a formal professional valuation for the airport until it becomes an operational asset.

In the absence of a professional valuation or recently observable market prices, its fair value is measured using the depreciated replacement cost method, which, with the asset not yet brought into use, is replacement cost.

Measuring replacement cost entails estimating what the contract cost would be at the reporting date for a hypothetical replacement airport.

In determining the appropriateness of using the current contract price as an estimate for replacement cost, management has applied judgement in assessing subjective estimates around the potential impact of inflation and movements in exchange rates on a hypothetical tender price.

To do this a number of general assumptions have been made, including:

- The specification of a replacement airport would not differ from the current airport.
- The location of a replacement airport would not differ from the current airport, as supported by feasibility studies performed during the design of the current airport.
- The hypothetical contractor of the replacement airport would be based in South Africa (for exchange rate estimation purposes as the current contractor is based in South Africa).
- No allowance for a lower replacement cost due to the potential for a lower risk allowance in the hypothetical contract.

Replacement cost is most sensitive to movements in exchange rates and inflation, which are explored further below.

### Exchange Rates

British Pound to the South African Rand in the contract (November 2011) is 11.465

The GBP equivalent contract price is £204 million.

The element of the contract to be paid in South African Rand is ZAR 1,371.5 million. Using the exchange rate in the contract this equates to £119.6 million.

The contract price is paid by DfID to Basil Read in stage payments over the length of the contract. Using the exchange rates prevailing on the date each stage payment is made, the actual GBP equivalent of the element of the contract paid in South African Rand is £12 million less than the £119.6 million in the contract (£107.6 million). Exchange rates continue to fluctuate and the £12 million reduction highlights the impact and difficulty in estimating exchange rate fluctuations.

There are also elements of the contract that are paid in Euros and US Dollars. These only equate to 17% of the contract and the exchange rate movements are not considered to be material.

### Inflation

The GBP equivalent contract price is £204 million. A sensitivity analysis showing the impact of movements in inflation on the contract price is shown below:

	Increase £ million	Decrease £ million
1.00%	206.0	202.0
2.00%	208.1	199.9
3.00%	210.1	197.9
4.00%	212.2	195.8
5.00%	214.2	193.8
6.00%	216.2	191.8
7.00%	218.3	189.7
8.00%	220.3	187.7
9.00%	222.4	185.6
10.00%	224.4	183.6

Although they have been considered, it is management's judgement that it is impracticable to estimate the extent of the possible effect of movements in exchange rates and inflation. Management has therefore judged the existing airport contract price to be the most reliable estimate available for the cost of a replacement airport.

The replacement cost (the carrying value of the asset under construction) as determined as at 31 March 2014 is £105.7 million (31 March 2013 restated is £57.0 million).



It is reasonably possible based on existing knowledge that upon obtaining a professional valuation of the airport once operational, differences in the assumptions applied may result in a material adjustment to the carrying amount of the airport in a future period. As the airport is not expected to be completed until the 2016/17 financial year, management does not anticipate that any such material adjustment would be recognised until at least 2016/17.

As stated, the existing airport contract price is used as a proxy for replacement cost. A further management judgement is required to determine how much of the contract price should be recognised at each reporting date during the period of construction.

Works undertaken by Basil Read under the build contract are certified as complete and compliant by the project management unit run by Halcrow (an independent engineering consultancy company). Halcrow maintains an 'Earned Value' model which breaks down the total contract price into different elements. The cost of completing each element is spread over the period taken to complete it. Halcrow certifies the acceptable completion of each element of the contract. As at each reporting date, the model can be used to determine an 'earned value' of the works completed or part completed under the contract. Management deems this to be the best available information to determine the certified value of contracted works complete at the reporting date and therefore uses this as the fair value of the Asset under Construction.

The prior period adjustment disclosed in Note 3 to these Financial Statements relates to the correction of a prior year error in calculating the estimate and does not reflect a change in estimation assumptions.

### **Note 3 - Restatement of Prior Period Figures**

The comparative figures for the prior period within the Financial Statements have been revised to reflect changes in accounting policy and to correct prior period errors. The following tables show the movement between the totals in the Financial Statements as previously reported within the 2012/13 Financial Statements and the restated prior period totals for 2012/13 included in these Financial Statements.



**Note 3 - Restatement of Prior Period Figures (continued)**

Statement of Financial Performance

	2012/13 (as previously reported) £000	EDF Funding Tran- sitional Provision £000	Prior Period Errors £000	Presenta- tional Changes £000	2012/13 (as restated) £000
<b>REVENUE</b>					
Taxation	6,188				6,188
Fines, Fees & Licenses	1,123				1,123
Earnings Government Departments	101			(40)	61
Income Received	4,199		417	(68)	4,548
Treasury Receipts	619		(117)		502
Profit on Disposal of Non- current Assets	0			40	40
Trading Activities	89			68	157
DfID Grant in Aid	13,060				13,060
DfID Shipping Subsidy	5,000				5,000
DfID Development Aid	6,461		343		6,804
Other Development Aid	3,719	(2,709)	(18)		992
DfID Airport Infrastructure Funding	67,781		3,145		70,926
DfID Wharf Funding	0		79		79
<b>Total Revenue</b>	<b>108,340</b>	<b>(2,709)</b>	<b>3,849</b>	<b>0</b>	<b>109,480</b>
<b>EXPENDITURE</b>					
Health and Social Welfare	5,229		(42)		5,187
Benefit Payments	1,839				1,839
Education and Employment	2,848				2,848
Agriculture and Natural Resources	1,027			(1,027)	0
Infrastructure and Utilities	8,241			(8,241)	0
Environmental Management	227			(227)	0
Environment and Natural Resources			335	9,495	9,830
Economic Development	1,715				1,715
Public Sector Pensions	2,115				2,115
Police	1,232		2		1,234
General Public Service	5,811		1		5,812
Shipping	4,428				4,428
Trading Activities	77				77
Bulk Fuel Installation	1,222				1,222
<b>Total Expenditure</b>	<b>36,011</b>	<b>0</b>	<b>296</b>	<b>0</b>	<b>36,307</b>
<b>SURPLUS FOR THE PERIOD</b>	<b>72,329</b>	<b>(2,709)</b>	<b>3,553</b>	<b>0</b>	<b>73,173</b>

**Note 3 - Restatement of Prior Period Figures (continued)**

Statement of Financial Position

	31 March 2013 (as previously reported) £000	EDF Funding Tran- sitional Provision £000	Prior Period Errors £000	Presenta- tional Changes £000	31 March 2013 (as restated) £000
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	5,970				5,970
Investments	6,400				6,400
Recoverables from non- exchange transactions	0		276	(82)	194
Receivables	1,468		141	290	1,899
Inventories	2,068				2,068
Prepayments	49,415	210	7,321		56,946
Other Current Assets	208			(208)	0
	<u>65,529</u>	<u>210</u>	<u>7,738</u>	<u>0</u>	<u>73,477</u>
<b>Non-current Assets</b>					
Receivables	284				284
Property, Plant & Equipment	78,968		(3,675)		75,293
	<u>79,252</u>	<u>0</u>	<u>(3,675)</u>	<u>0</u>	<u>75,577</u>
<b>Total Assets</b>	<b>144,781</b>	<b>210</b>	<b>4,063</b>	<b>0</b>	<b>149,054</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Payables	3,128	1,901	(326)	639	5,342
Staff Benefits	639			(639)	0
	<u>3,767</u>	<u>1,901</u>	<u>(326)</u>	<u>0</u>	<u>5,342</u>
<b>Non-current Liabilities</b>					
Pension Liabilities	38,339				38,339
	<u>38,339</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>38,339</u>
<b>Total Liabilities</b>	<b>42,106</b>	<b>1,901</b>	<b>(326)</b>	<b>0</b>	<b>43,681</b>
<b>NET ASSETS</b>	<b>102,675</b>	<b>(1,691)</b>	<b>4,389</b>	<b>0</b>	<b>105,373</b>
<b>FUNDS AND RESERVES</b>					
Consolidated Fund	92,969		4,117	1	97,087
Special Funds	9,706	(1,691)	272	(1)	8,286
	<u>102,675</u>	<u>(1,691)</u>	<u>4,389</u>	<u>0</u>	<u>105,373</u>

**Note 3 - Restatement of Prior Period Figures (continued)**

Statement of Changes in Net Assets/Reserves

	Consol- idated Fund £000	Special Funds £000	Total Reserves £000
Balance at 1 April 2012 as previously reported	21,144	11,490	32,634
<u>Prior Period Adjustments:</u>			
EDF Funding Transitional Provision	0	1,018	1,018
Prior Period Errors and Presentational Changes	1	718	719
Balance at 1 April 2012 as restated	21,145	13,226	34,371
<u>Changes in Net Assets/Reserves as previously reported</u>			
Surplus/(Deficit) for the period	65,559	534	66,093
Funds Received		9,981	9,981
Funds Applied		(3,745)	(3,745)
Actuarial Losses	(2,288)		(2,288)
Transfers	8,554	(8,554)	0
Total Changes in Net Assets/Reserves as previously reported	71,825	(1,784)	70,041
<u>Prior Period Adjustments</u>			
EDF Funding Transitional Provision		(2,709)	(2,709)
Prior Period Errors and Presentational Changes	4,117	(447)	3,670
Total Prior Period Adjustments	4,117	(3,156)	961
<u>Changes in Net Assets/Reserves as restated</u>			
Surplus/(Deficit) for the period	68,948	534	69,482
Funds Received	0	7,615	7,615
Funds Applied	0	(3,924)	(3,924)
Use of Special Funds to Finance Capital Expenditure	8,894	(8,894)	0
Actuarial Losses	(2,288)	0	(2,288)
Transfers	271	(271)	0
Unrealised Gain on Current Investments	117	0	117
Total Changes in Net Assets/Reserves as restated	75,942	(4,940)	71,002
Balance at 31 March 2013 as previously reported	92,969	9,706	102,675
Balance at 31 March 2013 restated	97,087	8,286	105,373

**Note 3 - Restatement of Prior Period Figures (continued)**

Statement of Cash Flows

	2012/13 (as previously reported) £000	EDF Funding Tran- sitional provision £000	Prior Period Errors £000	Presenta- tional Changes £000	2012/13 (as restated) £000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Surplus for the Period	72,329	(2,709)	3,553		73,173
Dividend Received	(25)		13		(12)
Interest Received	(322)		88		(234)
<u>Non Cash Movements</u>					
Recognition of DfID Infrastructure Funding	(67,781)		(3,224)		(71,005)
Depreciation	1,303		5		1,308
Impairment of Non-current Assets	0				0
(Gain)/Loss on Disposal/ Derecognition of Non-current Assets	(108)		56	6	(46)
Difference in pensions earned and benefits paid relating to the Defined Benefit Pension Scheme	791				791
Decrease in Defined Contribution Pension Liability	(47)				(47)
Derecognition of Trust Funds in year	(27)				(27)
Movements in Working Capital	1,137	2,709	(754)		3,092
<b>Net Cash Flows from Operating Activities</b>	<b>7,250</b>	<b>0</b>	<b>(263)</b>	<b>6</b>	<b>6,993</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Dividend Received	25				25
Capital Expenditure	(9,126)		234		(8,892)
Proceeds from the Sale of Property, Plant and Equipment	108			(6)	102
(Increase)/Decrease in Investments	1,912		117		2,029
Interest Received	322		(88)		234
<b>Net Cash Flows from Investing Activities</b>	<b>(6,759)</b>	<b>0</b>	<b>263</b>	<b>(6)</b>	<b>(6,502)</b>
<b>NET CASH FLOW FOR THE FINANCIAL YEAR</b>	<b>491</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>491</b>
<b>Cash &amp; Cash Equivalents at 1 April</b>	<b>5,479</b>				<b>5,479</b>
<b>Net Cash Flows</b>	<b>491</b>				<b>491</b>
<b>Cash &amp; Cash Equivalents at 31 March</b>	<b>5,970</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,970</b>

### Note 3 - Restatement of Prior Period Figures (continued)

#### Changes in Accounting Policy

In 2011/12 and 2012/13 the transitional provisions of IPSAS 23 *Revenue from Non Exchange Transactions* were applied to grant funding received from the European Development Fund (EDF). Under these provisions such income continued to be recognised on a cash basis. In 2013/14 an accruals basis has been adopted for the recognition of this income with funding being recognised at the point of claim when all conditions attached to the funding are assessed to have been met. The 2012/13 comparative period and 1 April 2012 Statement of Financial Position have been restated to apply this basis consistently. The effect of this restatement is a £1,018k increase in income recognised as at 1 April 2012 and a £2,709k reduction in income recognised during 2012/13.

#### Prior Period Errors

Revenues generated in respect of the provision of utilities (electricity and water) were understated in 2012/13. The comparative period has therefore been amended to recognise an additional £141k of invoiced revenue and a further £276k of accrued tariff revenue which had been distributed but remained unbilled as at 31 March 2013.

In 2012/13 unrealised gains on financial assets were recognised within surplus/deficit. Whilst such deposits have a maturity date, they are rarely intended to be held to maturity. As such these assets are considered to be available for sale and in accordance with IPSAS 29 *Financial Instruments: Recognition and Measurement* the unrealised gains are recognised directly in Net Assets/Reserves through the Statement of Changes in Net Assets/Reserves and recycled through the Statement of Financial Performance only upon settling the investment. The 2012/13 comparative period has been restated to recognise £117k of unrealised gains directly in Net Assets/Reserves where previously recognised within surplus/deficit.

A prior year error in calculating the estimate of replacement cost and consequently the corresponding non-exchange revenue for both the Airport Project and Wharf Project has been corrected. This has resulted in an increase in assets and reserves of £1,066k in 2011/12 and an increase in assets, revenue and reserves of £3,224k in 2012/13.

In 2012/13 DfID grant income was recognised on an accruals basis for the first time following the previous application of transitional provisions within IPSAS 23 *Revenue from Non-exchange Transactions*. In applying this change in accounting policy, an error was made in the recognition of grant income received in advance as at 31 March 2013. As a result, DfID Development Aid recognised in 2012/13 was overstated by £343k. The comparative period has been restated to correct this error and the income received in advance has been subsequently recognised during 2013/14.

Expenditure of £168k in 2012/13 on Roads Improvement was incorrectly disclosed as being funded from the DfID Infrastructure Projects Special Fund instead of the European Development Fund Special Fund. Note 22 has been restated.

As a result of a review of Property, Plant and Equipment balances, adjustments were necessary to reclassify expenditure. Note 15 has been restated to reflect these adjustments, the net effect being a £639k decrease in Non-current Assets at 31 March 2013.

A review of the existence of Non-current Assets held by SHG identified that high voltage switchgear used in the distribution of electricity was no longer held and had been disposed of during 2012/13. The comparative period has been restated to reflect the disposal resulting in a £56k reduction in Non-current Assets and an additional loss on disposal for the same value.

Following a reconciliation of the opening reserves position disclosed in the 2011/12 accounts (accruals basis transitional year), a number of errors were identified in the mapping of expenditure

to funding reserves. This has led to a number of reclassifications between the opening funds and reserves balances in these accounts to correct the historic errors.

Other Presentational Amendments

Following the transfer of SHG's utilities services to Connect St Helena Ltd, the Infrastructure and Property, Environmental Management and Agriculture and Natural Resources functions were merged to form a new directorate called Environment and Natural Resources. Consequently the comparative financial results of these previous directorates are now reported together.

In 2012/13 Profits on Disposal of Non-current Assets were disclosed as 'Other Income Received' in error and were not separately identified in the Financial Statements. Comparative Profits on Disposal of Non-current Assets of £102k are now separately identified in Note 4 to these accounts.



**Note 4 - Revenue by Category**

	2013/14 £000	2012/13 (restated) £000
<u>Taxation</u>		
Income Tax (PAYE)	2,135	1,560
Self Employed	285	205
Corporation Tax	461	390
Service Tax	333	304
Withholding Tax	89	104
Customs Duty - Alcohol	1,210	796
Customs Duty - Tobacco	754	715
Customs Duty - Petrol	325	320
Customs Duty - Diesel	215	197
Other Customs Duties	1,994	1,597
	<u>7,801</u>	<u>6,188</u>
<u>Fines, Fees &amp; Licenses</u>		
Stamp Duty	36	30
Immigration Fees	61	39
Planning Fees	18	35
Other Fines, Fees & Licences	778	1,019
	<u>893</u>	<u>1,123</u>
<u>Earnings Government Departments</u>	<u>60</u>	<u>61</u>
<u>Income Received</u>		
Water Charges	0	313
Electricity Charges	0	2,418
Bulk Fuel Installation - Turnover	3,417	1,597
Other Income Received	48	220
	<u>3,465</u>	<u>4,548</u>
<u>Treasury Receipts</u>		
Interest Received	247	312
Currency Fund	200	150
Other Treasury Receipts	52	40
	<u>499</u>	<u>502</u>
<u>Profit on Disposal of Non-current Assets</u>	<u>34</u>	<u>40</u>
<u>Movements in non-current investments</u>		
Gain on Investments	2,202	0
Share of Profit of Controlled Entity	231	0
	<u>2,433</u>	<u>0</u>
<u>Trading Activities</u>		
Operating Revenue	434	95
Profit on Disposal of Non-current Assets	42	62
	<u>476</u>	<u>157</u>
<b>Total Local Revenue</b>	<b>15,661</b>	<b>12,619</b>

**Note 4 - Revenue by Category (continued)**

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>(restated)</b>
	<b>£000</b>	<b>£000</b>
DfID Grant in Aid	13,396	13,060
DfID Shipping Subsidy	4,972	5,000
DfID Development Aid	9,836	6,804
Other Development Aid	1,333	992
Non-exchange Donated Asset Funding	41	0
DfID Airport Infrastructure Funding	53,495	70,926
DfID Wharf Funding	9,452	79
	<u>92,525</u>	<u>96,861</u>
<b>Total Revenue</b>	<b><u>108,186</u></b>	<b><u>109,480</u></b>

**Note 5 - Expenditure by Category**

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>(restated)</b>
	<b>£000</b>	<b>£000</b>
Employee Costs	12,575	11,631
Property Costs	1,262	630
Transport & Plant Costs	682	710
Supplies & Services Costs	7,674	7,841
Administration Costs	807	864
Payments to Other Agencies, Bodies or Persons	13,948	9,580
Other Expenditure	1,099	2,205
Payment to Contractors	1,628	1,343
Finance and Other	42	21
Depreciation	1,217	1,308
Impairment of Non-current Assets	59	0
Loss on Derecognition of Non-current Assets	381	56
Provisions Recognised	192	0
Provision for Doubtful Debts	71	118
<b>Total Expenditure</b>	<b><u>41,637</u></b>	<b><u>36,307</u></b>

The fee for the audit of the 2013/14 Financial Statements is expected to be £59,500. St Helena Audit Service is a trading activity of SHG, the revenues and expenditures of which being included within these accounts. As such, no accrual for the audit fee is included in these accounts and an appropriation from the Consolidated Fund to the St Helena Audit Service Special Fund will be made in the financial period in which the costs of the audit are incurred.

## Note 6 - Comparison of Budget and Actual Amounts

The following table provides an analysis and explanation of the reasons for changes between the original and final budget:

Head of Expenditure	Original Budget £000	Supple- mentary Appro- priations £000	With- drawal Warrants £000	Special Warrants £000	Final Budget £000
Governor	156	13	0	0	169
Corporate Support, Policy and Planning	900	46	0	0	946
Human Resources	5,315	97	0	0	5,412
Attorney General	61	2	0	0	63
Police	761	66	0	170	997
Corporate Finance	2,936	405	0	265	3,606
Economic Development	1,191	0	(33)	0	1,158
Shipping	4,972	0	(1,661)	0	3,311
Education and Employment	2,600	47	0	0	2,647
Health and Social Welfare	3,904	694	0	0	4,598
Internal Audit	54	0	0	0	54
Agriculture and Natural Resources	969	0	0	0	969
Infrastructure and Property	1,502	0	0	0	1,502
Environmental Management	237	1	0	0	238
	<b>25,558</b>	<b>1,371</b>	<b>(1,694)</b>	<b>435</b>	<b>25,670</b>
Pensions and Benefits	3,045				3,045
	<b>28,603</b>	<b>1,371</b>	<b>(1,694)</b>	<b>435</b>	<b>28,715</b>

The Supplementary Appropriations increase the 2013/14 budgets approved by Legislative Council in March 2013 for the respective directorate based on the latest available forecast.

The Withdrawal Warrants used to finance the above Supplementary Appropriations, were in relation to an under spend in shipping subsidy payments (£1,661k) and an under spend on Enterprise St Helena subsidy payments (£33k).

Where there is an urgent and unforeseen call on the Consolidated Fund and there is no budget for it, a Special Warrant is requested as the most appropriate means of authorising the expenditure. Special Warrants were in relation to additional funding required for managing a serious water drought (£150k), the administration of justice (£115k) and prisoner medical referral cost (£170k).

The following table provides an analysis and explanation of the material differences between the final budget and actual expenditure and revenue:

**Note 6 - Comparison of Budget and Actual Amounts (continued)**

Head of Expenditure	Expenditure			Revenue		
	Final Budget £000	Actual £000	Variation £000	Final Budget £000	Actual £000	Variation £000
Governor	169	170	(1)	1	1	0
Corporate Support, Policy and Planning	946	914	32	238	254	16
Human Resources	5,412	5,405	7	0	0	0
Attorney General	63	54	9	0	0	0
Police	997	1,038	(41)	257	262	5
Corporate Finance	3,606	3,383	223	20,901	21,569	668
Economic Development	1,158	1,148	10	0	0	0
Shipping	3,311	3,200	111	4,972	4,972	0
Education and Employment	2,647	2,613	34	639	629	(10)
Health and Social Welfare	4,598	4,545	53	714	705	(9)
Internal Audit	54	48	6	0	0	0
Agriculture and Natural Resources	969	936	33	266	246	(20)
Infrastructure and Property	1,502	1,421	81	614	439	(175)
Environmental Management	238	229	9	0	3	3
	<b>25,670</b>	<b>25,104</b>	<b>566</b>	<b>28,602</b>	<b>29,080</b>	<b>478</b>
Pensions and Benefits	3,045	3,053	(8)	0	0	0
	<b>28,715</b>	<b>28,157</b>	<b>558</b>	<b>28,602</b>	<b>29,080</b>	<b>478</b>

The reasons for the material differences between the final budget and actual figures are as follows:

Expenditure

**Corporate Finance** (£223k under spend) – due to under spends within payments on behalf of the crown.

**Shipping** (£111k under spend) – increased passenger and freight revenues and favourable movements on both the cost of fuel and exchange rates.

**Infrastructure and Property** (£81k under spend) - as a result of more work being carried out by the private sector than originally planned as the Works Section did not have the capacity to undertake the type or level of work required.

Revenue

**Corporate Finance** (£668k over recovery) – higher than anticipated collection of Income Tax and Customs Duty.

**Infrastructure and Property** (£175k under recovery) - under collection as a result of more work being carried out by the private sector than originally planned as the Works Section did not have the capacity to undertake the type or level of work required.

The following reconciliations shows how the expenditure and revenue of SHG's services reported in the Management Accounts is adjusted due to being prepared on a different basis from the accounting policies used to prepare SHG's Financial Statements.

**Note 6 - Comparison of Budget and Actual Amounts (continued)**

	<b>£000</b>
Expenditure as per Management Accounts	28,157
Amounts not included in Management Accounts but included in the Financial Statements	14,943
Amounts included in Management Accounts but not included in the Financial Statements	(1,463)
<b>Expenditure as per the Statement of Financial Performance</b>	<b><u>41,637</u></b>
	<b>£000</b>
Revenue as per Management Accounts	29,080
Amounts not included in Management Accounts but included in the Financial Statements	80,569
Amounts included in Management Accounts but not included in the Financial Statements	(1,463)
<b>Revenue as per the Statement of Financial Performance</b>	<b><u>108,186</u></b>

## Note 7 - Segment Reporting

2013/14

	Segment Revenue (external sources) £000	Segment Revenue (inter-segment transfers) £000	Total Segment Revenue £000	Segment Expenditure £000	Segment Assets £000	Segment Liabilities £000	Costs to acquire Segment Assets £000
Police	262	0	262	1,038	150	0	0
Economic Development	0	0	0	1,148	0	0	0
Shipping Subsidy	4,972	0	4,972	3,200	1,660	0	526
Education & Employment	270	359	629	2,613	69	0	0
Health & Social Welfare	302	403	705	4,545	457	0	171
Agriculture & Natural Resources	87	159	246	936	120	0	100
Infrastructure and Property	190	249	439	1,421	2,063	0	526
Environmental Management	3	0	3	229	0	0	0
Corporate Services	21,531	293	21,824	13,027	1,542	0	154
Unallocated Assets and Liabilities	0	0	0	0	209,481	39,487	50,038
Amounts not included in segment analysis but included in the Financial Statements	80,569	0	80,569	14,943	0	0	0
Amounts included in segment analysis but not included in the Financial Statements	(1,463)	0	(1,463)	(1,463)	0	0	0
	<b>106,723</b>	<b>1,463</b>	<b>108,186</b>	<b>41,637</b>	<b>215,542</b>	<b>39,487</b>	<b>51,515</b>

On 1 April 2013, SHG divested all utility services that were provided directly by the Government to a new company, Connect St Helena Ltd. The Infrastructure and Utilities Directorate was renamed Infrastructure and Property. The reduction in income and expenditure between 2012/13 and 2013/14 is due to SHG no longer incurring the cost of providing the services and no longer receiving water and electricity charges revenue.

Inter-segment transfers are priced on the basis of full cost recovery. Where transport costs are recharged, an allowance is added for the cost of replacement capital assets. Non-exchange revenues for customs recharges are calculated in accordance with the Customs Ordinance. Inter segment transactions are not eliminated when financial performance is reported to management.



**Note 7 - Segment Reporting (continued)**

**2012/13 (restated)**

	Segment Revenue (external sources) £000	Segment Revenue (inter-segment transfers) £000	Total Segment Revenue £000	Segment Expenditure £000	Segment Assets £000	Segment Liabilities £000	Costs to acquire Segment Assets £000
Police	211	0	211	782	173	0	17
Economic Development	8	0	8	687	0	0	0
Shipping Subsidy	5,000	0	5,000	4,458	1,698	0	1,577
Education & Employment	20	362	382	2,583	12	0	0
Health & Social Welfare	1,428	398	1,826	5,457	483	0	112
Agriculture & Natural Resources	156	165	321	1,129	92	0	70
Infrastructure & Utilities	2,729	793	3,522	5,353	8,528	0	6,400
Environmental Management	0	0	0	140	264	0	306
Corporate Services	19,874	581	20,455	10,268	44	0	321
Unallocated Assets and Liabilities	0	0	0	0	137,760	43,681	48,246
Amounts not included in segment analysis but included in the Financial Statements	80,526	0	80,526	8,550	0	0	0
Amounts included in segment analysis but not included in the Financial Statements	(2,771)	0	(2,771)	(3,100)	0	0	0
	<b>107,181</b>	<b>2,299</b>	<b>109,480</b>	<b>36,307</b>	<b>149,054</b>	<b>43,681</b>	<b>57,049</b>

## Note 8 - Termination Benefits

Redundancy payments were paid to three employees in 2013/14 totalling £31k (sixteen employees totalling £35k in 2012/13).

## Note 9 - Cash & Cash Equivalents

	2013/14 £000	2012/13 £000
Bank Deposits	1,221	1,545
Overseas Call/Current Accounts	1,297	5,147
Overdraft - Bank of Saint Helena	(856)	(1,491)
Cash	800	769
	<b>2,462</b>	<b>5,970</b>

## Note 10 - Investments

### Current Investments

	2013/14 £000	2012/13 £000
Certificates of Deposits	7,103	6,400
	<b>7,103</b>	<b>6,400</b>

### Non-current Investments

	2013/14 £000	2012/13 £000
Balance at 1 April	0	0
Acquisitions in year	15,157	0
Share of profit/loss	231	0
Share of exceptional loss from asset write-off	(665)	0
Balance at 31 March	<b>14,723</b>	<b>0</b>

On 1 April 2013, SHG divested all utility services that were previously provided directly by the Government to a new wholly owned subsidiary company, Connect St Helena Ltd.

Assets relating to the provision of utilities were transferred to Connect St Helena Ltd as at this date. SHG received consideration in the form of share capital with a nominal value of £15,157,175. The share capital represents the book value of assets recognised by Connect St Helena Ltd on 1 April 2013.

The assets derecognised by SHG are detailed below:

	£000
Infrastructure Assets	8,379
Equipment & Vehicles	98
Assets under Construction	2,512
Trade Debtors	276
Accrued Income	276
Prepayments	8
Inventories	237
Cash	4
New Generator Replacement Fund (cash)	500
	<u>12,290</u>

Share capital was also issued for additional assets recognised at book value by Connect St Helena Ltd which were not recognised by SHG immediately prior to transfer due to differences in accounting policies and a retrospective correction of a prior period error relating to Assets Under Construction:

	£000
Land and Buildings	1,041
Assets Under Construction	665
Inventories	1,161
	<u>2,867</u>

The non-monetary consideration received for assets not previously recognised by SHG has been recognised as a gain in the Statement of Financial Performance.

The £665k of Assets Under Construction was subsequently written off by Connect St Helena Ltd during 2013/14. This loss has been recognised through the equity accounting entries recognised by SHG in the closing carrying value of the investment. This loss has been netted against the gain recognised on initial investment in the Statement of Financial Performance.

#### Note 11 - Recoverables from Non-exchange Transactions

	2013/14	2012/13 (restated)
	£000	£000
Income Tax Debtors	30	16
Other Taxes and Duties	372	158
Grant Funding	1,714	20
	<u>2,116</u>	<u>194</u>

Grant funding above includes £1,238k of funding accrued from the European Development Fund. All conditions of the funding were met and the application made during 2013/14. Funds were received in the following financial year.

**Note 12 - Trade and Other Receivables**

**Amounts falling due within one year**

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>(restated) £000</b>
Receivables:		
Trade and Other Receivables	883	900
Utilities	0	276
Government Landlord Housing	40	33
Bulk Fuel Installation	375	145
	<u>1,298</u>	<u>1,354</u>
Accrued Income:		
Interest	21	17
Other	26	289
	<u>47</u>	<u>306</u>
Loans:		
Housing Loans	128	145
House Purchase	3	4
Staff Advances	180	201
Other Advances	35	86
	<u>346</u>	<u>436</u>
	<u>1,691</u>	<u>2,096</u>
Less Provision for Doubtful Debts:		
Trade Receivables	(99)	(67)
Loans	(156)	(130)
	<u>(255)</u>	<u>(197)</u>
	<u><b>1,436</b></u>	<u><b>1,899</b></u>

**Amounts falling due after one year**

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Loans:		
Housing Loans	279	309
House Purchase	4	7
	<u>283</u>	<u>316</u>
Less: Provision for Doubtful Debts	<u>(43)</u>	<u>(32)</u>
	<u><b>240</b></u>	<u><b>284</b></u>

**Note 13 - Inventories**

	2013/14 £000	2012/13 £000
Consolidated Fund:		
Pharmacy	238	209
Stamps	35	25
Other	114	80
	<u>387</u>	<u>314</u>
Special Funds:		
Information Technology	77	82
Unallocated Stores	0	405
Transport	420	503
	<u>497</u>	<u>990</u>
Bulk Fuel Installation	932	1,090
	<u>1,816</u>	<u>2,394</u>
Less Provision for Slow Moving and Obsolete Inventories:		
Consolidated Fund	(52)	0
Special Funds	(3)	(98)
Bulk Fuel Installation	(216)	(228)
	<u>(271)</u>	<u>(326)</u>
	<u><b>1,545</b></u>	<u><b>2,068</b></u>

Inventories recognised as an expense:

	2013/14 £000	2012/13 £000
Pharmacy	531	445
Stamps	9	17
Other	148	39
Information Technology	50	56
Unallocated Stores	41	85
Transport	217	169
	<u>996</u>	<u>811</u>

**Note 14 - Prepayments**

	2013/14 £000	2012/13 £000
Other Prepayments	1,927	1,425
Airport Infrastructure Project	60,315	55,442
Wharf Project	9,531	79
	<u><b>71,773</b></u>	<u><b>56,946</b></u>

**Note 15 - Property, Plant and Equipment**

**2013/14**

	Infra-structure £000	RMS St Helena £000	Plant, Machinery, Equipment & Motor Vehicles £000	IT Networks & Equipment £000	Assets Under Const- ruction £000	Totals £000
<b>Cost</b>						
Balance at 1 April 2013	24,914	2,039	9,886	350	60,817	<b>98,006</b>
Additions	309	526	826	74	49,780	<b>51,515</b>
Disposals/Derecognitions	(23,347)	0	(1,554)	(220)	(2,512)	<b>(27,633)</b>
Balance at 31 March 2014	<b>1,876</b>	<b>2,565</b>	<b>9,158</b>	<b>204</b>	<b>108,085</b>	<b>121,888</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
Balance at 1 April 2013	15,998	343	6,216	156	0	<b>22,713</b>
Charge for year	48	562	574	33	0	<b>1,217</b>
Impairment	0	0	59	0	0	<b>59</b>
Disposals/Derecognitions	(14,917)	0	(1,187)	(141)	0	<b>(16,245)</b>
Balance at 31 March 2014	<b>1,129</b>	<b>905</b>	<b>5,662</b>	<b>48</b>	<b>0</b>	<b>7,744</b>
<b>Net Book Value at 31 March 2014</b>	<b>747</b>	<b>1,660</b>	<b>3,496</b>	<b>156</b>	<b>108,085</b>	<b>114,144</b>



**Note 15 - Property, Plant and Equipment (continued)**

**2012/13 (restated)**

	Infra-structure £000	RMS St Helena £000	Plant, Machinery, Equipment & Motor Vehicles £000	IT Networks & Equipment £000	Assets Under Const- ruction £000	Totals £000
<b>Cost</b>						
Balance at 1 April 2012 as previously reported	21,549	463	9,619	228	12,379	<b>44,238</b>
Prior Period Adjustments	0	0	46	0	(1,255)	<b>(1,209)</b>
Balance at 1 April 2012 restated	21,549	463	9,665	228	11,124	<b>43,029</b>
Additions	81	1,576	793	122	54,477	<b>57,049</b>
Transferred to completed assets	4,784	0	0	0	(4,784)	<b>0</b>
Disposals	(1,500)	0	(572)	0	0	<b>(2,072)</b>
Balance at 31 March 2013	24,914	2,039	9,886	350	60,817	<b>98,006</b>
<b>Accumulated Depreciation</b>						
Balance at 1 April 2012 as previously reported	17,042	46	6,211	123	0	<b>23,422</b>
Prior Period Adjustments	0	0	(1)	0	0	<b>(1)</b>
Balance at 1 April 2012 restated	17,042	46	6,210	123	0	<b>23,421</b>
Charge for year	400	297	578	33	0	<b>1,308</b>
Disposals	(1,444)	0	(572)	0	0	<b>(2,016)</b>
Balance at 31 March 2012	15,998	343	6,216	156	0	<b>22,713</b>
<b>Net Book Value at 31 March 2013</b>	<b>8,916</b>	<b>1,696</b>	<b>3,670</b>	<b>194</b>	<b>60,817</b>	<b>75,293</b>

## Note 16 - Impairments

A full impairment testing exercise was carried out on all assets recognised within Property, Plant and Equipment during 2013/14. As a result of this exercise it was determined that three assets were impaired and the carrying values of these assets have been reduced by a total of £59k.

The impairments were due to the three items of Plant, Machinery, Equipment and Motor Vehicles no longer being in working order. An impairment of £33k has been charged to General Public Service, an impairment of £21k has been charged to Health and Social Welfare and an impairment of £5k has been charged to Environment and Natural Resources within the Statement of Financial Performance.

## Note 17 - Payables

	2013/14 £000	2012/13 (restated) £000
Payables:		
Trade Payables	259	1,217
Other Payables	21	37
	<u>280</u>	<u>1,254</u>
Deposits:		
Currency Fund	205	49
Other	99	67
	<u>304</u>	<u>116</u>
Accruals:		
Staff Benefits	837	639
Other	1,041	566
	<u>1,878</u>	<u>1,205</u>
Income Received in Advance:		
Income Tax	450	452
Grant Funding	1,720	2,304
Other	13	11
	<u>2,183</u>	<u>2,767</u>
	<u><b>4,645</b></u>	<u><b>5,342</b></u>

## Note 18 - Provisions

	£000
Balance at 1 April 2013	0
Provisions recognised	192
Provision released	0
<b>Balance at 31 March 2014</b>	<u><b>192</b></u>

## Note 19 - Pension Liabilities

SHG operates both a wholly unfunded defined benefit pension scheme and a defined contribution pension scheme for its employees.

### Defined Benefit Pension Scheme

	2013/14 £000	2012/13 £000
Defined Benefit Obligation:		
Balance at 1 April	38,279	35,200
Movement in the year due to:		
Current Service Cost	818	883
Past Service Cost	(57)	0
Interest Cost	1,065	1,083
Expense for year	1,826	1,966
Pension Benefits Paid	(1,205)	(1,175)
Actuarial (Gains)/Losses	(4,280)	2,288
Balance at 31 March	34,620	38,279

SHG recognises actuarial gains and losses immediately in reserves in the period in which they arise. As such, there is no difference between the fair value of the defined benefit obligation and the carrying amount of the obligation recorded in these financial statements.

A total expense of £1,826k has been recorded within Public Sector Pensions in the Statement of Financial Performance. This consists of:

	2013/14 £000	2012/13 £000
Current Service Cost	818	883
Past Service Cost (Curtailment Gain)	(57)	0
Interest on Scheme Liability	1,065	1,083
Total charge to Statement of Financial Performance	1,826	1,966

On 1 April 2013, following the establishment of Connect St Helena Ltd, 33 members of the defined benefit pension scheme transferred out of the scheme. The accrued pension benefits of these employees as at the date they left the scheme has been preserved in the pension liability and a curtailment gain of £57k recognised as a negative past service cost.

The Government Actuary's Department was contracted by SHG to perform an assessment of the pension liability of the defined benefit section of the SHG Pension Scheme for this set of Financial Statements.

The actuarial pension liability as at 31 March 2014 has been estimated by rolling forward the results of the previous year's assessment. A summary of financial assumptions used in the calculation follows:

Assumption	31 March 2014	31 March 2013
	% a year	% a year
Rate of return (discount rate)	3.4	2.8
Rate of pension increases	2.0	2.0
Rate of pay inflation	2.5	2.5
Rate of return in excess of:		
Pension increases	1.4	0.8
General pay increases	0.9	0.3

Life expectancy at age 60	As at 31 March 2014		As at 31 March 2013	
	Men (years)	Women (years)	Men (years)	Women (years)
Current pensioners	25.8	30.0	25.6	29.9
Future pensioners*	27.5	31.7	27.4	31.6

\* The life expectancy from age 60 of active and deferred members will depend on their current age. The table shows the life expectancy at age 60 for active members currently aged 45.

Amounts recognised for the current and previous periods in relation to this scheme are as follows. The defined benefit pension liability was first valued as at 31 March 2012 and information prior to this date is not available.

	2013/14 £000	2012/13 £000	2011/12 £000
Defined benefit obligation	34,620	38,278	35,166
Experience losses on scheme liabilities	141	1	n/a

#### Defined Contribution Pension Scheme (DCPS)

The following movements have occurred on the DCPS account representing funds held on trust by SHG prior to transfer to individual MiSaint pension accounts:

	2013/14 £000	2012/13 £000
Defined Contribution Liability:		
Balance at 1 April	60	107
Contributions Received	142	114
Interest Received	1	2
Payments	(173)	(163)
Balance at 31 March	30	60

The movement on the DCPS is shown on the Trust Funds Statement that accompanies these Financial Statements. Members of the scheme are required to establish individual accounts with the MiSaint Pension Scheme offered by Solomon & Company. Contributions are transferred to that scheme.

The amount recognised as an expense and charged to the Consolidated Fund was £142k (2012/13: £114k).

## **Note 20 - Leases**

No Property, Plant and Equipment disclosed within Non-current Assets in the Financial Statements are held on a lease basis.

SHG is the lessor of a number of Land and Building assets. SHG has not made any disclosures on these leased assets on the basis that transitional provisions of IPSAS 13 *Leases* and IPSAS 17 *Property, Plant and Equipment* have been adopted.

## **Note 21 - Nature and extent of risks arising from financial instruments**

SHGs activities expose it to certain financial risks, the main relevant risks are:

**Credit risk** – the possibility that other parties might fail to pay amounts due.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to SHG's customers. This risk is minimised by ensuring that deposits are not made with financial institutions unless they meet minimum investment criteria. SHG's Investment Strategy includes a policy that limits the amount of credit exposure with any one financial institution.

SHG's maximum exposure to credit risk in relation to its deposits in banks and financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the deposit or principal sum will be specific to each individual institution. There was no evidence at the reporting date that such entities would be unable to meet their commitments.

SHG generally allows 30 days credit for its Trade Receivables. At the reporting date the carrying value of Trade Receivables outstanding was £1,199k. At the reporting date the carrying value of Housing and House Purchase Loans was £215k. The terms and conditions of the loans vary in terms of interest rate applied and the length of each individual loan.

**Liquidity risk** – the possibility that SHG might not have funds available to meet its commitments to make payments.

The constitution requires SHG to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. Sufficient cash balances are also maintained throughout the year. There is therefore no significant risk that SHG will be unable to meet its commitments.

**Interest rate risk** – the risk that actual interest rates obtained on investments might be lower than expected.

Cash surpluses are deposited as a mix of fixed rate and floating rate investments. As at 31 March 2014, the value of investments held as Floating Rate Note deposits was £2,002k. Total interest earned by SHG on cash surpluses during 2013/14 was £144k. As this is not a significant portion of total revenue, SHG is not deemed to be exposed to significant interest rate risk.

## Note 22 - Funds and Reserves

The reserves of SHG are presented below. There is a statutory authority for SHG to maintain only two forms of reserve funds:

- The Consolidated Fund
- The Special Funds

### The Consolidated Fund

The Consolidated Fund comprises six reserves.

	31 March 2014	31 March 2013 (restated)
	£000	£000
General Reserve	18,371	5,065
Capital Reserve	7,975	17,696
Pension Reserve	(34,620)	(38,279)
Airport Infrastructure Reserve	165,965	112,470
Wharf Reserve	9,531	79
Donated Asset Reserve	78	56
	<b>167,300</b>	<b>97,087</b>

An analysis of the movements on each of the reserves is shown below:

### General Reserve

This is the primary government fund in which revenues are received and from which expenditures are funded save for those separately provided in law. The value of non-cash consideration received from Connect St Helena Ltd following the divestment of utility services is also recognised in the General Reserve. At 31 March 2014 the carrying value of the investment in Connect St Helena Ltd represented in the General Reserve totalled £14,723k (£0k at 31 March 2013).

	2013/14	2012/13 (restated)
	£000	£000
<b>Balance at 1 April 2012 as previously stated</b>		<b>3,405</b>
Prior Period Adjustments		1,244
<b>Balance at 1 April restated</b>	<b>5,065</b>	<b>4,649</b>
Surplus/(Deficit)	4,113	1,239
Transfer of Property, Plant and Equipment to Connect St Helena Ltd	11,002	0
Use of General Reserve to Finance Payment of Pension Benefits	(1,205)	(1,175)
Use of General Reserve to Finance Capital Expenditure	(160)	(96)
Transfers	(297)	331
Gain/(Loss) on Financial Assets	(147)	117
<b>Balance at 31 March</b>	<b>18,371</b>	<b>5,065</b>



**Note 22 - Funds and Reserves (continued)**

Capital Reserve

This reserve was created upon initial recognition of Property, Plant and Equipment within the Statement of Financial Position. Funds will be transferred to the Capital Reserve to reflect expenditure on assets and an amount equivalent to depreciation will be charged to the reserve over the useful life of assets.

	2013/14 £000	2012/13 (restated) £000
<b>Balance as at 1 April 2012 as previously reported</b>		<b>12,398</b>
Prior Period Adjustments		(2,309)
<b>Balance as at 1 April restated</b>	<b>17,696</b>	<b>10,089</b>
Use of General Reserve to Finance Capital Expenditure	160	96
Use of Special Funds to Finance Capital Expenditure	2,649	8,894
Depreciation	(1,141)	(1,212)
Disposal/Derecognition of Non-current Assets	(328)	(111)
Transfer of Property, Plant and Equipment to Connect St Helena Ltd	(11,002)	0
Impairment of Non-current Assets	(59)	0
Transfers	0	(60)
<b>Balance at 31 March</b>	<b>7,975</b>	<b>17,696</b>

Pension Reserve

This reserve represents the negative balance arising from the unfunded liability on the Defined Benefit Pension Scheme.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>(38,279)</b>	<b>(35,200)</b>
Current Service Cost	(818)	(883)
Past Service Cost	57	0
Interest Cost	(1,065)	(1,083)
Use of General Reserve to Finance Payment of Pension Benefits	1,205	1,175
Actuarial Gains/(Losses)	4,280	(2,288)
<b>Balance at 31 March</b>	<b>(34,620)</b>	<b>(38,279)</b>

**Note 22 - Funds and Reserves (continued)**

Airport Infrastructure Reserve

This reserve was established to represent the assets acquired through the DfID funded Airport Project, which are shown within Assets Under Construction and Prepayments.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April 2012 as previously stated</b>		<b>40,478</b>
Prior Period Adjustments		1,066
<b>Balance at 1 April restated</b>	<b>112,470</b>	<b>41,544</b>
DfID Airport Infrastructure Funding	53,495	70,926
<b>Balance at 31 March</b>	<b>165,965</b>	<b>112,470</b>

Wharf Reserve

This reserve was established to represent the assets acquired through the DfID funded element of the Wharf Project, which are shown within Prepayments.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>79</b>	<b>0</b>
DfID Wharf Funding	9,452	79
<b>Balance at 31 March</b>	<b>9,531</b>	<b>79</b>

Donated Asset Reserve

This reserve was created to represent the assets donated to SHG. The fund balance is adjusted each year to reflect additional assets donated in year and an amount equivalent to depreciation is charged to the reserve over the useful life of assets.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>56</b>	<b>63</b>
Non-exchange Donated Asset Funding	41	0
Depreciation	(5)	(7)
Disposal/Derecognition of Non-current Assets	(14)	0
<b>Balance at 31 March</b>	<b>78</b>	<b>56</b>

**Note 22 - Funds and Reserves (continued)**

Special Funds are established by order and enable individual projects and trading activities to be accounted for separate to the Consolidated Fund.

Special Funds – Projects

	DfID Funded £000	DfID Technical Cooperation £000	DfID Infrastructure £000	DfID Funded ST TC £000	EDF Projects £000	Locally Funded Projects £000	UNDP Projects £000	Total £000
Balance as at 1 April 2012 as previously stated	(1,102)	(415)	3,928	28	2,112	537	4	5,092
Prior Period Adjustments	(738)	255	1,209	0	1,013	0	2	1,741
Balance as at 1 April 2012 restated	(1,840)	(160)	5,137	28	3,125	537	6	6,833
Funds Received (restated)	2,163	1,155	2,350	1,136	785	0	26	7,615
Funds Applied (restated)	(193)	(903)	(1,476)	(1,136)	(191)	0	(25)	(3,924)
Funds Applied to Finance Capital Expenditure (restated)	(2,093)	(56)	(6,458)	0	0	0	0	(8,607)
Transfers	(759)	(172)	1,766	0	(168)	(335)	(1)	331
Balance as at 31 March 2013 (restated)	(2,722)	(136)	1,319	28	3,551	202	6	2,248
Funds Received	2,609	134	5,900	1,191	1,239	0	49	11,122
Funds Applied	(1,674)	(4)	(4,422)	(1,201)	(951)	0	(50)	(8,302)
Funds Applied to Finance Capital Expenditure	(2,111)	(178)	(56)	0	(15)	1	0	(2,359)
Transfers	522	(47)	1,060	0	0	1	(1)	1,535
Balance as at 31 March 2014	(3,376)	(231)	3,801	18	3,824	204	4	4,244

**Note 22 - Funds and Reserves (continued)**

Special Funds - Trading Accounts and Other Funds

	Information Technology Trading Account £000	Transport Trading Account £000	Unallocated Stores £000	St Helena Audit Service £000	Housing Service Trading Account £000	Bulk Fuel Installation £000	Government Landlord Housing Capital £000	Improvements and New Construction Revolving Fund £000	New Generators Replacement Fund £000	Animal Husbandry Fund £000	Total £000
Balance as at 1 April 2012 as previously stated	(37)	247	(81)	0	0	3,817	0	1,895	557	0	6,398
Prior Period Adjustments	(5)	0	0	0	0	0	0	0	0	0	(5)
Balance as at 1 April 2012 restated	(42)	247	(81)	0	0	3,817	0	1,895	557	0	6,393
Surplus/(Deficit)	0	79	1	0	0	405		39	10	0	534
Funds Applied to Finance Capital Expenditure	0	(287)	0	0	0	0	0	0	0	0	(287)
Transfers	57	167	2	0	0	(426)	335	(800)	63	0	(602)
Balance as at 31 March 2013	15	206	(78)	0	0	3,796	335	1,134	630	0	6,038
Surplus/(Deficit)	83	96	(41)	1	3	(181)	0	34	0	6	1
Funds Applied to Finance Capital Expenditure	0	(290)	0	0	0	0	0	0	0	0	(290)
Transfers	(18)	217	0	0	(2)	(5)	0	(800)	(630)	0	(1,238)
Balance as at 31 March 2014	80	229	(119)	1	1	3,610	335	368	0	6	4,511

**Note 23 - Statement of Cash Flows – Movements in Working Capital**

	Note	2013/14 £000	2012/13 £000
(Increase)/Decrease in Receivables	11, 12	(1,398)	1,933
(Increase)/Decrease in Inventories	13	523	(114)
(Increase)/Decrease in Prepayments	14	(502)	(403)
Increase/(Decrease) in Payables	17	(696)	1,904
Increase/(Decrease) in Provisions	18	192	(228)
Working capital transferred to Connect	10	(801)	0
		<b>(2,682)</b>	<b>3,092</b>

**Note 24 - Related Party Transactions**

Related party means that parties are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

Related party relationships may arise when an individual is part of the key management personnel of a reporting entity. Related party relationships may also arise through external operating relationships between SHG and the related party. The definition of related party also includes entities owned by key management personnel or close family members of such individuals of SHG and where a reporting entity is economically dependent on another entity.

Disclosure of certain related party relationships and related party transactions and the relationship underlying those transactions is necessary for accountability purposes, and enables users to better understand the Financial Statements of the reporting entity because:

- Related party relationships can influence the way in which an entity operates with other entities in achieving its individual objectives, and the way in which it co-operates with other entities in achieving common or collective objectives;
- Related party relationships might expose an entity to risks, or provide opportunities that would not have existed in the absence of the relationship; and
- Related parties may enter into transactions that unrelated parties would not enter into, or may agree to transactions on different terms and conditions than those that would normally be available to unrelated parties.

**Central Government (UK)**

Saint Helena is an Overseas British Territory and receives funding each year from the UK Government, through the Department for International Development (DfID). DfID Grant in Aid and DfID Shipping Subsidy received in 2013/14 totalled £18,400k, which equated to 58% of SHG's total revenue (excluding DfID and Other Development Aid, Gain on Investments, DfID Airport Infrastructure and Wharf Funding and Non-exchange Donated Asset Funding).

**Key Management Personnel**

Remuneration

The key management personnel of SHG (as defined by IPSAS 20 *Related Party Disclosures*) are the Elected Members of Legislative Council, who together constitute the governing body of SHG.

The Ex Officio Members (Attorney General, Chief Secretary and Financial Secretary) are also determined to be key management personnel of SHG as they also have responsibility for planning, directing and controlling the activities of SHG.

The aggregate remuneration of Elected Members of Legislative Council and the number of individuals determined on a full-time equivalent basis receiving remuneration from SHG are:

Aggregate remuneration	£158,451 (2012/13 £166,642)
Number of persons	12 persons

The aggregate remuneration of Ex Officio Members and the number of individuals determined on a full-time equivalent basis receiving remuneration from SHG are:

Aggregate remuneration	£392,497 (2012/13 £357,012)
Number of persons	3 persons

#### Declarations of Interests

SHG requires key management personnel to complete Declaration of Interest Forms at the beginning of each financial year or earlier if circumstances change. Circumstances, existing or prospective, which may throw into question their professional independence or present a possible conflict of interest are required to be declared.

In respect of the 2013/14 financial year, a number of key management personnel declared interests in organisations (other than the controlled entities listed below) that SHG transact with. However, these were not deemed to be significant interests that would lead to a related party transaction.

#### **Controlled Entities**

SHG has a controlling interest in the following reporting entities as at 31 March 2014:

Bank of Saint Helena Ltd, St Helena Currency Fund, St Helena Fisheries Corporation, Enterprise St Helena, St Helena National Trust, Solomon & Company (St Helena) Plc., Connect St Helena Ltd, St Helena Line Ltd and St Helena News Media Board.

Note 25 sets out the nature of the controlling interest that SHG holds in each of the controlled entities.

A number of SHG's key management personnel have declared interests in the controlled entities listed above, including shareholdings in Solomon & Company (St Helena) Plc. and board membership of Enterprise St Helena, St Helena Fisheries Corporation and St Helena National Trust.

Although SHG has transacted with the controlled entities in the financial year, in the main the transactions occurred within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect SHG would have adopted if dealing with the entities at arm's length in the same circumstances. Therefore further information on these transactions has not been disclosed. The exceptions to this are that:

- St Helena Fisheries Corporation receives fuel for sale to fishermen at a subsidised cost from the Bulk Fuel Installation. The total value of fuel sales to St Helena Fisheries Corporation in 2013/14 was £35k (2012/13: £44k).
- SHG holds current accounts (see Note 9) with Bank of Saint Helena for which no interest is payable or receivable. No interest is payable or receivable on the Bank's Cash Deposits held by SHG.
- St Helena National Trust receives a support grant each year from SHG. In 2013/14 this amounted to £17k (2012/13: £18k).
- SHG granted St Helena National Trust a fifty year lease on Broadway House, Main Street, Jamestown, for a "peppercorn" rent.

- SHG provided Enterprise St Helena (ESH) with a subsidy in order to assist with the daily operations of the entity (£1,158k, 2012/13: £630k), an amount for various major capital developments and improvements to visitor attractions (£176k, 2012/13: 255k) and funds to boost ESH's Loan Equity Fund (£540k). SHG also funded the employment of specialist staff in ESH via the Technical Cooperation fund (£514k, 2012/13: £439k).
- ESH holds a lease with SHG for the Jamestown Market, which expires on 1 June 2016. A nominal rental fee is paid.
- In 2013/14 SHG divested its utility services into a new wholly owned subsidiary Connect St Helena Ltd. SHG provided Connect St Helena Ltd with a subsidy to support the operations of £810k. In addition, Connect St Helena Ltd received a £540k rebate of customs duties paid on fuel, of which £140k was still to be paid at 31 March 2014. SHG also funded the employment of specialist staff in Connect St Helena Ltd through Technical Cooperation (£300k).
- St Helena Line Ltd receive a subsidy each year from SHG. In 2013/14 this amounted to £3,730k (2012/13: £6,034k). This included capital expenditure on the RMS St Helena totalling £526k in 2013/14 (2012/13: £1,577k).

St Helena Currency Fund is set up under Currency Ordinance CAP 124, and is administered by the Currency Commissioners and Currency Officers who are all employees of SHG. SHG provide a number of services to the St Helena Currency Fund at no cost. These services include staff salaries for the keeping of accounting records, the preparation of financial statements and the issuing and ordering of notes and coins. In addition to these services, SHG Treasury also provide a cash holding facility for the Currency Fund.



## Note 25 - Subsidiaries

SHG owns and part-owns a number of private and public sector entities. These entities have not been consolidated with the Financial Statements for SHG. This is primarily due to practical issues involved, which include the contrast in the sectors in which the subsidiaries are operating and the financial reporting standards adopted. SHG's interest in these entities is summarised in the table below. These figures have been obtained from the audited Financial Statements for each entity. No adjustments have been made for transactions between entities.

NAME	CONTROLLING INTEREST	FINANCIAL REPORTING FRAMEWORK	NET ASSETS		ANNUAL RETURN *	
			2014 £000	2013 £000	2013/14 £000	2012/13 £000
Bank of Saint Helena Ltd	Wholly owned. Board of Directors appointed by the Governor.	Financial Reporting Standard 102.	4,928	4,614	314	290
St Helena Currency Fund	Commissioners appointed by the Governor.	International Public Sector Accounting Standards.	1,278	1,663	(185)	178
St Helena Fisheries Corporation	Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis.	166	225	(59)	(17)
Enterprise St Helena	Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis.	1,603	1,460	143	561
St Helena National Trust	Regulated by the Governor in Council.	Cash basis.	87	134	(47)	32
St Helena News Media Board***	Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis.	0	1	0	(13)
Connect St Helena Ltd	Wholly owned. Non-executive membership of the Board.	Financial Reporting Standard 102.	14,723	n/a	(434)	n/a
Solomon & Company (St Helena) Plc.	Majority shareholder (62.9%) **	"Applicable accounting standards" - accruals basis.	4,197	3,898	311	319
St Helena Line Ltd	Majority shareholder (99%)	Financial Reporting Standards for Smaller Entities - accruals basis.	1	1	0	0
Total			26,983	11,996	43	1,350

\* Annual Return represents net profit/ (loss) for accruals based accounts or surplus/ (deficit) for cash based accounts.

\*\* SHG through Great Peter Nominees Limited, holds 124,100 (2013: 124,100) shares, being 62.9% (2013: 62.9%) of paid up capital. Figures quoted above therefore represent SHG's share of net assets and annual return.

\*\*\* Executive Committee approved the winding up of the St Helena News Media Board at its meeting on 24 June 2014.

## **Note 26 - Events after the Reporting Date**

The Financial Statements were authorised for issue by the Financial Secretary on 14 June 2016. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the Financial Statements have been adjusted in all material respects to reflect the impact of this information.

Material events, which occurred after the reporting date but it cannot be shown that the conditions existed before the reporting date are non-adjusting events. The non-adjusting events after the reporting date are detailed below:

SHG entered into a contract with Basil Read for the Jamestown Hospital Project, which was signed on 25 March 2015. The GBP equivalent of the amount of contractual commitments was £2.8 million.

In June 2014, St Helena Hotel Development Ltd was established to manage the design, build and operation of a hotel in Jamestown. On incorporation the company became a wholly owned subsidiary of SHG. In May 2016, following approval by Legislative Council, SHG entered into a guarantee with the Bank of St Helena for the purposes of providing a loan to St Helena Hotel Development Ltd. The guarantee is limited to £1.0 million plus interest and costs incurred by the bank in enforcing the guarantee. It is anticipated that this will give rise to a contingent liability in SHG's Financial Statements from 2016/17 onwards.

Bulk fuel facilities have been constructed at the airport site and at Rupert's Valley. Following a tender process, SHG has selected Penspen Limited, trading as GreyStar Europe, as the company which will operate the bulk fuel facilities. The agreement involves Penspen Limited managing the procurement, management and supply of ground and aviation fuels for the island. The original contract was signed on 20 January 2015. The value of the revised contract totals £16.5 million and the term of the operations phase of the contract is 10 years. The contract payments will be charged to the Bulk Fuel Installation Trading Account and will be funded in the main by turnover from fuel sales.

Four instances of major litigation commenced after 31 March 2014 solely relating to events that occurred after the reporting date. One of the cases was in relation to the settlement of an employment dispute and related legal costs, which resulted in a payment being made during the 2015/16 financial year totalling £98k. The remaining three cases are ongoing and a reliable estimate of the financial effect cannot be made at this time.

## **Note 27 - Capital Commitments**

### Airport Infrastructure Project

The November 2011 contract with Basil Read (PTY) Ltd for the construction of an Airport for St Helena is ongoing. The contract was signed in the amount of £201.5 million for construction, with the provision of an additional £10.0 million in shared risk contingency that the contractor may claim against in the event of certain pre-specified risks materialising. Contract milestone payments as at 31 March 2014 totalled £153.5 million (31 March 2013 £108.2 million).

### Wharf Project

Supplemental Agreement No. 7 which amends the main Airport design, build and operate contract in relation to the Rupert's Permanent Wharf was signed on 13 November 2013. The value of the contract was £15.3 million. The amounts contracted for but not provided in the Financial Statements amounted to £6.5 million.



**Statement showing each head of expenditure  
paid out of and each category of revenue  
accruing to the Consolidated Fund and Special  
Funds for the year ended 31 March 2014**

	Consoli- dated Fund £000	Special Funds £000	Total £000
<b>REVENUE</b>			
Taxation	7,801	0	7,801
Fines, Fees & Licences	881	12	893
Earnings Government Departments	60	0	60
Income Received	43	3,422	3,465
Treasury Receipts	438	61	499
Profit on Disposal of Non-current Assets	34	0	34
Gain on Investments	2,202	0	2,202
Share of Profit of Controlled Entity	231	0	231
Trading Activities	0	476	476
DfID Grant in Aid	13,396	0	13,396
DfID Shipping Subsidy	4,972	0	4,972
DfID Development Aid	0	9,836	9,836
Other Development Aid	46	1,287	1,333
Non-exchange Donated Asset Funding	41	0	41
DfID Airport Infrastructure Funding	53,495	0	53,495
DfID Wharf Funding	9,452	0	9,452
<b>Total Revenue</b>	<b>93,092</b>	<b>15,094</b>	<b>108,186</b>
<b>EXPENDITURE</b>			
Health and Social Welfare	6,080	15	6,095
Education and Employment	2,759	65	2,824
Environment and Natural Resources	3,673	6,648	10,321
Economic Development	1,623	711	2,334
Public Sector Pensions	1,987	0	1,987
Benefit Payments	1,934	0	1,934
Police	1,330	105	1,435
General Public Service	6,210	772	6,982
Shipping	3,768	0	3,768
Trading Activities	0	334	334
Bulk Fuel Installation	0	3,623	3,623
<b>Total Expenditure</b>	<b>29,364</b>	<b>12,273</b>	<b>41,637</b>
<b>SURPLUS FOR THE PERIOD</b>	<b>63,728</b>	<b>2,821</b>	<b>66,549</b>



## Statement of Trust Fund Movements for the year ended 31 March 2014

	Balance as at 1 Apr 2012 £	Receipts in year £	Payments in year £	Balance as at 31 Mar 2013 £	Receipts in year £	Payments in year £	Balance as at 31 Mar 2014 £
Alexander Bequest Fund	1,381	25	(11)	1,395	20	(13)	1,402
Arnold Memorial Xmas Gift Fund	495	9	0	504	7	0	511
Arnold Memorial Hospital Trust Fund	6,303	389	(339)	6,353	295	0	6,648
Bain Gray Prize Trust Fund	1,330	24	0	1,354	17	0	1,371
Bovell Trust Fund	1,247	23	(22)	1,248	17	(26)	1,239
Leslie & Ted Moss Trust Fund	2,122	269	(328)	2,063	205	(348)	1,920
Solomon's Trust Fund	14,443	44	0	14,487	34	0	14,521
	<b>27,321</b>	<b>783</b>	<b>(700)</b>	<b>27,404</b>	<b>595</b>	<b>(387)</b>	<b>27,612</b>
Defined Contribution Pension Scheme	<b>107,274</b>	<b>116,550</b>	<b>(163,972)</b>	<b>59,852</b>	<b>142,860</b>	<b>(172,897)</b>	<b>29,815</b>
Eliza Mary Lloyd Trust Fund	<b>3,056</b>	<b>410</b>	<b>(27)</b>	<b>3,439</b>	<b>122</b>	<b>0</b>	<b>3,561</b>
<b>Total</b>	<b>137,651</b>	<b>117,743</b>	<b>(164,699)</b>	<b>90,695</b>	<b>143,577</b>	<b>(173,284)</b>	<b>60,988</b>

Disclosure of the operation of the Trust Funds with the annual Financial Statements is made in accordance with the Public Finance Ordinance 10(1)(c). These funds are not owned by SHG therefore do not form part of the Consolidated Fund. Fund balances are held with Bank of Saint Helena.

SHG through the trust deeds of each Trust Fund is designated as the trustees of these Funds. Funds are managed in accordance with the details outlined in the trust deeds and can only be used for the intended purposes stated in the trust deeds.

The Defined Contribution Pension Scheme is a Trust Fund established by SHG. The bank balance and related liability is disclosed in the Statement of Financial Position.

