



St Helena Government

Financial Statements

2012-2013

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAINT HELENA GOVERNMENT

I have audited the financial statements of the Saint Helena Government for the year ended 31 March 2013 under the Public Finance Ordinance 2010. The Saint Helena Government financial statements comprise the Statement of Financial Performance, the Statement of Financial Position, the Statement of Changes in Net Assets, the Statement of Cash Flows, the Statement of Comparison of Budget and Actual Amounts, 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 and being satisfied that they present fairly the financial position, financial performance, and cash flows of the Saint 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 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 adverse audit opinion.

Basis for adverse opinion

Non-consolidation of subsidiary bodies

The Saint Helena Government has control, from an accounting perspective, either by direct shareholding (subsidiaries) or through appointment of board membership of several bodies. These bodies include the Bank of St Helena, Solomon & Company (St Helena) PLC, Enterprise St Helena, the St Helena Fisheries Corporation, the St Helena National Trust, the St Helena News Media Service and the St Helena Line Ltd. The accounts of these bodies have not been consolidated with those of the Saint Helena Government as required by IPSAS 6, *Consolidated and Separate Financial Statements*.

I cannot accurately quantify the effects of these omissions on the Accounts (due to not having the necessary information to calculate the adjustments that would arise from aligning accounting policies, as required to provide a consolidated view). The expected impact is an understatement of net assets (approximately £12.4m) and financial performance (recalculated to exclude transactions internal to the group).

The Saint Helena Government has acknowledged in the accounting policies Note 1(a) that non consolidation is not in compliance with IPSAS 6.

Eligibility of social benefit payments

Saint Helena Government is responsible for the payment of Social Benefits, primarily through Income Related Benefit and Basic Island Pension. Payments of these two benefits in the year to 31 March 2013 were £1.839 million (£1.666m to 31 March 2012). I was unable to obtain sufficient appropriate audit evidence about the accuracy and eligibility of such payments because the Health and Social Welfare Directorate does not request or hold evidence of eligibility. I was therefore unable to determine whether any adjustments to these amounts were necessary.

Inventory holdings

The reported inventory in Note 11 amounting to £2.068m at 31 March 2013 (£1.954m as restated 31 March 2012) excluded allocated stores with an estimated value of £1.127m at 31 March 2013 which had been held by the Infrastructure and Utilities Division and charged to expenditure on acquisition. IPSAS 12 requires that inventory is recognized as an asset and expensed when the stores are utilized and related revenue is realized. Accordingly reported net assets are understated to the extent of this allocated inventory.

The audit evidence available to me was limited because I did not observe the counting of the physical stock as at 31 March 2013. Owing to the nature of the Governments records, and inadequate stock taking arrangements, I was unable to obtain sufficient appropriate audit evidence regarding the stock quantities by using other audit procedures.

Basis for qualified regularity opinion

The Bulk Fuel Installation (BFI) is an activity of Government undertaken without statutory cover through an Ordinance or Special Fund. Accordingly these transactions and balances are deemed to form part of the Consolidated Fund but expenditures and revenues in relation to the BFI are without estimate provision or legal authority under an Appropriation Ordinance.

My regularity opinion is further qualified as the BFI reserve balance amounting to £3.796m at 31 March 2013 (£3.817m as restated 31 March 2012) is unlawfully reported within Special Funds in the Statement of Financial Position and Note 21 rather than within Consolidated Fund.

Adverse opinion on the financial statements

In my opinion, because of the significance of the matters described in the basis of adverse opinion paragraphs, the financial statements do not present fairly the financial position of Saint Helena Government and its subsidiaries as at 31 March 2013, and their financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Qualified opinion on regularity

Except for the incurrence of expenditure without authority in respect of the Bulk Fuel Installation and the unlawful classification of its reserve, 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; and
- the accounts and financial statements have been prepared in accordance with all relevant laws and policies.

Emphasis of matter – divestment of utility services

In forming my opinion on the financial statements, which is modified, I have considered the adequacy of the disclosures made in Note 25 to the financial statements concerning the divestment of utility services to a controlled company Connect St Helena with effect from 1 April 2013. The transfer of these assets, revenues and expenditures represents a discontinued operation from the perspective of the separate financial statements of the Government of St Helena.



Phil Sharman CPFA CA
Chief Auditor for St Helena

29 October 2015

St Helena Audit Service, Jamestown, St Helena

FINANCIAL SECRETARY'S REPORT INTRODUCTION

I have pleasure in presenting the Financial Statements of the Government of St Helena for the financial year ended 31 March 2013. The Financial Statements are reported under the authority of the Constitution of St Helena 2009, section 109. This is the second reporting year since the accruals basis of accounting was adopted by SHG in 2011/12. The Financial Statements are prepared in accordance with International Public Sector Accounting Standards (IPSAS) with the exception of one area where we have not complied with regard to consolidating SHG's accounts with subsidiaries and have made this clear in the accounting policies.

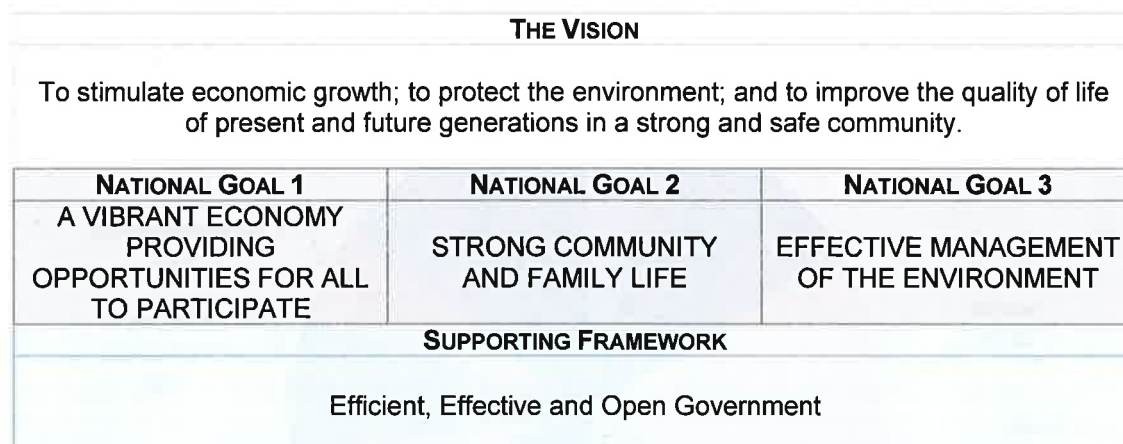
It is acknowledged that we are behind on our financial reporting, and this is due to the substantial amount of technical work required to ensure that the Financial Statements comply with IPSAS. A recovery plan has been prepared and agreed with the Chief Auditor to get the reporting back on track with the 2015/16 Financial Statements being completed within the expected timeframe. Additional resources have been secured to ensure the delivery of the plan.

STRATEGIC PRIORITIES

Saint Helena's Sustainable Development Plan (SDP) is the highest level planning document. It sets out the strategic vision for the island over the next three years which is to:

"STRENGTHENED COMMUNITY AND FAMILY LIFE THROUGH VIBRANT ECONOMIC GROWTH, WITH OPPORTUNITIES FOR ALL TO PARTICIPATE, WITHIN A FRAMEWORK OF EFFECTIVE GOVERNMENT AND LAW."

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, such as Health, Education and Social Services. The diagram below shows the national framework:



This being the second year of the 'Outputs' basis of presentation we now have a comparative presentation showing last year's budget figures against the current year's. However due to some functions previously undertaken by one directorate being transferred to another, there is some loss of comparability between the current and previous years.

PERFORMANCE

Budget development

The 2012/13 budget was approved in March 2012 by Legislative Council and was developed through the Medium Term Expenditure Framework (MTEF) process. Following confirmation in November 2011 of the award of the airport contract, strategic priorities have been adjusted to put economic development to the forefront and front line services such as Education, Social Services and Health. Councillors were faced with difficult decision of which services should be included and which should be dropped in order to support strategic priorities whilst remaining within the funding limits. The budget process was again led by Council and they took full responsibility for the process.

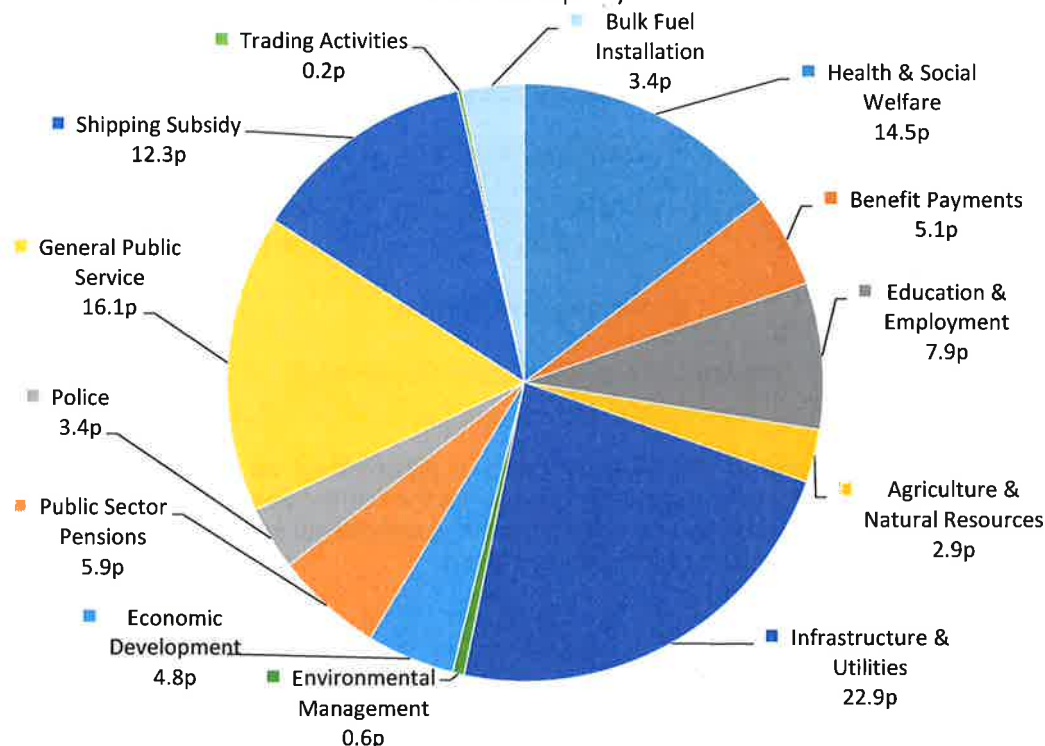
The Development Assistance Planning Mission (DAPM) visited in February 2012 and following a series of discussions with the Governor, Elected Members, Directors, other SHG officials, the private sector and civil society organisations an aid settlement for 2012/13 was agreed with an indicative settlement for the two subsequent years. This was documented in the Aide Memoire 2012.

Expenditure estimates

The budget approved clearly separated operating expenditure, capital investment and amounts were appropriated on this basis. The budgets for individual directorates were once again shown on an 'Outputs' rather than an 'Inputs' basis following the change made in the previous financial year. This gave a greater understanding of the costs and outputs of each service within SHG rather the inputs into the process. These Estimates concentrate on what directorates are expected to produce and how much that production will cost. Directors are therefore held more accountable for what they do with the public funds with which they are entrusted.

Composition of actual expenditure

(This chart shows how much was spent on each service area for every £ that was spent)



Source: Statement of Financial Performance

As with any budget, it must be managed and reviewed closely throughout the year and be proactive and reactive to changes in circumstances, this year was no different and through close monitoring a number of changes were made. This is summarised in note 5 being a comparison of budget and actual amounts for 2012/13.

We have assessed the actual expenditure against budgeted expenditure during the financial year and explained the significant variances. Our ability to execute appropriated expenditure is an important factor in delivering these key services that was planned for the year. The overall variance of actual expenditure compared to original budget for this financial year is within tolerable level.

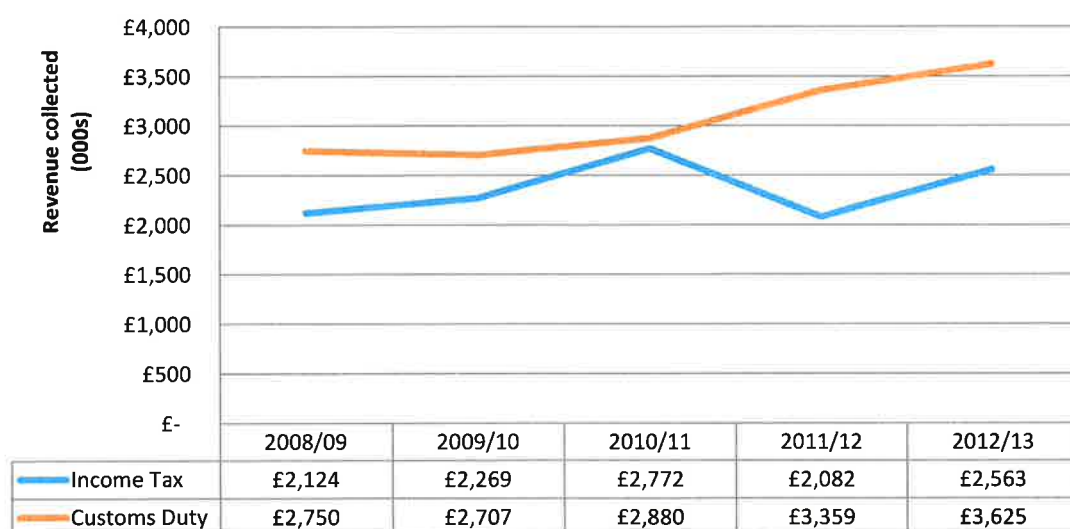
A number of under spends have occurred across a number of areas however the most significant under spend is with the subsidy payments to St Helena Line for the running of the RMS St Helena. As the St Helena Airport project continues to develop it is anticipated that we will continue to see positive results, through increased usage, on the subsidy required to operate the RMS St Helena.

Revenue estimates

Revenues continued to grow during the financial year both on customs duty and income tax. Revenue budgets were developed for income tax and customs duty based on a series of detailed discussions and an agreed macro-economic model adjusted for changes in policies planned for adoption during the financial year. 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.

Income tax and Customs Growth

(This chart shows the growth in income tax and customs duties over the last five financial years)



Source: Audited Financial Statements for 2009/10, 2010/11 and Note 3 to the 2012/13 Financial Statements

The chart above shows the growth in local income tax and customs revenues over the past five years. The movement in Income tax during the years 2010/11 to 2012/13 takes account of changes in tax policies during that period.

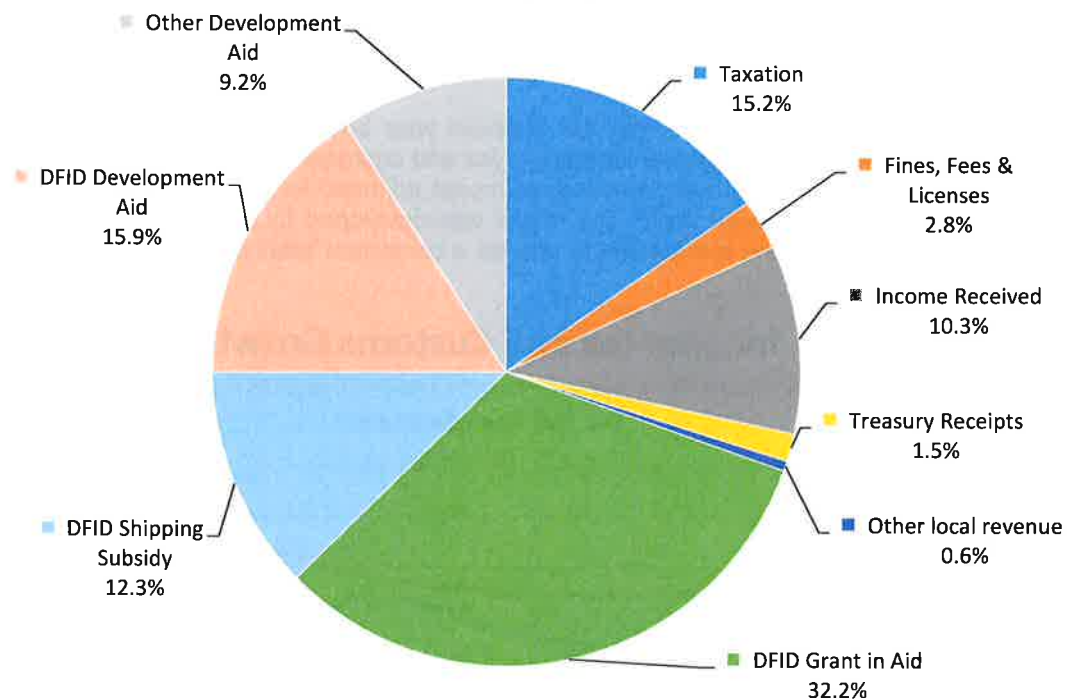
Work continues on developing changes to import duties. During this financial year we continued with the policy to equalise customs duty rates on petrol and diesel with the duty on petrol lowered

from 43p per litre to 39p and the duty on diesel increased from 10p per litre to 17p. This policy to equalise the rates of duty on petrol and diesel will continue over the next two years.

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.

Composition of revenue local and non-local revenue

(This chart shows the proportion of revenue received from each funding source during the year)



Source: Note 3 to the 2012/13 Financial Statements

The Chart above shows revenue received by SHG during the year from each major funding source both local and non-local. It also excludes the recognition of revenue from non-exchange transaction for the St Helena Airport from DfID.

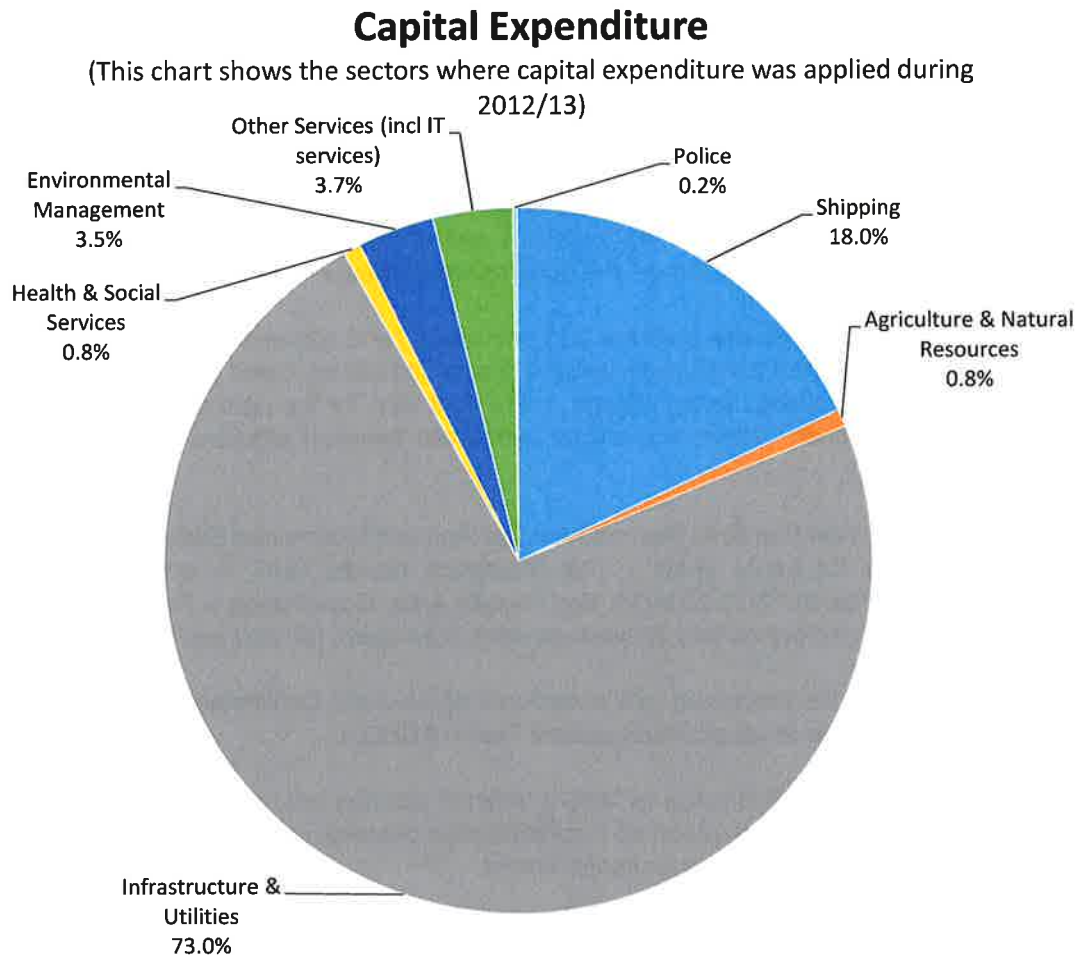
We have also assessed the actual revenue collected against budgeted revenue during the financial year. This allows us to assess the degree to which we have achieved the revenue projected during the budget setting process. Our ability to deliver key services is dependent on our ability to appropriately forecast revenues. Actual revenue collected compared to the original budget for this financial year is 98.8% which is within tolerable level.

Capital Expenditure

During the financial year SHG received financial support from UNDP, DfID and EDF for specific project support for particularly capital projects. In addition to this as part of a previous DAPM visit SHG made a commitment to draw down on the Reserves to further support the capital programme.

During the financial year £0.8M was drawn down from the Consolidated Fund and £0.8M from the Improvements & New Construction Revolving Fund to support the capital projects.

The chart below shows how capital expenditure (excluding Airport Infrastructure expenditure) was applied across SHG.



Source: Notes 6 and 13 to the 2012/13 Financial Statements

In closing I would like to give special thanks to the hard work of the finance team over the six months in pulling together these financial statements.

Colin Owen
Financial Secretary

ANNUAL GOVERNANCE STATEMENT **July 2013 (Reviewed and updated October 2015)**

Introduction

The Chief Secretary, in his/her capacity as Head of the Public Service for St Helena Government (SHG) requires Directors/Accounting Officers to give him/her assurance about the stewardship of their Directorates.

The Governance Statement records the stewardship of SHG to supplement the accounts. It should give a sense of how successfully it has coped with the challenges it faced and achievements gained for the financial year 2012/13. This statement aims to draw together position statements and evidence on governance, risk management and control and to provide a more coherent and consistent reporting mechanism on the governance framework of SHG.

Governance comprises the systems and processes, and cultures and values by which SHG is directed and controlled and through which it is accountable for. Good governance is about ensuring an organisation is doing the right things, in the right way, for the right people, in a timely open and accountable manner. There is a strong correlation between effective governance and effective service delivery.

This is the first year that SHG has produced an Annual Governance Statement, which will be used as a baseline for future years. The Statement assists SHG in achieving the Sustainable Development Plan 2012/13-2014/15, Key Results Area; Governance – *This Island's government is accessible and democratic and delivers services in an open, fair and legitimate manner.*

The final draft of the Statement was considered at the Audit Committee on 24 July 2013, following endorsement by the Strategic Management Team of SHG.

The Saint Helena Audit Service as SHG's external auditors will review the statement alongside of the Statement of Accounts, report on inconsistencies between information reported in the Statement and provide recommendations for improvement.

ANNUAL GOVERNANCE STATEMENT 2012/13

1. Scope of Responsibility

St Helena Government (SHG) is responsible for ensuring that its business is conducted in accordance with the law, approved policies, procedures and standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. SHG also has a duty to make arrangements to secure continuous improvement in the way in which its functions are carried out.

In discharging this overall responsibility, SHG is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

In the year to 31 March 2013 SHG had spent £45,137,000 ¹ (recurrent and capital expenditure) and had a workforce of 807 staff. During 2012/13 SHG also commenced a restructuring programme that

¹ Financial Statements 2012-2013.

will enable services to be delivered through 4 Operational Directorates supported by Corporate Services:

- **Education and Employment** – responsible for educating all compulsory school age children on St Helena and for providing a life-long learning programme for adults. This is done through the following services:
 - Provision of primary and secondary sector education for pupils, including tailor made programmes for special needs pupils;
 - Provision of a life-long learning through appropriately structured programmes developed by the Adult and Vocational Education Service, including an examination centre for international professional and technical examinations; and
 - Provision of the Island's Public Library.
- **Health and Social Welfare** – responsible for delivering primary and secondary care level of health and social welfare to the population of St Helena. This is done through the following services:
 - Community care services which provides primary health care to the public;
 - Medical and nursing services which provides the secondary health care to the public;
 - Elderly and home care services;
 - Pharmacy and Laboratory services which also includes commercial laboratory testing;
 - Dental services to the public;
 - Environmental health services including pest control and sanitary services; and
 - Social care, including financial benefits and social housing assessments.
- **Environment and Natural Resources** – This is a newly structured Directorate that started its restructure late 2012 and will continue through 2013. The ENRD plans to bring together the roles concerned with the management, conservation and regulation of the natural and man-made environment and will include Lands, Buildings, Transport, Infrastructure, Agriculture and Environment. The services provided (and not inclusive to) are:
 - Agriculture production support, including biosecurity, pest management and veterinary services;
 - Forestry production support including firewood harvesting, tree surgery and grounds maintenance;
 - Conservation and sustainable management of the Island's terrestrial, freshwater and marine resources;
 - Environmental risk management and education;
 - Endemic plant species and habitat management and restoration;
 - Land disposal and registration;
 - GIS services;
 - Building Regulations control;
 - Land planning and development applications; and
 - Provision and maintenance of St Helena's road network.
- **Police** – responsible for the protection/preservation of life and property and promote a safe and secure environment. This is done through:
 - Reducing crime, including provision of a prison and probation service
 - Improving public safety, through delivering community beat, rehabilitation programmes, traffic management and vehicle testing.

- Emergency services and disaster management including fire and sea rescue response; and
- Immigration and emigration, including processing visas, boarding ships etc.
- **Corporate Services** – to support the Chief Secretary in ensuring the smooth running of the Public Service and delivery of SHG provided services. This is done through:
 - Information and Information Technology management;
 - Financial Management; including St Helena Revenue Management and Postal Services;
 - Human Resource Management;
 - Government/Council Support;
 - Public Relations and Communications;
 - Strategic Planning and Performance Management, including Risk Management;
 - Policy Coordination and Management;
 - Quality Standards provision and management; and
 - Assurance services.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which SHG is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables SHG to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of SHG's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should be realised, and to manage efficiently, effectively and economically.

A Corporate Governance, Roles and Responsibilities paper was drafted during 2012/13, but not finalised. This paper "seeks to clarify the Corporate Governance arrangements and the roles and responsibilities of the various constituent parts of St Helena Government". It sets out SHG's intentions on its structure, how it should formulate policy, make decisions, communicate with its stakeholders and monitor the impact of decisions made. The paper "Corporate Governance – Guidance to Public Officers" was finalised and issued on 1 April 2014.

3. The Governance Framework

Strategic Management Team

In November 2012, the Team for overarching management of the Public Service was restructured, and as a result, a Strategic Management Team (SMT) was formulated. The role of SMT is to:

- Guide SHG strategy and policy priorities;
- Communicate the vision, direction and priorities of SHG to staff and stakeholders;
- Ensure the effective allocation and management of SHG staff and financial resources;
- Monitor and improve SHG's performance, with emphasis on risk management;
- Maintain a system of prudent and effective controls to ensure accountability, consistency, propriety and regularity; and

- Lead the process of change and continuous improvement to maximise efficiency and effectiveness and to enhance capacity to deliver services with value for money.

SMT meets every two weeks and consists of the Chief Secretary as Chair, the Deputy Chief Secretary, Financial Secretary, the Directors of Strategic Policy Planning, Health and Social Welfare, Education and Employment and Environment and Natural Resources and the Chief Executive for Economic Development.

Supporting Senior Management Team – Corporate Management Team

The Corporate Management Team (CMT) is a consultation group for SMT. It is used for:

- Sharing information and expertise;
- Considering actions required for cross-cutting issues;
- Joint problem solving; and
- Building and encouraging corporate behaviour.

CMT meets on a six week basis and consists of SMT (above) and other senior managers such as the Directors of Human Resources, Agriculture and Natural Resources, Environmental Management, Police, Corporate Procurement and Internal Audit.

Audit Committee

The Audit Committee is responsible for assisting the Governor in fulfilling his constitutional responsibility for ensuring strength and best practice within the governance framework, in particular:

- The effectiveness of the SHG's Internal Control system;
- The effectiveness of SHG's approach to Risk Management; and
- Ethical principles – concerning compliance with legal and regulatory requirements and anti-fraud and corruption.

The Audit Committee also provide oversight of the Internal Audit Office. The Audit Committee meets every two months to consider the reports presented by Internal Audit and consist of the Head of Governor's Office as Chair, members with legal and financial background and 3 non-government members.

Council Committees

Whilst the Council Committees are constituted in their own right under the Constitution, they also have responsibility for governance arrangements and strategic management of Directorates under the Public Service. This includes:

- Identifying, examining and endorsing policy formulation;
- Ensuring the agreed strategic priorities are adequately catered for within Directorate Strategic Plans and appropriate resources are allocated;
- Evaluating Directorates progress against agreed performance indicators, their performance in terms of value for money and budget management;
- Examining specific outputs and decisions from the Directorates, Specialists and Assurance Bodies such as the Internal and External Auditors; and
- Examining the implementation and impact of legislation and major policy initiatives to determine their effectiveness and make recommendations for improvement.

During the period under review there were eight Council Committees which comprised of Elected Members:

- **Access and Transport** – Responsible for air and sea access and inland public transport.
- **Tourism and Leisure** – Responsible for tourism, culture and heritage and leisure sports and recreation.

- **Economy and Finance** – Responsible for public finance and economic policy, including revenue, expenditure, economic development and planning, their structures and regulation and monopolies and investments policy.
- **Education and Employment** – Responsible for education (schools, skills, lifelong learning) and employment law and policies
- **Health and Social Welfare** – Responsible for public and environmental health, social services, pensions, health and safety.
- **Home, Civil Society and International** – Responsible for the legal system, media, telecommunications and postal, disaster preparedness, community, non-government organisations, civil society and advice on overseas relations.
- **Infrastructure and Utilities** – Responsible for roads, energy and water.
- **Natural Resources, Development and Environment** – Responsible for agriculture, forestry, fisheries, lands (including Crown Estate, land use, development, housing) and the environment.

Legislative Programme

The Attorney General monitors current and anticipated future demands from Directorates for new legislation, and reports periodically (as necessary) to the Governor in Council. If demands exceed capacity, the Governor in Council determines the prioritisation of work. During 2012 the process of creating and updating laws changed from paper based work to electronic. This enabled SHG to provide up-to-date and easily accessible laws to the public, via the SHG website.

As at December 2012, 13 Ordinances and 39 Legal Notices were issued. This consisted of 24 new pieces of legislation 27 revisions. This included key laws such as the new Media Standards, the revised Immigration Ordinance, Income Tax Regulations and amendments to the St Helena Development Agency Ordinance and Employment Rights Ordinance.

Policy Management

In 2012/13 a Handbook 'Policy Making in St Helena' was published and workshops were held to launch the Policy Making Process. Once an issue has been identified, the Corporate Policy and Planning should be informed and support will be given through the appraisal and public consultation processes. After Economic, Financial, Social and Environmental Impact Assessors sign off the policy, the policy would then be sent to the Executive Council (ExCo) or other appropriate authority for approval. Once a policy has been approved it is implemented and a maintenance plan (to ensure its relevance) is put in place. New policies have followed the policy management framework and will continue to in 2013/14.

For 2012/13 a total of 17 policies (included revised policies) were approved by ExCo.

Risk Management

In 2012/13 Directorates continue to produce a Directorate Risk Register during the Strategic Planning cycle. The risks were based on the Strategic Objectives that Directorates planned to achieve for the year. A Corporate Risk Register was also derived from the Directorates' high level risks. Whilst Directorates complete their risk mitigation plans, no monitoring mechanism was established during this year to evaluate and revise mitigation plans as circumstances change. An Annual Risk Management Report will be produced at the end of the financial year that will report on implementation.

Risks now form part of the Monthly Corporate Performance Report. The new report will be used in 2013/14 and will be discussed at Strategic Management Team meetings on a monthly basis. Progress will be presented to the Audit Committee.

Performance Management

The 2012/13 Directorate Strategic plans were linked directly to the Sustainable Development Plan 2012/13-2014/15. Key Performance Indicators (KPIs) derived from the Directorate Strategic Plans were reported on monthly, with the remaining Directorate Strategic Plan indicators been reported on quarterly. The Monthly Corporate Performance Report was discussed at Corporate Management Team meetings. A full Corporate Performance Report for 2012/13 will also be compiled and published. A new monitoring system was developed and piloted during this year and will be used in 2013/14. The new system incorporates KPIs (corporate indicators identified by the Strategic Management Team) Key Corporate Risks and performance indicators identified during the annual DAPM.

67% of indicators (including KPIs) gained a green rating, 14% an amber rating and 18% a red rating. It was difficult during the first half of the year to analyse some information given and/or assess progress against some targets as the narrative given did not match the target indicator. As a result CPP met with the Responsible Officers to ensure that they were clear about what they should be reporting on. There were a few areas where progress was slow, these were monitored closely and discussions were held with responsible persons to gain a better understanding of the issues that hampered progress. There was also difficulty in obtaining monthly and or quarterly updates and reports were finalised after the agreed deadlines as a result. The performance report that was used in 2012/13 had 57 indicators (including KPIs) this has now been reduced to 18 KPIs in the new format and therefore we anticipate that response rates should be better and the system should be more manageable.

Budget Management

At the start of the year, Directors (Accounting Officers) who have the overall responsibility for their Directorate budgets were required to produce phased budgets against their approved budget allocations. That is forecasting how they plan to spend the money throughout the year and indicate when revenue would be received. This was provided to Finance who has the overall responsibility of monitoring SHG's expenditure and revenue. Regular monitoring of expenditure is essential; not just to verify expenditure against target but also to identify changing patterns or circumstances that need corrective action. Each month Finance produced a set of Management Accounts that compared budget with actual expenditure/revenue and to explain any material variances. There are no set parameters for obtaining material variances; it depends on the correlation of the total value of the budget to the value of the variance. The monthly Management Accounts is presented on a monthly basis to the Economy and Finance Committee, to the Department for International Development (DfID) and published on the SHG website.

During the preparation of December's Management Accounts, Directorates were also required to review their forecast figures for periods January to March 2013. This provided SHG with an early indication of what is the potential year-end financial position. It also allowed SHG to reallocate monies from functions that planned to under-spend their budget to functions that would overspend. This was included in the Supplementary Appropriation Bill that was approved/enacted on 12 March 2013.

To ensure accurate information was being reported, Directorates submissions were reviewed and challenged by Finance where the level of detail for variances explanation warranted a more detailed explanation. More accurate forecasting of budgets and a better understanding of what has been submitted as phased budgets under accruals accounting is needed by all directorates. Directorates are encouraged to come forward to Finance for assistance, when there is uncertainty with the process.

Main Accounting System Process

The Main Accounting System is set up to record SHG's expenditure and revenue as well as capturing all assets and liabilities of SHG. The data processed from this system is reflected in the SHG Management Accounts, which provides the Income and Expenditure and Balance Sheet for SHG for the month end. For 2012/13 SHG used the accounting software package Access Dimensions to manage the System.

The System incorporates various financial modules i.e. Sales (Debtors), Purchases (Creditors) and the Nominal (i.e. Fixed Assets, Suspense Accounts and Control Accounts, Accruals and Prepayments). Each month the Finance Directorate performed various checks and reconciliations on these modules to ensure records and figures agreed; and used a month-end checklist as confirmation. For example; the 'Age Creditors Report' (list of suppliers' statement balances) was checked against the Bank Automated Clearing System (BAC)'s Report to confirm payments were made to the correct persons; and cash book balances within the System is checked against the statements provided by Bank of St Helena and Crown Agents.

With exception of the Fixed Asset Register, the month-end reconciliations and checks were carried out during 2012/13. Improvement is needed to ensure the checklists are complete, which provides audit trails of processes. The Fixed Assets Register within Asset Manager System was not kept up to date during 2012/13 and to provide the monthly Management Accounts, Fixed Asset purchases recorded in the Access Dimensions package was used.

4. Review of Effectiveness

SHG is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Senior Officers and Directors, who are responsible for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also comments made by the external auditors.

Management Review

An assurance survey on the effectiveness of bodies with comprehensive responsibility of governance arrangements for the Public Service was undertaken through completion of Self Assessments. A summary on the management of Teams/Committees is given below.

Annual Governance Statement – Team/Committee Self Assessment Summary	
Section	Arrangement in place
Role and Remit The area of work that the Team/Committee is responsible for. This includes having a Terms of Reference that covers all responsibilities, sufficient membership, authority and resources to carry out this work effectively.	60%
Membership, Induction and Training To ensure the Team/Committee has clear understanding of their role, including appropriate skills and experience.	54%
Meetings and Administration To ensure the Team/Committee meets regularly and their agenda throughout the year covers all elements of the area of their responsibility. Results of the minutes are shared appropriately.	96%
Strategic Direction To ensure appropriate actions are undertaken that leads to the achievement of St Helena's goals. This is done through monitoring progress of performance indicators, budgets and against actual expenditure and risk management.	63%

Assurance was also sought from the Directors regarding the effectiveness of the key controls within their areas of operation. The assurances are obtained via an 'Annual Governance Statement – Self Assessment' which is required to be completed in full and with due diligence by each Director. Internal Audit then undertakes a sample check of the completed self assessments and supporting evidence to determine the level of assurance that can be placed on the returns.

A summary of the key controls in operation is given below:

Annual Governance Statement – Self Assessment Summarised for SHG	
Section	Controls in Place
The Control Environment The Control Environment provides the direction, discipline and structure for an organisation, and in this case SHG. It establishes the objectives, ensures the statutory, mandatory and discretionary requirements are met and influences the flow of communication and information within SHG.	
a) Integrity and Ethical Values – An essential component of the control environment, as these values set the tone for the conduct of the business	85%
b) Commitment to Competency – The competence levels for all jobs within SHG is assessed and staff in post have the requisite knowledge and skills to enable them to do a good job.	80%
c) Organisational Structure – SHG's organisational structure provides the framework within which its activities for achieving SHG objectives and mandatory obligations are planned, executed, controlled and monitored.	89%
d) Devolved Responsibility – This component includes the assignment of authority and responsibility for operating activities as well as establishing reporting relationships and authorisation protocols.	100%
e) Information and Communication – Relevant information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. Effective communication must also occur in a broader sense, flowing down, across and up the organisation.	76%
Identification of Key Risks to the achievement of Objectives Risks affect an organisation's ability to maintain financial strength, positive public image and the overall quality of its services and people. Risk assessment represents the identification and analysis of relevant risks to achieving objectives. Management must focus carefully on risks at all levels of SHG and take necessary actions to manage them. Risks should be identified and assessed at both Strategic and Operational level.	
a) Objectives (Strategic and Directorate) – By setting objectives at both Strategic and Directorate levels, SHG can identify critical success factors. SHG's objectives are defined within the Sustainable Development Plan (SDP), which sets out the key activities to ensure that SHG's goals are attained. These strategic objectives must be broken down into Directorate Objectives, consistent with the overall strategy and linked to activities throughout SHG. Directorate objectives need to be clear and readily understood by the people taking actions and responsibility for their achievement and they must be measurable.	86%
b) Managing Change – As SHG's activities evolve, the internal control system requires change because an effective system under one set of conditions will not necessarily be effective under another. Mechanisms to manage change should be forward looking so SHG can anticipate and plan for significant changes. Fundamental to risk assessment is a process to identify changed conditions and take actions as necessary.	55%

Annual Governance Statement – Self Assessment Summarised for SHG	
Section	Controls in Place
Identifying and Evaluating Key Controls to manage Key Risks Control activities are the policies and procedures used to ensure objectives are met. Control activities vary depending upon the nature of the risk mitigated and are carried out to ensure that the risks are minimised to an acceptable level.	
a) Policies and Procedures – Control activities usually involve two elements; a policy establishing what should be done and procedures to affect the policy. Regardless of whether a policy is written, it must be implemented conscientiously and consistently. A procedure should not be used if performed mechanically without a continuing focus on conditions to which the policy is directed.	79%
b) Control Activities in place – Control activities are a significant part of the process by which SHG strives to achieve its objectives. Control activities serve as mechanisms for managing and mitigating risks, thereby enabling the achievement of objectives. Control is built directly into processes and always relates back to the risk it was designed to mitigate.	66%
Obtaining Assurance on effectiveness of Key Controls All systems need to be monitored – a process that assesses the quality of the system's performance over time. This is accomplished through on-going monitoring activities, separate evaluations (audits) or a combination of the two. Any control deficiencies should be reported to management, with serious matters reported to the Strategic Management Team.	
On-going monitoring	85%

Internal Audit

The Annual Internal Audit plan of work is agreed by the Audit Committee and shared with the Corporate Management Team. The plan was created follow review of the previous year's work, the annual risk assessment and issues raised by Senior Officials. On a bi-monthly basis, Internal Audit provides a report to the Corporate Management Team on the progress of agreed recommendations.

An Annual Assurance Statement is drawn up at the yearend based on the work undertaken. The table below shows the internal audit reviews for 2012/13.

Audit Area	Assurance Level Provided
Cross Cutting – Information Management and Decision Making	Limited
Cross Cutting – Risk Management Assessment	Limited
Energy Division and Transport Division – Fuel	Full
Finance – Core Financial Systems (Creditors, Debtors, Payroll, Cash & Petty Cash, Fixed Assets)	Limited
Human Resources – Human Resource Activities	Full
Human Resources – Official Secrets Declaration	Limited
Information Technology – IT Security Controls	Limited
Corporate Support – Insurance Policy	Full
Corporate Support – Port Management	Full
Corporate Support – Compliance with Harbour Ordinance	Limited
Health and Social Welfare Directorate – Social Benefits Payments	Full
Health and Social Welfare Directorate – Health Strategy Equipment Check and Verification	Limited

Audit Area	Assurance Level Provided
All Directorates - Financial and Operational Control Testing	Full

5. Significant Governance Issues

In terms of internal controls there have been areas where weaknesses have been identified through the Directorates, Teams/Committees Self Assessments, summary work and Internal Audit. See table below.

	Issue	Action	Responsible Officer	Target for completion
1	Whilst staff are aware of the need to declare conflict of interest, but only on discretionary basis staff completes an annual statement. There is no Policy and procedure in place to guide SHG on conflict of interest.	Create a Policy and Procedure for SHG Conflict of Interest that defines the different type of conflict (including perceived conflict) and implement. <i>Note work has started in this area with the HRIS System containing the statement.</i>	HR Support Executive and Head of Internal Audit	December 2013
2	With a shortage of qualified staff (including time taken to train) and staff movement as a result of restructuring, succession planning is difficult to implement. Cross-training into different functions often takes place to ensure continuation of operations. A Workforce Strategy was created June 2012 and was accepted in principle by CMT. Directorates were required to provide their priorities for the year, however due to difficult circumstances did not submit this.	To implement the strategy through identifying Directorate priorities for the year.	HR Workforce Planning	On-going
3	To an extent staff are aware of the potential risks that may impact an activity if the appropriate controls are not implemented. There are different approaches to covering this governance element – procedures, allocating risk manager etc	Confirm SMT understanding of this element and agree appropriate actions as a result. Actions could include briefing of Directorates' senior management teams.	Directorates with support from CPPU and Internal Audit.	

	Issue	Action	Responsible Officer	Target for completion
4	Risk Registers are not evaluated or formally monitored on a regular basis.	Complete The new Corporate Performance Report System for 2013/14, evaluates Corporate Risks on a monthly basis, whilst Directorates are required to monitor and report on Directorate Risk Registers on a quarterly basis.	CPPU	N/A
5	Whilst Directorates use their risk registers and hold weekly meetings to discuss progress in activities, most Directorates agree that further refinement to process can be made that identifies any routine activity that could impact SHG achieving its strategic and directorate level objectives.	Issue to be presented to SMT for discussion. Possible action that could take place is creating early warning indicators in procedures and create an escalation process.	Directorates with support from CPPU and Internal Audit	31 March 2014
6	There are no continuity/contingency plans in place in case there are service disruptions through natural disasters, ICT failures or reallocation of staff.	Directorates to create continuity/contingency plans. This action has a potential cost factor included. This will need to be calculated and SMT to make decision on the level of risk it will take regarding implementation.	Directorates.	31 March 2014
7	Not all Teams/Committees had clear roles and responsibilities for the year.	Terms of References are reviewed and revised to reflect the roles and responsibilities of its members.	Chairs of SMT, CMT, Council Committees	31 March 2014
8	Council Committees do not summarise the work undertaken during the year that confirms how well its strategic management and policy considerations shaped SHG's goals and objectives.	Council Committees to provide annual summaries against the work undertaken during the year that impacts SHG's goals and objectives.	Council Committees	On-going

	Issue	Action	Responsible Officer	Target for completion
9	Not all Team/Committee members are provided with an adequate induction and training to improve their competency as members.	It is recommended that induction into the role and responsibilities required of the Team/Committee is taken place (especially if terms of reference are revised). On a regular basis, a skill self-assessment should be undertaken by members to identify any training needs to improve their competency.	Chairs of SMT, CMT, Council Committees	31 March 2014
10	Forecasting of budgets is not as accurate as hoped to anticipate the year-end financial position. Accounting Officers need to ensure their Directorates comply with the Budgetary and Financial Regulations and procedures.	Budgetary and financial regulations and procedures to be complied with.	Directors (Accounting Officers)	Immediate

Over the coming year, SHG will take steps to address the above issues to further enhance its governance arrangements and will monitor their implementation as part of the next annual review.

6. Certification

The Governance Framework as described above was in place in the Government of St Helena for the year ended 31 March 2013. Whilst this statement was originally signed in July 2013, it has been updated and reissued to coincide with the date of approval of the Financial Statements.

Signed

Gillian Francis

Gillian Francis
(Acting) Chief Secretary/ Head of the Public Service
St Helena Government

29/10/15

Date



Statement of Financial Performance for the year ended 31 March 2013

2011/12 (restated) £000		Note	2012/13	
			£000	£000
REVENUE		3		
5,441	Taxation		6,188	
862	Fines, Fees & Licenses		1,123	
121	Earnings Government Departments		101	
3,910	Income Received		4,199	
476	Treasury Receipts		619	
258	Trading Activities		89	
12,100	DfID Grant in Aid		13,060	
5,213	DfID Shipping Subsidy		5,000	
4,737	DfID Development Aid		6,461	
47	Other Development Aid		3,719	
40,478	DfID Airport Infrastructure Funding		67,781	
73,643	Total Revenue			108,340
EXPENDITURE		4		
6,006	Health & Social Welfare		5,229	
1,739	Benefit Payments		1,839	
2,828	Education & Employment		2,848	
1,462	Agriculture & Natural Resources		1,027	
6,185	Infrastructure & Utilities		8,241	
0	Environmental Management		227	
1,433	Economic Development		1,715	
1,013	Public Sector Pensions		2,115	
1,117	Police		1,232	
6,703	General Public Service		5,811	
4,583	Shipping Subsidy		4,428	
85	Trading Activities		77	
1,353	Bulk Fuel Installation		1,222	
34,507	Total Expenditure			36,011
39,136	Surplus for the Financial Year			72,329



Statement of Financial Position as at 31 March 2013

2012 (restated) £000		Note	2013 £000	2013 £000
ASSETS				
Current Assets				
5,479	Cash and Cash Equivalents	8	5,970	
8,312	Current Investments	9	6,400	
1,585	Receivables	10	1,468	
1,954	Inventories	11	2,068	
31,770	Prepayments	12	49,415	
813	Other Current Assets		208	
<u>49,913</u>				65,529
Non Current Assets				
422	Receivables	10	284	
20,816	Property, Plant and Equipment	13	78,968	
<u>21,238</u>				79,252
71,151	Total Assets			144,781
LIABILITIES				
Current Liabilities				
2,270	Payables	14	3,128	
228	Provisions	15	0	
685	Staff Benefits	16	639	
<u>3,183</u>				3,767
Non Current Liabilities				
35,307	Pension Liabilities	18	38,339	
27	Other Liabilities		0	
<u>35,334</u>				38,339
38,517	Total Liabilities			42,106
32,634	NET ASSETS			102,675
RESERVES				
21,144	Consolidated Fund	21		92,969
11,490	Special Funds	21		9,706
<u>32,634</u>				<u>102,675</u>

D. Owen

Colin Owen
Financial Secretary

29/6/15

Date



Statement of Changes in Net Assets/Reserves for the year ended 31 March 2013

	Consolidated Fund £000	Special Funds £000	Total Reserves £000
Balance at 1 April 2011 as previously reported	(21,530)	12,776	(8,754)
Prior Period Error - DfID grant recognition		(823)	(823)
Recognition of Bulk Fuel Installation		3,806	3,806
Derecognition of carrying value of RMS St Helena	(749)		(749)
Balance at 1 April 2011 as restated	(22,279)	15,759	(6,520)
<u>Changes in Net Assets/Reserves:</u>			
Capital Grant Received	19		19
Surplus/(Deficit) for the period	41,301	(2,571)	38,730
Transfers	(1,074)	1,074	0
Prior Period Error - Recognition of Payables	(65)	(51)	(116)
Prior Period Error - Property, Plant & Equipment	3,242	(3,243)	(1)
Prior Period Error - DfID grant recognition		522	522
Balance at 31 March 2012 as restated	21,144	11,490	32,634
<u>Changes in Net Assets/Reserves:</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
Balance at 31 March 2013	92,969	9,706	102,675



Statement of Cash Flows for the year ended 31 March 2013

2012 (restated) £000	Note	2013 £000	£000
CASH FLOWS FROM OPERATING ACTIVITIES			
39,136 Surplus for the year		72,329	
(45) Dividend received		(25)	
(323) Interest received		(322)	
<u>Non Cash Movements</u>			
(40,478) Recognition of DfID Airport Infrastructure Funding	4	(67,781)	
1,009 Depreciation	4	1,303	
116 Impairment of Fixed Assets	4	0	
55 (Gains)/losses on disposal and write off of fixed assets	4	(108)	
0 Non-cash expense relating to Defined Benefit Pension Liability	18	791	
0 (Decrease) in Defined Contribution Pension Liability	18	(47)	
0 Derecognition of Trust Funds in year		(27)	
(1,217) Movements in working capital	22	1,137	
(1,747) Net Cash Flows from Operating Activities			7,250
CASH FLOWS FROM INVESTING ACTIVITIES			
45 Dividend Received		25	
(3,486) Capital Expenditure		(9,126)	
39 Proceeds from the Sale of Property, Plant and Equipment		108	
(6,312) (Increase)/Decrease in investments		1,912	
323 Interest received		322	
(9,391) Net Cash Flows from Investing Activities			(6,759)
(11,138) NET CASH FLOW FOR THE FINANCIAL YEAR			491
16,617 Cash & Cash Equivalents at 1 April		5,479	
(11,138) Net Cash Flows		491	
5,479 Cash & Cash Equivalents at 31 March		5,970	

Note: Interest received and interest paid included in surplus for the year.

2012 £000	2013 £000
152 Interest Paid	88



Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2013

The original budget, final budget, expenditure and revenue of SHG's services, reported in the 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	158	181	190	1	1	1
Secretariat	1,153	1,180	1,157	217	230	306
Human Resources	3,306	3,309	3,215	0	0	0
Attorney General's Chambers	69	85	82	17	17	0
Police	731	770	782	196	196	211
Saint Helena Audit Service	80	80	76	91	91	118
Finance	2,504	2,429	2,551	20,025	20,025	20,030
Economic Development	688	688	687	12	12	8
Shipping Subsidy	5,014	5,014	4,458	5,000	5,000	5,000
Education & Employment	2,575	2,598	2,583	379	379	382
Health & Social Welfare	5,567	5,716	5,457	1,849	1,849	1,826
Internal Audit	54	54	54	0	0	0
Agriculture & Natural Resources	1,165	1,174	1,129	278	278	321
Infrastructure & Utilities	5,800	5,546	5,353	4,048	4,048	3,522
Environmental Management	136	137	140	0	0	0
	29,000	28,961	27,914	32,113	32,126	31,725
Pensions and Benefits *	2,879	2,879	2,943	0	0	0
	31,879	31,840	30,857	32,113	32,126	31,725

* 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 Benefits ordinances state that expenditure can be charged directly to the Consolidated Fund, rather than budget being appropriated.

Appropriation Ordinance 2012, enacted by the Governor of St. Helena with the advice and consent of the Legislative Council of St. Helena provided for the services of the financial year 1 April 2012 to 31 March 2013. The Appropriation Ordinance makes up SHG's 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 SHG's 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 5 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 5 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 the Government of St. Helena (SHG) are prepared in accordance with the requirements of section 109(1)(a) of the Constitution for Saint Helena and section 10(1) of the Public Finance Ordinance.

The Financial Statements are prepared in accordance with the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants with the exception of IPSAS 6 *Consolidated and Separate Financial Statements*. This standard requires the Financial Statements of St Helena Government to be consolidated with the Financial Statements of other entities for which the Government has control. We acknowledge that on this basis, the Financial Statements do not fully comply with the requirements of IPSAS however, consolidation is not currently considered to be cost effective in view of the practical 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 24.

This set of Financial Statements reports the second year of the 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 (Taxes and Transfers)*. The specific effect that the transitional provisions will have on the disclosures and presentation of the accounts is 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, which are measured at printing cost in accordance with IPSAS 12.

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 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

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure on the acquisition of an asset, or expenditure which adds to, and not merely maintains, the value of an existing asset is capitalised, provided that it yields benefits to SHG and the services it provides for a period of more than one year.

Capital expenditure can include:

- The acquisition, reclamation, enhancement or laying out of land;
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures; and
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles, equipment and vessels.

In this context, enhancement means works which are intended to:

- Lengthen substantially the useful life of the asset, or
- Increase substantially the market value of the asset, or
- Increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of SHG.

Under this definition, improvement works and structural repairs will be capitalised, whereas expenditure to ensure that the asset maintains its previously assessed standard of performance will not.

A de minimis level of £5,000 (2011/12 £1,000) has been adopted by SHG in relation to recognising capital expenditure. Capital expenditure below this value is charged to the Statement of Financial Performance.

Measurement

Save for the application of transitional provisions of IPSAS 17 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 non-current assets 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 (Electricity and Bulk Fuel Installation) is depreciated over a 25 year period and Infrastructure (Water) is depreciated over 10-50 years.
- 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 the 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.

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 year.

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 2012/13.

d) Assets Under the Course of Construction

Assets Under Construction are valued at the cost of completed works as at the financial reporting date and are disclosed on the Statement of Financial Position. These assets, once completed, will be transferred to completed assets within the class of assets stated above and depreciated over their useful economic life.

The construction of the airport and associated infrastructure has been recorded as Assets under Construction. The value of this asset at the year-end is based on the value of works completed up to end of the financial year.

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 building society floating-rate notes (FRNs) of between 3-5 years maturity are classed as current investments.

g) Financial Instruments

A financial instrument, as defined by IPSAS 15, 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 and cash and cash equivalents held in respect of all public funds of St Helena. 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

Trade receivables are carried at the original invoice amount less an estimate 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.

Trade payables are carried at the original invoice amount.

Housing and house purchase loans are carried at their principal amounts plus interest less an estimate made for doubtful receivables based on an assessment of all outstanding loans at the reporting date.

The fair value of deposits and investments held with Bank of Saint Helena, Crown Agents Bank and Barclays Bank is the amount payable on demand at the reporting date. Funds managed by Crown Agents Investment Management Ltd are disclosed at market value and the movement in market value and interest earned on these funds is accounted for in the Consolidated Fund.

h) Staff Benefits

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

A provision is made for the leave liability. The value of the provision is based on the number of days of deferred leave of each employee, across the public service, multiplied by the rate of pay for a working day.

Provision is released when an employee takes a portion or all of their deferred leave. 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.

i) 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 2013 (2.8% 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.

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.

Re-measurement comprising:

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 – recognised directly in net assets/reserves.

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.

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 defined contribution scheme in accordance with the Trust Deed 2010 under which the scheme has been created. Pension contributions are paid into the scheme by the Government and charged to the Consolidated Fund. Interest earned from the invested funds 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 is recognised as an asset within Cash & Cash Equivalents and the amounts earned by employees as a Pensions Liability.

j) 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 five reserves (see Note 21 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.

SHG's funds and reserves can be distinguished into usable reserves (which can be spent) and unusable reserves (which are necessary under proper accounting practice, but which cannot be spent). SHG's usable reserves consist of the General Reserve and all Special Funds.

k) 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 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 and grant funding from EDF. Taxes have been accounted for on a cash basis whereby revenue is recognised when cash is received. EDF grant received has also been accounted for on a cash basis. The transitional period is up to three years for transfer funding and 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.

The value of the milestone payments for the Airport Contract funded by the UK Government is accounted for as revenue in the Statement of Financial Performance to correspond with the value of the asset under construction. The revenue is then credited to the Airport Infrastructure Reserve and on completion of the asset, will be written off over its useful economic life.

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.

l) Internal Sales Transactions

During the normal course of business, Government directorates provide services to each other for example: electricity, water and 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.

m) 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.

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

International Public Sector Accounting Standard 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. St Helena Government currently has no plan to early adopt any of these standards.

Standard, amendment or interpretation	Period effective
Annual Improvements 2011	2013/14
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 in respect of consolidation of entities under St Helena Government 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 the St Helena Government.

Note 2

Restatement of Prior Period Figures

The comparative figures for the prior period within the financial statements have been revised to correct prior period errors and to reflect changes in accounting policy. The following tables show the movement between the totals in the core financial statements as previously reported within the 2011/12 financial statements and the restated prior period totals for 2011/12 included in these financial statements.

Note 2 (continued)
Restatement of Prior Period Figures

Statement of Financial Performance

	2011/12 (as previously reported) £000	Recog- nition of Bulk Fuel Installation £000	DfID Airport Infra- structure Funding £000	Splitting out Trading Activities Surplus £000	Prior Period Errors £000	2011/12 (as restated) £000
REVENUE						
Taxation	5,463	(22)				5,441
Fines, Fees & Licenses	862					862
Earnings Government Departments	121					121
Income Received	2,352	1,558				3,910
Treasury Receipts	448	28				476
Trading Activities	173			85		258
DfID Grant in Aid	12,100					12,100
DfID Shipping Subsidy	5,213					5,213
DfID Development Aid	4,217				520	4,737
Other Development Aid	47					47
DfID Airport Infrastructure Funding	0		40,478			40,478
Total Revenue	30,996	1,564	40,478	85	520	73,643
EXPENDITURE						
Health & Social Welfare	6,006					6,006
Benefit Payments	1,739					1,739
Education & Employment	2,828					2,828
Agriculture & Natural Resources	1,443				19	1,462
Infrastructure & Utilities	5,950	199			36	6,185
Economic Development	1,433					1,433
Public Sector Pensions	1,013					1,013
Police	1,117					1,117
General Public Service	6,672				31	6,703
Shipping Subsidy	4,553				30	4,583
Trading Activities	0			85		85
Bulk Fuel Installation	0	1,353				1,353
Total Expenditure	32,754	1,552	0	85	116	34,507
Surplus/(Deficit) for the Financial Year	(1,758)	12	40,478	0	404	39,136

Note 2 (continued)
Restatement of Prior Period Figures

Statement of Financial Position

	31 March 2012 (as previously reported) £000	Reclass- ification of Reserves and Funds £000	Recog- nition of Bulk Fuel Installation £000	Change in Account- ing Policy Airport Infra- structure and Invest- ments £000	De-recog- nition of carrying value of RMS St Helena £000	Prior Period Errors £000	31 March 2012 (as restated) £000
ASSETS							
Current Assets							
Cash and Cash Equivalents	11,302		2,489	(8,312)			5,479
Current Investments	0			8,312			8,312
Receivables	1,415		170				1,585
Inventories	1,190		764				1,954
Prepayments	1,019		3	30,748			31,770
Other Current Assets	181					632	813
	15,107	0	3,426	30,748	0	632	49,913
Non Current Assets							
Receivables	422						422
Property, Plant & Equipment	51,715		598	(30,748)	(749)		20,816
	52,137	0	598	(30,748)	(749)	0	21,238
Total Assets	67,244	0	4,024	0	(749)	632	71,151
LIABILITIES							
Current Liabilities							
Payables	1,012		207			1,051	2,270
Provisions	228						228
Staff Benefits	685						685
	1,925	0	207	0	0	1,051	3,183
Non Current Liabilities							
Pension Liabilities	35,307						35,307
Other Liabilities	27						27
	35,334	0	0	0	0	0	35,334
Total Liabilities	37,259	0	207	0	0	1,051	38,517
NET ASSETS	29,985	0	3,817	0	(749)	(419)	32,634
RESERVES							
Consolidated Fund	3,523	15,193			(749)	3,177	21,144
Special Funds	8,817	2,452	3,817			(3,596)	11,490
Capital Reserves	15,193	(15,193)					0
Other Reserves	2,452	(2,452)					0
	29,985	0	3,817	0	(749)	(419)	32,634

Note 2 (continued)
Restatement of Prior Period Figures

Statement of Changes in Net Assets/Reserves

	Consol- idated Fund £000	Special Funds £000	Capital Reserves £000	Other Reserves £000	Total Reserves £000
Balance at 1 April 2011 as previously reported	2,849	10,042	(24,379)	2,734	(8,754)
Reclassification of Reserves and Funds	(24,379)	2,734	24,379	(2,734)	0
Prior Period Error - DfID grant recognition		(823)			(823)
Recognition of Bulk Fuel Installation		3,806			3,806
Derecognition of carrying value of RMS St Helena	(749)				(749)
Balance at 1 April 2011 as restated	(22,279)	15,759	0	0	(6,520)
<u>Changes in Net Assets/Reserves as previously reported</u>					
Capital Grant Received			40,497		40,497
Surplus/(Deficit) for the period	(533)	(1,225)			(1,758)
Transfers	1,207		(925)	(282)	0
Total Changes in Net Assets/Reserves as previously reported	674	(1,225)	39,572	(282)	38,739
<u>Prior Period Adjustments</u>					
Capital Grant Received	19		(40,497)		(40,478)
Surplus/(Deficit) for the period	41,834	(1,346)			40,488
Transfers	(2,281)	1,074	925	282	0
Prior Period Errors	3,177	(2,772)			405
Total Prior Period Adjustments	42,749	(3,044)	(39,572)	282	415
<u>Changes in Net Assets/Reserves as restated</u>					
Capital Grant Received	19				19
Surplus/(Deficit) for the period	41,301	(2,571)			38,730
Transfers	(1,074)	1,074			0
Prior Period Errors	3,177	(2,772)			405
Total Changes in Net Assets/Reserves as restated	43,423	(4,269)	0	0	39,154
Balance at 31 March 2012 as previously reported	3,523	8,817	15,193	2,452	29,985
Balance at 31 March 2012 as restated	21,144	11,490	0	0	32,634

Note 2 (continued)
Restatement of Prior Period Figures

Statement of Cash Flows

	2011/12 (as previously reported) £000	Change in Account- ing Policy Airport Infra- structure £000	Recog- nition of Bulk Fuel Installation £000	Prior Period Errors £000	Reclass- ification of current invest- ments £000	2011/12 (as restated) £000
CASH FLOWS FROM OPERATING ACTIVITIES						
Surplus for the year	(1,758)	40,478	12	404		39,136
Dividend Received	(45)					(45)
Interest received					(323)	(323)
<u>Non Cash Movements</u>						
Recognition of DfID Airport Infrastructure Funding	0	(40,478)				(40,478)
Depreciation	923		86			1,009
Impairment of Fixed Assets	116					116
Fixed Asset Write off	55					55
Increase in Provision for Doubtful Debts	111					111
(Increase)/Decrease in Receivables	(685)		(38)			(723)
(Increase)/Decrease in Other Current Assets	(845)		(7)	(632)		(1,484)
Increase in Payables	165		210	228		603
Increase/(Decrease) in Staff Leave Liability	48					48
Increase/(Decrease) in Other Provisions	228					228
Net Cash Flows from Operating Activities	(1,687)	0	263	0	(323)	(1,747)
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividend Received	45					45
Capital Expenditure	(3,473)		(13)			(3,486)
Proceeds from the Sale of Property, Plant and Equipment	39					39
(Increase)/Decrease in investments					(6,312)	(6,312)
Interest received					323	323
Net Cash Flows from Investing Activities	(3,389)	0	(13)	0	(5,989)	(9,391)
NET CASH FLOW FOR THE FINANCIAL YEAR	(5,076)	0	250	0	(6,312)	(11,138)
Cash & Cash Equivalents at 1 April	16,378	0	2,239	0	(2,000)	16,617
Net Cash Flows	(5,076)	0	250	0	(6,312)	(11,138)
Cash & Cash Equivalents at 31 March	11,302	0	2,489	0	(8,312)	5,479

Note 2 (continued)
Restatement of Prior Period Figures

During 2012/13, St Helena Government revised its accounting policy for recognising DfID airport infrastructure revenue, the carrying amount of the related airport infrastructure asset under construction and the payment in advance to the contractor. The value of the milestone payments for the airport contract funded by the UK Government of £40,478k was previously credited directly to reserves (capital grant), with a corresponding non-current asset being recognised as an asset under construction. IPSAS requires the transfer of an asset under a non-exchange transaction to be recognised as revenue. Revenue in the Statement of Financial Performance for 2011/12 has therefore been restated to include the non-exchange revenue. A new Airport Infrastructure Reserve has been established to clearly identify the funding recognised in relation to the project. IPSAS also requires transferred assets to be recognised at fair value at the date of transfer. The asset under construction recognised as at 31 March 2012 has therefore been restated to equal the value of works completed. The excess of milestone payments made to the contractor in advance of work completed is now recognised as a prepayment.

The Bulk Fuel Installation which is owned by SHG and managed by Solomon & Company (St Helena) Plc under a management agreement, was not reflected in the 2011/12 financial statements. Net assets as at 1 April 2011 and 31 March 2012 have increased by £3,806k and £3,817k respectively as a result of the restatement. The Statement of Financial Performance includes a net increase in revenue of £1,564k and expenditure of £1,552k resulting in additional surplus of £12k. This activity operates on a similar basis to a trading account. No funds are appropriated for operational expenses and income accrues to the fund. Whilst a Special Fund has not been established for this activity, it is disclosed as such in the financial statements on the basis of best fit within the structure of the financial statements.

Prior Period Errors

In 2011/12, no transfers were made to the Capital Reserve to reflect expenditure on Property, Plant and Equipment. Depreciation, impairment and loss on disposal of assets were charged to the Consolidated Fund and depreciation was disclosed as a transfer from the Capital Reserve to the Consolidated Fund. The accounting treatment resulted in inaccurate movements and balances on the individual funds but has no impact on the Statement of Financial Performance or net assets and total reserves disclosed in the Statement of Financial Position.

Prior to 2012/13, DfID grant income was recognised entirely within the period in which the cash funding was received. A corrected treatment has been applied retrospectively from in 2012/13, restating DfID grant income recognised in prior periods. As at 1 April 2011, there was a cumulative reduction in income recognised of £123k and an additional £448k recognised during 2011/12.

Other Presentational Amendments

Reserves were presented under four headings in the 2011/12 financial statements; Consolidated Fund, Capital Reserves, Other Reserves and Special Funds. However, there is statutory authority for St Helena Government to maintain only two forms of reserve funds; the Consolidated Fund and Special Funds. The presentation of reserves has therefore been revised to more appropriately reflect St Helena Government's statutory reserves. The re-categorisation has no impact on the overall reserves total.

Investments held with Crown Agents Investment Management have been reassessed as not meeting the definition of a cash equivalent as they are held by St Helena Government for periods in excess of 3 months. They are however readily convertible and therefore considered to be current investments. For consistency this change in classification has been applied retrospectively. Cash and cash equivalents and current investments have been restated by £2,000k at 1 April 2011 and £8,312k at 31 March 2012. There is no impact on net assets.

Note 3
Revenue by Category

2011/12 (restated)		2012/13	
£000		£000	£000
	<u>Taxation</u>		
1,449	Income Tax (PAYE)	1,560	
270	Self Employed	205	
264	Corporation Tax	390	
0	Service Tax	304	
99	Withholding Tax	104	
855	Customs Duty - Alcohol	796	
663	Customs Duty - Tobacco	715	
356	Customs Duty - Petrol	320	
111	Customs Duty - Diesel	197	
1,374	Other Customs Duties	1,597	
5,441			6,188
	<u>Fines, Fees & Licenses</u>		
19	Stamp Duty	30	
54	Immigration Fees	39	
24	Planning Fees	35	
765	Other Fines, Fees & Licenses	1,019	
862			1,123
121	<u>Earnings Government Departments</u>	101	
121			101
	<u>Income Received</u>		
235	Water Charges	289	
1,920	Electricity Charges	2,025	
1,558	Bulk Fuel Sales	1,597	
197	Other Income Received	288	
3,910			4,199
	<u>Treasury Receipts</u>		
254	Interest Received	312	
150	Currency Fund	150	
0	Gain on Cash Deposits	117	
72	Other Treasury Receipts	40	
476			619
258	<u>Trading Activities</u>	89	
258			89
11,068	Total Local Revenue		12,319

Note 3 (continued)
Revenue by Category

2011/12 (restated)	2012/13	
	£000	£000
12,100 DfID Grant in Aid	13,060	
5,213 DfID Shipping Subsidy	5,000	
4,737 DfID Development Aid	6,461	
47 Other Development Aid	3,719	
40,478 DfID Airport Infrastructure Funding	67,781	
62,575		96,021
73,643 Total Revenue		108,340

Note 4
Expenditure by Category

2011/12		2012/13
(restated)		
£000		£000
9,674	Employee Costs	11,631
903	Property Costs	630
109	Transport & Plant	710
7,724	Supplies & Services	7,625
1,417	Administration Costs	870
9,760	Payments to Other Agencies, Bodies or Persons	9,567
1,706	Other Expenditure	2,205
1,842	Payment to Contractors	1,331
60	Finance & Other	21
1,009	Depreciation	1,303
116	Impairment of Fixed Assets	0
55	Assets Written Off	0
21	Loss on Disposal of Assets	0
111	Provision for Doubtful Debts	118
34,507	Total Expenditure	36,011

Note 5
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- priation £000	With- drawal Warrant £000	Special Warrant £000	Final Budget £000
Governor	158	13		10	181
Secretariat	1,153	27			1,180
Human Resources	3,306	4			3,310
Attorney General's Chambers	69	16			85
Police	731	39			770
Saint Helena Audit Service	80				80
Finance	2,504	58	(133)		2,429
Economic Development	688				688
Shipping Subsidy	5,014				5,014
Education & Employment	2,575	23			2,598
Health & Social Welfare	5,567	149			5,716
Internal Audit	54				54
Agriculture & Natural Resources	1,165	8			1,173
Infrastructure & Utilities	5,800		(255)		5,545
Environmental Management	136	2			138
	29,000	339	(388)	10	28,961
Pensions and Benefits	2,879				2,879
	31,879	339	(388)	10	31,840

The Supplementary Appropriation approved by Legislative Council in March 2013 increased budgets based on the latest available forecast expenditure.

The Withdrawal Warrants, used to finance the above Supplementary Appropriation, were in relation to funding held centrally for market forces supplements and increments (£133k) and an under spend on fuel used in the generation of electricity (£255k).

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. The Special Warrant was in relation to additional funding required for increased electricity usage at Plantation House (£10k). A further Special Warrant of £265k was also issued in year in relation to a settlement of a compensation claim, however this was not included in the final budget as the related expenditure was provided for in 2011/12.

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

Note 5 (continued)
Comparison of Budget and Actual Amounts

	Expenditure			Revenue		
	Final Budget £000	Actual £000	Variation £000	Final Budget £000	Actual £000	Variation £000
Governor	181	190	(9)	1	1	0
Secretariat	1,180	1,157	23	230	306	76
Human Resources	3,310	3,215	95	0	0	0
Attorney General's Chambers	85	82	3	17	0	(17)
Police	770	782	(12)	196	211	15
Saint Helena Audit Service	80	76	4	91	118	27
Finance	2,429	2,551	(122)	20,025	20,030	5
Economic Development	688	687	1	12	8	(4)
Shipping Subsidy	5,014	4,458	556	5,000	5,000	0
Education & Employment	2,598	2,583	15	379	382	3
Health & Social Welfare	5,716	5,457	259	1,849	1,826	(23)
Internal Audit	54	54	0	0	0	0
Agriculture & Natural Resources	1,173	1,129	44	278	321	43
Infrastructure & Utilities	5,545	5,353	192	4,048	3,522	(526)
Environmental Management	138	140	(2)	0	0	0
	28,961	27,914	1,047	32,126	31,725	(401)
Pensions and Benefits	2,879	2,943	(64)	0	0	0
	31,840	30,857	983	32,126	31,725	(401)

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

Expenditure

Finance (£122k over spend) - as a result of increasing the capitalisation threshold from £1k to £5k in 2012/13. Expenditure previously budgeted for under capital has now been accounted for under recurrent expenditure.

Human Resources (£95k under spend) - delays in recruitment to a number of technical co-operation posts.

Shipping Subsidy (£556k under spend) - efficiency savings in the running costs and an increase in revenues of the RMS St Helena led to a reduction in shipping subsidy payments made to St Helena Line.

Health & Social Welfare (£259k under spend) - customs duty payable on medical supplies were less than what was budgeted.

Infrastructure and Utilities (£192k under spend) - lower fuel consumption at the Power Station contributed to the under spend.

Pensions (£64k over spend) - increase in the number of redundancies during the year across SHG and one employee taking early retirement that was not budgeted for.

Income

Infrastructure and Utilities (£526k under recovery) - under collection in electricity, water and drainage charges mainly as a result of an over optimistic population consumption assumed during the budget setting process.

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 5 (continued)
Comparison of Budget and Actual Amounts

	£000
Expenditure as per Management Accounts	30,857
Amounts not included in Management Accounts but included in the Financial Statements	8,254
Amounts included in Management Accounts but not included in the Financial Statements	(3,100)
Expenditure as per the Statement of Financial Performance	<u>36,011</u>
	£000
Revenue as per Management Accounts	31,725
Amounts not included in Management Accounts but included in the Financial Statements	79,386
Amounts included in Management Accounts but not included in the Financial Statements	(2,771)
Revenue as per the Statement of Financial Performance	<u>108,340</u>

Note 6
Segment Reporting

	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		211	782	173		17
Economic Development	8		8	687			
Shipping Subsidy	5,000		5,000	4,458	1,698		1,577
Education & Employment	20	362	382	2,583	12		
Health & Social Welfare	1,428	398	1,826	5,457	441		69
Agriculture & Natural Resources	156	165	321	1,129	92		70
Infrastructure & Utilities	2,729	793	3,522	5,353	8,528		6,193
Environmental Management			0	140	264		306
Other Services	19,874	581	20,455	10,268	44		311
Unallocated Assets and Liabilities					133,529	42,106	50,912
Amounts not included in segment analysis but included in the Financial Statements	79,386		79,386	8,254			
Amounts included in segment analysis but not included in the Financial Statements	(2,771)		(2,771)	(3,100)			
	106,041	2,299	108,340	36,011	144,781	42,106	59,455

Note 7
Employee Costs

The table below provides additional financial and non-financial information about employee costs disclosed in these Financial Statements. It shows the level of contribution made by SHG to employees on the Defined Contribution Pension Scheme (DCS) by directorate and the cost of retirement benefits earned by employees under the Defined Benefits Scheme (DBS). The table also shows the Full Time Equivalent (FTE) of employee numbers for each directorate/ service area.

The FTE is a unit of measure that is used to express employee numbers within a service area. It is based on the number of contracted hours of work and amalgamates full-time employment and part-time employment into one comparable unit of measure. For SHG a FTE is defined as 1,827 hours per annum.

A FTE of 1.0 means that either there is one employee contracted to work on a full-time basis (i.e. 1,827 hours per annum) or there are several employees contracted to work part-time but together make one FTE.

Directorate/ Service Area	Employee Costs		Pensions (DCS)		Pensions (DBS)		Employee Numbers	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000	£000	£000		
Governor's Office	86	102					8.0	9.0
Secretariat	332	285	7	5			33.0	28.3
Human Resources	111	69	3	2			9.0	11.5
Attorney General's Chambers	7	7	4				1.0	1.0
Police	456	526	14	11			50.0	59.0
St Helena Audit Service	53	66		0			6.0	7.3
Finance	374	512	12	5			41.0	43.0
Corporate Procurement	68	91	4	3			7.0	13.4
Tourism	17	77						5.5
Shipping Subsidy	75	50		1				7.0
Education and Employment	1,081	1,121	20	10			126.0	134.7
Health and Social Welfare	1,640	1,859	27	20			198.0	254.5
Internal Audit	38	39					4.0	4.0
Agriculture and Natural Resources	481	654	10	7			60.0	87.0
Infrastructure and Utilities	1,001	1,002	13	6			129.0	140.9
Land, Planning and Environment	83	173		3			13.0	22.0
Trading Activities							33.0	38.0
Bulk Fuel Installation	140	109						
Pension Scheme Payments	2,091	73			1,966	0		
Other Employee Costs	3,497	2,859						
Total	11,631	9,674	114	73	1,966	0	718.0	866.1

Notes:

- 1) Employee costs for Trading Accounts have been netted out on preparation of the Financial Statements and are therefore not included above.
- 2) The FTE numbers given above exclude Technical Co-operation (TC) Officers totalling 89.
- 3) Other Employee Costs includes redundancy payments paid to 16 employees totalling £35k and the cost of long term TC officers.
- 4) The employees of the Bulk Fuel Installation are not included in the Employee Numbers above as they are employed by Solomon & Company (St Helena) Plc.

Note 8
Cash & Cash Equivalents

2012		2013	
(restated)			
£000		£000	£000
1,826	Bank Deposits		1,545
3,529	Crown Agents Bank		5,147
(729)	Overdraft - Bank of Saint Helena		(1,491)
853	Cash		769
5,479			5,970

Note 9
Current Investments

2012		2013	
(restated)			
£000		£000	£000
8,312	Certificates of Deposits		6,400
8,312			6,400

Note 10
Receivables

Amounts falling due within one year

2012		2013	
(restated)			
£000		£000	£000
Trade Receivables:			
150	Utilities	135	
40	Government Landlord Housing	33	
170	BFI Fuel	145	
1,053	Other	900	
<u>1,413</u>			1,213
Receivables from Non-Exchange Transactions:			
17	Income Tax Debtors	16	
<u>17</u>			16
Loans:			
121	Housing Loans	145	
3	House Purchase	4	
92	Staff Advances	201	
50	Other Advances	86	
<u>266</u>			436
<u>1,696</u>			<u>1,665</u>
Less Provision for Doubtful Debts:			
(30)	Trade Receivables:	(67)	
(81)	Loans	(130)	
<u>(111)</u>			(197)
<u>1,585</u>			<u>1,468</u>

Amounts falling due after one year

2012		2013	
£000		£000	£000
Loans:			
412	Housing Loans	309	
10	House Purchase	7	
<u>422</u>			316
0	Less: Provision for Doubtful Loans		(32)
<u>422</u>			<u>284</u>

**Note 11
Inventories**

2012 (restated) £000		2013 £000 £000	
Consolidated Fund:			
194	Pharmacy	209	
0	Stamps	25	
79	Other	80	
273			314
Special Funds:			
81	Information Technology	82	
367	Unallocated Stores	405	
469	Transport	503	
917			990
988	Bulk Fuel Installation		1,090
2,178			2,394
Less Provision for Slow Moving and Obsolete Inventories:			
0	Special Funds	(98)	
(224)	Bulk Fuel Installation	(228)	
(224)			(326)
1,954			2,068

Inventories recognised as an expense in 2012/13:

	£000
Pharmacy	445
Stamps	17
Other	39
Information Technology	56
Unallocated Stores	85
Transport	169
	811

**Note 12
Prepayments**

2012 (restated) £000		2013 £000 £000	
1,022	Other Prepayments		1,215
30,748	DfID Funded Airport Project		48,200
31,770			49,415

Note 13
Property, Plant and Equipment

	Infra- structure £000	RMS St Helena £000	Plant, Machinery & Equipment £000	IT Networks & Equipment £000	Assets Under Construction £000	Totals £000
Cost						
Balance at 1 April 2011 as previously reported	20,090	749	9,403	208	0	30,450
Derecognition of carrying value of RMS St Helena		(749)				(749)
Recognition of Bulk Fuel Installation	1,553		241			1,794
Balance at 1 April 2011 as restated	21,643	0	9,644	208	0	31,495
Additions	75	463	279	20	12,379	13,216
Impairment	0	0	(116)	0	0	(116)
Disposals	(169)	0	(188)	0	0	(357)
Balance at 31 March 2012 (restated)	21,549	463	9,619	228	12,379	44,238
Accumulated Depreciation						
Balance at 1 April 2011 as previously reported	15,761	0	5,737	88	0	21,586
Recognition of Bulk Fuel Installation	1,038		125			1,163
Balance at 1 April 2011 as restated	16,799	0	5,862	88	0	22,749
Charge for year	401	46	527	35	0	1,009
Disposals	(158)	0	(178)	0	0	(336)
Balance at 31 March 2012 (restated)	17,042	46	6,211	123	0	23,422
Net Book Value at 31 March 2012 (restated)	4,507	417	3,408	105	12,379	20,816

Note 13 (continued)
Property, Plant and Equipment

	Infra- structure	RMS St Helena	Plant, Machinery & Equipment	IT Networks & Equipment	Assets Under Construction	Totals
	£000	£000	£000	£000	£000	£000
<u>Cost</u>						
Balance at 1 April 2012	21,549	463	9,619	228	12,379	44,238
Additions	0	1,576	739	7	57,133	59,455
Transferred to completed assets	4,784	0	0	0	(4,784)	0
Disposals	(1,300)	0	(572)	0	0	(1,872)
Balance at 31 March 2013	25,033	2,039	9,786	235	64,728	101,821
<u>Accumulated Depreciation</u>						
Balance at 1 April 2012	17,042	46	6,211	123	0	23,422
Charge for year	400	297	573	33	0	1,303
Disposals	(1,300)	0	(572)	0	0	(1,872)
Balance at 31 March 2013	16,142	343	6,212	156	0	22,853
Net Book Value at 31 March 2013	8,891	1,696	3,574	79	64,728	78,968

Note: Assets Under Construction includes the value of works completed on the DfID funded Airport Infrastructure project. The value of works completed is based upon an engineering assessment performed by Halcrow Project Managers.

Note 14
Payables

2012		2013	
(restated)		£000	£000
£000			
	Creditors:		
116	Trade Payables	1,217	
192	Other	37	
308			1,254
	Deposits:		
111	Currency Fund	49	
65	Other	67	
176			116
474	Accruals		566
	Income Received in Advance:		
348	Income Tax	452	
964	Other	740	
1,312			1,192
2,270			3,128

Note 15
Provisions

2012		2013	
£000		£000	£000
	0 Balance at 1 April		228
228	Provisions recognised		0
0	Provision released		(228)
228	Balance at 31 March		0

Note 16
Staff Benefits

2012		2013	
£000		£000	£000
637	Balance at 1 April		685
48	Increase in provision		127
0	Provision released		(173)
685	Balance at 31 March		639

Note 17
Movement in Provisions

2012 £000		2013 £000
	Balance at 1 April	1,248
	Increase in Specific Provision for Doubtful Debts	118
	Increase in Slow Moving and Obsolete Stocks	102
		220
	Decrease in Provision for Compensation	(228)
	Decrease in Provision for Staff Leave Liability	(46)
		(274)
<u>1,248</u>		<u>1,194</u>

Note 18
Pension Liabilities

2012 £000		2013 £000
	Defined Benefits Pension Scheme:	
	Balance at 1 April	35,200
	Movement in the year due to:	
	Current Service Cost	883
	Past Service cost	0
	Interest Cost	1,083
	Expense for year	1,966
	Benefits Paid	(1,175)
	Actuarial Losses	2,288
<u>35,200</u>	Balance at 31 March	<u>38,279</u>
	Defined Contribution Pension Scheme	
35	Balance at 1 April	107
71	Contributions Received	114
1	Interest Received	2
<u>0</u>	Payments	<u>(163)</u>
107	Balance at 31 March	60
<u>35,307</u>		<u>38,339</u>

The Government Actuary's Department was contracted by SHG to perform an assessment of the Pension Liability of the defined benefit section of the St Helena Government Pension Scheme for these set of Financial Statements.

The actuarial Pension Liability as at 31 March 2013 has been estimated by rolling forward the results of the previous year's assessment. A summary of financial assumptions used in the calculation is below:

Assumption	31 March 2012 % a year	31 March 2013 % a year
Rate of return (discount rate)	3.1	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	1.1	0.8
General pay increases	0.6	0.3

The movement on the Defined Contribution Pension Scheme is shown on the Trust Funds Statement that accompanies these Financial Statements. During 2012/13, some employees eligible to join the DCPS opted to join the MiSaint pension scheme offered by Solomon & Company. Contributions for those members of staff have been transferred to that scheme.

Note 19 Leases

None of the fixed assets disclosed in the Financial Statements are held on a lease basis.

Land and Buildings are leased. We have not made any disclosures on these leased assets on the basis that we have adopted the transitional provisions of IPSAS 13 Leases and IPSAS 17 Property, Plant and Equipment which does not require the disclosure of land and buildings.

Note 20 Nature and extent of risks arising from financial instruments

SHG's 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 a balance of £1.213m was outstanding. At the reporting date a balance of £0.465m was outstanding in relation to housing and house purchase loans. 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 expectation.

Cash surpluses are deposited as a mix of fixed rate and floating rate investments. As at 31 March 2013, the value of investments held as floating rate deposits was £5,092k. Total interest earned by SHG on cash surpluses during 2012/13 was £322k. As this is not a significant portion of total revenue, SHG is not deemed to be exposed to significant interest rate risk.

Note 21 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 five reserves.

31 March 2012 (restated) £000	31 March 2013 £000
3,405 General Reserve	2,621
40,478 Airport Infrastructure Reserve	108,259
12,398 Capital Reserve	20,312
(35,200) Pension Reserve	(38,279)
63 Donated Asset Reserve	56
21,144	92,969

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

Note 21 (continued)
Reserves

General Reserve

This is the primary government fund in which all revenues are received and all expenditures are made save for those separately provided in law.

2011/12 (restated) £000	2012/13 £000
2,849 Balance at 1 April	3,405
823 Surplus/(Deficit)	(217)
(149) Transfers	(567)
(65) Prior Period Error - Recognition of Payables	0
(53) Prior Period Error - Property, Plant & Equipment	0
3,405 Balance at 31 March	2,621

Airport Infrastructure Reserve (previously named Capital Grant)

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

2011/12 £000	2012/13 £000
0 Balance at 1 April	40,478
40,478 Surplus/(Deficit)	67,781
40,478 Balance at 31 March	108,259

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.

2011/12 (restated) £000	2012/13 £000
(24,444) Balance as at 1 April 2011 as previously reported	
(749) Derecognition of carrying value of RMS St Helena	
(25,193) Balance as at 1 April 2011 as restated	12,398
0 Surplus/(Deficit)	(1,214)
19 Capital Grant Received	0
(923) Transfers	9,128
35,200 Reclassification of Pension Liability to Pension Reserve	0
3,295 Prior Period Error - Property, Plant & Equipment	0
12,398 Balance at 31 March	20,312

Note 21 (continued)
Reserves

Pension Reserve

This reserve represents the negative balance arising from the unfunded liability on the defined benefits pension scheme.

2011/12	2012/13
£000	£000
0 Balance at 1 April	(35,200)
0 Surplus/(Deficit)	(791)
0 Actuarial Losses	(2,288)
(35,200) Reclassification of Pension Liability from Capital Reserve	0
<u>(35,200) Balance at 31 March</u>	<u>(38,279)</u>

Donated Asset Reserve

This reserve was created to represent the assets donated to SHG. The fund balance is adjusted each year to reflect the change in value of those assets.

2011/12	2012/13
(restated)	£000
£000	
65 Balance at 1 April	63
(2) Transfers	(7)
<u>63 Balance at 31 March</u>	<u>56</u>

Note 21 (continued)
Reserves

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

	Other DfID Projects	DfID Funded	DfID Technical Cooperation (previously DfID Support Projects)	DfID Infrastructure	DfID Funded ST TC	EDF Projects	Locally Funded Projects	UNDP Projects	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2011 as previously reported	5,710	0	794	0	10	2,958	554	16	10,042
Reclassification of Special Fund Projects	(5,710)	(552)		6,262					0
Prior Period Error - DfID Grant recognition		294	(1,117)						(823)
Balance as at 1 April 2011 as restated	0	(258)	(323)	6,262	10	2,958	554	16	9,219
Surplus/ (Deficit)		(647)	(257)	(398)	37	(107)	(14)	(12)	(1,398)
Prior Period Error - Recognition of Payables			(15)			(36)			(51)
Prior Period Error - Property, Plant & Equipment		(535)	(23)	(1,936)		(703)	(3)		(3,200)
Prior Period Error - DfID Grant recognition		338	203		(19)				522
Balance as at 31 March 2012 (restated)	0	(1,102)	(415)	3,928	28	2,112	537	4	5,092
Funds Received		2,163	812	2,350	1,136	3,494	0	26	9,981
Funds Applied		(193)	(950)	(1,250)	(1,136)	(191)	0	(25)	(3,745)
Transfers		(2,031)	(202)	(5,086)	0	0	(335)	(3)	(7,657)
Balance as at 31 March 2013	0	(1,163)	(755)	(58)	28	5,415	202	2	3,671

Note 21 (continued)
Reserves

Special Funds - Trading Accounts and Other Funds

	Information Technology Trading Account £000	Transport Trading Account £000	Unallocated Stores £000	Bulk Fuel Installation £000	Government Landlord Housing Capital £000	Improvements and New Construction Revolving Fund £000	New Generators Replacement Fund £000	Total £000
Balance as at 1 April 2011 as previously reported	0	0	0	0	0	2,249	485	2,734
Recognition of Bulk Fuel Installation				3,806				3,806
Balance as at 1 April 2011 as restated	0	0	0	3,806	0	2,249	485	6,540
Surplus/ (Deficit)	4	249	(81)	(1,345)				(1,173)
Transfers				1,356		(354)	72	1,074
Prior Period Error - Property, Plant & Equipment	(41)	(2)						(43)
Balance as at 31 March 2012 (restated)	(37)	247	(81)	3,817	0	1,895	557	6,398
Surplus/ (Deficit)	0	79	1	405		39	10	534
Transfers	57	(128)	2	(426)	335	(800)	63	(897)
Balance as at 31 March 2013	20	198	(78)	3,796	335	1,134	630	6,035

Note 22

Statement of Cash Flows – Movements in Working Capital

2012 £000	Note	2013 £000
111 Increase in Provision for Doubtful Debts	4	118
(723) (Increase)/Decrease in Receivables	10	137
(1,484) (Increase)/Decrease in Other Current Assets		298
603 Increase in Payables	14	858
48 Increase/(Decrease) in Staff Leave Liability	16	(46)
228 Increase/(Decrease) in Other Provisions	15	(228)
(1,217)		1,137

Note 23

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). Funding received in 2012/13 totalling £18.1m (excluding specific project funding and the funding recognised as a result of the DfID funded airport project) equated to 60% of SHG's total resources.

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	£179,357 (2011/12 £167,743)
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	£261,574 (2011/12 £236,395)
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 2012/13 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:

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

Note 24 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.
- SHG hold current accounts 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 with SHG.
- St Helena National Trust receives a support grant each year from SHG. In 2012/13 this amounted to £18,197.
- SHG granted St Helena National Trust a fifty year lease on Broadway House, Main Street, Jamestown, for a "peppercorn" rent.

- SHG provided St Helena News Media Services with a subsidy towards operating expenses totalling £47,600.
- SHG provided Enterprise St Helena (ESH) with a subsidy in order to assist with the daily operations of the entity (£630,205), an amount for various capital projects in order to improve visitor attractions (£255,340) and funds to boost ESH's Loan Equity Fund (£540,000). SHG also funded the employment of specialist staff in ESH via the Technical Cooperation fund (£438,613).
- ESH holds a lease with SHG for the Jamestown Market, which expires on 1 June 2016. A nominal rental fee is paid.

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 24
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 the difference in the accounting policies adopted by each individual entity and consideration of the cost of consolidation and timeliness of financial reporting. 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 *	
			2012	2013	2011/12	2012/13
			£000	£000	£000	£000
Bank of Saint Helena	Wholly owned. Board of Directors appointed by the Governor.	Accruals basis.	4,224	4,614	209	290
St Helena Currency Fund	Wholly owned. Commissioners appointed by the Governor.	Accruals basis.	1,265	1,300	(70)	90
St Helena Fisheries Corporation	Wholly owned. Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis.	242	225	17	(17)
St Helena Development Agency/ Enterprise St Helena	Wholly owned. Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis.	1,593	2,186	(37)	502
St Helena National Trust	Regulated by the Governor in Council.	Cash basis	101	134	36	32
St Helena News Media Board	Wholly owned. Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis.		1		(13)
Solomon & Company (St Helena) Plc	Majority shareholder (62.9%) **	"Applicable accounting standards" - accruals basis.	3,604	3,898	379	319
St Helena Line Ltd.	Majority shareholder (99%)	Financial Reporting Standards for Smaller Entities - accruals basis.	1	1	0	0
Total			11,030	12,359	534	1,203

* 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 (2012: 124,100) shares, being 62.9% (2012: 62.9%) of paid up capital.

Note 25
Events after the Reporting Date

The Financial Statements are authorised for issue on the date when they are signed by Financial Secretary.

Material events before the date of issue of the Financial Statements which provided information about conditions existing at 31 March 2013, have been accounted for in the Financial Statements. Information about non-adjusting events after the reporting date is given below.

Divestment of Utility Services

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

Assets and liabilities relating to the utilities were transferred to the new company on that date. An analysis of the net book value of the balances recorded in the Financial Statements at 31 March 2013 is listed below.

Several buildings including the Power Station, Water Treatment Plants and Office accommodation have been transferred to Connect Saint Helena. Buildings are not currently recorded on the Statement of Financial Position.

Inventories totalling £1,127k were transferred in addition to that recorded above. These inventories are not recorded in the balance above as they were charged to expenditure on acquisition. Due to the nature of internal recharges and shared costs such as fuel, it is not possible to estimate the impact that this transfer of function will have on future revenue and expenditure.

	£000	£000
<u>Assets</u>		
Property Plant and Equipment:		
Infrastructure	8,448	
Plant, Machinery & Equipment	98	
IT Networks and Equipment	0	
Assets under Construction	<u>3,178</u>	
		11,724
Inventory		81
Receivables		135
Cash & Cash Equivalents		<u>630</u>
Total Assets		<u>12,570</u>
Net Assets as a % of the Government Net Assets		<u>12</u>

Note 26
Capital Commitments

Airport for St Helena

The November 2011 contract with Basil Read (PTY) Ltd for the construction of an Airport for St Helena at Prosperous Bay Plain is ongoing. The contract was signed in the amount of £201.5 million for construction, with the provision of an additional £10 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 2013 totalled £108.26m (31 March 2012 £40.48m).



Statement of Trust Fund Movements for the year ended 31 March 2013

	Balance as at 1 Apr 2011 £		Receipts in year £		Payments in year £		Balance as at 31 Mar 2012 £		Receipts in year £		Payments in year £		Balance as at 31 Mar 2013 £	
Alexander Bequest Fund	1,367		26		(12)		1,381		25		(11)		1,395	
Arnold Memorial Xmas Gift Fund	492		9		(6)		495		9		0		504	
Arnold Memorial Hospital Trust Fund	5,920		592		(209)		6,303		389		(339)		6,353	
Bain Gray Prize Trust Fund	1,305		25		0		1,330		24		0		1,354	
Bovell Trust Fund	1,247		24		(24)		1,247		23		(22)		1,248	
Leslie & Ted Moss Trust Fund	2,254		276		(408)		2,122		269		(328)		2,063	
Solomon's Trust Fund	14,398		45		0		14,443		44		0		14,487	
Defined Contribution Pension Scheme	26,983		997		(659)		27,321		783		(700)		27,404	
Eliza Mary Lloyd Trust Fund	34,806		72,468		0		107,274		87,280		(134,702)		59,852	
	5,156		77		(2,177)		3,056		410		(27)		3,439	
Total	66,945		73,542		(2,836)		137,651		88,473		(135,429)		90,695	

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 the Government of Saint Helena therefore do not form a part of the Consolidated Fund. Fund balances are held with Bank of Saint Helena.

The Government of St Helena 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 the Government of St Helena. The bank balance and related liability is disclosed in the Statement of Financial Position.