



St Helena Government

Financial Statements

2018/2019
(subject to audit DRAFT 5)

These are the financial statements of St Helena Government laid before Legislative Council pursuant to section 109(3) of the Constitution of St Helena, Ascension and Tristan Da Cunha.

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1.0 Financial Secretary's Report

1.1 Introduction

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

1.2 Overview

SHG is the governing body of the Island of St Helena and is led by the Executive Council which is chaired by His/Her Excellency the Governor, the 5 Elected Members, and 3 Ex Officio Members as defined in the Constitution. SHG is domiciled and operates within the Island of St Helena in the South Atlantic Ocean.

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

SHG receives a significant proportion of its funding each year from the UK Government, through the Department for International Development (DfID). The Financial Aid Mission team (FAM), which is made up of delegates from DfID, made several visits to the island and following discussions with the Governor, Elected Members, senior SHG officials, the private sector and civil society organisations, agreed an aid settlement for 2018/19 on 25 April 2018.

1.3 Strategic Priorities

After much work to secure air access, the Island is now open to the world. The Island has experienced difficult times and the next budget period will continue to be a challenging but exciting period. We have all seen the uncertainty that Brexit has created across the world but particularly for those in the UK and for the British Overseas Territories. The implications from Brexit are yet to be fully understood for St Helena, however it is pleasing to note that amongst all of that we continue to be supported by Her Majesty's Government with the settlement we have received. For a small island in the middle of the South Atlantic Ocean with less than 5,000 people we have achieved a lot during these challenging times. We are leading the way in a number of areas such as through our environmental programmes and the 'green' agenda, and in particular our Energy Strategy where we hope to be generating electricity through 100% renewable sources by 2022.

Some of the key highlights and achievements of the 2018/19 financial year include:

- Starting the implementation of the Digital Strategy which will provide St Helena with a fibre optic cable, we took receipt of £8.959m (€10m) from the 1st tranche of the EDF 11 programme.
- The successful creation of St Helena Airport Limited who have taken over the operations at the Airport after the termination of the Design, Build, Operate and Handback contract with Basil Read.
- Expansion of the air service with the introduction of the second flight per week during peak season.
- Visitor numbers significantly up compared with the previous RMS St Helena passenger service and in line with what was expected from year one of the commercial air service.
- Successful localisation of six TC posts with 14 more identified in our succession plans.

- Stronger good governance and rule of law, through new legislation and strategies to promote investment, convictions by juries, and more specialised training for Police Officers.

SHG's annual budget is approved each year by Legislative Council and is developed through the Medium Term Expenditure Framework (MTEF) process. Supporting strategic priorities whilst remaining within the funding limits has involved SHG making difficult decisions to reduce or cease activity in other areas.

The Appropriation Ordinance 2018, enacted by the Governor of St Helena on the advice and consent of Legislative Council, sets out the approved budget for Directorates in the financial year commencing 1 April 2018.

Financial performance against the approved budget is reported to Legislative Council and DfID monthly in the form of Budget Execution Reports, which are presented in line with the Directorate structure under which SHG operates.

1.4 Financial Statements

These financial statements are made up of the following core financial statements as well as the accompanying notes to the core financial statements:

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

The core financial statements are shown in sections 4.0 to 8.0 and further detailed information is presented in the notes to the core financial statements. Comparative figures for the previous financial year are provided.

These financial statements of SHG are prepared in accordance with the requirements of section 109(1)(a) of the Constitution for St Helena and section 10(1) of the Public Finance Ordinance 2010, applying the International Public Sector Accounting Standards (IPSAS) for the accrual basis of accounting.

It should be noted that the financial statements do not align to the way in which financial information is reported in the management accounts. This is due to the management accounts being prepared on a modified cash basis and the financial statements being prepared on an accruals basis. Note 10.4 to the financial statements sets out a reconciliation between the financial performance reported in the March 2019 management accounts and the Statement of Financial Performance.

1.5 Bulk Fuel Installation Project

After the completion of St Helena Airport, SHG has one remaining key infrastructure component outstanding under the St Helena Airport project which is the construction and commissioning of the new Bulk Fuel Installation. In June 2019 an independent technical review was commissioned by DFID and SHG and works under this final component was put on hold. The review undertaken will provide the necessary technical input for determining the next steps on the St Helena Airport Project to ensure that it can be delivered as effectively as possible.

1.6 Assets under Construction

Assets under Construction forms a significant part of SHG's balances. The closing value of Assets under Construction at 31 March 2019 was £76.180m (£75.565m at 31 March 2018). The £0.615m increase from previous year is the net of £5.449m of new spend in the year and £3.756m being completed and transferred to Property, Plant & Equipment. There has also been an impairment of £1.077m on the Bulk Fuel Installation due to leaking fire water pipes, and £0.001m of other movements. The £3.756m transferred to completed assets comprises of 8 small projects within the Environment & Natural Resources Directorate totalling £0.124m, and £3.632m being the transfer after completion of the road from Bottom Woods to Rupert's Valley.

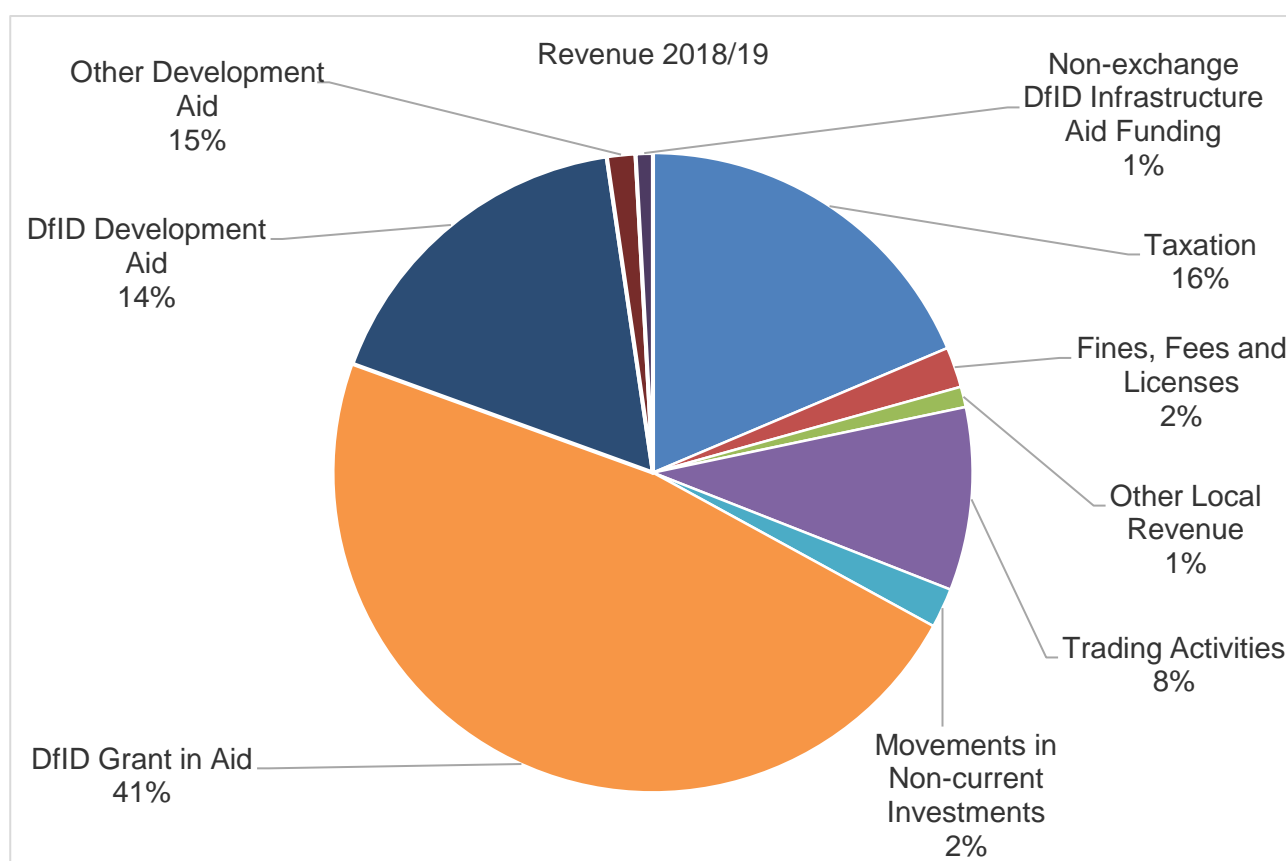
1.7 Statement of Financial Performance

This statement sets out the expenditure and revenues of SHG during the financial year. It shows the expenditure incurred in the delivery of services and projects and the revenues received to fund services and projects. Notes 10.1 and 10.2 to the financial statements show a breakdown of revenue and expenditure by category.

1.7.1 Revenue

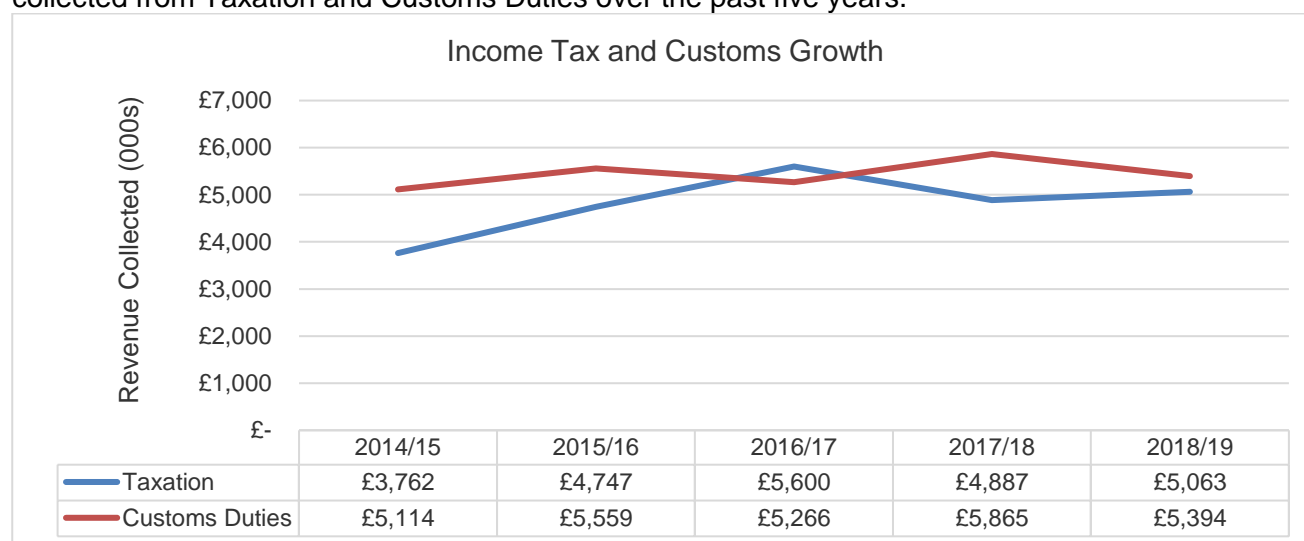
The Statement of Financial Performance shows that total revenue in 2018/19 was £64.776m (£59.744m in 2017/18), an increase of £5,032m from 2017/18. The main reason for the increase was the £8.959m of Other Development Aid received from the European Development Fund (EDF) for the cable project. The statement contains a number of non-cash items in order to comply with proper accounting practice, these include Non-exchange DfID Infrastructure Aid Funding, Donated Assets Funding and Movements in Non-current Investments. After excluding non-cash items, total revenue in 2018/19 was £63.160m (£55.128m in 2017/18 restated).

The following chart shows the proportion of revenue received from each funding source during the year:



We have assessed the total revenue collected during the financial year (excluding non-cash items, internal sales, DfID Development Aid and Other Development Aid) against budgeted revenue. This has allowed us to assess the degree to which SHG achieved the revenue projected during the budget setting process. Our ability to deliver key services is dependent on our ability to appropriately forecast revenues. Actual revenue collected was £0.462m higher than the original budget for this financial year (actual £41.228m, budget £40.766m). This represents an improved picture on the 2017/18 financial year when the actual revenue collected was £0.477m lower than the original budget.

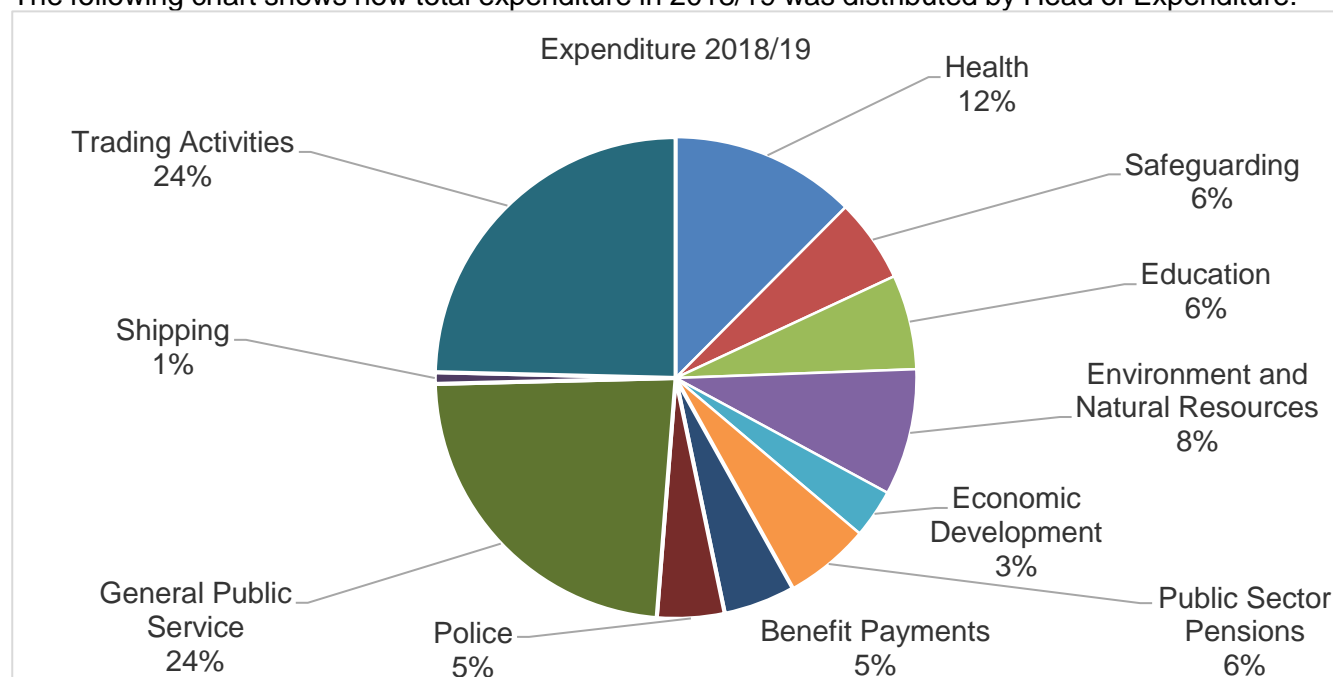
Revenue budgets were developed for Taxation and Customs Duties based on a series of detailed discussions and an agreed macro-economic model adjusted for changes in policies. The model was developed by the Government Economist for economic forecasting, and is expected to provide a consistent basis on which to estimate future tax revenues. The following chart shows the revenue collected from Taxation and Customs Duties over the past five years.



1.7.2 Expenditure

The Statement of Financial Performance shows that total expenditure in 2018/19 was £58.396m (£63,512m in 2017/18), a decrease of £5.116m from 2017/18.

The following chart shows how total expenditure in 2018/19 was distributed by Head of Expenditure:



The Statement of Financial Performance shows an overall surplus (total revenue less total expenditure) for 2018/19 of £6.380m (deficit of £3.768m in 2017/18). After removing non-cash revenues (listed above) the surplus position decreases to £4,764m in 2018/19 (deficit of £8.384m 2017/18 restated).

The overall deficit is analysed and allocated between the Consolidated Fund and Special Funds in 8.1 Statement showing each head of expenditure paid out of and each category of revenue accruing to the Consolidated Fund.

1.8 Material Events

On the 2 October 2018 SHG terminated the Design, Build, Operate and Hand-back contract (DBOH) with Basil Read (PTY) Ltd. The termination of the contract saw SHG take direct control of St Helena Airport operations by setting up an arms-length company limited by guarantee called St Helena Airport Limited (SHAL), with SHG being the sole member. A new board of directors has been established to take on the overall responsibility for the operations at the airport. On the 5 October 2018 the aerodrome certificate was transferred by Air Safety Support International (ASSI) to SHAL and the first flight under the operations of SHAL took place on 9 October 2018.

In addition to the airport operations, the remaining Phase 1 elements of the DBOH contract will be delivered until May 2019, by SHG Airport Directorate through previous subcontractors of Basil Read (PTY) Ltd who have chosen to contract directly with SHG. A number of former Basil Read (PTY) LTD employees have also been contracted by SHG on fixed term contracts to see the project through to completion. The remainder of the Phase 1 works relate to completion and commissioning of the fuel systems. Governance arrangements are being put in place, the Airport project board is being reinstated and will support the access office in the delivery of the remaining works.

The UK Government through DFID have agreed to finance the completion costs of Phase 1 as well as to provide the finances needed to maintain airport operations. The costs to completion of the Phase 1 works are being finalised. An exchange of letters will formalise this arrangement.

On 11th October 2018, the sum of £7.2m was received by SHG from the redemption of bonds originally held for Basil Read (PTY) Ltd.

On 10th Dec 2018, SHG received income in advance of spend from the European Development Fund (EDF). This amounted to £8.959m (€10m). This is funding for EDF 11 the fibre optic cable.

1.9 Statement of Financial Position

The Statement of Financial Position summarises the financial position of SHG at 31 March 2019 and shows the net worth of SHG's assets and liabilities of £249.079m. It includes Funds and Reserves, and all Assets and Liabilities employed in SHG's operations. It shows that SHG has Non-current Assets (mainly Property, Plant & Equipment and Investments) with carrying values in the accounts of £307.825m, a decrease of £2.704m from 31 March 2018.

Current Assets have increased in year by £13.370m. This is largely due to the value of the SHG's current investments having risen sharply since the previous financial year due to receiving £8.959m income in advance of spend from the European Development Fund (EDF). This is funding for EDF 11 the fibre optic cable. £7.2m has also been received by SHG from the redemption of bonds originally held for Basil Read (PTY) Ltd.

Current Liabilities have increased by £1.833m. This is mainly due to an increase in our payables position for grant funding income received in advance.

Non-current Liabilities have increased by £3.561m due to an increase of £2.747m in the Actuarial Pension Liability (see Note 11.14 for further details), an increase of £0.798m of long-term provisions, and the creation of a non-current payable.

1.10 Statement of Changes in Net Assets/Reserves

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

- Consolidated Fund; and
- Special Funds

1.10.1 Consolidated Fund

The Consolidated Fund is analysed into eight reserves and an explanation of each of the reserves along with a detailed analysis of the movements on each reserve is shown in Note 11.15 to the financial statements.

At the 31 March 2019 the Statement of Changes in Net Assets/Reserves shows that the balance on the Consolidated Fund was £238.239m (£242.201m at 31 March 2018). This is broadly in line with the previous year.

1.10.2 Special Funds

Special Funds are established by order and enable individual projects and trading activities to be accounted for separately to the Consolidated Fund. Special Funds are split between Projects, Trading Activities and Other Funds. A detailed analysis of the movements on each of the Special Funds can be found within Note 11.15.2 to the financial statements.

At the 31 March 2019 the Statement of Changes in Net Assets/Reserves shows that the balance of Special Funds was £10.840m (£1.606m at 31 March 2018).

1.11 Statement of Cash Flows

This statement summarises the total movement on Cash and Cash Equivalents during the year for revenue and capital purposes. It shows that the total of SHG's Cash and Cash Equivalents decreased by £0.620m in year.

1.12 Statement of Comparison of Budget and Actual Amounts

This statement shows the original budget, final budget and the expenditure and revenues of SHG services, reported in SHG's March 2019 management accounts. Note 10.3 to the financial statements provides an explanation of the reasons for changes between the original and final budget and an explanation of the material differences between the final budget and the actual expenditure and revenues reported in the March 2019 management accounts.

1.13 Capital Expenditure

During the financial year SHG received financial support from external bodies, including DfID, for particular capital projects.

Additions of Property, Plant and Equipment, excluding Assets under Construction, totalled £0.716m in 2018/19. This represents the purchase of 11 items of IT equipment, 20 motor vehicles and 3 other small items of plant, machinery and equipment.

Spend during 2018/19 on Assets under Construction was £4.587m, excluding £0.862m of non-exchange funding provided by DFID for the airport project which DFID pay for directly. The majority of SHG's £4.587m spend was on the Bulk Fuel Installation project, the start of the prison refurbishment and several small infrastructure projects being undertaken by the Environment and Natural Resources Directorate.

1.14 General Reserves

The balance on the General Reserve is £6.184m. The actual surplus in the year is £5.846m which is broadly in line with the surplus increase from last year of £5.734m made in 2017/18.

1.15 Annual Governance Statement

The Annual Governance Statement no longer forms part of these financial statements but can be found on the St Helena Government website www.sainthelena.gov.sh.

1.16 Statutory Basis for Financial Statement preparation

The Constitution of St Helena has been drafted on the basis of Cash Accounting, SHG introduced Accruals Accounting in 2011/12 and have adopted the International Public Sector Accounting Standards (IPSAS) framework. There is a miss-match between the requirements of the Constitution (cash basis) and basis of the Financial Statement preparation (Accruals IPSAS) which is making the comparison between the SHG Budget (produced on a modified cash basis) and the IPSAS compliant Financial Statements very difficult for the user of this information.

Whilst it was intended to introduce an accruals based budget in 2019/20 to improve the comparability of the budget to the financial statements, it is recognised that further work is required to identify all the implications, and to fully understand the benefits and understand the potential changes required to the primary legislation in terms of the Constitution and the Public Finance Ordinance (PFO). If there cannot be a significant change to the constitution and the Public Finance Ordinance there remains the challenge of this miss-match of information and there will continue to be an inefficient financial control framework.

In closing I would like to acknowledge the hard work of the finance team in pulling together these financial statements, and the work of Directorates and colleagues within the controlled entities.

Dax Richards
Financial Secretary

2.0 Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Members of Legislative Council for the Government of St Helena

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the financial statements of St Helena Government (SHG), which comprise the statement of financial position as at 31 March 2019, and the statement of financial performance, statement of changes in net assets and reserves, statement of cash flows, and statement of comparison of budget and actual amounts, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described below, the accompanying financial statements present fairly, in all material respects, the financial position of SHG as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Qualified Opinion

Aid funded infrastructure amounting to £204.463m at 31 March 2019 (£202.565m at 31 March 2018) reported within Property Plant and Equipment in the Statement of Financial Position, and forming part of infrastructure, roads infrastructure and assets under construction in Note 11.7, is measured on an earned value basis – being the cost of works completed under the current contract. IPSAS 17, Property Plant and Equipment and IPSAS 23, Non-Exchange Transactions require that such aid funded assets and related revenues are measured at replacement cost. Note 9.3.5 explains there is a high degree of estimation uncertainty associated with the valuation of the airport, wharf and roads infrastructure.

As also explained in Note 9.3.5.4 management assessed the value of roads infrastructure, to be recognised at cessation of transitional provisions under IPSAS 17, at nil net book value, being cost less accumulated depreciation. Management were unable to confirm the basis for initial recognition of the roads infrastructure at nil value.

I was unable to obtain sufficient appropriate audit evidence regarding the asset valuation by the reporting date, either from management or by using alternative audit procedures. In these circumstances, I am unable to determine whether:

- (i) the use of an estimate based on earned value; and,
- (ii) the initial recognition of roads infrastructure at nil value

would give rise to a material misstatement, and whether any adjustment was necessary to the reported value of Property, Plant and Equipment in Note 11.7 and associated reserves in the Statement of Financial Position, and to the recognition of Non-Exchange Infrastructure Aid Funding in the Statement of Financial Performance.

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of SHG in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and I have fulfilled my other ethical responsibilities in accordance with the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material Uncertainty Related to Going Concern

I draw attention to Note 9.1.2 in the financial statements which indicates that SHG is reliant on recurrent funding through UK grant-in-aid for the continued operation of public services in St Helena. Whilst there is an agreement by DFID to provide financial support, the level of financial support for the final year to 31 March 2021 has yet to be formalised. In the absence of sufficient grant-in-aid and with limited usable reserves SHG would not be in a position to meet its liabilities as they fall due within the foreseeable future without significant curtailment of services. As stated in Note 9.1.2 these circumstances indicate that a material uncertainty exists which may cast doubt on SHG's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Other Information

Management is responsible for other information. The other information includes the Financial Secretary's Report but does not include the financial statements and my audit report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

In connection with my audit of the financial statements my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed I conclude there is a material misstatement of this other information I am required to report the fact. I have nothing to report in this regard.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Except for the matters described in the above sections on Basis for Qualified Opinion, and Material Uncertainty Related to Going Concern, I have determined there are no other key audit matters to communicate in my report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing SHGs ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing SHG's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

I also 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located in the Annex to my report. This description forms part of my auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Auditor's Other Responsibilities arising from Law and Regulation

Section 29(1)(b)(i) of the Public Finance Ordinance requires me to assess whether in all material respects the expenditure and income have been applied to the purposes intended and conform to the authorities which govern them; and whether the accounts and financial statements have been prepared in accordance with all relevant laws and policies.

Qualified opinion on Regularity

In my opinion, except for the authorisation of impairment losses as described below, in all material respects the expenditure and income has been applied to the purposes intended, and conforms to the authorities which govern them.

Basis for qualified opinion on Regularity

Note 11.8.2 details an impairment loss to plant and equipment amounting to £1.346m which has been charged to the Statement of Financial Performance. Section 17 of the Public Finance Ordinance requires that any write-off of assets exceeding £50,000 is required to be authorised by the Secretary of State. This authorisation has not been obtained and accordingly the impairment expense in the amount £1.346m does not conform to the statutory authority which governs it.

Opinion on Other Matters Required by Statute

In my opinion, the financial statements have been prepared in accordance with all relevant laws or policies.

Phil Sharman
Chief Auditor CA CPFA

Audit St Helena
New Porteous House, Jamestown, St Helena, STHL 1ZZ

March 2020

ANNEX TO THE INDEPENDENT AUDITORS REPORT***Further description of the auditor's responsibilities for the audit of the financial statements***

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SHG's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SHG's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause SHG to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

3.0 Financial Secretary's Statement of Responsibilities

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

In preparing these financial statements, the Financial Secretary is required to:

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

The Financial Secretary confirms that the above responsibilities and obligations have been properly discharged in preparing these financial statements.

Dax Richards
Financial Secretary

Date



4.0 Statement of Financial Performance for the year ended 31 March 2019

| | Note | 2018/19 £000 | Restated 2017/18 £000 |
|--|------|-----------------|-----------------------------|
| REVENUE | 10.1 | | |
| Exchange revenue | | | |
| Fines, Fees and Licenses | | 1,146 | 1,039 |
| Other Local Revenue | | 580 | 866 |
| Trading Activities | | 5,196 | 4,468 |
| Total Exchange revenue | | 6,922 | 6,373 |
| Non-exchange revenue | | | |
| Taxation | | 10,457 | 10,752 |
| Movements in Non-current Investments | | 1,128 | 221 |
| DfID Grant in Aid | | 26,699 | 28,542 |
| DfID Development Aid | | 9,455 | 8,554 |
| Other Development Aid | | 9,627 | 1,636 |
| Non-exchange Donated Asset Funding | | 0 | 81 |
| Non-exchange DfID Infrastructure Aid Funding | | 488 | 3,585 |
| Total Non-exchange revenue | | 57,854 | 53,371 |
| Total Revenue | | 64,776 | 59,744 |
| EXPENDITURE | 10.2 | | |
| Health | | 7,276 | 8,188 |
| Safeguarding | | 3,274 | 3,232 |
| Education | | 3,709 | 3,363 |
| Environment and Natural Resources | | 4,957 | 5,710 |
| Economic Development | | 1,905 | 2,180 |
| Public Sector Pensions | | 3,354 | 3,335 |
| Benefit Payments | | 2,812 | 2,676 |
| Police | | 2,646 | 2,495 |
| General Public Service | | 13,760 | 7,836 |
| Shipping | | 453 | 6,005 |
| Trading Activities | | 14,250 | 18,492 |
| Total Expenditure | | 58,396 | 63,512 |
| SURPLUS/(DEFICIT) FOR THE PERIOD | | 6,380 | (3,768) |



5.0 Statement of Financial Position as at 31 March 2019

| | Note | 31 March 2019 £000 | Restated 31 March 2018 £000 |
|---|---------|-----------------------|-----------------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash & Cash Equivalents | 11.1 | 4,887 | 5,508 |
| Investments | 11.2.1 | 15,342 | 1,501 |
| Recoverables from Non-exchange Transactions | 11.3 | 4,235 | 3,839 |
| Receivables | 11.4.1 | 2,153 | 1,453 |
| Inventories | 11.5 | 2,921 | 2,488 |
| Other Financial Assets | 11.6 | 1,448 | 1,895 |
| Assets Held for Sale/Distribution | 11.7.2 | 1 | 933 |
| | | <u>30,987</u> | <u>17,617</u> |
| Non-current Assets | | | |
| Non-Current Investments | 11.2.2 | 28,650 | 28,128 |
| Receivables | 11.4.2 | 19 | 59 |
| Other Financial Assets | 11.6.3 | 18 | 0 |
| Property, Plant & Equipment | 11.8 | 279,042 | 282,236 |
| Intangible Assets | 11.9 | 96 | 106 |
| | | <u>307,825</u> | <u>310,529</u> |
| Total Assets | | <u>338,812</u> | <u>328,146</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 11.12.1 | 9,846 | 7,804 |
| Provisions | 11.13 | 530 | 739 |
| | | <u>10,376</u> | <u>8,543</u> |
| Non-current Liabilities | | | |
| Payables | 11.12.2 | 16 | 0 |
| Pension Liabilities | 11.14 | 74,359 | 71,612 |
| Provisions | 11.13 | 4,982 | 4,184 |
| | | <u>79,357</u> | <u>75,796</u> |
| Total Liabilities | | <u>89,733</u> | <u>84,339</u> |
| NET ASSETS | | <u>249,079</u> | <u>243,807</u> |
| FUNDS AND RESERVES | | | |
| Consolidated Fund | 11.15.1 | 238,239 | 242,201 |
| Special Funds | 11.15.2 | 10,840 | 1,606 |
| | | <u>249,079</u> | <u>243,807</u> |



6.0 Statement of Changes in Net Assets/Reserves for the year ended 31 March 2019

| | Consolidated Fund £000 | Special Funds £000 | Total Reserves £000 |
|---|------------------------------|--------------------------|---------------------------|
| Balance at 1 April 2017 as previously reported | 245,605 | 5,450 | 251,055 |
| Adjustments made in 2017/18 relating to prior year | 0 | 83 | 83 |
| Restated balance as at 1 April 2017 | 245,605 | 5,533 | 251,138 |
| <u>Changes in Net Assets/Reserves:</u> | | | |
| Surplus for the Period | (1,039) | (4,228) | (5,267) |
| Funds Received | 0 | 5,706 | 5,706 |
| Funds Applied | 0 | (4,289) | (4,289) |
| Use of Funds to Finance Capital Expenditure | 1,584 | (1,584) | 0 |
| Actuarial Losses | (1,217) | 0 | (1,217) |
| Recharges | (336) | 336 | 0 |
| Transfers | (132) | 132 | 0 |
| Downward Revaluations | (2,264) | 0 | (2,264) |
| Restated Balance at 31 March 2018 | 242,201 | 1,606 | 243,807 |
| <u>Changes in Net Assets/Reserves:</u> | | | |
| Surplus for the Period | (6,399) | 0 | (6,399) |
| Funds Received | 0 | 24,638 | 24,638 |
| Funds Applied | 0 | (11,860) | (11,860) |
| Use of Funds to Finance Capital Expenditure | 5,167 | (5,167) | 0 |
| Actuarial Losses | 2,288 | 0 | 2,288 |
| Changes in Assumptions | (3,454) | 0 | (3,454) |
| Recharges | (12) | 12 | 0 |
| Transfers | (1,549) | 1,549 | 0 |
| Other Movements | 0 | 62 | 59 |
| Balance at 31 March 2019 | 238,239 | 10,840 | 249,079 |



7.0 Statement of Cash Flows for the year ended 31 March 2019

| | Note | 2018/19 £000 | Restated 2017/18 £000 |
|--|-------------|-----------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Surplus/(Deficit) for the Period | | 6,380 | (3,768) |
| Interest Received | | (86) | (43) |
| <u>Non Cash Movements</u> | | | |
| Recognition of Non-exchange DfID Infrastructure Aid Funding | 10.1 | (488) | (3,585) |
| Depreciation | 10.2 | 7,939 | 9,236 |
| Impairment of Non-current Assets | 10.2 | 1,346 | 16 |
| Net Gain on Disposal of Non-current Assets | 10.1 & 10.2 | (61) | (38) |
| Donated Asset Funding | 10.1 | 0 | (81) |
| Share of Net (Profit)/Loss of Subsidiaries | 10.1 & 10.2 | (172) | 491 |
| Difference in Pensions Earned and Benefits Paid Relating to the Defined Benefit Pension Scheme | 11.14 | 1,581 | 1,619 |
| Movements in Working Capital | 12.1 | 1,224 | (1,272) |
| Net Cash Flows from Operating Activities | | 17,663 | 2,575 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest Received | | 86 | 43 |
| Capital Expenditure | | (5,302) | (1,111) |
| Proceeds from the Sale of Non-current Assets | | 160 | 95 |
| Proceeds from Sale of Asset Held for Sale | | 964 | 0 |
| Further Investment in Subsidiary | | (350) | 0 |
| (Increase)/Decrease in Investments | | (13,841) | 1,001 |
| Net Cash Flows from Investing Activities | | (18,283) | 28 |
| NET CASH FLOW FOR THE FINANCIAL YEAR | | (620) | 2,603 |
| Cash & Cash Equivalents at 1 April | | 5,507 | 2,904 |
| Net Cash Flows | | (620) | 2,603 |
| Cash & Cash Equivalents at 31 March | | 4,887 | 5,507 |



8.0 Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2019

This Statement of Comparison of Budget and Actual Amounts is prepared on the budget basis. The actual expenditure and revenue of SHG's services as reported in the March 2019 management accounts, which is on a comparable basis to the budget is shown below.

| Appropriated | Recurrent Expenditure | | | Revenue | | |
|--|-------------------------|----------------------|----------------|-------------------------|----------------------|----------------|
| | Original Budget £000 | Final Budget £000 | Actual £000 | Original Budget £000 | Final Budget £000 | Actual £000 |
| Corporate Support, Policy and Planning | 1,360 | 1,473 | 1,417 | 230 | 230 | 251 |
| Human Resources | 8,862 | 9,473 | 8,888 | 0 | 0 | 0 |
| Police | 1,590 | 1,585 | 1,540 | 362 | 362 | 367 |
| Corporate Finance | 8,180 | 7,880 | 6,981 | 38,563 | 38,563 | 38,751 |
| Economic Development | 900 | 900 | 900 | 0 | 0 | 0 |
| Shipping | 500 | 500 | 453 | 0 | 0 | 0 |
| Education | 3,343 | 3,323 | 3,311 | 227 | 227 | 202 |
| Health | 5,714 | 5,414 | 5,051 | 750 | 750 | 945 |
| Environment and Natural Resources | 3,392 | 3,318 | 3,293 | 534 | 534 | 636 |
| Safeguarding | 2,850 | 2,650 | 2,617 | 100 | 100 | 76 |
| | 36,691 | 36,516 | 34,451 | 40,766 | 40,766 | 41,228 |
| | | | | | Surplus | 6,777 |

| Appropriated | Capital Expenditure | | |
|-----------------------------------|-------------------------|----------------------|----------------|
| | Original Budget £000 | Final Budget £000 | Actual £000 |
| Police | 0 | 15 | 13 |
| Corporate Finance | 0 | 361 | 350 |
| Education | 0 | 20 | 10 |
| Health | 80 | 80 | 3 |
| Environment and Natural Resources | 0 | 114 | 109 |
| | 80 | 590 | 485 |

| Non-appropriated | Recurrent Expenditure | | | Revenue | | |
|--------------------------|-------------------------|----------------------|----------------|-------------------------|----------------------|----------------|
| | Original Budget £000 | Final Budget £000 | Actual £000 | Original Budget £000 | Final Budget £000 | Actual £000 |
| Pensions and Benefits* | 4,085 | 4,085 | 4,090 | 0 | 0 | 0 |
| | 4,085 | 4,085 | 4,090 | 0 | 0 | 0 |
| TOTAL EXPENDITURE | 40,856 | 41,191 | 39,026 | | | |

* The budget for Pensions and Benefits is not appropriated from the Consolidated Fund. The Pensions and Social Security Ordinances state that expenditure can be charged directly to the Consolidated Fund, rather than budget being appropriated.

The budget is approved on a modified cash basis by functional classification. The approved budget covers the financial year from 1 April 2018 to 31 March 2019.

Appropriation Ordinance 2018, enacted by the Governor of St Helena with the advice and consent of Legislative Council provided for the services of Government in the financial year. The Appropriation Ordinance makes up the original budget and was enacted on 31 July 2018. Supplementary Appropriations, Withdrawal Warrants and Special Warrants have been issued in the year and these amendments, added to the original budget, make up the final budget.

The budget and the accounting bases are different. The budget is prepared on a modified cash basis and the financial statements are prepared on the accrual basis.

A reconciliation between the actual amounts on a comparable basis as presented in Note 10.3 Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows for the year ended 31 March 2019 is presented below.

| | Operating £000 | Investing £000 | Net Cash Flow £000 |
|---|-------------------|-------------------|-----------------------|
| Surplus in Comparable Basis as Presented in the Budget and Actual Comparative Statement | 6,777 | (485) | 6,292 |
| Basis Differences | (3,019) | (12,799) | (15,738) |
| Entity Differences | 13,905 | (4,999) | 8,826 |
| Actual Amount in the Statement of Cash Flows | 17,663 | (18,283) | (620) |

The financial statements and budget are prepared for the same period and so there are no timing differences. There are entity differences: the budget is prepared for the revenue and expenditure generated and incurred by SHG through normal government business, which excludes funds received and applied in relation to Special Funds. The financial statements also include SHG's share of the profit/loss of subsidiaries, which do not form part of the budget. There is also a basis difference: the budget is prepared on a modified cash basis and the financial statements are prepared on the accrual basis.

The Comparison of Budget and Actual Amounts note within these Financial Statements, provides an explanation of the reasons for changes between the original and final budget and an explanation of the material differences between the final budget and actual expenditure and revenue.

8.1 Statement showing each head of expenditure paid out of and each category of revenue accruing to the Consolidated Fund and Special Funds

| | Consolidated Fund 2018/19 £000 | Special Funds 2018/19 £000 | Total 2018/19 £000 |
|--|---|-------------------------------------|--------------------------|
| REVENUE | | | |
| Taxation | 10,457 | 0 | 10,457 |
| Fines, Fees and Licences | 1,145 | 1 | 1,146 |
| Other Local Revenue | 420 | 160 | 580 |
| Trading Activities | 0 | 5,196 | 5,196 |
| Movements in Non-current Investments | 1,128 | 0 | 1,128 |
| DfID Grant in Aid | 26,699 | 0 | 26,699 |
| DfID Development Aid | 0 | 9,455 | 9,455 |
| Other Development Aid | 0 | 9,627 | 9,627 |
| Non-exchange DfID Infrastructure Aid Funding | 488 | 0 | 488 |
| Total Revenue | 40,337 | 24,439 | 64,776 |
| EXPENDITURE | | | |
| Health | 7,276 | 0 | 7,276 |
| Safeguarding | 3,264 | 10 | 3,274 |
| Education | 3,709 | 0 | 3,709 |
| Environment and Natural Resources | 4,180 | 777 | 4,957 |
| Economic Development | 900 | 1,005 | 1,905 |
| Public Sector Pensions | 3,354 | 0 | 3,354 |
| Benefit Payments | 2,812 | 0 | 2,812 |
| Police | 2,603 | 43 | 2,646 |
| General Public Service | 12,457 | 1,303 | 13,760 |
| Shipping | 453 | 0 | 453 |
| Trading Activities | 5,727 | 8,523 | 14,250 |
| Total Expenditure | 46,735 | 11,661 | 58,396 |
| SURPLUS/(DEFICIT) FOR THE PERIOD | (6,398) | 12,778 | 6,380 |

9.0 Written Notes to the Financial Statements

9.1 Basis of Preparation

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) for the accrual basis of accounting and in accordance with section 109(1)(a) of the Constitution for St Helena and section 10(1) of the Public Finance Ordinance.

Under the powers of the Financial Secretary vested through the Public Finance Ordinance Section 10 (2) SHG does not present IPSAS 35 Consolidated Financial Statements. The Public Finance Ordinance empowers the Financial Secretary to depart from any requirements of IPSAS that he deems inappropriate in the circumstances of St Helena. It was determined that the benefits that can be expected to be derived from consolidated financial statements are outweighed by the costs of preparation. The following factors were considered in arriving at this conclusion;

- The complexity associated with the varied nature of the financial reporting frameworks used by group entities and
- The different financial reporting deadlines of the group entities.

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in Saint Helena Pounds which equate to GBP and are rounded to the nearest thousand except where stated otherwise.

9.1.2 Going Concern

The financial statements have been prepared on the going concern basis, which assumes that SHG has adequate resources to continue in operational existence for the foreseeable future. Management concludes that preparation of the financial statements on a going concern basis is appropriate.

The UK Government has a responsibility to meet the reasonable assistance needs of St Helena and its residents. The level of DFID support for 2020/21 has yet to be formally received by SHG. Until such time as the Memorandum of Understanding has been received, there remains a level of material uncertainty over future funding.

9.2 Principal Accounting Policies

9.2.1 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.

9.2.1.1 Recognition

Property, Plant and Equipment of SHG is disclosed in the Statement of Financial Position. The capitalisation threshold used during the financial year is £5,000 or above per stand-alone item or total expected value of a project. When a number of the same stand-alone items are purchased at the same time, these items are purchased as a group of assets and economic consumption is recognised over the period that these will generate income, providing that the group of assets still meets the de minimis £5,000 threshold.

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

an existing asset is recurrent expenditure and will be charged to the Statement of Financial Performance.

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

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

Gains or losses arising from the disposal of an item of Property, Plant and Equipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Any gain or loss on disposal is credited or charged to the Statement of Financial Performance.

9.2.1.2 Measurement

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.

9.2.1.3 Depreciation

Depreciation is calculated on a straight line basis, based on the useful economic life of each asset and is charged to the Statement of Financial Performance. Each component of an asset with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is charged in the month of addition but not in the month of disposal.

The following table shows the range of estimated useful economic lives of each class of asset disclosed in the financial statements:

| Class of Asset | Estimated Useful Economic Life (Years) |
|---|---|
| Land & Buildings (Land element not subject to depreciation) | 5-200 |
| Infrastructure | 15-120 |
| Infrastructure - Roads | 20-40 |
| Plant & Machinery, Equipment, Motor Vehicles and Furniture & Fittings | 5-20 |
| Computer Hardware and Software | 5 |
| Service Concessions | 3-120 |

9.2.1.4 Revaluations

Revaluations apply to the following classes of assets:

- Land & Buildings
- Infrastructure
- Service Concessions

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

Revaluation increases are credited directly to a Revaluation Reserve. However, any increase is first 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 first charged to the revaluation reserve to the extent that any previous revaluation surpluses for that class of assets remain and thereafter to surplus/deficit.

9.2.1.5 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 for the period.

9.2.1.6 Cash Generating Assets

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

9.2.1.7 Assets under Construction

Assets under Construction are classified separately within Property, Plant and Equipment and are not subject to depreciation. These assets, once completed are transferred to the relevant class of completed assets.

Assets under Construction acquired through an exchange transaction, as defined under IPSAS 9 Revenue from Exchange Transactions, are valued at the cost of completed works as at the reporting date.

Assets under Construction acquired through a non-exchange transaction, as defined under IPSAS 23 Revenue from Non-Exchange Transactions, are initially measured at fair value as at the date of acquisition.

Where an asset is acquired through both an exchange and non-exchange transaction, the proportion of the asset acquired through each component transaction is initially recognised at cost and fair value respectively.

9.2.1.8 Biological Assets

IPSAS 27 Agriculture is the accounting treatment and disclosures related to agricultural activity. This is the management by SHG of the biological transformation of living animals or plants (biological assets) for sale, or for distribution at no charge or for a nominal charge or for conversion into agricultural produce or into additional biological assets. Whilst SHG owns and maintains large amounts of national forest on the island, they are considered to be for the provision or supply of services and as such, fall outside the scope of IPSAS 27.

9.2.1.9 Intangible Assets

Intangible Assets are created when expenditure on non-monetary assets that do not have physical substance but are controlled by SHG as a result of past events (e.g. software licences), are capitalised and it is expected that future economic benefits or service potential will flow from the intangible asset to the government. Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service area in the Statement of Financial Performance.

Each asset is tested for impairment annually. Any gain or loss arising on the disposal or obsolescence of an intangible asset is posted to the relevant service area in the Statement of Financial Performance.

SHG accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system. If it is integral, it is accounted for as part of the computer hardware item of Property, Plant and Equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the government. The useful live assigned

to the major software suites used by the government is five years. The carrying amount of intangible assets is amortised on a straight-line basis and is charged to the relevant cost centres within the Statement of Financial Performance.

9.2.1.10 Assets Held For Sale

The International Public Sector Accounting Standards Board (IPSASB) says that preparers will apply IFRS where there is no applicable IPSAS, SHG has used IFRS 5 *Non-current Assets Held for Sale* as follows;

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale they are reclassified back to noncurrent assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

9.2.1.11 Service Concessions

IPSAS 32 *Service Concession Arrangements* states that SHG must show as a separate class of assets any items of property, plant and equipment which an operator is using to provide public services on behalf of a grantor.

SHG (the grantor) has appointed St Helena Airport Ltd (SHAL) to operate the airport at Prosperous Plain from 5 October 2018, to facilitate air access to St Helena. SHAL has agreed to operate and maintain the airport and other related facilities in accordance with the provisions of a service concession agreement. SHG shall provide funding to support the ongoing operation and maintenance of St Helena Airport by SHAL, This will be by way of a quarterly funding mechanism. SHAL shall manage on SHG's behalf all property, plant & equipment assets at St Helena Airport and shall have exclusive rights to these for the duration of the agreement. All property, plant and equipment assets shall remain the property of SHG for the duration of the agreement unless otherwise specified by SHG. The maintenance and operation of the assets shall be planned, managed and delivered by SHAL, the airport operator.

The service concession agreement shall remain in force until such time as the expiry date of 31 May 2026 or an expiry date is mutually agreed between both parties; or the agreement is terminated in accordance with the operating agreement. By mutual agreement between SHG and SHAL, the agreement can be extended for a further three-year period. The Airport Operator shall handback the Airport to SHG on the agreement expiry date in a condition that meets the requirements 'fit for purpose' with no backlog of maintenance.

9.2.2 Inventories

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

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

Cost is measured on a weighted average basis.

9.2.3 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 comprise the funds held with Bank of Saint Helena, Barclays Bank, Crown Agents Bank Ltd and Crown Agents Investment Management Ltd.

9.2.4 Current Investments

The investments held at Crown Agents Investment Management Ltd, including amounts invested in Floating-Rate Notes are classed as Current Investments. The maturity dates of these investments vary and may be more than 12 months from the reporting date but as they are readily convertible to cash they are classed as Current Investments.

9.2.5 Non-current Investments

Non-current Investments represent SHG's ownership interests in subsidiaries. Where SHG has an ownership interest in a controlled entity, an investment is recognised on the Statement of Financial Position. All controlled entities, including those in which SHG has no ownership interest are disclosed in 13.0 Controlled Entities section of these Financial Statements. Investments in subsidiaries are measured using the direct equity method whereby the investment is initially recognised at cost and subsequently adjusted to recognise the profit/loss and other equity movements of the underlying entity based on the latest available financial statements of the subsidiary.

9.2.6 Financial Instruments

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

9.2.7 Recognition and Basis of Measurement

9.2.7.1 Loans and Receivables

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

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

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

9.2.7.2 Available for Sale Financial Assets

Deposits and investments held with Bank of Saint Helena, Barclays Bank, Crown Agents Bank Ltd and Crown Agents Investment Management Ltd are designated to be available for sale financial assets and as such are measured at fair value. The fair value of bank deposits and other cash equivalents is the amount receivable on demand at the reporting date. Funds managed by Crown Agents Investment Management Ltd are measured at market value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The unrealised movement in market value (the gain/loss) at the reporting date is recognised directly in Net Assets/Reserves through the Statement of Changes in Net Assets/Reserves, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in Net Assets/Reserves shall be recognised in surplus/deficit through the Statement of Financial Performance. Interest earned on these funds is recognised in the Consolidated Fund through the Statement of Financial Performance.

9.2.7.3 Financial Liabilities

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

SHG has no borrowings or other financial liabilities.

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

9.2.8 Provisions for Liabilities and Charges

Provisions are recognised when SHG has a present obligation (legal or constructive) as a result of a past event, it is probable that SHG will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. The unwinding of any such discount is recognised as a finance cost in the Statement of Financial Performance in the period it arises.

9.2.9 Staff Leave Liability

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

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

9.2.10 Pension and Retirement Benefits

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

9.2.10.1 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 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 liability is discounted to present value using an assumed discount rate. Details of assumptions applied can be found in the Key Estimation Assumptions note to these Financial Statements.

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

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

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

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

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

9.2.10.2 Defined Contribution Pension Scheme (DCPS)

Employees commencing employment on or after 1 April 2010, who were eligible for adoption into the scheme, were adopted into the DCPS in accordance with the Trust Deed 2010 under which the scheme was created. The scheme was wound up on 31 March 2016.

Pension contributions paid into the DCPS scheme by SHG and charged to the Consolidated Fund have been transferred to individual pension accounts under the MiSaint Pension Scheme administered by Solomon & Company Plc, unless the employee has their own pension scheme overseas. Any contributions not paid over to MiSaint or directly to the employee at the reporting date are held temporarily by SHG and recorded as a payable. Eligible employees continue to receive the benefit of pension contributions, which are accounted for as a charge to the Consolidated Fund when the contribution is contractually due and will be paid directly to the employees' pension account or directly to the employee for them to invest in their own pension plan.

9.2.11 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 eight reserves (see the Funds & Reserves note 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. Special Funds are also created for the trading accounts. Trading accounts exist for business trading such as Information Technology, Transport and Housing.

9.2.12 Revenue and Expenditure Recognition

Revenue and expenditure is accounted for on the accrual basis meaning that 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 relate to the next financial year have been recognised as Income Received in Advance. Taxation revenue collected from Self Employment and Corporation Tax is estimated and accrued for the year as the timing of the return of the annual self-assessment forms means that actuals cannot be used. The estimated accrual is based on the previous year's actuals and is adjusted for inflation and businesses which have closed during the year.

In accordance with IPSAS 23 *Revenue from Non Exchange Transactions*, revenue is recognised equal to the inflow of resources from a non-exchange transaction recognised as an asset. Therefore, an amount equal to the estimated replacement cost of the airport and wharf project funded by the UK Government have been recognised as revenue within the Statement of Financial Performance. The revenue is credited to the Aid Funded Infrastructure Reserve and following completion will be written off over the useful economic life of each asset.

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

Goods and services paid for during the financial year but not yet received at the year-end have been accounted for as Prepayments. Goods and services received during the year that has not been paid for by the reporting date have been accounted for as Accrued Expenses.

9.2.13 Internal Recharges

During the normal course of business, Government directorates provide services to each other e.g. 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.

9.2.14 Translation of Foreign Currencies

These accounts are presented in St Helena Pounds (SHP) being the functional currency of St Helena and 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. Exchange differences are recognised in the Statement of Financial Performance in the period in which they arise.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rate of exchange prevailing at that date.

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

IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosure in respect of new IPSASs, amendments and interpretations that are, or will be, applicable after the accounting period.

At present, there are no new standards that will have a future material impact on the financial statements of SHG.

9.3 Key Estimation Assumptions

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

9.3.1 Defined Benefit Pension Scheme - Actuarial Pension Liability

The UK Government Actuary's Department was engaged to provide SHG with expert advice about the assumptions to be applied and to calculate an estimate of the Actuarial Pension Liability as at 31 March. A full actuarial valuation of the scheme liabilities was performed as at 31 March 2016. For the scheme valuation as at 31 March 2019, the actuarial liability as at 31 March 2016 has been rolled forward by increasing the liability as follows:

- Adding the Current Service Cost (inclusive of member contributions), representing the increase in the present value of the defined benefit obligation resulting from employee service in the period.
- Adding the interest cost, representing the increase in the present value of the defined benefit obligation arising because the benefits are one year closer to settlement.
- Deducting the amount of pension and lump sum payments made during the years since 31 March 2016.
- Adjusting for any experience gain or loss in respect of known significant experience items, such as pay and pension increases. For the purpose of this roll forward valuation, no allowances have been made for a general salary increase and pension increase, between 1 April 2018 and 31 March 2019.

A roll-forward calculation is not as accurate as carrying out a full valuation using membership data as at balance sheet date as it does not allow for detailed membership movements during the year. Despite this approach introducing some degree of uncertainty, it is considered reasonable.

Previously, pension scheme valuations have been prepared in accordance with IPSAS 25 *Employee Benefits*. This was replaced by IPSAS 39 *Employee Benefits* on 1 January 2018. The changes largely relate to treatment of scheme assets, of which the SHG Pension Scheme has none. IPSAS 39 requires that financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled. The use of financial assumptions derived from current market conditions may lead to volatility in the results from one period to the next.

The financial assumptions relate to future increases in pensionable salary due to general inflation, incremental and promotional increases, pension increases (both in payment and deferment), and the rate of interest (or notional investment return) used to calculate the discounted value of the benefits payable. However, more important are the assumptions relating to the differences between the rate of notional investment return and the rates of salary increases, pension increases and revaluation of deferred pensions respectively. These are known as the real rates of return in excess of earnings and in excess of pension increases.

The following table summarises the financial assumptions adopted for the valuation as at 31 March 2019:

| Assumption | 31 March 2019 % a year | 31 March 2018 % a year |
|--|-----------------------------------|-----------------------------------|
| Rate of return (discount rate) | 1.5 | 1.7 |
| Rate of pay inflation | 3.5 | 3.5 |
| Rate of pension increases | 3.5 | 3.5 |
| Rate of increase in deferred pensions: | | |
| Pre 1 April 2012 leavers | 0.0 | 0.0 |
| Post 31 March 2012 leavers | 3.5 | 3.5 |
| Rate of Return in excess of: | | |
| General pay increases | -2.0 | -1.8 |
| Pension increases | -2.0 | -1.8 |
| Deferred pensions: | | |
| Pre 1 April 2012 leavers | 1.5 | 1.7 |
| Post 31 March 2012 leavers | -2.0 | -1.8 |

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 31 March 2019 (1.5% pa). The rate of return (discount rate) is lower than that assumed for the 2018 valuation and this change, in isolation, results in an increase in the value of the liabilities.

The assumed rates of pension increases and pay inflation are the same as those assumed for the previous valuation.

Under the current arrangements, the expenses of administering the scheme are borne by SHG. Accordingly, the standard contribution rate and the assessment of liabilities do not include any allowance for the future expenses of the scheme.

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. The approximate effects on the actuarial liability of changes to the main actuarial assumptions are as follows:

- A rate of return 0.50% in excess of salary increases would increase the liability by £1.933 million.
- A rate of return 0.50% in excess of pension increases, and revaluation in deferment would increase the liability by £6.841 million.

The following table shows the remaining life expectancy of current pensioners at age 60:

| Life expectancy at age 60 | 31 March 2019 | | 31 March 2018 | |
|--------------------------------------|------------------------|----------------------|------------------------|--------------------------|
| | Men (years) | Women (years) | Men (years) | Women (years) |
| Current Pensioners | 25.0 | 28.7 | 24.9 | 28.6 |
| Future Pensioners* | 26.6 | 30.2 | 26.5 | 30.1 |

*The life expectancy from age 60 of active and deferred members will depend on their current age. The table shows the life expectancy from age 60 in 2019 for current pensioners and at age 60 in 2034 for active members currently aged 45.

The carrying value of the Actuarial Pension Liability as at 31 March 2019 is £74.359 million (31 March 2018 £71.612 million). Full details of movements in the liability can be found in the Pensions Note to these Financial Statements. It is anticipated that the next full valuation will be obtained no earlier than March 2020.

9.3.2 Provisions

A sufficiently reliable estimate of the obligations has been determined by assessing a range of possible outcomes. Each case has been assessed individually.

9.3.2.1 Provision for Litigation Claims

SHG has made a provision to cover for instances of outstanding litigation relating to; child abuse cases, deformation of character and also cases relating to medical negligence claims and related legal costs. In determining the provision SHG relies on estimates provided by the Attorney General which are based on the probability of SHG winning or losing a case. In one case where the Court has determined the amount to be paid to the plaintiff it has been assumed that payments will be made over the next 20 years. The cost has been discounted using the rate on the FTSE Actuaries UK Gilts Index (20 year duration). The discount rate used is 1.7% per annum.

9.3.2.2 BFI Decommissioning Provision

A provision for £2.9m was made in 2017/18 for the expected decommissioning costs of the Bulk Fuel Installation. The provision has been determined on the basis of a scope of works for BFI decommissioning prepared by SHG's Project Management Unit (PMU). The costs of dismantling are based on prevailing market rates. It has been assumed that the decommissioning work will commence in the immediate future hence cost has not been discounted.

9.3.2.3 Provision for Doubtful Debts

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

9.3.2.4 Provision for Slow Moving and Obsolete Inventories

A provision is made against the carrying value of Inventories where inventory obsolescence is identified during inventory count procedures performed at the end of the financial period. For pharmaceutical items any items identified as being past or close to its use by date are provided against until removed from the inventory system. Additionally, any spare parts held in transport inventories that are identified as being faulty, rusted or damaged are also provided for in full until removed from the inventory system. The assessment as to the condition of these items is performed by relevant supervisors experienced in that area of operations. The provision for inventory obsolescence can be found in the Inventories note.

9.3.3 Fair Value Estimation

9.3.3.1 Airport and Wharf Infrastructure Projects

Construction of an international airport on St Helena commenced in late 2011, and whilst the airport itself is completed and operational, there is still the Bulk Fuel Facility to complete. This work is expected to be ongoing for several more years. The project is a tri-partite arrangement funded by the UK Government but with the resulting asset vesting with SHG.

Work has also been completed at Rupert's Wharf. This project was jointly funded by the UK Government by way of funding channelled through DfID and by SHG through the use of European Development Funds (EDF). Payments funded by the UK Government were made directly by DfID to the contractor. Payments funded by EDF were made by SHG to the contractor.

The UK Government funded element of the projects meets the criteria for a non-exchange transaction, as defined under IPSAS 23 *Revenue from Non-Exchange Transactions* and has therefore been initially measured at fair value. The payments made by SHG to the contractor, which are funded through the use of EDF is deemed to be an exchange transaction and this element has initially been valued at cost.

The airport and the wharf have been acquired through a non-exchange transaction and currently is held on the asset register pending a full valuation. In the absence of a professional valuation or recently observable market prices, its fair value is measured using the depreciated replacement cost method which currently is replacement cost.

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

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

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

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

Works undertaken by the contractor are certified as complete and compliant by the project management unit run by Halcrow (an independent engineering consultancy company). As at each reporting date, a model maintained by Halcrow is used to determine an 'earned value' of the works completed or part completed under the contract. Management deems this to be the best available information to determine the certified value of contracted works complete at the reporting date.

A professional valuation is currently being procured. The valuation will be on a depreciated replacement cost basis. It is reasonably possible based on existing knowledge that upon obtaining a professional valuation of the airport, differences in the assumptions applied may result in a material adjustment to the carrying amount of the assets in a future period. As at the 31 March 2019, the carrying values of the Airport and Wharf were £13.513m and £33.560m respectively. There is then a further £16.180m of road and pavement assets. Included in Assets under Construction is £75.551m for the Airport (BFI).

9.3.3.2 Land and Buildings

In 2015/16, all assets in the Land & Buildings category were revalued. Valuations were carried out externally by independent valuers D M Hall Chartered Surveyors, Edinburgh, United Kingdom. Valuations of land and buildings were carried out in accordance with methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Therefore the valuations have been prepared in accordance with RICS Valuation Professional Standards UK January 2015 (as amended) and International Public Sector Accounting Standards. All of the valuations carried out by D M Hall Chartered Surveyors are in respect of land and buildings and, as such, the IPSAS Advisory Board considers that the most appropriate measure of operational property should be based on the service potential that the assets support in the services provided by the government.

UK Valuation Standard 3.3 Appendix 5 directs that the IFRS Code requires the following values to be reported – for operational land and buildings, current value falls to be interpreted as the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of Existing Use Value in accordance with UKVS 1.3, EUV- SH (social housing) in accordance with definition in paragraph 1.6 UKVS or by adopting the depreciated replacement cost (DRC) approach in accordance with UKVS 1.15. The Government Landlord Housing portfolio was valued as per IFRS 13 on Existing Use Value - Social Housing (EUV-SH) (para 1.6 UKVS). Additionally UKVS 3.7 directs that the appropriate valuation method for dwellings under EUV-SH is the Beacon Approach (Adjusted Vacant Possession).

Where evidence of market transactions was available, and appeared to be robust and relevant, this was used in arriving at the opinions of value for the relevant valuations, both in terms of capital sales, and rental information. However the majority of values for the operational properties were derived from the DRC (Depreciated Replacement Cost) approach, which for the avoidance of doubt is cost-based rather than utilising comparable evidence.

9.3.3.3 Roads Infrastructure

SHG holds island-wide historical road assets and part of the new airport access road asset. The historical roads infrastructure is based upon management's estimate of the deemed cost. This was conducted as an internal exercise and due to the age and bad condition of the roads, the decision was taken to fully depreciate the roads on the day of valuation.

New roads infrastructure assets are held at cost until such time as a revaluation is due. These assets are depreciated using the straight-line method and have an estimated useful economic life of 20 years.

9.3.4 Useful lives of Property, Plant and Equipment

The estimated useful economic life of land and building assets were considered and changed as necessary following the revaluation by the professional valuers. For all other classes of asset, they are based on management's experience of the lifespan of similar assets and are reconsidered each year. Due to the long life of many assets and the uncertainty of future events, the allocated useful economic lives remain an estimate only.

9.4 Related Party Transactions

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.

9.4.1 Central Government (UK)

Saint Helena is a British Overseas Territory and receives funding each year from the UK Government, through the Department for International Development (DfID). DfID Grant in Aid in 2018/19 totalled £26.699 million (2017/18 £28.5 million), which equated to 46.12% of SHG's total revenue (excluding DfID and Other Development Aid, Movements in Non-current Investments, Non-exchange DfID Infrastructure Aid Funding and Non-exchange Donated Asset Funding).

9.4.2 Key Management Personnel

9.4.2.1 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 | £186,954 (2017/18 £156,648) |
| Number of persons | 12 persons (2017/18 12 persons) |

From 1 November 2018, elected members were eligible to join the MiSaint pension scheme in to which SHG would make monthly pension contributions. Aggregate remuneration for Elected Members above includes pension contributions of £7,500 (2017/18 £0).

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 | £242,862 (2017/18 £238,736) |
| Number of persons | 3 persons (2017/18 3 persons) |

Aggregate remuneration for Ex-Officio Members above includes pension contributions of £17,586 (2017/18 £22,968). One Ex-Officio member is in the Defined Benefit Pension Scheme and so pension contributions are not paid by SHG on a monthly basis in to the scheme. The member receives their pension contribution from SHG upon retirement.

Some Ex-Officio Members are also entitled to a number of allowances, however these are considered to be the reimbursement of expenses and not remuneration.

IPSAS 20 *Related Party Disclosures* also states that the remuneration of close family members should be disclosed in these financial statements. The aggregate remuneration paid to close family members of key management personnel of SHG is:

| | |
|------------------------|-------------------------------|
| Aggregate remuneration | £49,049 (2017/18 £40,768) |
| Aggregate pensions | £1,738 (2017/18 £1,697) |
| Number of persons | 5 persons (2017/18 3 persons) |

9.4.2.2 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 2018/19 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.

9.4.3 Controlled entities

SHG has a controlling interest in the following reporting entities as at 31 March 2019:

Bank of Saint Helena Ltd, St Helena Currency Fund, St Helena Fisheries Corporation, Enterprise St Helena (ESH), Solomon & Company (St Helena) Plc. Connect St Helena Ltd, St Helena Hotel Development Ltd, St Helena Line Ltd and St Helena Airport Ltd.

Note 13 - Controlled Entities sets out the nature of SHG's controlling interest in each of the controlled entities.

9.5 Termination Benefits

IPSAS 39 *Termination benefits* are amounts payable as a result of a decision by SHG to terminate an officer's employment before the normal retirement date or an officer's decision to accept redundancy in exchange for those benefits. These are charged on an accruals basis to the appropriate Directorate in the Statement of Financial Performance, at the point when SHG can no longer withdraw the offer to those benefits.

In 2018/19 SHG terminated the contracts of 4 employees (4 employees 2017/18). Payments to these employees totaled £0.236m (£0.007m in 2017/18).

9.6 Contingent Assets and Liabilities

Contingent assets and liabilities are not included within the Statement of Financial Performance or the Statement of Financial Position, but are disclosed by way of a note to the accounts where a receipt or some other economic benefit is probable (contingent asset), or where there is a possible obligation that may require payment or other transfer of economic funds (contingent liability).

SHG is acting as Guarantor for St Helena Hotel Development Ltd (SHHD) in that if SHHD defaults on the loan it has with the Bank of St Helena, then the Guarantee crystallises and SHG will have an immediate liability.

SHG have also agreed to act as Guarantor for St Helena Fisheries Corporation with Connect St Helena Ltd. This is to ensure that Connect continues to provide utilities to the Fisheries Corporation and that SHG agrees to pay to Connect any liabilities of the Fisheries Corporation incurred from 24th October 2017. The value of this Guarantee was for £100k, all of which had been utilised by 31st March 2019.

As at 31 March 2019, there were 9 cases which were raised against the Attorney General for SHG which were considered as being contingent liabilities and therefore had not been provided for. These are potential liabilities which have yet to be pleaded and heard. Included in the 9 cases were 4 medical negligence cases and 5 other cases.

There were no contingent assets in the period.

9.7 Restatement of Prior Period Figures

During the final drafting of these financial statements, it was found necessary to make two restatements to the controlled entities figures published and audited for 2017/18.

- Bulk Fuel Installation - the value of inventory in transit at 31 March 2018 was restated to include the costs relating to purchasing, shipping and duty as a direct comparative to 31 March 2019. Payables was increased by the same amount of £0.690m.
- St Helena Hotel Development Ltd – 2017/18 was adjusted to accurately reflect BOSH loans at amortised cost using the effective rate method. Cost of sales and administrative expenses were also adjusted to show a more reasonable apportionment of direct costs including electricity, water, gas and staff costs. This meant an overall increase of £0.089m in the net loss for the year.

9.7.1 Restatement of the Statement of Financial Performance

| | 2017/18 As previously reported £000 | SHHDL Controlled Entity £000 | 2017/18 Restated £000 |
|--|---|------------------------------------|-----------------------------|
| REVENUE | | | |
| Exchange revenue | | | |
| Fines, Fees and Licenses | 1,039 | 0 | 1,039 |
| Other Local Revenue | 866 | 0 | 866 |
| Trading Activities | 4,468 | 0 | 4,468 |
| Total Exchange revenue | 6,373 | 0 | 6,373 |
| Non-exchange revenue | | | |
| Taxation | 10,752 | 0 | 10,752 |
| Movements in Non-current Investments | 221 | 0 | 221 |
| DfID Grant in Aid | 28,542 | 0 | 28,542 |
| DfID Development Aid | 8,554 | 0 | 8,554 |
| Other Development Aid | 1,636 | 0 | 1,636 |
| Non-exchange Donated Asset Funding | 81 | 0 | 81 |
| Non-exchange DfID Infrastructure Aid Funding | 3,585 | 0 | 3,585 |
| Total Non-exchange revenue | 53,371 | 0 | 53,371 |
| Total Revenue | 59,744 | 0 | 59,744 |
| EXPENDITURE | | | |
| Health | 8,188 | 0 | 8,188 |
| Safeguarding | 3,232 | 0 | 3,232 |
| Education | 3,363 | 0 | 3,363 |
| Environment and Natural Resources | 5,710 | 0 | 5,710 |
| Economic Development | 2,180 | 0 | 2,180 |
| Public Sector Pensions | 3,335 | 0 | 3,335 |
| Benefit Payments | 2,676 | 0 | 2,676 |
| Police | 2,495 | 0 | 2,495 |
| General Public Service | 7,747 | 89 | 7,836 |
| Shipping | 6,005 | 0 | 6,005 |
| Trading Activities | 18,492 | 0 | 18,492 |
| Total Expenditure | 63,423 | 89 | 63,512 |
| SURPLUS/(DEFICIT) FOR THE PERIOD | (3,679) | (89) | (3,768) |

9.7.2 Restatement of the Statement of Financial Position

| | 31 March 2018 As previously reported £000 | BFI Controlled Entity £000 | SHHDL Controlled Entity £000 | 31 March 2018 Restated £000 |
|---|--|-------------------------------------|---------------------------------------|-----------------------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash & Cash Equivalents | 5,508 | 0 | 0 | 5,508 |
| Investments | 1,501 | 0 | 0 | 1,501 |
| Recoverables from Non-exchange Transactions | 3,839 | 0 | 0 | 3,839 |
| Receivables | 1,453 | 0 | 0 | 1,453 |
| Inventories | 1,798 | 690 | 0 | 2,488 |
| Other Financial Assets | 1,895 | 0 | 0 | 1,895 |
| Assets Held for Sale/Distribution | 933 | 0 | 0 | 933 |
| | 16,927 | 690 | 0 | 17,617 |
| Non-current Assets | | | | |
| Non-Current Investments | 28,217 | 0 | (89) | 28,128 |
| Receivables | 59 | 0 | 0 | 59 |
| Property, Plant & Equipment | 282,236 | 0 | 0 | 282,236 |
| Intangible Assets | 106 | 0 | 0 | 106 |
| | 310,618 | 0 | (89) | 310,529 |
| Total Assets | 327,545 | 690 | (89) | 328,146 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Payables | 7,114 | 690 | 0 | 7,804 |
| Provisions | 739 | 0 | 0 | 739 |
| | 7,853 | 690 | 0 | 8,543 |
| Non-current Liabilities | | | | |
| Payables | 0 | 0 | 0 | 0 |
| Pension Liabilities | 71,612 | 0 | 0 | 71,612 |
| Provisions | 4,184 | 0 | 0 | 4,184 |
| | 75,796 | 0 | 0 | 75,796 |
| Total Liabilities | 83,649 | 690 | 0 | 84,339 |
| NET ASSETS | 243,896 | 0 | (89) | 243,807 |
| FUNDS AND RESERVES | | | | |
| Consolidated Fund | 242,290 | 0 | (89) | 242,201 |
| Special Funds | 1,606 | 0 | 0 | 1,606 |
| | 243,896 | 0 | (89) | 243,807 |

9.7.3 Restatement of the Statement of Changes in Net Assets/Reserves

| Consolidated Fund | 31 March 2018 As previously reported £000 | SHHDL Controlled Entity £000 | 31 March 2018 Restated £000 |
|---|--|---|--|
| Balance as at 1 April 2017 | 245,605 | 0 | 245,605 |
| <u>Changes in Net Assets/Reserves:</u> | | | |
| Surplus for the Period | (950) | (89) | (1,039) |
| Use of Funds to Finance Capital Expenditure | 1,584 | 0 | 1,584 |
| Actuarial Losses | (1,217) | 0 | (1,217) |
| Recharges | (336) | 0 | (336) |
| Transfers | (132) | 0 | (132) |
| Downward Revaluations | (2,264) | 0 | (2,264) |
| Balance at 31 March 2018 | 242,290 | (89) | 242,201 |

9.7.4 Restatement of the Statement of Cash Flows

| | 2017/18 As previously reported £000 | SHHDL Controlled Entity £000 | 2017/18 Restated £000 |
|--|--|---|--------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Surplus/(Deficit) for the Period | (3,678) | (89) | (3,767) |
| Interest Received | (44) | 0 | (44) |
| <u>Non Cash Movements</u> | | | |
| Recognition of Non-exchange DfID Infrastructure Aid Funding | (3,585) | 0 | (3,585) |
| Depreciation | 9,236 | 0 | 9,236 |
| Impairment of Non-current Assets | 16 | 0 | 16 |
| Net Gain on Disposal of Non-current Assets | (38) | 0 | (38) |
| Donated Asset Funding | (81) | 0 | (81) |
| Share of Profit of Subsidiaries | 402 | 89 | 491 |
| Difference in Pensions Earned and Benefits Paid Relating to the Defined Benefit Pension Scheme | 1,619 | 0 | 1,619 |
| Movements in Working Capital | (1,272) | 0 | (1,272) |
| Net Cash Flows from Operating Activities | 2,575 | 0 | 2,575 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Dividend Received | 44 | 0 | 44 |
| Capital Expenditure | (1,111) | 0 | (1,111) |
| Proceeds from the Sale of Non-current Assets | 94 | 0 | 94 |
| Decrease in Investments | 1,001 | 0 | 1,001 |
| Net Cash Flows from Investing Activities | 28 | 0 | 28 |
| NET CASH FLOW FOR THE FINANCIAL YEAR | 2,603 | 0 | 2,603 |
| Cash & Cash Equivalents at 1 April | 2,904 | 0 | 2,904 |
| Net Cash Flows | 2,603 | 0 | 2,603 |
| Cash & Cash Equivalents at 31 March | 5,507 | 0 | 5,507 |

9.8 Events after the Reporting Date

The financial statements were authorised for issue on 31 March 2020 by the Financial Secretary, Dax Richards. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

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

- Following a decision of Executive Council the St Helena Fisheries Corporation ceased trading on 31 January 2020. The Corporation is now going through the process of being wound up. The fish processing assets of the Corporation is being leased to SHG to allow the fish processing to continue for the local market. The building and associated infrastructure belonging to SHG is currently being utilized by SHG to carry out fish processing. There are no immediate plans to discontinue the use of the building and infrastructure and it is anticipated that the building and infrastructure will be used for fish processing in the short to medium term.
- The Enterprise St Helena Board of Directors took a decision on the 3 October 2019 to cease trading at Bertrand's Cottage effective on the 31 January 2020. The property is currently being advertised for rental as either commercial or housing.

10.0 Notes to the Statement of Financial Performance

10.1 Revenue by Category

| | 2018/19 £000 | 2017/18 £000 |
|--|----------------------|----------------------|
| Exchange Revenue | | |
| <u>Fines, Fees and Licences</u> | | |
| Stamp Duty | 65 | 65 |
| Immigration Fees | 104 | 51 |
| Planning Fees | 11 | 14 |
| Other Fines, Fees and Licences | 966 | 909 |
| | <u>1,146</u> | <u>1,039</u> |
| <u>Other Local Revenue</u> | | |
| Earnings Government Departments | 56 | 56 |
| Interest Received | 85 | 34 |
| Other Treasury Receipts | 92 | 610 |
| Profit on Disposal of Non-current Assets | 103 | 75 |
| Other Income Received | 244 | 91 |
| | <u>580</u> | <u>866</u> |
| <u>Trading Activities</u> | | |
| Operating Revenue | 5,157 | 4,439 |
| Interest Received | 0 | 10 |
| Profit on Disposal of Non-current Assets | 39 | 19 |
| | <u>5,196</u> | <u>4,468</u> |
| Total Exchange Revenue | <u>6,922</u> | <u>6,373</u> |
| Non-Exchange Revenue | | |
| <u>Taxation</u> | | |
| Income Tax (PAYE) | 3,492 | 3,433 |
| Self Employed Tax | 339 | 322 |
| Corporation Tax | 722 | 729 |
| Service Tax | 491 | 364 |
| Withholding Tax | 19 | 39 |
| Customs Duty - Alcohol | 1,148 | 1,336 |
| Customs Duty - Tobacco | 890 | 989 |
| Customs Duty - Petrol | 358 | 349 |
| Customs Duty - Diesel | 559 | 569 |
| Other Customs Duties | 2,439 | 2,622 |
| | <u>10,457</u> | <u>10,752</u> |
| <u>Movements in Non-current Investments</u> | | |
| Share of Profit of Subsidiaries | 736 | 221 |
| Receipt from Assets Held for Distribution | 392 | 0 |
| | <u>1,128</u> | <u>221</u> |
| DfID Grant in Aid | 26,699 | 28,542 |
| DfID Development Aid | 9,455 | 8,554 |
| Other Development Aid | 9,627 | 1,636 |
| Non-exchange Donated Asset Funding | 0 | 81 |
| Non-exchange DfID Infrastructure Aid Funding | 488 | 3,585 |
| | <u>46,269</u> | <u>42,398</u> |
| Total Non-Exchange Revenue | <u>57,854</u> | <u>53,371</u> |
| Total Revenue | <u>64,776</u> | <u>59,744</u> |

10.2 Expenditure by Category

| | 2018/19 | Restated 2017/18 |
|---|----------------|-----------------------------|
| | £000 | £000 |
| Employee Costs | 19,816 | 19,492 |
| Property Costs | 930 | 645 |
| Transport & Plant Costs | 67 | 67 |
| Supplies & Services Costs | 8,098 | 9,189 |
| Administration Costs | 1,132 | 1,351 |
| Payments to Other Agencies, Bodies or Persons | 7,616 | 11,750 |
| Finance & Other Expenditure | 1,427 | 3,778 |
| Payment to Contractors | 8,700 | 9,363 |
| Depreciation | 7,939 | 9,236 |
| Impairment of Non-current Assets | 1,346 | 16 |
| Loss on Disposal of Non-current Assets | 81 | 56 |
| Share of Loss of Subsidiaries | 564 | 712 |
| Provisions Recognised/(Released) | 647 | (2,172) |
| Provision for Doubtful Debts | 33 | 29 |
| Total Expenditure | 58,396 | 63,512 |

The fee for the audit of the 2018/19 financial statements is expected to be £74,300 (2017/18 £61,800). Audit St Helena is a trading activity of SHG, the revenues and expenditures of which being included within these financial statements. As such, no accrual for the audit fee is included in these financial statements and an appropriation from the Consolidated Fund to the St Helena Audit Service Special Fund will be made in the financial period in which the costs of the audit are incurred.

Total expenditure on Benefit Payments is disclosed within the Statement of Financial Performance and included in the total of Payments to Other Agencies, Bodies or Persons above. A breakdown of expenditure on Benefit Payments is disclosed separately below to enhance the understanding of the financial statements. Disabled Allowance previously included in Benefit payments has been superseded and the new allowances are paid via Safeguarding.

| | 2018/19 | 2017/18 |
|-----------------------|----------------|----------------|
| | £000 | £000 |
| Benefit Payments: | | |
| Basic Island Pension | 2,289 | 2,039 |
| Disabled Allowances | 0 | 191 |
| Social Benefits | 504 | 436 |
| Unemployment Benefits | 19 | 10 |
| | 2,812 | 2,676 |

10.3 Comparison of Budget and Actual Amounts

The following table provides an analysis and explanation of the reasons for changes between the original and final budgets appropriated from the Consolidated Fund and non-appropriated statutory expenditure.

| | Original Budget £000 | Supplementary Appropriations £000 | Withdrawal Warrants £000 | Special Warrants £000 | Final Budget £000 |
|---|-------------------------------------|--|---|--------------------------------------|----------------------------------|
| Appropriated Recurrent Expenditure | | | | | |
| Corporate Support, Policy and Planning | 1,360 | 113 | 0 | 0 | 1,473 |
| Human Resources | 8,862 | 611 | 0 | 0 | 9,473 |
| Police | 1,590 | 0 | (5) | 0 | 1,585 |
| Corporate Finance | 8,180 | 0 | (300) | 0 | 7,880 |
| Economic Development | 900 | 0 | 0 | 0 | 900 |
| Shipping | 500 | 0 | 0 | 0 | 500 |
| Education | 3,343 | 0 | (20) | 0 | 3,323 |
| Health | 5,714 | 0 | (300) | 0 | 5,414 |
| Environment and Natural Resources | 3,392 | 0 | (74) | 0 | 3,318 |
| Safeguarding | 2,850 | 0 | (200) | 0 | 2,650 |
| | 36,691 | 724 | (899) | 0 | 36,516 |
| Appropriated Capital Expenditure | | | | | |
| Police | 0 | 15 | 0 | 0 | 15 |
| Corporate Finance | 0 | 11 | 0 | 350 | 361 |
| Education | 0 | 20 | 0 | 0 | 20 |
| Health | 80 | 0 | 0 | 0 | 80 |
| Environment and Natural Resources | 0 | 114 | 0 | 0 | 114 |
| | 80 | 160 | 0 | 350 | 590 |
| | 36,771 | 884 | (899) | 350 | 37,106 |
| Non-appropriated | | | | | |
| Pensions and Benefits | 4,085 | 0 | 0 | 0 | 4,085 |
| | 4,085 | 0 | 0 | 0 | 4,085 |

A Supplementary Appropriation was approved by Legislative Council on 13 March 2019 with the effect of an increase to the 2018/19 recurrent and capital budgets by £0.724m and £0.160m respectively based on the latest available forecasts.

A Withdrawal Warrant to finance the above Supplementary Appropriation was approved by the Governor in Council on 28 March 2019 for the total amount of £0.899m. This withdrawal was afforded due to various reasons including underspends mainly on aero-medical evacuation and overseas medical treatment, litigation and legal costs as well as across the Safeguarding directorate.

Where there is an urgent and unforeseen call on the consolidated fund and there is no budget for a specific spend, a Special Warrant is requested as the most appropriate means of authorising the expenditure. The Special Warrant approved by HE the Governor on 17 July 2018 was in relation to further investment in the SHG owned, St Helena Hotel Development Ltd, Mantis Hotel. The Special Warrant totalled £0.350m.

The following table provides an analysis and explanation of the differences between the final budget and actual expenditure and revenues reported in SHG's March 2019 management accounts.

| | Appropriated Expenditure | | | Revenue | | |
|---|--------------------------|----------------|-------------------|----------------------|----------------|-------------------|
| | Final Budget £000 | Actual £000 | Variation £000 | Final Budget £000 | Actual £000 | Variation £000 |
| Appropriated Recurrent Expenditure | | | | | | |
| Corporate Support, Policy and Planning | 1,473 | 1,417 | 56 | 230 | 251 | 21 |
| Human Resources | 9,473 | 8,888 | 585 | 0 | 0 | 0 |
| Police | 1,585 | 1,540 | 45 | 362 | 367 | 5 |
| Corporate Finance | 7,880 | 6,981 | 899 | 38,563 | 38,751 | 188 |
| Economic Development | 900 | 900 | 0 | 0 | 0 | 0 |
| Shipping | 500 | 453 | 47 | 0 | 0 | 0 |
| Education | 3,323 | 3,311 | 12 | 227 | 202 | (25) |
| Health | 5,414 | 5,051 | 363 | 750 | 945 | 195 |
| Environment and Natural Resources | 3,318 | 3,293 | 25 | 534 | 636 | 102 |
| Safeguarding | 2,650 | 2,617 | 33 | 100 | 76 | (24) |
| | 36,516 | 34,451 | 2,065 | 40,766 | 41,228 | 462 |
| Appropriated Capital Expenditure | | | | | | |
| Police | 15 | 13 | 2 | 0 | 0 | 0 |
| Corporate Finance | 361 | 350 | 11 | 0 | 0 | 0 |
| Education | 20 | 10 | 10 | 0 | 0 | 0 |
| Health | 80 | 3 | 77 | 0 | 0 | 0 |
| Environment and Natural Resources | 114 | 109 | 5 | 0 | 0 | 0 |
| | 590 | 485 | 105 | 0 | 0 | 0 |
| | 37,106 | 34,936 | 2,170 | 40,766 | 41,228 | 462 |
| Non-appropriated | | | | | | |
| Pensions and Benefits | 4,085 | 4,090 | (5) | 0 | 0 | 0 |
| | 4,085 | 4,090 | (5) | 0 | 0 | 0 |

10.3.1 Revenue

Significant variance to budget is explained for the following directorates:

- Corporate Finance – The additional revenue is largely attributed to receipts from the liquidation of St Helena Line Ltd which was not budgeted for. In addition more revenues than were budgeted for were earned on corporation tax.
- Police – The residual favourable variance is as a result of increased collection from immigration due to a higher outturn of landing fee collected from visitors to the Island.
- Health – There were increases in revenues for medical fees due to additional theatre procedures being undertaken on the Island. In addition treatment was given at the hospital to crew members of passing ships resulting in unexpected income. Furthermore SHG managed to recover from some patients medical insurance costs of aero medical evacuation and costs of overseas medical treatment.
- Education - The adverse variance was a result of lower than expected interest in registrations for vocational training in the year under review.
- Environment & Natural Resources – Revenue was more than budgeted mainly due to an increase in Stamp Duties as a result of unexpected private housing purchases. In addition miscellaneous receipts were more because of reimbursements for work carried out on behalf of private entities.

10.3.2 Recurrent Expenditure

Variance explanations for directorates are as follows:

- Corporate Support – Saving as a result of the sitting fee for an additional Judge of the Supreme Court being lower than anticipated. Also there was a delay in the increase of remuneration for Members of the Legislative Council.
- Human Resources – an under spend mainly due to delays in the recruitment of Technical Co-operation posts.
- Police – The saving is as result of vacancies carried during the year due to staff turnover and procurement not occurring as budgeted during the year.
- Corporate Finance – Compensation and public sector pension payments were less than budgeted.
- Shipping – an under spend resulting from lower transport cost for the movement of cargo from Rupert's to Jamestown.
- Education – The under spend results from one scholarship not being awarded out of the five budgeted and fewer apprentices than were expected. There were also savings due to vacant posts and tutor cost savings due to lower demand at the SHCC.
- Health - Savings largely a result of less people being referred overseas than in the prior year upon which the budget was based.
- Environment & Natural Resources – The under spend results from contract work not being completed and invoiced as planned.
- Safeguarding - The saving is a result of Carer vacancies at the Community Care Centre.

10.3.3 Capital Expenditure

Variances in Capital Expenditure for directorates are as follows:

- Police – Underspend because the purchase and freight costs of the new breathing apparatus test equipment were less than expected.
- Corporate Finance – Procurement of port equipment was not completed within the year as expected.
- Education – Underspend because the overall cost of the refurbishment works at the Old Woodwork Shop at Harford Primary School was less than expected.
- Environment & Natural Resources – Underspend was due to contract work not being completed within the year as expected.

10.3.4 Pensions and Benefits

Variance explanations for the non-appropriated pensions and benefits are as follows;

- The adverse variance of £5,000 is due to claims for the social benefits: income related benefit and Basic Island pension, which were more than anticipated.

10.4 Segment Reporting

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

Other Services include the Police directorate and Economic Development.

| 2018/19 | Education £000 | Health and Safeguarding £000 | Environment and Natural Resources £000 | Shipping £000 | Corporate Services £000 | Other Services £000 | Management Accounts £000 | Not included in Management Accounts but included in Financial Statements £000 | Included in Management Accounts but not included in Financial Statements £000 | Unallocated Assets and Liabilities £000 | Financial Statements £000 |
|----------------------------------|-------------------|------------------------------------|--|------------------|----------------------------|------------------------|--------------------------------|---|---|---|------------------------------|
| Segment Revenue: | | | | | | | | | | | |
| Revenue from External Sources | 9 | 436 | 349 | 0 | 38,278 | 123 | 39,195 | 26,795 | (1,214) | | 64,776 |
| Inter-segment Transfers | 193 | 585 | 287 | 0 | 724 | 244 | 2,033 | 0 | (2,033) | | 0 |
| Total Segment Revenue | 202 | 1,021 | 636 | 0 | 39,002 | 367 | 41,228 | 26,795 | (3,247) | | 64,776 |
| Total Segment Expenditure | 3,321 | 7,671 | 3,405 | 453 | 17,633 | 6,543 | 39,026 | 21,877 | (2,507) | | 58,396 |
| Surplus/(Deficit) for the Period | (3,119) | (6,650) | (2,769) | (453) | 21,369 | (6,176) | 2,202 | 4,918 | (740) | | 6,380 |
| Other Information: | | | | | | | | | | | |
| Segment Assets | 4,551 | 8,715 | 44,158 | 0 | 3,851 | 5,781 | | | | 271,756 | 338,812 |
| Segment Liabilities | 44 | 582 | 343 | 0 | 2,125 | 174 | | | | 86,465 | 89,733 |
| Costs to acquire Segment Assets | 0 | 8 | 0 | 0 | 165 | 13 | | | | 5,991 | 6,177 |

| Restated 2017/18 | Education £000 | Health and Safeguarding £000 | Environment and Natural Resources £000 | Shipping £000 | Corporate Services £000 | Other Services £000 | Management Accounts £000 | Not included in Management Accounts but included in Financial Statements £000 | Included in Management Accounts but not included in Financial Statements £000 | Unallocated Assets and Liabilities £000 | Financial Statements £000 |
|----------------------------------|-------------------|---------------------------------|--|------------------|----------------------------|------------------------|-----------------------------|---|---|---|------------------------------|
| Segment Revenue: | | | | | | | | | | | |
| Revenue from External Sources | 12 | 352 | 364 | 0 | 39,213 | 266 | 40,207 | 19,537 | 0 | | 59,744 |
| Inter-segment Transfers | 258 | 446 | 253 | 0 | 427 | 48 | 1,432 | 0 | (1,432) | | 0 |
| Total Segment Revenue | 270 | 798 | 617 | 0 | 39,640 | 314 | 41,639 | 19,537 | (1,432) | | 59,744 |
| Total Segment Expenditure | 3,210 | 8,296 | 3,447 | 4,389 | 15,650 | 6,256 | 41,248 | 23,696 | (1,432) | | 63,512 |
| Surplus/(Deficit) for the Period | (2,940) | (7,498) | (2,830) | (4,389) | 23,990 | (5,942) | 391 | (4,159) | 0 | | (3,768) |
| Other Information: | | | | | | | | | | | |
| Segment Assets | 4,652 | 8,917 | 44,455 | 933 | 4,150 | 8,838 | | | | 256,201 | 328,146 |
| Segment Liabilities | 72 | 1,140 | 292 | 0 | 2,868 | 198 | | | | 79,769 | 84,339 |
| Costs to acquire Segment Assets | 34 | 288 | 271 | 0 | 62 | 9 | | | | 10,705 | 10,705 |

11.0 Notes to the Statement of Financial Position

11.1 Cash and Cash Equivalents

| | 31 March 2019 £000 | 31 March 2018 £000 |
|----------------------------------|-----------------------|-----------------------|
| Bank Deposits | 1,898 | 1,259 |
| Overseas Call/Current Accounts | 3,658 | 4,860 |
| Overdraft - Bank of Saint Helena | (1,158) | (1,186) |
| Cash | 489 | 574 |
| | 4,887 | 5,507 |

SHG also administers a number of trust funds. However these assets are not disclosed within SHG's Statement of Financial Position. Details of balances and movements on trust funds are provided separately in section 14.0 of these Financial Statements.

11.2 Investments

11.2.1 Current Investments

| | 31 March 2019 £000 | 31 March 2018 £000 |
|--------------------------|-----------------------|-----------------------|
| Certificates of Deposits | 15,342 | 1,501 |
| | 15,342 | 1,501 |

The value of SHG's current investments has risen sharply since the previous financial year due to receiving income in advance of spend from the European Development Fund (EDF). This is funding for EDF 11 the fibre optic cable. Monies have also been received by SHG from the redemption of bonds originally held for Basil Read (PTY) Ltd.

SHG's financial assets are measured at fair value on a recurring basis, the carrying amount of these assets is equivalent to their fair value and are described in the following table, including the valuation techniques used to measure them.

| | Input level in fair value hierarchy | Valuation technique used to measure fair value | 31 March 2019 £000 | 31 March 2018 £000 |
|--|---|--|-----------------------|-----------------------|
| Available for Sale Financial Assets | Level 1 | Unadjusted quoted prices in active market for identical product | 15,342 | 1,501 |
| | | | 15,342 | 1,501 |

11.2.2 Non-current Investments

Non-current Investments represent SHG's ownership interest in subsidiaries. Investments in subsidiaries are measured on a direct equity basis.

| | 2018/19 £000 | Restated 2017/18 £000 |
|--|-----------------|-----------------------------|
| Balance at 1 April | 28,128 | 28,620 |
| Further Investment in Subsidiaries | 350 | 0 |
| Net Share of (Loss)/Profit of Subsidiaries | 172 | (491) |
| Transfer to Non-current assets held for distribution | 0 | (1) |
| Balance at 31 March | 28,650 | 28,128 |

On 18 July 2018 SHG invested a further £350k in St Helena Hotel Development Ltd. At the 31 March, SHG's total investment in subsidiaries was made up as follows:

| | 31 March 2019 £000 | Restated 31 March 2018 £000 |
|-----------------------------------|-----------------------|-----------------------------------|
| Bank of St Helena Ltd | 6,248 | 5,963 |
| Connect St Helena Ltd | 15,556 | 15,407 |
| Solomon & Company (St Helena) Plc | 5,567 | 5,284 |
| St Helena Hotel Development Ltd | 1,260 | 1,474 |
| St Helena Airport Ltd | 19 | 0 |
| Balance at 31 March | 28,650 | 28,128 |

IPSAS 34 *Separate Financial Statements* states that SHG must account for the balances and movements from the latest available audited financial statements of its entities. These investments are measured on the basis of the latest available financial statements of each entity.

Further details of SHG's investments in subsidiaries and other controlled entities is provided in the Controlled Entities note 13.01 in these Financial Statements.

11.3 Recoverables from Non-exchange Transactions

| | 31 March 2019 £000 | 31 March 2018 £000 |
|------------------------|-----------------------|-----------------------|
| Income Tax Debtors | 1,267 | 990 |
| Other Taxes and Duties | 449 | 433 |
| Grant Funding | 2,512 | 2,416 |
| Other | 7 | 0 |
| | 4,235 | 3,839 |

11.4 Receivables**11.4.1 Amounts falling due within one year**

| | 31 March 2019 | 31 March 2018 |
|------------------------------------|----------------------|----------------------|
| | £000 | £000 |
| Receivables: | | |
| Trade and Other Receivables | 1,577 | 951 |
| Government Landlord Housing | 74 | 59 |
| Bulk Fuel Installation | 464 | 474 |
| Currency Fund | 82 | 0 |
| | <u>2,197</u> | <u>1,484</u> |
| Accrued Income: | | |
| Interest | 16 | 4 |
| | <u>16</u> | <u>4</u> |
| Loans: | | |
| Housing and House Purchase Loans | 124 | 99 |
| Staff Advances | 187 | 203 |
| Other Advances | 22 | 22 |
| | <u>333</u> | <u>324</u> |
| | <u>2,546</u> | <u>1,812</u> |
| Less Provision for Doubtful Debts: | | |
| Trade and Other Receivables | (285) | (259) |
| Housing and House Purchase Loans | (86) | (78) |
| Other Advances | (22) | (22) |
| | <u>(393)</u> | <u>(359)</u> |
| | <u>2,153</u> | <u>1,453</u> |

11.4.2 Amounts falling due after one year

| | 31 March 2019 | 31 March 2018 |
|-------------------------------------|----------------------|----------------------|
| | £000 | £000 |
| Housing and House Purchase Loans | <u>71</u> | <u>112</u> |
| | 71 | 112 |
| Less: Provision for Doubtful Debts: | | |
| Housing and House Purchase Loans | <u>(52)</u> | <u>(53)</u> |
| | (52) | (53) |
| | <u>19</u> | <u>59</u> |

11.4.3 Reconciliation of Provision for Doubtful Debts

| | Short-term £000 | Long-term £000 | Total £000 |
|---------------------------------|--------------------|-------------------|---------------|
| Balance at 1 April 2018 | 359 | 53 | 412 |
| Charge for the year | 44 | 0 | 44 |
| Unused amounts reversed | (10) | (1) | (11) |
| Balance at 31 March 2019 | 393 | 52 | 445 |

11.5 Inventories

| | 31 March 2019 £000 | Restated 31 March 2018 £000 |
|--|-----------------------|-----------------------------------|
| Consolidated Fund: | | |
| Pharmacy | 268 | 164 |
| Stamps | 34 | 27 |
| Other | 62 | 62 |
| | <u>364</u> | <u>253</u> |
| Special Funds: | | |
| Information Technology | 87 | 67 |
| Transport | 626 | 602 |
| Aviation Fuel | 120 | 93 |
| Bulk Fuel Installation | 2,043 | 1,719 |
| | <u>2,876</u> | <u>2,481</u> |
| | <u>3,240</u> | <u>2,734</u> |
| Provision for slow moving and obsolete stock | | |
| Consolidated Fund | (1) | 0 |
| Special Funds | (318) | (246) |
| | <u>(319)</u> | <u>(246)</u> |
| | <u>2,921</u> | <u>2,488</u> |
| Inventories recognised in expenditure | | |

| | 2018/19 £000 | 2017/18 £000 |
|------------------------|---------------------|---------------------|
| Pharmacy | 617 | 550 |
| Stamps | 5 | 21 |
| Other | 47 | 38 |
| Information Technology | 89 | 77 |
| Transport | 45 | 32 |
| Bulk Fuel Installation | 4,709 | 4,624 |
| | <u>5,512</u> | <u>5,342</u> |

11.6 Other Financial Assets

| | Note | 31 March 2019 | 31 March 2018 |
|--------------|-------------|----------------------|----------------------|
| | | £000 | £000 |
| Prepayments | 11.6.1 | 412 | 859 |
| Refund Asset | 11.6.2 | 1,036 | 1,036 |
| | | 1,448 | 1,895 |

11.6.1 Prepayments

| | 31 March 2019 | 31 March 2018 |
|-----------------------------|----------------------|----------------------|
| | £000 | £000 |
| Other Prepayments | 412 | 485 |
| DfID Funded Airport Project | 0 | 374 |
| | 412 | 859 |

11.6.2 Refund Assets

| | 31 March 2019 | 31 March 2018 |
|-----------------|----------------------|----------------------|
| | £000 | £000 |
| Air Access GBAS | 1,036 | 1,036 |
| | 1,036 | 1,036 |

The Ground Based Augmentation System (GBAS) installed at the St Helena Airport in 2015 has not been commissioned for use due to certification difficulties. Under the terms of the contract with the supplier SHG has a right to a refund if the system cannot be commissioned.

11.6.3 Long-term Prepayments

SHG held other prepayments that were not due until 12 months after the reporting date. These have been classified as long-term prepayments within non-current other financial assets on the Statement of Financial Position.

| | 31 March 2019 | 31 March 2018 |
|---------------------------------|----------------------|----------------------|
| | £000 | £000 |
| Prepayments due after 12 months | 18 | 0 |
| | 18 | 0 |

11.7 Non-current Assets Held for Sale/ Distribution

11.7.1 RMS St Helena

During 2017/18, the RMS St Helena was reclassified from Property, Plant & Equipment to assets held for sale following the decision to sell the ship now that regular commercial flights had commenced. The St Helena Line passenger and freight service ceased and the asset was surplus to requirements after February 2018. The sale date of the RMS St Helena was 17 April 2018.

| | 2018/19 £000 | 2017/18 £000 |
|---|-----------------|-----------------|
| Balance as at 1 April | 932 | 0 |
| Assets newly classified as Held for Sale: | | |
| Ships | 0 | 932 |
| Assets sold: | | |
| Ships | (932) | 0 |
| Balance at 31 March | 0 | 932 |

11.7.2 Non-current investment in St Helena Line Ltd

With the final voyage of the RMS St Helena being completed on 17 February 2018 the distribution of the assets held by St Helena Line Limited (the company that ran the RMS) became highly probable. The company went in to liquidation on 31 January 2019 and the full winding up is still to be finalised. SHG are awaiting clarification on the wider tax position from HMRC in the UK before they can distribute the funds and wrap up the company's affairs.

| | 2018/19 £000 | 2017/18 £000 |
|------------------------------|-----------------|-----------------|
| Balance as at 1 April | 1 | 0 |
| Investment in St Helena Line | 0 | 1 |
| | 1 | 1 |

11.8 Property, Plant and Equipment

| 2018/19 | Land & Buildings £000 | Infrastructure £000 | Infrastructure - Roads £000 | Computer Hardware & Software £000 | Other * £000 | Service Concessions £000 | Assets Under Construction £000 | Totals £000 |
|--|--------------------------------------|--------------------------------|--|--|-------------------------|-------------------------------------|---|------------------------|
| Cost | | | | | | | | |
| Balance at 1 April 2018 | 53,705 | 104,078 | 39,785 | 1,029 | 55,323 | 0 | 75,565 | 329,485 |
| Transferred to completed assets | 118 | 6 | 3,632 | 0 | 0 | 0 | (3,756) | 0 |
| Additions | 14 | 7 | 0 | 155 | 540 | 0 | 5,449 | 6,165 |
| Recategorisation | (14,967) | (66,746) | (17,776) | 0 | (42,099) | 141,588 | 0 | 0 |
| Disposals | (70) | 0 | 0 | (15) | (435) | 0 | 0 | (520) |
| Balance at 31 March 2019 | 38,800 | 37,345 | 25,641 | 1,169 | 13,329 | 141,588 | 77,258 | 335,130 |
| Accumulated Depreciation & Impairment | | | | | | | | |
| Balance at 1 April 2018 | (2,736) | (3,674) | (26,202) | (510) | (14,128) | 0 | 0 | (47,250) |
| Charge for year | (771) | (910) | (351) | (196) | (2,891) | (2,802) | 0 | (7,921) |
| Impairments recognised in the Statement of Financial Performance | 0 | 0 | 0 | 0 | (269) | 0 | (1,077) | (1,346) |
| Recategorisation | 603 | 1,922 | 1,263 | 0 | 8,553 | (12,341) | 0 | 0 |
| Disposals | 0 | 0 | 0 | 16 | 410 | 0 | 0 | 426 |
| Other Movements | (21) | 2 | (2) | 4 | 21 | 0 | (1) | 3 |
| Balance at 31 March 2019 | (2,925) | (2,660) | (25,292) | (686) | (8,304) | (15,143) | (1,078) | (56,088) |
| Net Book Value at 31 March 2019 | 35,875 | 34,685 | 349 | 483 | 5,025 | 126,445 | 76,180 | 279,042 |

* Other includes Plant & Machinery, Equipment, Motor Vehicles and Furniture & Fittings

11.8 Property, Plant and Equipment (continued)

| 2017/18 | Land & Buildings | Infrastructure | Infrastructure - Roads | Computer Hardware & Software | RMS St Helena | Other * | Assets Under Construction | Totals |
|--|-----------------------------|-----------------------|-------------------------------|---|----------------------|----------------|----------------------------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | | | | |
| Balance at 1 April 2017 | 50,192 | 87,123 | 39,785 | 770 | 8,983 | 55,189 | 86,336 | 328,378 |
| Transferred to completed assets | 3,569 | 16,955 | 0 | 0 | 0 | 16 | (20,612) | (72) |
| Additions | 0 | 0 | 0 | 364 | 0 | 482 | 9,841 | 10,687 |
| Recategorisation | 0 | 0 | 0 | (105) | (932) | 0 | 0 | (1,037) |
| Revaluation decreases recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | (8,051) | 0 | 0 | (8,051) |
| Disposals | (56) | 0 | 0 | 0 | 0 | (364) | 0 | (420) |
| Balance at 31 March 2018 | 53,705 | 104,078 | 39,785 | 1,029 | 0 | 55,323 | 75,565 | 329,485 |
| Accumulated Depreciation & Impairment | | | | | | | | |
| Balance at 1 April 2017 | (1,862) | (2,502) | (25,699) | (401) | (4,182) | (9,592) | 0 | (44,238) |
| Charge for year | (874) | (1,172) | (503) | (178) | (1,605) | (4,870) | 0 | (9,202) |
| Impairments recognised in the Statement of Financial Performance | 0 | 0 | 0 | 0 | 0 | (16) | 0 | (16) |
| Recategorisation | 0 | 0 | 0 | 69 | 0 | 0 | 0 | 69 |
| Other Movements | 0 | 0 | 0 | 0 | 0 | (14) | 0 | (14) |
| Disposals/Assets Held for Sale | 0 | 0 | 0 | 0 | 5,787 | 364 | 0 | 6,151 |
| Balance at 31 March 2018 | (2,736) | (3,674) | (26,202) | (510) | 0 | (14,128) | 0 | (47,250) |
| Net Book Value at 31 March 2018 | 50,969 | 100,404 | 13,583 | 519 | 0 | 41,195 | 75,565 | 282,235 |

* Other includes Plant & Machinery, Equipment, Motor Vehicles and Furniture & Fittings

11.8.1 Change in Useful Lives of Assets

During the annual existence and impairment testing exercise, it was found that there were no assets that needed their estimated remaining useful lives changing.

11.8.2 Impairments

Following the existence and impairment testing exercise, it was determined that 12 items of property, plant and equipment were impaired during 2018/19. The carrying value of those assets has been reduced by £1.346 million (2017/18 one asset for £16k). The total impairment has all been charged to the Statement of Financial Performance in 2018/19.

The details of those impairments are as follows:

| Asset Description | Asset Category | Impairment value 2018/19 £000 | Reason for impairment |
|----------------------------|--------------------------|--|---|
| Bulk Fuel Installation | Asset under Construction | 1,077 | Leaking fire water pipes |
| Aircraft Maintenance Steps | Equipment | 52 | Extensive rust as left out in all weathers |
| Aircraft Passenger Stairs | Equipment | 47 | Extensive rust as left out in all weathers |
| Fisheries Refrigeration | Plant & Machinery | 42 | Over-estimation of remaining useful life |
| Asphalt Paver | Plant & Machinery | 30 | No asphalt plant to mix asphalt |
| Fisheries Internal Fit-out | Plant & Machinery | 24 | Over estimation of remaining useful life |
| Ultrasound Unit | Equipment | 20 | Water got into machine |
| Ford Everest XLT 2.5 Tdci | Motor Vehicles | 15 | Severe structural/body damage after accident with a private vehicle |
| Pneumatic Tyre Roller | Plant & Machinery | 13 | Rusting away since no asphalt plant available |
| Tandem Roller | Plant & Machinery | 11 | Rusting away since no asphalt plant available |
| Airport Road Sweeper | Motor Vehicles | 8 | Sweep vents wearing |
| Anaesthetic Machine | Equipment | 7 | Leaking gas |
| | | 1,346 | |

11.9 Intangible Assets

| | 2018/19 £000 | 2017/18 £000 |
|---|-------------------------|-------------------------|
| Balance as at 1 April | | |
| Cost | 195 | 0 |
| Amortisation | (89) | 0 |
| Recategorisations: | | |
| Cost | 0 | 105 |
| Amortisation | 0 | (70) |
| Additions | 12 | 18 |
| Transfer of completed assets from Assets under Construction | 0 | 72 |
| Amortisation for the period | (22) | (19) |
| Net Carrying Amount at End of Year | 96 | 106 |
| Comprising: | | |
| Gross Carrying Amounts | 207 | 195 |
| Accumulated Amortisation | (111) | (89) |
| | 96 | 106 |

11.10 Leases

No items of Property, Plant and Equipment disclosed within Non-current Assets in the financial statements are held on a lease basis.

The table below shows the total number of assets which SHG leases out and the revenue that those leases generate.

| | Annual lease payments 2018/19 £000 | Number of Leases 2018/19 | Annual lease payments 2017/18 £000 | Number of Leases 2017/18 |
|------------------------|---|---|---|---|
| Residential leases | 25 | 115 | 22 | 109 |
| Commercial leases | 34 | 39 | 34 | 36 |
| Non-operational leases | 38 | 47 | 38 | 47 |
| | 97 | 201 | 94 | 192 |

11.11 Capital Commitments

In November 2011, a contract commenced between SHG and Basil Read (PTY) Ltd for the construction of the Airport for St Helena. The contract was signed for £201.5 million for construction, with the provision of an additional £10.0 million in shared risk contingency that the contractor may claim against in the event of certain pre-specified risks materialising.

On 2 Oct 2018, SHG terminated its contract with Basil Read (PTY) Ltd. The capital commitment still exists but will be delivered by SHG with key subcontractors who will continue to deliver phase 1 of the Design, Build, Operate and Hand-back contract. On 11th October 2018, the sum of £7.2m was received by SHG from the redemption of bonds originally held for Basil Read (PTY) Ltd. This money will be used to fund the remainder of phase 1 of the contract.

On 24 December 2019 SHG signed a contract with Google, to connect St Helena to Phase 1 of the Equiano Subsea Cable Project. This followed the signing of a Letter of Intent in July 2019. This contract is a key component in the development of fibre optic connectivity from St Helena to the outside world. This project is funded through the 11th European Development Fund funding of €17.0 million which has been allocated to St Helena for this project. Based on the current plan of works the project will be completed by the end of 2022.

Her Majesty's Government approved a £30 million Economic Development Investment Programme (EDIP) in April 2019, with the overall objective being to 'support economic development in St Helena through enhanced dialogue on policy reforms, infrastructure development and through harnessing private investment opportunities'. The £30m investment is split into 2 tranches. The first tranche of £15m is committed for the first 3 years (2019/20-2021/22) of the programme. This includes the Rock fall Protection project will see the implementation of rock fall protection measures installed in Upper and Lower Rupert's, Ladder Hill road, Upper James Valley to include Maldivia and Escourt Garden areas, James Wharf area – specifically the Munden's Wall as well as an area above the Haul Road. Other smaller projects included have been committed for the first two years of the Programme and include technical support to the EDIP, the development of SHG Information Communication Technology (ICT) infrastructure, and some small micro projects.

11.12 Payables**11.12.1 Amounts payable within one year**

| | 31 March 2019 £000 | Restated 31 March 2018 £000 |
|-----------------------------|-------------------------------|--|
| Payables: | | |
| Trade Payables | 1,891 | 2,127 |
| Other Payables | 221 | 17 |
| | <u>2,112</u> | <u>2,144</u> |
| Deposits: | | |
| Currency Fund | 0 | 5 |
| Other | 432 | 368 |
| | <u>432</u> | <u>373</u> |
| Accruals: | | |
| Staff Benefits | 1,019 | 1,080 |
| Other | 2,831 | 3,527 |
| | <u>3,850</u> | <u>4,607</u> |
| Income Received in Advance: | | |
| Income Tax | 633 | 220 |
| Grant Funding | 2,819 | 460 |
| | <u>3,452</u> | <u>680</u> |
| | <u>9,846</u> | <u>7,804</u> |

11.12.2 Amounts payable after one year

| | 31 March 2019 £000 | 31 March 2018 £000 |
|----------------|-------------------------------|-------------------------------|
| Payables: | | |
| Trade Payables | 16 | 0 |
| | <u>16</u> | <u>0</u> |

11.13 Provisions

| | Short-term 2018/19 £000 | Long-term 2018/19 £000 | Total 2018/19 £000 |
|--|--|---------------------------------------|-----------------------------------|
| Balance at 1 April 2018 | 739 | 4,184 | 4,923 |
| Provisions recognised | 194 | 663 | 857 |
| Provision released | (62) | (206) | (268) |
| Transfers between short-term and long-term | (341) | 341 | 0 |
| Balance at 31 March 2019 | <u>530</u> | <u>4,982</u> | <u>5,512</u> |

Of the total balance above, £2.612m was for litigation claims and £2.9m was provided for BFI decommissioning.

11.14 Pensions

SHG operates both a Defined Contribution Pension Scheme and a wholly unfunded Defined Benefit Pension Scheme for its employees.

11.14.1 Defined Contribution Pension Scheme (DCPS)

SHG provides employees who are not members of the Defined Benefit Pension Scheme with a contribution towards a defined contribution pension. If staff members wish to join the pension scheme then they are invited to establish individual accounts with the MiSaint Pension Scheme offered by Provident Financial Services Ltd and administered locally by Solomon & Company Plc. Contributions are paid directly to the scheme for those people. Other staff members who are neither members of the Defined Benefit Pension Scheme or the MiSaint Pension Scheme, are given an amount equal to the pension contribution which they pay in to their own pension scheme overseas.

The amount of employer contributions recognised as an expense and charged to the Consolidated Fund in 2018/19 was £0.499m (2017/18 £0.443m). As at 31 March 2019 SHG held £0.354m of pension contributions on behalf of employees which was due to be transferred to the MiSaint Pension Scheme (31 March 2018 £0.233m). This liability is recorded in Deposits.

11.14.2 Defined Benefit Pension Scheme (DBPS)

Movement in actuarial pension liability

| | 2018/19 £000 | 2017/18 £000 |
|------------------------------|-----------------|-----------------|
| Balance at 1 April | 71,612 | 68,776 |
| Movement in the year due to: | | |
| Current service cost | 1,648 | 1,677 |
| Interest cost | 1,221 | 1,241 |
| Expense for year | 2,869 | 2,918 |
| Pension benefits paid | (1,288) | (1,299) |
| Changes in assumptions | 3,454 | 0 |
| Actuarial (gains)/losses | (2,288) | 1,217 |
| Balance at 31 March | 74,359 | 71,612 |

The item 'Changes in assumptions' (a loss of £3.454 million) in the table above, arises from the decrease in the discount rate. This represents an increase in the calculated value of the actuarial liability.

Experience gains and losses over the year give rise to a £2.288 million experience gain. Experience gains over the year include a gain arising from there being no general increases to salary or pensions in 2018/19.

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

A total expense of £2.869 million has been recorded within Public Sector Pensions in the Statement of Financial Performance. This consists of:

| | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Current service cost | 1,648 | 1,677 |
| Interest cost | 1,221 | 1,241 |
| Total charge to Statement of Financial Performance | 2,869 | 2,918 |

The UK Government Actuary's Department was contracted by SHG to perform an assessment of the Pension Liability of the Defined Benefit Pension Scheme (DBPS) for this set of financial statements.

Previously, pension scheme valuations have been prepared in accordance with IPSAS 25 Employee Benefits. This was replaced by IPSAS 39 Employee Benefits on 1 January 2018. The changes largely relate to treatment of scheme assets, of which the SHG Pension Scheme has none.

A valuation of the Actuarial Pension Liability was obtained as at 31 March 2019. A summary of the financial assumptions used to calculate the Actuarial Pension Liability is detailed in the Key Estimations and Assumptions note in these Financial Statements.

Amounts recognised for the current and previous periods in relation to the DBPS are as follows:

| | 31 March 2019 £000 | 31 March 2018 £000 | 31 March 2017 £000 | 31 March 2016 £000 | 31 March 2015 £000 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Statement of Financial Position: | | | | | |
| Actuarial Pension Liability | 74,359 | 71,612 | 68,776 | 60,795 | 48,424 |
| Statement of Changes in Net Assets: | | | | | |
| Experience (Gains)/Losses Arising on Scheme Liabilities | (2,288) | (390) | 126 | 3,145 | (161) |
| Changes in Actuarial Assumptions | 3,454 | 1,607 | 6,234 | 7,856 | 13,304 |
| Net Actuarial Loss on Scheme Liabilities | 1,166 | 1,217 | 6,360 | 11,001 | 13,143 |

11.15 Funds and Reserves

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

- The Consolidated Fund
- The Special Funds

11.15.1 The Consolidated Fund

The Consolidated Fund comprises eight reserves.

| | Note | 31 March 2019 £000 | Restated 31 March 2018 £000 |
|-------------------------------------|-----------|-----------------------|-----------------------------------|
| General Reserve | 11.15.1.1 | 6,184 | 3,698 |
| Capital Reserve | 11.15.1.2 | 52,481 | 46,896 |
| Revaluation Reserve | 11.15.1.3 | 293 | 3,698 |
| Pension Reserve | 11.15.1.4 | (74,359) | (71,612) |
| Investments in Subsidiaries Reserve | 11.15.1.5 | 28,650 | 28,128 |
| Aid Funded Infrastructure Reserve | 11.15.1.6 | 227,866 | 233,598 |
| Donated Asset Reserve | 11.15.1.7 | 119 | 143 |
| Litigation Reserve | 11.15.1.8 | (2,995) | (2,348) |
| | | 238,239 | 242,201 |

11.15.1.1 General Reserve

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

| | 31 March 2019 | 31 March 2018 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Balance at 1 April | 3,698 | 304 |
| Surplus for the Period | 5,846 | 5,734 |
| Use of General Reserve to Finance Payment of Pension Benefits | (1,288) | (1,299) |
| Use of General Reserve to Finance Capital Expenditure | (147) | (570) |
| Recharges | (15) | (336) |
| Transfers between reserves | (1,899) | (132) |
| Loss on Financial Assets | (11) | (3) |
| Balance at 31 March | 6,184 | 3,698 |

11.15.1.2 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.

| | 31 March 2019 | 31 March 2018 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Balance as at 1 April | 46,896 | 48,076 |
| Use of General Reserve to Finance Capital Expenditure | 147 | 570 |
| Use of Special Funds to Finance Capital Expenditure | 5,167 | 1,584 |
| Depreciation | (1,694) | (3,262) |
| Impairments | (1,346) | (16) |
| Disposal of Non-current Assets | (94) | (56) |
| Removal of Revaluation Reserve for disposed assets | 3,405 | 0 |
| Balance at 31 March | 52,481 | 46,896 |

11.15.1.3 Revaluation Reserve

The Revaluation Reserve contains the gains made by the government arising from increases in the value of its Property, Plant and Equipment. The Reserve contains only revaluation gains accumulated since 31 March 2016, the date that the Reserve was created following the end of the transitional provision of IPSAS 17 Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

| | 31 March 2019 £000 | 31 March 2018 £000 |
|--|-----------------------|-----------------------|
| Balance as at 1 April | 3,698 | 5,962 |
| Downward revaluation of assets and impairment losses not charged to the surplus for the period | 0 | (2,264) |
| Revaluation reserve used for disposed assets | (3,405) | 0 |
| Balance at 31 March | 293 | 3,698 |

11.15.1.4 Pension Reserve

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

| | 31 March 2019 £000 | 31 March 2018 £000 |
|---|-----------------------|-----------------------|
| Balance at 1 April | (71,612) | (68,776) |
| Current service cost | (1,648) | (1,677) |
| Interest cost | (1,221) | (1,241) |
| Use of General Reserve to finance payment of pension benefits | 1,288 | 1,299 |
| Changes in assumptions | (3,454) | 0 |
| Actuarial gains/(losses) | 2,288 | (1,217) |
| Balance at 31 March | (74,359) | (71,612) |

11.15.1.5 Investments in Subsidiaries Reserve

This reserve was created upon initial recognition of investments in subsidiaries within the Statement of Financial Position. Funds are transferred to this reserve to reflect the investment of funds in a subsidiary organisation, those funds therefore not being available for the provision of services. When returns on investments are realised, either through sale of shares or distribution of profits, funds are transferred back to the General Reserve.

IPSAS 35 Consolidated Financial Statements states that SHG must account for the balances and movements from the latest available audited financial statements of its entities. Investments are measured on the basis of the latest available financial statements of each entity.

| | 31 March 2019 £000 | Restated 31 March 2018 £000 |
|--|-----------------------|-----------------------------------|
| Balance at 1 April | 28,128 | 28,620 |
| Share of Profit/(Loss) of Subsidiaries | 172 | (491) |
| Investments funded from the General Reserve | 350 | 0 |
| Transfer to Non-current assets held for distribution | 0 | (1) |
| Balance at 31 March | 28,650 | 28,128 |

11.15.1.6 Aid Funded Infrastructure Reserve

This reserve was established to represent aid funded infrastructure assets acquired through non-exchange transactions, which are shown within Assets under Construction and Prepayments. Following completion of the assets, an amount equivalent to depreciation will be charged to the reserve over the useful life of the assets.

| | 31 March 2019 £000 | 31 March 2018 £000 |
|---------------------------------|-----------------------|-----------------------|
| Balance at 1 April | 233,598 | 235,854 |
| DfID Infrastructure Aid Funding | 488 | 3,585 |
| Depreciation | (6,220) | (5,841) |
| Balance at 31 March | 227,866 | 233,598 |

11.15.1.7 Donated Asset Reserve

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

| | 31 March 2019 £000 | 31 March 2018 £000 |
|------------------------------------|-----------------------|-----------------------|
| Balance at 1 April | 143 | 86 |
| Non-Exchange Donated Asset Funding | 0 | 81 |
| Depreciation | (24) | (24) |
| Balance at 31 March | 119 | 143 |

11.15.1.8 Litigation Reserve

This reserve exists to hold the balance of the unresolved litigation claims currently under review by the Attorney General. This balance will change each year as cases are settled and payments are made, or provisions are released. New claims and the associated provision will be held in this reserve as necessary.

| | 31 March 2019 £000 | 31 March 2018 £000 |
|----------------------------|-----------------------|-----------------------|
| Balance at 1 April | (2,348) | (4,520) |
| New claims arising | (857) | (632) |
| Provisions released | 210 | 2,804 |
| Balance at 31 March | (2,995) | (2,348) |

11.15.2 Special Funds

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

11.15.2.1 Special Funds – Projects

| | DfID Projects (Restated) £000 | DfID Technical Cooperation £000 | DfID Infrastructure Projects (Restated) £000 | EDF Projects (Restated) £000 | Locally Funded Projects £000 | UNDP Projects £000 | Environmental Management Projects Fund £000 | Foreign & Commonwealth Office Funded Projects £000 | Total £000 |
|---|-------------------------------------|---------------------------------------|--|------------------------------------|------------------------------------|-----------------------|--|--|----------------|
| Balance as at 31 March 2017 as previously reported | 734 | (230) | (718) | 353 | 112 | 18 | (23) | | 246 |
| Adjustments made in 2017/18 relating to prior year | 4 | 0 | 77 | 0 | 0 | 0 | 0 | | 81 |
| Restated balance as at 31 March 2017 | 738 | (230) | (641) | 353 | 112 | 18 | (23) | | 327 |
| Funds Received | 1,902 | 230 | 1,943 | 1,294 | 0 | 36 | 309 | | 5,714 |
| Funds Applied | (1,959) | 0 | (1,786) | (219) | 0 | (44) | (285) | | (4,293) |
| Funds Applied to Finance Capital Expenditure | (1,036) | 0 | (67) | 0 | 0 | 0 | (16) | | (1,119) |
| Recharges | (8) | 0 | 0 | 0 | 0 | 0 | (1) | | (9) |
| Transfers between reserves | 0 | 0 | 0 | (1,000) | 0 | 0 | 0 | | (1,000) |
| Balance as at 31 March 2018 | (363) | 0 | (551) | 428 | 112 | 10 | (16) | | (380) |
| Funds Received | 6,975 | | 0 | 8,959 | 0 | 10 | 439 | 218 | 16,601 |
| Funds Applied | (2,424) | | 0 | (66) | 0 | (10) | (418) | (214) | (3,132) |
| Funds Applied to Finance Capital Expenditure | (4,385) | | 0 | 0 | 0 | (6) | 0 | (4) | (4,395) |
| Recharges | (2) | | 0 | 0 | 0 | 0 | (1) | 0 | (3) |
| Transfers between reserves | (541) | | 551 | 0 | 0 | 0 | 0 | 0 | 10 |
| Other Movements | (6) | | 0 | 0 | 0 | 0 | 0 | 0 | (6) |
| Balance as at 31 March 2019 | (746) | | 0 | 9,321 | 112 | 4 | 4 | 0 | 8,695 |

On 29th March 2019, Her Excellency the Governor signed a Special Funds (Winding Up) Order to close the DFID Infrastructure Projects and the DFID Technical Cooperation Funds. At this date, DFID Infrastructure Projects and DFID Projects were amalgamated to make one fund.

11.15.2.2 Special Funds - Trading Accounts

| | IT Trading Account £000 | Transport Trading Account £000 | Unallocated Stores Trading Account £000 | Audit St Helena Trading Account £000 | Housing Service Trading Account £000 | Bulk Fuel Installation Trading Account £000 | Airport Trading Account £000 | Total £000 |
|--|-------------------------------|--------------------------------------|--|--|--|--|------------------------------------|-----------------|
| Balance as at 31 March 2017 | 375 | 541 | (119) | 121 | 82 | 3,398 | 0 | 4,398 |
| Funds Received | 113 | 45 | 0 | 58 | 269 | 3,759 | 4,468 | 8,712 |
| Funds Applied | (71) | (1) | 0 | (42) | (253) | (8,425) | (4,243) | (13,035) |
| Funds Applied to Finance Capital Expenditure | (342) | (124) | 0 | 0 | 0 | 0 | 0 | (466) |
| Recharges | (51) | 407 | 0 | 11 | (10) | (12) | 0 | 345 |
| Transfers between reserves | 250 | 0 | 0 | 0 | 0 | 882 | 0 | 1,132 |
| Balance as at 31 March 2018 | 274 | 868 | (119) | 148 | 88 | (398) | 225 | 1,086 |
| Funds Received | 43 | 260 | 0 | 67 | 247 | 4,460 | 2,813 | 7,890 |
| Funds Applied | (215) | (99) | 0 | (90) | (45) | (5,289) | (2,984) | (8,722) |
| Funds Applied to Finance Capital Expenditure | (153) | (586) | 0 | 0 | (26) | 0 | 0 | (765) |
| Recharges | (71) | 92 | 0 | 0 | (7) | 0 | 0 | 14 |
| Transfers between reserves | 249 | 7 | 119 | 1 | (2) | 1,165 | 0 | 1,539 |
| Other Movements | (3) | 0 | 0 | 0 | 0 | 72 | 0 | 69 |
| Balance as at 31 March 2019 | 124 | 542 | 0 | 126 | 255 | 10 | 54 | 1,111 |

On 29th March 2019, Her Excellency the Governor signed a Special Funds (Winding Up) Order to close the Unallocated Stores Trading Account.

11.15.2.3 Special Funds – Other Funds

| | Government Landlord Housing Capital Fund £000 | Improvements and New Construction Revolving Fund £000 | Capital Receipts Fund £000 | Animal Husbandry Fund £000 | Total £000 |
|--|---|---|----------------------------------|----------------------------------|---------------|
| Balance as at 31 March 2017 | 388 | 41 | 359 | 20 | 808 |
| Funds Received | 64 | 17 | 11 | 0 | 92 |
| Balance as at 31 March 2018 | 452 | 58 | 370 | 20 | 900 |
| Funds Received | 27 | 16 | 90 | 14 | 147 |
| Funds Applied | 0 | 0 | 0 | (6) | (6) |
| Funds Applied to Finance Capital Expenditure | 0 | 0 | (7) | 0 | (7) |
| Balance as at 31 March 2019 | 479 | 74 | 453 | 28 | 1,034 |

11.16 Nature and Extent of Risks arising from Financial Instruments

SHG's activities expose it to certain financial risks, the main relevant risks are:

11.16.1 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 credit risk exposure by restricting authorised investments to the following criteria.

Deposits may only be placed:

- with credit institutions with a minimum short-term credit rating of A-2 as determined by Standard and Poor's or P-2 as determined by Moody's;
- with institutions authorised and regulated by the UK's Financial Conduct Authority or equivalent authority in the EEA or United States of America;
- in Treasury Bills, fixed rate, inflation index-linked and zero coupon bonds issued or guaranteed by the Government of the United Kingdom; and
- for a maximum maturity of 10 years.

As such the credit quality of investments of investments held at 31 March 2019 is A-2.

The carrying amount of financial assets represents the maximum credit exposure in relation to deposits in banks and financial institutions. There was no evidence at the reporting date that such entities would be unable to meet their commitments. The credit rating of cash at bank and deposits is BB which is the credit rating of SHG's main bankers – Crown Agents Bank Ltd.

SHG generally allows 30 days credit for its Trade Receivables. At the reporting date the carrying value of Trade and Other Receivables outstanding was £1.327m (2017/18 £0.951m). At the reporting date the carrying values of Housing and House Purchase Loans was £0.124m (2017/18 £0.99m). The terms and conditions of the loans vary in terms of interest rate applied and the length of each individual loan.

For the purpose of determining the credit quality and risk of default posed by Trade receivables SHG considers history of payments. In line with this methodology Trade receivables are classified into the following credit quality groups.

High – If the debtor has not defaulted past invoices.

Low – If the debtor has defaulted in the past.

The credit quality of the balance of trade receivables that are neither past due or impaired is made up, as follows:

| Type | High £000 | Low £000 | Total £000 |
|----------------|--------------|-------------|---------------|
| Receivables | 766 | 296 | 1,062 |
| Loans | 19 | 13 | 32 |
| Accrued Income | 16 | 0 | 16 |
| Total | 801 | 309 | 1,110 |

The following table provides an aging analysis for Trade and Other Receivables and loans past due but not impaired and separately identified amounts individually impaired on the basis of recoverability. In determining whether a receivable is impaired, SHG considers the age of the debt and the historic repayment record.

| Type | Up to 30 days £000 | 31 - 60 days £000 | Over 60 days £000 | Gross £000 | Impaired £000 | Net £000 |
|----------------|--------------------------|-------------------------|-------------------------|---------------|------------------|--------------|
| Receivables | 1,062 | 54 | 1,080 | 2,196 | (307) | 1,889 |
| Loans | 32 | 1 | 372 | 405 | (138) | 267 |
| Accrued Income | 16 | 0 | 0 | 16 | 0 | 16 |
| Total | 1,110 | 55 | 1,452 | 2,617 | (445) | 2,172 |

On 17 May 2016 SHG signed an agreement with the Bank of St Helena Ltd to act as guarantor for a loan issued to St Helena Hotel Development Ltd. The signing of the agreement with Bank of St Helena Ltd is an activity that has exposed SHG to potential credit risk if St Helena Hotel Development Ltd default on their contractual obligations of the £1,000,000 loan.

11.16.2 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 and SHG has no borrowings. There is therefore no significant risk that SHG will be unable to meet its commitments.

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

Cash surpluses are deposited as a mix of fixed rate and floating rate investments. As at 31 March 2019, the value of investments held as Floating Rate Note deposits was £15,342 million (31 March 2018, £1.5 million). Total interest earned by SHG on cash surpluses during 2018/19 was £0.085m (2017/18 £0.044m). As this is not a significant element of total revenue, SHG is not deemed to be exposed to significant interest rate risk.

11.16.4 Currency risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

SHG purchases Jet Fuel and obtains medical services and equipment internationally exposing it to currency risk arising from currency exposures, primarily with respect to the Rand and US dollars.

Sensitivity analysis - at 31 March 2019, if the pound had strengthened by 5% against the South African Rand with all other variables held constant, the surplus for the year would have been £1,839 higher. Conversely, if the pound had weakened by 5% against the South African Rand with all other variables held constant, the surplus for the year would have been £2,032 lower.

These movements are attributable to translation of Rand denominated creditors.

12.0 Notes to the Statement of Cash Flows

12.1 Movements in Working Capital

| | Note | 2018/19 £000 | 2017/18 £000 |
|------------------------------------|-------------|-------------------------|-------------------------|
| (Increase)/Decrease in Receivables | 11.3, 11.4 | (1,045) | 655 |
| (Increase)/Decrease in Inventories | 11.5 | (433) | 768 |
| (Increase)/Decrease in Prepayments | 11.6 | 55 | (328) |
| Increase/(Decrease) in Payables | 11.12 | 2,057 | (2,458) |
| Increase in Provisions | 11.13 | 590 | 92 |
| | | 1,224 | (1,271) |

13.0 Controlled Entities

SHG has a controlling interest in the following reporting entities as at 31 March 2019:

Bank of Saint Helena Ltd, St Helena Currency Fund, St Helena Fisheries Corporation, Enterprise St Helena (ESH), Solomon & Company (St Helena) Plc, Connect St Helena Ltd, St Helena Hotel Development Ltd, St Helena Line Ltd and St Helena Airport Ltd. St Helena Airport Ltd was incorporated on 2 August 2018 and commenced trading following SHG terminating the contract with Basil Read (PTY) Ltd.

The Controlled Entities note to these Financial Statements sets out the nature of SHG's controlling interest 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 Connect St Helena Ltd.

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 a rebate of duties paid on fuel from the Bulk Fuel Installation for sale to fishermen. The total rebate to St Helena Fisheries Corporation in 2018/19 was £0.031m (2017/18 £0.027m), none of which remained payable at the year-end (2017/18 £0k). As at 31st March 2019, St Helena Fisheries Corporation had a long-term loan with SHG for £0.174m representing working capital contributions.
- SHG have agreed to act as Guarantor for St Helena Fisheries Corporation with Connect St Helena Ltd. This is to ensure that Connect continues to provide utilities to the Fisheries Corporation and that SHG agrees to pay to Connect any liabilities of the Fisheries Corporation incurred from 24th October 2017 up to a maximum limit of £0.1m. All of this had been utilised by 31st March 2019.
- SHG holds current accounts and cash deposits with the Bank of Saint Helena for which no interest is payable or receivable. The closing balance of these accounts at the year-end can be seen in the Cash and Cash Equivalents note.
- SHG provided Enterprise St Helena (ESH) with a subsidy of £0.869m (2017/18 £1.085m) in order to assist with the daily operations of the entity. In previous years, SHG also funded the employment of specialist staff in ESH via the Technical Cooperation fund.
- ESH holds a lease with SHG for the Jamestown Market, Bertrand's Cottage, The Canister, and Ladder Hill Enterprise Park. The cumulative annual rents charged to ESH is £1,301.
- SHG provided Connect St Helena Ltd with a subsidy of £0.703m in 2018/19 (2017/18 £0.668m). This was to support their running operations. In addition, Connect St Helena Ltd received an £0.734m rebate of customs duties paid on fuel (2017/18 £0.864m), of which £0.150m was still to be paid at 31 March 2019 (£0.185m as at March 2018).
- During the 2017/18 financial year, SHG spent £0.510m on 3 fixed asset projects on behalf of Connect St Helena St Helena. This spend will be converted in to shares.
- St Helena Line Ltd receives a subsidy each year from SHG, however in February 2018 the RMS St Helena went offline, therefore no subsidy was awarded for 2018/19. The subsidy for 2017/18 amounted to £3.75m of which none remained payable at 31 March 2018.

- 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.
- SHG are acting as Guarantor for St Helena Hotel Development Ltd (SHHD) in that if SHHD fails to meet any of its monthly repayments on the £1m loan it has with the Bank of St Helena, then SHG will cover these payments.

SHG controls, from an accounting perspective, a number of private and public sector entities. These controlled entities have not been consolidated in accordance with IPSAS 34 *Separate Financial Statements* or IPSAS 35 *Consolidated Financial Statements*. No adjustments have been made for transactions between entities. The table below shows the figures that have been obtained from the latest audited financial statements of these entities.

IPSAS 34 *Separate Financial Statements* and IPSAS 35 *Consolidated Financial Statements* states that SHG must account for the balances and movements from the latest available audited financial statements of its entities. These investments are measured on the basis of the latest available financial statements of each entity. For St Helena Fisheries Corporation, this is 31 March 2019 as the company has not yet sign-off their 2018/19 financial statements due to going in to liquidation.

SHG through Great Peter Nominees Limited, holds 124,100 shares, being 62.947% of paid up share capital in Solomon & Company (St Helena) Plc. This applied to the figures below amounts to SHG's interest in net assets being £5.567m (£5.284m at 31 March 2018) and the interest in net profit/loss totalling £0.295m (£0.021m 2017/18).

Entities in which SHG holds an ownership interest

| Entity | Controlling Interest | Financial Reporting Framework | Net Assets | | Net Profit/(Loss) | |
|---|---|-----------------------------------|-----------------------|-----------------------------------|-------------------|-----------------------------|
| | | | 31 March 2019 £000 | Restated 31 March 2018 £000 | 2018/19 £000 | Restated 2017/18 £000 |
| Bank of St Helena Ltd | Wholly owned. Board of Directors appointed by the Governor. | Financial Reporting Standard 102. | 6,248 | 5,963 | 285 | (127) |
| Connect St Helena Ltd | Wholly owned. Non-executive membership of the Board. | Financial Reporting Standard 102. | 15,556 | 15,407 | 149 | (284) |
| Solomon & Company (St Helena) Plc | Majority shareholder (62.9%) | Financial Reporting Standard 102. | 8,845 | 8,395 | 469 | 33 |
| St Helena Hotel Development Ltd | Wholly owned. Non-executive membership of the Board. | Financial Reporting Standard 102. | 1,260 | 1,474 | (747) | (586) |
| St Helena Airport Limited (From 5 Oct 2018) | Company limited by Guarantee. SHG is the sole member. | Financial Reporting Standard 102 | 19 | 0 | 19 | N/A |
| | | | 31,928 | 31,239 | 175 | (964) |

Other entities controlled by SHG

| Entity | Controlling Interest | Financial Reporting Framework | Net Assets/(Liabilities) | | Net Profit/(Loss) | |
|---------------------------------|--|---|--------------------------|-----------------------|-------------------|-----------------|
| | | | 31 March 2019 £000 | 31 March 2018 £000 | 2018/19 £000 | 2017/18 £000 |
| St Helena Currency Fund | Commissioners appointed by the Governor. | International Public Sector Accounting Standards | 1,009 | 1,021 | (45) | (68) |
| St Helena Fisheries Corporation | Board Members appointed by the Governor. | Financial Reporting Standards for Smaller Entities - accruals basis | N/A | (311) | N/A | (143) |
| Enterprise St Helena | Board Members appointed by the Governor. | Financial Reporting Standards for Smaller Entities - accruals basis | 1,033 | 1,236 | (203) | 29 |
| | | | 2,042 | 1,946 | (248) | (182) |



14.0 Statement of Trust Fund Movements for the year ended 31 March 2019

| | Balance at 1 April 2017 £ | Receipts in year £ | Payments in year £ | Balance at 31 March 2018 £ | Receipts in year £ | Payments in year £ | Balance at 31 March 2019 £ |
|-------------------------------------|------------------------------------|--------------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|-------------------------------------|
| Alexander Bequest Fund | 1,390 | 2 | 0 | 1,392 | 96 | (24) | 1,464 |
| Arnold Memorial Christmas Gift Fund | 520 | 0 | 0 | 520 | 7 | 0 | 527 |
| Arnold Memorial Hospital Trust Fund | 7,059 | 7 | (1) | 7,065 | 32 | (71) | 7,026 |
| Bain Gray Prize Trust Fund | 1,394 | 1 | 0 | 1,395 | 0 | 0 | 1,395 |
| Bovell Trust Fund | 1,215 | 1 | (8) | 1,208 | 140 | (12) | 1,336 |
| Eliza Mary Lloyd Trust Fund | 3,889 | 1,451 | (710) | 4,630 | 625 | (100) | 5,155 |
| Leslie & Ted Moss Trust Fund | 2,592 | 3 | 0 | 2,595 | 2 | 0 | 2,597 |
| Solomon's Trust Fund | 13,449 | 16 | (201) | 13,264 | 2,241 | (254) | 15,251 |
| Total | 31,508 | 1,481 | (920) | 32,069 | 3,143 | (461) | 34,751 |

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

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

15.0 Glossary of Terms and Abbreviations

Accounting Policies

The rules and practices adopted by SHG that determine how the transactions and events are reflected in the accounts.

Accounting Period

The period of time covered by the accounts, normally a period of 12 months commencing on 1st April. The end of the accounting period is the Balance Sheet date.

Accruals

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

Actuarial Gains and Losses

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

Amortisation

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

Annual Governance Statement

The annual governance statement is a statutory document that explains the processes and procedures in place to enable SHG to carry out its functions effectively.

Asset Held for Sale

Assets are classified as held for sale if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes from consideration any assets that are going to be abandoned or scrapped at the end of their useful lives.

Assets under Construction

It is not always that fixed assets are acquired in their complete form, sometimes they are built progressively over a period of time. When Fixed Assets are being built over time, they are treated as assets under construction, and then they are capitalised or settled to a fixed asset (s) or other settlement objects, upon completion.

Balances (or Reserves)

These represent accumulated funds available to SHG. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves, which are set out for technical purposes. It is not possible to utilise these to provide services.

Capital Expenditure

Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, roads, and computer equipment.

Capital Receipts

Income received from the sale of land, buildings or equipment.

Capital Reserve

A reserve set aside from revenue resources or capital receipts to fund capital expenditure and certain other capital financing transactions.

Consolidated Fund

The Consolidated Fund is SHG's main account which contains all of its recurrent income and expenditure.

Contingent Asset

An asset arising from past events, whereby its existence can only be confirmed by one or more uncertain future events not wholly within the control of SHG.

Contingent Liability

A contingent liability is either:

- a possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of SHG; or
- a present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

Current Service Cost

An estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employee pays regular fixed contributions as an amount or as a percentage of pay, and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

Depreciation

A measure of the cost of the economic benefits of the tangible fixed asset consumed during the period.

Department for International Development (DFID)

The Department for International Development is a United Kingdom government department responsible for administering overseas aid.

Events after the Reporting Date

These events, both favourable and unfavourable, occur between the Statement of Financial Position date (31 March) and the date on which the statement of accounts are signed.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of SHG, which need to be disclosed separately by virtue of their size or incidence to give a fair representation in the accounts.

Expected Return on Assets

For a defined benefit scheme, this is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan, but a longer-term measure based on the value of assets at the start of the year taking into account movements in assets during

Fixed Assets

Assets that yield benefit to SHG and the services it provides for a period of more than one year.

Impairment

A reduction in the carrying value of a fixed asset below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

Interest Cost

For a defined benefit pension scheme, is the amount needed to unwind the discount applied in calculating the defined benefit obligations (liability). As members of the plan are one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

Infrastructure Assets

A class of assets whose life is of indefinite length and which are not usually capable of being sold, such as roads and footpaths.

Intangible Fixed Assets

'Non-financial' fixed assets that do not have physical substance but are identifiable and are controlled by SHG through custody or legal rights. Purchased intangibles, such as software licences, are capitalised at cost whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB)

International Public Sector Accounting Standards (IPSAS)

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

Investments

Deposits for less than one year with approved institutions.

Inventory

Inventory or stock refers to the goods and materials that SHG holds for the ultimate purpose of use, resale or repair.

Liability

A liability is the measure of future payments or other economic settlement that SHG is obliged to make to other entities as a result of past transactions or other past events.

Past Service Cost

A cost arising from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.

Payables

Amounts owed by SHG for goods and services received but not paid for as at 31 March. These may be classified as short-term (due within 1 year) or long-term (due in more than 1 year).

Prior Year Adjustment

A material adjustment applicable to prior years arising from changes in accounting policies or correction of fundamental errors.

Provisions

A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits.

Receivables

Amounts owed to SHG for goods and services provided but where the associated income was not received as at 31 March. These may be classified as short-term (due within 1 year) or long-term (due in more than 1 year).

Related Parties

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and

Reserves

An amount set aside for a specific purpose in one year and carried forward to meet future obligations.

Revenue Expenditure

Day to day payments on the running of Council services including salaries, wages, contract payments, supplies, services and capital financing costs.

Statement of Financial Performance

A statement which details the total income received and expenditure incurred by SHG during a year in line with IFRS reporting as required by the Code.

Statement of Financial Position

The statement of financial position, often called the balance sheet, is the financial statement that reports the assets, liabilities, and reserves of SHG on a given date (31 March).