



**St Helena
Government**

ST HELENA GOVERNMENT

**ST HELENA GOVERNMENT
AUDITED
FINANCIAL STATEMENTS 2019/20**



St Helena Government

Financial Statements

2019/2020



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.

Contents Page

1.0	Financial Secretary's Report	4
2.0	Independent Auditor's Report	12
3.0	Financial Secretary's Statement of Responsibilities	16
Core Financial Statements		
4.0	Statement of Financial Performance	17
5.0	Statement of Financial Position	19
6.0	Statement of Changes in Net Assets/Reserves	21
7.0	Statement of Cash Flows	23
8.0	Statement of Comparison of Budget and Actual Amounts	25
9.0 Notes to the Statement of Financial Performance		
9.1	Revenue by Category	28
9.2	Expenditure by Category	30
9.3	Comparison of Budget and Actual Amounts	31
9.4	Segment Reporting	34
10.0 Notes to the Statement of Financial Position		
10.1	Cash and Cash Equivalents	36
10.2	Investments	36
10.3	Receivables from Non-exchange Transactions	37
10.4	Receivables from Exchange Transactions	38
10.5	Inventories	39
10.6	Other Financial Assets	40
10.7	Discontinued Operations	41
10.8	Property, Plant and Equipment	41
10.9	Intangible Assets	49
10.10	Leases	49
10.11	Payables from Non-exchange Transactions	50
10.12	Payables from Exchange Transactions	50
10.13	Provisions	51
10.14	Pensions	52
10.15	Funds and Reserves	56
10.16	Nature and Extent of Risks arising from Financial Instruments	63
11.0 Written Notes to the Financial Statements		
11.1	Basis of Preparation	67
11.2	Going Concern	67
11.3	Standards, Amendments & Interpretations in issue but not yet effective or adopted	67
11.4	Related Party Transactions	68
11.5	Termination Benefits	70
11.6	Capital Commitments	70
11.7	Contingent Assets & Liabilities	70
11.8	Restatement of Prior Period Figures	71
11.9	Events after the Reporting Date	71
12.0	Controlled Entities	73
13.0	Statement of Trust Fund Movements	77
14.0	Glossary of Terms and Abbreviations	78

1.0 Financial Secretary's Report

1.1 Introduction

Welcome to Saint Helena Government's (SHG) Financial Statements for the year ending 31 March 2020.

The Financial Statements are a statutory document providing information on the cost of services provided by SHG to the people of St Helena and how those services are financed. In addition it provides information, within the Statement of Financial Position, of the value of the assets the Government owns and the liabilities that it owes. It is in essence, a statement of how well it has managed its money over the last 12 months.

These financial statements provide, in accordance with International Public Sector Accounting Standards (IPSAS), the accounts for the Consolidated Fund, the Special Funds and all of the reserves held within them. Supporting statements and notes are provided to help explain the figures in the financial statements. In addition, a glossary can be found at the back of this document to help explain some of the technical terms.

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.

These financial statements and all relevant documents are subject to review by the Government's external auditors, Audit St Helena, who will provide their opinion on the financial statements within a statutory reporting period. Audit St Helena gave a qualified opinion on the financial statements presented for 2018/19.

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 Excellency the Governor, 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 over a period and following discussions with the Governor, Elected Members, senior SHG officials, the private sector and civil society organisations, agreed an aid settlement for 2019/20 on 13 May 2019.

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 2019, 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 2019. 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.

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. These financial statements cover the transactions of SHG as an individual entity and the net assets of entities in which SHG holds an ownership interest, has been recognised on the Statement of Financial Position as a Non-current Investment.

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.

1.3 Review of the 2019/20 Financial Year

2019/20 was a challenging but exciting period for the island. Brexit continues to raise uncertainty across the globe but particularly for those in the UK and the British Overseas Territories. Towards the end of 2019/20, the Covid-19 pandemic then brought fresh concerns. It is pleasing to note however that despite the uncertainty, we continue to be supported by Her Majesty's Government (HMG) with the financial aid we receive.

Some of the key highlights and achievements by St Helena Government in 2019/20 include:

- The signing of a contract with Google in December 2019 to provide a branch on the Equiano cable to St Helena.
- Drafting of a contract with PASH Global (which was signed in May 2020 between Connect St Helena Ltd and PASH Global) to generate 100% of energy from renewable sources.
- SHG received the second tranche of EDF 11 funding from the EU amounting to €3.5m which will be used to fund the Equiano cable project.
- The UK Government approved a new economic development capital investment programme of £30m over 6 years.
- An increase in financial aid of £4.7m. £3.5m related to Airport operations and £1.2m for frontline services.
- From 1 April 2019 the minimum wage increased to £3.13 per hour with a further increase planned to £3.18 per hour from 3 April 2020.
- On 5 April 2019 Income Related Benefit rose to £70.00 with a further increase to £71.50 from 3 October 2019. Basic Island Pension rose on the same dates to £72.40 and then to £74.00.
- Four new technical cooperation posts were created. This comprised of 2 teachers, an additional legislative draftsman and a contracts manager (still to be appointed).
- The creation of a new contact support centre within the Police Directorate to replace the service previously provided free of charge by Sure.
- Additional funding for the running of the new Police headquarters and additional staff in the Fire & Rescue and Sea Rescue services.
- In December 2019, St Helena achieved a Credit Rating of BBB-/A-3 stable, from global credit-rating agency Standard & Poors (S&P). This credit rating is 'investment grade' meaning that St Helena is a low risk place to invest relative to other countries.
- Expansion of the chemotherapy service within the Health Directorate.

1.4 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 mis-match between the requirements of the Constitution (cash basis) and the basis of the Financial Statement preparation (Accruals IPSAS) which makes 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 mis-match of information and there will continue to be an inefficient financial control framework.

1.5 The 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 - a statement which incorporates all recurrent income and expenditure relating to the year.
- Statement of Financial Position - which records all the assets and liabilities as at the 31 March.
- Statement of Changes in Net Assets/Reserves - which details the movements between the opening and closing balances on the reserves.
- Statement of Cash Flows - a statement which shows the inflows and outflows of cash during the year reconciled to the year-end cash position.
- Statement of Comparison of Budget and Actual Amounts - a statement showing the budgeted figures against the actuals.

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.

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 9.4 to the financial statements sets out a reconciliation between the financial performance reported in the March 2020 management accounts and the Statement of Financial Performance.

1.6 Statement of Financial Performance

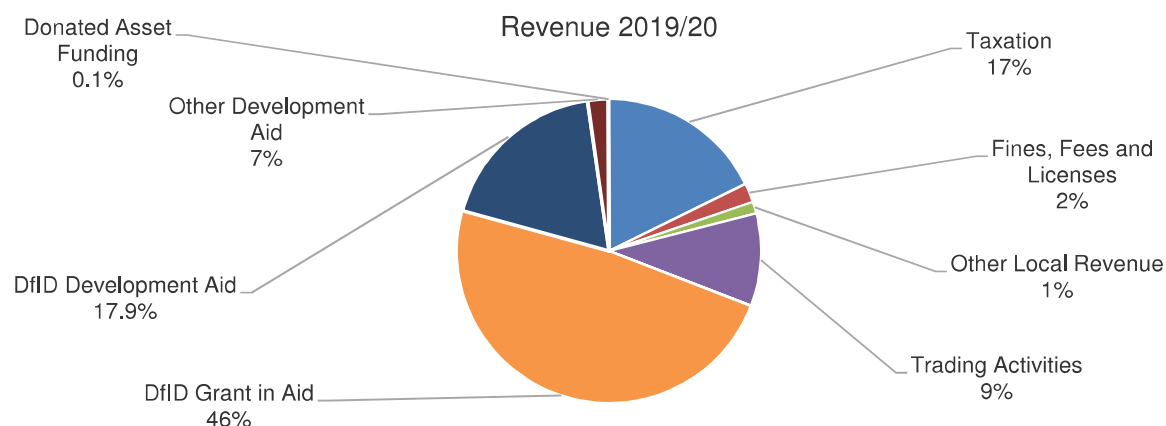
This statement sets out the expenditure and revenues of SHG during the financial year. It shows the expenditure incurred in the delivery of services and projects and the revenues received to fund services and projects. Notes 9.1 and 9.2 to the financial statements show a breakdown of revenue and expenditure by category.

1.6.1 Revenue

The Statement of Financial Performance shows that total revenue in 2019/20 was £60.154m (£64.776m in 2018/19), a decrease of £4.622m from 2018/19. The main reason for the decrease was a reduction in Other Development Aid.

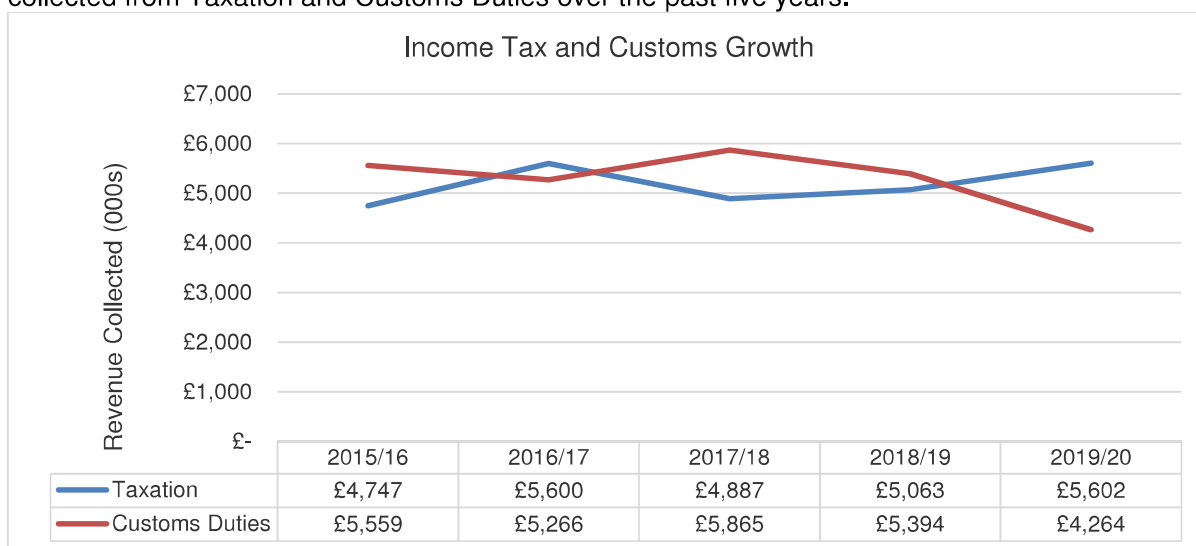
The statement contains a number of non-cash items in order to comply with proper accounting practice, these are Non-exchange DfID Infrastructure Aid Funding, Non-exchange Donated Assets Funding and Movements in Non-current Investments. After excluding non-cash items, total revenue in 2019/20 was £58.996m (£63.160m in 2018/19).

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.

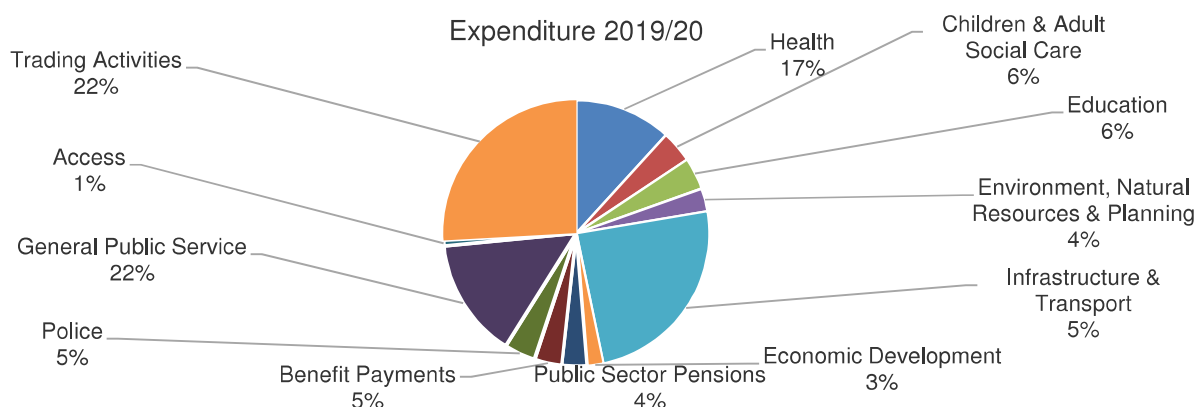
Revenue budgets were developed for Taxation and Customs Duties based on a series of detailed discussions and an agreed macro-economic model adjusted for changes in policies. The model was developed by the Government Economist for economic forecasting, and is expected to provide a consistent basis on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



1.6.2 Expenditure

The Statement of Financial Performance shows that total expenditure in 2019/20 was £65.504m (£57.233m in 2018/19), an increase of £8.271m. This is mainly attributable to the increased expenditure in health for overseas medical referrals.

The following chart shows how total expenditure in 2019/20 was distributed by Head of Expenditure:



The Statement of Financial Performance shows an overall deficit (total revenue less total expenditure) for 2019/20 of £5.350m (deficit of £7.543m in 2018/19).

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.

1.7 Statement of Financial Position

The Statement of Financial Position summarises the financial position of SHG at 31 March 2020 and shows that the net worth of SHG's assets and liabilities is £224.867m.

	31 March 2020	Restated 31 March 2019	Movement
	£000	£000	£000
Tangible and Intangible Assets owned	263,897	264,341	(444)
Cash, Investments and Inventories	54,140	51,800	2,340
Pension Liabilities	(86,062)	(74,359)	(11,703)
Money SHG owes	(14,222)	(15,374)	1,152
Money SHG is owed	7,114	7,874	(760)
Net Worth of SHG at 31 March	224,867	234,282	(9,415)

- The value of tangible and intangible assets owned has decreased because of 1 year's worth of depreciation being applied to the asset base.
- The value of cash, investments and inventories has increased slightly because our cashflow position improved and we had more cash and investment holdings due to unspent funds.
- Pension liabilities have increased because of a change in the total actuarial pension liability following a full valuation as at 31 March 2020 of the Defined Benefit Pension Scheme.
- Money SHG owes has decreased mainly due to income received in advance going down for grant funding.
- Money owed to SHG has also increased slightly because of money advance to Tristan da Cunha for EDF project funding.

1.8 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

1.8.1 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 10.15 to the financial statements. Only the General Reserve and the Litigation Reserve are Useable Reserves. The General Reserve is a reserve which SHG uses to provide services, subject to the need to maintain a prudent level of reserves to meet unforeseen circumstances. The Litigation Reserve is useable but there is a statutory limitation on its use in that it must only be used for paying litigation claims.

The other 6 reserves are Unusable Reserves. These are reserves that SHG is not able to use to provide services. Unusable Reserves are those that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold.

At the 31 March 2020 the Statement of Changes in Net Assets/Reserves shows that the balance on the Consolidated Fund was £211.356m.

		31 March 2020	Restated 31 March 2019
	Note	£000	£000
General Reserve	10.15.1.1	6,365	6,547
Capital Reserve	10.15.1.2	65,417	68,751
Revaluation Reserve	10.15.1.3	6,460	303
Pension Reserve	10.15.1.4	(86,062)	(74,359)
Investments in Subsidiaries Reserve	10.15.1.5	29,874	28,650
Aid Funded Infrastructure Reserve	10.15.1.6	192,444	196,789
Donated Asset Reserve	10.15.1.7	132	119
Litigation Reserve	10.15.1.8	(3,274)	(2,995)
		211,356	223,805

1.8.2 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 10.15.2 to the financial statements.

At the 31 March 2020 the Statement of Changes in Net Assets/Reserves shows that the balance of Special Funds was £13.511m (£10.477m at 31 March 2019). The reasons for the £3.034m increase are an improved closing balance on the trading accounts compared to previous year and a reduction in the capital spend on projects.

1.9 Statement of Cash Flows

The Cash Flow Statement shows the changes in Cash & Cash Equivalents of SHG during the reporting period. The Statement shows how SHG generates and uses Cash & Cash Equivalents by classifying cash flows as operating and investing activities.

The cash flows from operating activities are a key indicator of the extent to which the operations of SHG are funded by way of taxation and grant income or from the recipients of services provided by SHG. Investing activities represent the extent to which cash outflows have been made for the purchase of resources which are intended to contribute to SHG's future service delivery.

The overall increase in SHG's Cash and Cash Equivalents of £0.921m is due to an increase in bank deposits held because SHG had slightly more cash to invest.

1.10 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 2020 management accounts. Note 9.3 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 2020 management accounts.

1.11 Capital Expenditure

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

Capital expenditure additions of Property, Plant and Equipment, excluding Assets under Construction, totalled £1.514m in 2019/20 (£0.728m in 2018/19). This represents the purchase of 24 items of IT equipment and software for £0.387m, 15 items of plant, machinery and equipment for £0.612m, 8 motor vehicles for £0.337m, and 1 house purchase for £0.178m.

Spend during 2019/20 on Assets under Construction was £2.765m (£5.449m in 2018/19). This was spent on Economic Development Investment Programme (EDIP) £2.169m, building and housing maintenance £0.35m, refurbishment of the prison £0.125m and the start of the Equiano cable project amounting to £0.121m.

1.11.1 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.

It is possible though that the BFI will not be commissioned at all or only parts of it will be commissioned. There is a definite uncertainty as to whether the current asset under construction value for BFI is a fair presentation of expected future performance and inflow of economic benefits.

1.12 Material Events

SHG's accounting policies can be found at the beginning of each section of these financial statements to which they are relevant. These policies are largely unchanged from previous years.

No key events took place over the year which would have a material impact on the understanding of these financial statements. Land and buildings were revalued as at 31 March 2020. The roads network and the Aid Funded Infrastructure assets consisting of the airport and Rupert's Wharf, were valued at fair value with the resultant change effected as a prior period restatement to the 1 April 2018 opening balances.

1.13 Looking forward to 2020/21

A confirmed settlement for 2020/21 financial aid from Her Majesty's Government was not received until the end of March 2020. A total of £34.3m has been approved, which consists of £28.3m for core budget support £3.5m for Airport operations and £2.5m for Covid-19 preparedness. The financial aid settlement was a flat line settlement meaning that 2020/21 expenditure will be similar to 2019/20.

Specific areas of spending for 2020/21 include:

- COVID-19 preparedness by limiting access to the island, deploying an initiative to support businesses within the tourism and hospitality sectors, constructing and operating the Bradley's quarantine facility, and acquiring essential medical equipment, supplies and personal protective equipment.
- Spending an additional £0.250m on the upgrade and replacement of essential IT equipment.
- £0.5m to be spent on upgrading the fish processing plant and the purchase of equipment.
- Increasing the budget for Basic Island Pension and Income Related Benefits by £0.335m.

1.14 Conclusion

In closing I would like to acknowledge the hard work of the finance team in pulling together these financial statements, and the work of departments and counterparts within the group. I hope the information is helpful in allowing you to have a clear understanding of how SHG's money has been spent in 2019/20.

I hope you find these financial statements interesting and may I take the opportunity of thanking you for taking time to read them.

We have tried hard to present information as clearly as possible, but if you would like to find out more about these financial statements you can:

- Visit our website at www.sainthelena.gov.sh
- Send an email to Dax Richards, Financial Secretary at dax.richards@sainthelena.gov.sh
- Call us on (00290) 22470
- Write to us at:
The Castle,
Jamestown,
St Helena,
STHL 1ZZ
- Or contact our auditors Audit St Helena via the Deputy Chief Auditor, Brendon Hunt at brendon.hunt@sainthelena.gov.sh



Dax Richards
Financial Secretary

Date: 18/6/2021

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

Opinion

I have audited the financial statements of St Helena Government (SHG), which comprise the statement of financial position as at 31 March 2020, 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, the accompanying financial statements present fairly, in all material respects, the financial position of SHG as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

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.

Emphasis of Matter

I draw attention to Note 10.8.8 in the financial statements which highlights the significant estimation uncertainty associated with the new bulk fuel installation which is carried at a cost of £75.5m within assets under construction in Note 10.8.10. The note explains there is uncertainty as to the final configuration of this major installation with associated potential for material write-down in asset value before completion of works and commissioning of the facility. 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.

My audit report for prior years was modified in respect of aid funded infrastructure capitalised using earned income as the measurement basis being the cost of works completed under contract. IPSAS 17, Property Plant and Equipment and IPSAS 23, Non-Exchange Transactions required that such assets and associated non-exchange revenue be measured at replacement cost. An estimation uncertainty was previously disclosed around the valuation of the airport, wharf and roads infrastructure.

As explained in Note 10.8.6.1 management appointed a professional valuer to measure these assets in accordance with the requirements of IPSAS and provide a fair value basis for restatement of infrastructure assets in the Statement of Financial Performance. I applied specific audit procedures to review the professional valuation assumptions, methodology and resultant output to address the identified significant risk of material error in the £15.960m restatement adjustment as at 1 April 2018.

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.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income has been applied to the purposes intended, and conforms to the authorities which govern them.

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

21/06/2021

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 18/6/2021



4.0 Statement of Financial Performance for the year ended 31 March 2020

	Note	2019/20 £000	Restated 2018/19 £000
REVENUE	9.1		
Exchange Revenue			
Fines, Fees and Licenses		1,156	1,146
Other Local Revenue		834	655
Trading Activities		5,451	5,121
Total Exchange Revenue		7,441	6,922
Non-exchange Revenue			
Taxation		9,966	10,457
Movements in Non-current Investments		1,122	1,128
DfID Grant in Aid		27,393	26,699
DfID Development Aid		10,201	9,455
Other Development Aid		3,995	9,627
Non-exchange Donated Asset Funding		36	0
Non-exchange DfID Infrastructure Aid Funding		0	488
Total Non-exchange Revenue		52,713	57,854
Total Revenue		60,154	64,776
EXPENDITURE	9.2		
Health		11,073	7,276
Children & Adults Social Care		3,671	3,274
Education		3,680	3,709
Environment, Natural Resources & Planning		2,657	5,188
Infrastructure & Transport		3,244	0
Economic Development		1,873	1,905
Public Sector Pensions		2,884	3,354
Benefit Payments		3,160	2,812
Police		3,074	2,670
General Public Service		15,754	13,760
Access		639	453
Trading Activities		13,795	12,832
Total Expenditure		65,504	57,233
SURPLUS/(DEFICIT) FOR THE PERIOD		(5,350)	7,543

Dax Richards
Financial Secretary

Date: 18/6/2021

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

	2018/19 As previously reported £000	Infrastructure Valuation £000	Audit Fee Income £000	Asset Depreciation £000	2018/19 Restated £000
REVENUE					
Exchange Revenue					
Fines, Fees and Licenses	1,146	0	0	0	1,146
Other Local Revenue	580	0	75	0	655
Trading Activities	5,196	0	(75)	0	5,121
Total Exchange revenue	6,922	0	0	0	6,922
Non-exchange Revenue					
Taxation	10,457	0	0	0	10,457
Movements in Non-current Investments	1,128	0	0	0	1,128
DfID Grant in Aid	26,699	0	0	0	26,699
DfID Development Aid	9,455	0	0	0	9,455
Other Development Aid	9,627	0	0	0	9,627
Non-exchange DfID Infrastructure Aid Funding	488	0	0	0	488
Total Non-exchange Revenue	57,854	0	0	0	57,854
Total Revenue	64,776	0	0	0	64,776
EXPENDITURE					
Health	7,276	0	0	0	7,276
Children & Adults Social Care	3,274	0	0	0	3,274
Education	3,709	0	0	0	3,709
Environment, Natural Resources & Planning	4,957	231	0	0	5,188
Economic Development	1,905	0	0	0	1,905
Public Sector Pensions	3,354	0	0	0	3,354
Benefit Payments	2,812	0	0	0	2,812
Police	2,646	24	0	0	2,670
General Public Service	13,760	0	0	0	13,760
Shipping	453	0	0	0	453
Trading Activities	14,250	383	0	(1,801)	12,832
Total Expenditure	58,396	638	0	(1,801)	57,233
SURPLUS/(DEFICIT) FOR THE PERIOD	6,380	(638)	0	(1,801)	7,543



5.0 Statement of Financial Position as at 31 March 2020

	Note	31 March 2020 £000	Restated 31 March 2019 £000
ASSETS			
Current Assets			
Cash & Cash Equivalents	10.1	5,808	4,887
Investments	10.2.1	15,644	15,342
Receivables from Non-exchange Transactions	10.3	4,113	4,235
Receivables from Exchange Transactions	10.4.1	2,482	2,153
Inventories	10.5	2,814	2,921
Other Financial Assets	10.6.1	473	1,448
Discontinued Operations	10.7	1	1
		<u>31,335</u>	<u>30,987</u>
Non-current Assets			
Non-current Investments	10.2.2	29,874	28,650
Receivables from Exchange Transactions	10.4.2	31	19
Other Financial Assets	10.6.2	14	18
Property, Plant & Equipment	10.8	263,768	264,245
Intangible Assets	10.9	129	96
		<u>293,816</u>	<u>293,028</u>
Total Assets		<u>325,151</u>	<u>324,015</u>
LIABILITIES			
Current Liabilities			
Payables from Non-exchange Transactions	10.11	2,906	3,884
Payables from Exchange Transactions	10.12.1	5,285	5,962
Provisions	10.13	962	530
		<u>9,153</u>	<u>10,376</u>
Non-current Liabilities			
Payables from Exchange Transactions	10.12.2	9	16
Pension Liabilities	10.14	86,062	74,359
Provisions	10.13	5,060	4,982
		<u>91,131</u>	<u>79,357</u>
Total Liabilities		<u>100,284</u>	<u>89,733</u>
NET ASSETS		<u>224,867</u>	<u>234,282</u>
FUNDS AND RESERVES			
Consolidated Fund	10.15.1	211,356	223,805
Special Funds	10.15.2	13,511	10,477
		<u>224,867</u>	<u>234,282</u>

Restated Statement of Financial Position as at 1 April 2018

	1 April 2018 As previously reported	Infrastructure Valuation	Audit Fee Income	1 April 2018 Restated
	£000	£000	£000	£000
ASSETS				
Current Assets				
Cash & Cash Equivalents	5,508	0	0	5,508
Investments	1,501	0	0	1,501
Receivables from Non-exchange Transactions	3,839	0	0	3,839
Receivables from Exchange Transactions	1,453	0	0	1,453
Inventories	2,488	0	0	2,488
Other Financial Assets	1,895	0	0	1,895
Discontinued Operations	933	0	0	933
	17,617	0	0	17,617
Non-current Assets				
Non-Current Investments	28,128	0	0	28,128
Receivables from Exchange Transactions	59	0	0	59
Property, Plant & Equipment	282,236	(15,960)	0	266,276
Intangible Assets	106	0	0	106
	310,529	(15,960)	0	294,569
Total Assets	328,146	(15,960)	0	312,186
LIABILITIES				
Current Liabilities				
Payables	7,804	0	0	7,804
Provisions	739	0	0	739
	8,543	0	0	8,543
Non-current Liabilities				
Pension Liabilities	71,612	0	0	71,612
Provisions	4,184	0	0	4,184
	75,796	0	0	75,796
Total Liabilities	84,339	0	0	84,339
NET ASSETS	243,807	(15,960)	0	227,847
FUNDS AND RESERVES				
Consolidated Fund	242,201	(15,960)	288	226,529
Special Funds	1,606	0	(288)	1,318
	243,807	(15,960)	0	227,847



6.0 Statement of Changes in Net Assets/Reserves for the year ended 31 March 2020

	Consolidated Fund £000	Special Funds £000	Total Reserves £000
Restated Balance at 1 April 2018	226,529	1,318	227,847
Deficit for the Period	(5,161)	0	(5,161)
Funds Received	0	24,563	24,563
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
Pensions: Changes in Financial Assumptions	(3,454)	0	(3,454)
Recharges	(12)	12	0
Transfers between Reserves	(1,549)	1,549	0
Other Movements	(3)	62	59
Restated Balance at 31 March 2019	223,805	10,477	234,282
Deficit for the Period	(8,007)	0	(8,007)
Funds Received	0	16,551	16,551
Funds Applied	0	(13,894)	(13,894)
Use of Funds to Finance Capital Expenditure	3,693	(3,800)	(107)
Actuarial Losses	(6,090)	0	(6,090)
Pensions: Changes in Financial Assumptions	(9,734)	0	(9,734)
Pensions: Changes in Demographic Assumptions	5,703	0	5,703
Recharges	(556)	556	0
Transfers between Reserves	(3,622)	3,622	0
Non-current Asset Revaluations	6,157	0	6,157
Other Movements	7	(1)	6
Balance at 31 March 2020	211,356	13,511	224,867

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

Consolidated Fund	As previously reported	Infrastructure Valuation	Audit Fee Income	Asset Depreciation	Restated
	£000	£000	£000	£000	£000
Balance at 1 April 2018	242,201	(15,960)	288	0	226,529
<u>Changes in Net Assets/Reserves:</u>					
Deficit for the Period	(6,399)	(638)	75	1,801	(5,161)
Use of Funds to Finance Capital Expenditure	5,167	0	0	0	5,167
Actuarial Losses	2,288	0	0	0	2,288
Pensions: Changes in Financial Assumptions	(3,454)	0	0	0	(3,454)
Recharges	(12)	0	0	0	(12)
Transfers between reserves	(1,549)	0	0	0	(1,549)
Other Movements	(3)	0	0	0	(3)
Balance at 31 March 2019	238,239	(16,598)	363	1,801	223,805

	As previously reported	Infrastructure Valuation	Audit Fee Income	Asset Depreciation	Restated
	£000	£000	£000	£000	£000
Special Funds					
Balance at 1 April 2018	1,606	0	(288)	0	1,318
<u>Changes in Net Assets/Reserves:</u>					
Funds Received	24,638	0	(75)	0	24,563
Funds Applied	(11,860)	0	0	0	(11,860)
Use of Funds to Finance Capital Expenditure	(5,167)	0	0	0	(5,167)
Recharges	12	0	0	0	12
Transfers between reserves	1,549	0	0	0	1,549
Other Movements	62	0	0	0	62
Balance at 31 March 2019	10,840	0	(363)	0	10,477



7.0 Statement of Cash Flows for the year ended 31 March 2020

	Note	2019/20 £000	Restated 2018/19 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the Period		(5,350)	7,543
Interest Received		(208)	(86)
Dividend Received		(25)	(12)
<u>Non Cash Movements</u>			
Recognition of Non-exchange DfID Infrastructure Aid Funding	9.1	0	(488)
Depreciation Charged on Non-current Assets	9.2	6,549	6,776
Impairment of Non-current Assets	9.2	0	1,346
Devaluation of Non-current Assets	9.2	4,324	0
Net Gain on Disposal of Non-current Assets	9.1	(47)	(61)
Donated Asset Funding	9.1	(36)	0
Share of Net Profit/Loss of Subsidiaries	9.1	(724)	(172)
Difference in Pensions Earned and Benefits Paid Relating to the Defined Benefit Pension Scheme	10.14	1,582	1,581
Provisions for Doubtful Debts	10.3, 10.6	1,550	0
Other Movements			
Movements in Working Capital			
Increase in Receivables	10.3,10.4	(733)	(1,045)
(Increase)/Decrease in Inventories	10.5	107	(433)
(Increase)/Decrease in Prepayments	10.6	(57)	55
Increase/(Decrease) in Payables	10.11,10.12	(1,662)	2,057
Increase in Provisions	10.13	510	590
Net Cash Flows from Operating Activities		5,780	17,651
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend Received	10.2	25	12
Interest Received		208	86
Capital Expenditure		(4,390)	(5,301)
Proceeds from the Sale of Non-current Assets		100	160
Proceeds from the Sale of Assets Held for Sale		0	964
Further Investment in Subsidiary		(500)	(350)
Increase in Investments		(302)	(13,841)
Net Cash Flows from Investing Activities		(4,859)	(18,271)
NET CASH FLOW FOR THE FINANCIAL YEAR		921	(620)
Cash & Cash Equivalents at 1 April		4,887	5,507
Net Cash Flows		921	(620)
Cash & Cash Equivalents at 31 March		5,808	4,887

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

	2018/19 As previously reported £000	Infrastructure Valuation £000	Dividends Received £000	Asset Depreciation £000	2018/19 Restated £000
CASH FLOWS FROM OPERATING ACTIVITIES					
Surplus/(Deficit) for the Period	6,380	(638)	0	1,801	7,543
Interest Received	(86)	0	0	0	(86)
Dividends Received	0	0	(12)	0	(12)
<u>Non Cash Movements</u>					
Recognition of Non-exchange DfID Infrastructure Aid Funding	(488)	0	0	0	(488)
Depreciation	7,939	638	0	(1,801)	6,776
Impairment of Non-current Assets	1,346	0	0	0	1,346
Net Gain on Disposal of Non-current Assets	(61)	0	0	0	(61)
Share of Net Profit/Loss of Subsidiaries	(172)	0	0	0	(172)
Difference in Pensions Earned and Benefits Paid Relating to the Defined Benefit Pension Scheme	1,581	0	0	0	1,581
Movements in Working Capital	1,224	0	0	0	1,224
Net Cash Flows from Operating Activities	17,663	0	(12)	0	17,651
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends Received	0	0	12	0	12
Interest Received	86	0	0	0	86
Capital Expenditure	(5,302)	0	0	0	(5,302)
Proceeds from the Sale of Non-current Assets	160	0	0	0	160
Proceeds from the Sale of Assets Held for Sale	964	0	0	0	964
Further Investment in Subsidiary	(350)	0	0	0	(350)
Increase in Investments	(13,841)	0	0	0	(13,841)
Net Cash Flows from Investing Activities	(18,283)	0	12	0	(18,271)
NET CASH FLOW FOR THE FINANCIAL YEAR	(620)	0	0	0	(620)
Cash & Cash Equivalents at 1 April	5,507	0	0	0	5,507
Net Cash Flows	(620)	0	0	0	(620)
Cash & Cash Equivalents at 31 March	4,887	0	0	0	4,887



8.0 Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2020

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 2020 management accounts, which is on a comparable basis to the budget is shown below. IPSAS 24 *Presentation of Budget Information in Financial Statements* states that disclosure of comparative information in respect of the previous period is not required.

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	1,537	1,598	1,539	291	291	290
Human Resources	9,159	9,159	8,730	0	0	0
Police	1,848	1,813	1,772	377	377	364
Corporate Finance	8,490	8,346	7,890	40,285	40,285	40,370
Economic Development	930	947	939	0	0	0
Access	4,212	4,212	4,051	3,500	3,500	4,305
Education	3,350	3,417	3,370	227	227	220
Health	5,586	5,658	5,796	569	569	651
Environment, Natural Resources & Planning	1,867	1,874	1,871	113	113	150
Infrastructure & Transport	1,530	1,570	1,564	486	486	528
Children & Adults Social Care	3,003	3,044	3,089	208	208	243
	41,512	41,638	40,611	46,056	46,056	47,121
				Surplus		6,510

Appropriated

	Capital Expenditure		
	Original Budget £000	Final Budget £000	Actual £000
Police	30	65	60
Corporate Finance	50	550	591
Education	0	18	17
Health	0	175	166
Infrastructure & Transport	175	172	144
	255	980	978

Non-appropriated	Recurrent Expenditure			Revenue		
	Original Budget £000	Final Budget £000	Actual £000	Original Budget £000	Final Budget £000	Actual £000
Pensions and Benefits	4,289	4,289	4,459	0	0	0
	4,289	4,289	4,459	0	0	0
TOTAL EXPENDITURE	46,056	46,907	46,048			

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 2019 to 31 March 2020.

The Appropriation Ordinance 2019, 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 29 March 2019. 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 the note Comparison of Budget and Actual Amounts, and the actual amounts in the Statement of Cash Flows for the year ended 31 March 2020 is presented below.

	Operating £000	Investing £000	Net Cash Flow £000
Surplus in Comparable Basis as Presented in the Budget and Actual Comparative Statement	6,510	(978)	5,532
Basis Differences	(4,512)	(356)	(4,868)
Entity Differences	3,780	(3,523)	257
Actual Amount in the Statement of Cash Flows	5,778	(4,857)	921

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 for financial year 2019/20

	Consolidated Fund £000	Special Funds £000	Total £000
REVENUE			
Taxation	9,966	0	9,966
Fines, Fees and Licences	1,154	2	1,156
Other Local Revenue	680	154	834
Trading Activities	0	5,451	5,451
Movements in Non-current Assets	1,122	0	1,122
DfID Grant in Aid	27,393	0	27,393
DfID Development Aid	3,500	6,701	10,201
Other Development Aid	1	3,994	3,995
Non-exchange Donated Asset Funding	36	0	36
Total Revenue	43,852	16,302	60,154
EXPENDITURE			
Health	11,073	0	11,073
Children & Adults Social Care	3,630	41	3,671
Education	3,680	0	3,680
Environment, Natural Resources & Planning	1,941	716	2,657
Infrastructure & Transport	3,244	0	3,244
Economic Development	1,056	817	1,873
Public Sector Pensions	2,884	0	2,884
Benefit Payments	3,160	0	3,160
Police	2,930	144	3,074
General Public Service	12,729	3,025	15,754
Access	639	0	639
Trading Activities	4,893	8,902	13,795
Total Expenditure	51,859	13,645	65,504
SURPLUS/(DEFICIT) FOR THE PERIOD	(8,007)	2,657	(5,350)

9.0 Notes to the Statement of Financial Performance

9.1 Revenue by Category

Revenue is accounted for on an accruals basis meaning that revenue is recognised when goods and services are supplied or rendered by SHG. 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 accrued for the year based on the budgeted income figure as the timing of the return of the annual self-assessment forms means that actuals cannot be used.

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

When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

	2019/20 £000	Restated 2018/19 £000
Exchange Revenue		
Fines, Fees and Licenses:		
Stamp Duty	56	65
Immigration Fees	73	104
Planning Fees	17	11
Other Fines, Fees and Licences	1,010	966
	<u>1,156</u>	<u>1,146</u>
Other Local Revenue:		
Earnings Government Departments	129	56
Interest Received	197	85
Other Treasury Receipts	2	80
Dividends Received	25	12
Profit on Disposal of Non-current Assets	82	103
Other Income Received	399	319
	<u>834</u>	<u>655</u>
Trading Activities:		
Operating Revenue	5,424	5,082
Interest Received	11	0
Other Income Received	16	0
Profit on Disposal of Non-current Assets	0	39
	<u>5,451</u>	<u>5,121</u>
Total Exchange Revenue	<u>7,441</u>	<u>6,922</u>

A non-exchange transaction is one in which one party receives something of value without directly giving value in exchange.

	2019/20 £000	2018/19 £000
Non-Exchange Revenue		
Taxation:		
Income Tax (PAYE)	3,918	3,492
Self Employed Tax	308	339
Corporation Tax	892	722
Service Tax	465	491
Withholding Tax	19	19
Customs Duty - Alcohol	848	1,148
Customs Duty - Tobacco	857	890
Customs Duty - Petrol & Diesel	374	917
Other Customs Duties	2,285	2,439
	9,966	10,457
Movements in Non-current Investments:		
Share of Profit of Subsidiaries	1,122	736
Revenue from Assets Held for Sale/Distribution	0	392
	1,122	1,128
DfID Grant in Aid	27,393	26,699
DfID Development Aid	10,201	9,455
Other Development Aid	3,995	9,627
Non-exchange Donated Asset Funding	36	0
Non-exchange DfID Infrastructure Aid Funding	0	488
	41,625	46,269
Total Non-Exchange Revenue	52,713	57,854
Total Revenue	60,154	64,776

9.2 Expenditure by Category

Expenditure is accounted for on an accruals basis meaning that expenditure is recognised when it is incurred, upon delivery of goods or when services are employed. 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.

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 by way of an internal recharge transaction. 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.

	2019/20	Restated 2018/19
	£000	£000
Employee Costs	21,725	19,816
Property Costs	916	930
Transport & Plant Costs	90	67
Supplies & Services Costs	9,094	8,098
Administration Costs	1,204	1,132
Payments to Other Agencies, Bodies or Persons	8,850	7,616
Finance & Other Expenditure	1,847	1,427
Payment to Contractors	8,622	8,700
Depreciation Charged on Non-current Assets	6,549	6,776
Impairment of Non-current Assets	0	1,346
Devaluation of Non-current Assets	4,324	0
Loss on Disposal of Non-current Assets	33	81
Share of Loss of Subsidiaries	398	564
Provisions Recognised	280	647
Provisions Recognised/(Released) for Doubtful Debts	1,572	33
Total Expenditure	65,504	57,233

The fee for the audit of the 2019/20 financial statements is expected to be £93,500 (2018/19 £74,300). 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.

	2019/20	2018/19
	£000	£000
Benefit Payments:		
Basic Island Pension	2,524	2,289
Social Benefits	637	504
Unemployment Benefits	27	19
	3,188	2,812

9.3 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	Final Budget £000
Appropriated Recurrent Expenditure				
Corporate Support, Policy and Planning	1,537	61	0	1,598
Human Resources	9,159	0	0	9,159
Police	1,848	0	(35)	1,813
Corporate Finance	8,490	0	(144)	8,346
Economic Development	930	17	0	947
Access	4,212	0	0	4,212
Education	3,350	67	0	3,417
Health	5,586	72	0	5,658
Environment, Natural Resources & Planning	1,867	7	0	1,874
Infrastructure & Transport	1,530	40	0	1,570
Children & Adults Social Care	3,003	41	0	3,044
	41,512	305	(179)	41,638
Appropriated Capital Expenditure				
Police	30	35	0	65
Corporate Finance	50	500	0	550
Education	0	18	0	18
Health	0	175	0	175
Infrastructure & Transport	175	0	(3)	172
	255	728	(3)	980
	41,767	1,033	(182)	42,618
Non-appropriated				
Pensions and Benefits	4,289	0	0	4,289
	4,289	0	0	4,289

The Supplementary Appropriation was approved by Legislative Council on 5 March 2020 with the effect of an increase to the 2019/20 recurrent and capital budgets by £0.305m and £0.728m respectively based on the latest available forecasts.

A Withdrawal Warrant to finance the above Supplementary Appropriation was approved by the Governor in Council on 31 March 2020 for the total amount of £0.182m. This was afforded due to underspends within the Police Directorate recurrent budget to fund capital expenditure, utilisation of funds held centrally for increments and vacancy savings under Payments on Behalf of the Crown as well as a call down contingency provision to be applied for the forecast overspend on overseas medical treatment and aeromedical evacuation.

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 2020 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	1,598	1,539	59	291	290	(1)
Human Resources	9,159	8,730	429	0	0	0
Police	1,813	1,772	41	377	364	(13)
Corporate Finance	8,346	7,890	456	40,285	40,370	85
Economic Development	947	939	8	0	0	0
Access	4,212	4,051	161	3,500	4,305	805
Education	3,417	3,370	47	227	220	(7)
Health	5,658	5,796	(138)	569	651	82
Environment, Natural Resources & Planning	1,874	1,871	3	113	150	37
Infrastructure & Transport	1,570	1,564	6	486	528	42
Children & Adults Social Care	3,044	3,089	(45)	208	243	35
	41,638	40,611	1,027	46,056	47,121	1,065
Appropriated Capital Expenditure						
Police	65	60	5	0	0	0
Corporate Finance	550	591	(41)	0	0	0
Education	18	17	1	0	0	0
Health	175	166	9	0	0	0
Environment, Natural Resources & Planning	0	0	0	0	0	0
Infrastructure & Transport	172	144	28	0	0	0
	980	978	2	0	0	0
	42,618	41,589	1,029	46,056	47,121	1,065
Non-appropriated						
Pensions and Benefits	4,289	4,459	(170)	0	0	0
	4,289	4,459	(170)	0	0	0

9.3.1 Revenue

Significant variance to budget is explained for the following directorates:

- Corporate Finance – a small favourable variance was achieved as a result of actual revenue collected for Customs duties namely Alcohol, Tobacco and Other (Ad Valorem) as well as Excise duty being less than budgeted negatively contributing to the overall favourable variance. The delayed arrival of the MV Helena for Voyage 26 was also a contributing factor for the under collection of Customs and Excise Duties. For Payments on Behalf of the Crown, the under collection was mainly due to SHG not claiming the grant in respect of litigation and legal costs associated with historical cases as anticipated (also see recurrent expenditure variance).

- Health – over collection of revenue was achieved mainly due to water testing, medical and dental fees collected being higher than anticipated. Additional revenue from fish sale licencing was also received due to the closure of St Helena Fisheries Corporation.
- Environment, Natural Resources & Planning – additional revenue was collected from activities such as tree felling for private individuals, planning applications for building approval and sale of drip irrigation by the directorate which was not anticipated.
- Infrastructure & Transport – increased collections from rentals, levied fees and additional work carried out for private organisations during the year resulted in an over collection.
- Children and Adults Social Care – the increased actual revenue over budget was due to higher rates being charged for board and lodging fees at the Community Care Centre than those incorporated in the budget.
- Access – The favourable variance relates to the additional fees from Ascension Island Government for the chartered flights from St Helena Island, Passenger Airport Taxes as well as grant income in relation to airport services.

9.3.2 Recurrent Expenditure

Variance explanations for directorates are as follows:

- Human Resources – the under spend was largely due to delayed recruitment of posts under the Technical Co-operation programme. Overseas training was also halted due to the COVID-19 travel restrictions.
- Corporate Finance – the under spend was mainly due to SHG not requiring the expenditure provision set aside to pay for litigation and legal costs associated with historical cases.
- Access – an under spend due to the average cost per month being consistently lower than the monthly budget of £42k for cargo handling costs (which are dependent of volumes), in addition due to the Covid-19 pandemic the MV Helena did not arrive in March as expected. Airport operations actual costs were less than expected because planned capital expenditure by Saint Helena Airport Limited was not undertaken.
- Health – the over spend recorded under Overseas Medical was due to an increased number of patients requiring high cost medical treatment in South Africa. Additional costs were also incurred to assist patients affected by the COVID-19 lockdown whilst overseas.
- Children and Adults Social Care – the excess of expenditure (over spend) recorded was due to an increased number of vulnerable persons requiring assistance at varying degrees of needs. There was an increase in home accommodation so an increase in the resources required that were higher than anticipated which was aggravated by the increase in costs of goods and services provided.

9.3.3 Capital Expenditure

Variances in Capital Expenditure for directorates are as follows:

- Corporate Finance – an over spend from materials and transportation costs associated with dust mitigation measures at the Bradley's quarantine facility in preparation for the flight in March 2020.
- Infrastructure & Transport – the under spend was due to procurement of capital items being delayed due to the COVID-19 shut down by suppliers in addition to delays on the budgeted capital programmes, as resources were diverted to responding to the COVID-19 pandemic requirements at Bradley's Camp.

9.4 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.

2019/20	Corporate Services £000	Education £000	Health and Children & Adults Social Care £000	Environment, Natural Resources & Planning and Infrastructure & Transport £000	Police & Economic Development & Pensions and Benefits £000	Access £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	40,117	12	413	358	321	4,305	45,526	15,501	(873)		60,154
Inter-segment Transfers	542	208	481	320	43	0	1,594	0	(1,594)		0
Total Segment Revenue	40,659	220	894	678	364	4,305	47,120	15,501	(2,467)		60,154
Total Segment Expenditure	18,750	3,388	9,051	3,579	7,230	4,051	46,049	22,692	(3,237)		65,504
Surplus/(Deficit) for the Period	21,909	(3,168)	(8,157)	(2,901)	(6,866)	254	1,071	(7,191)	770		(5,350)
Other Information:											
Segment Assets	7,322	4,189	6,653	49,749	3,303	189,324				64,611	325,151
Segment Liabilities	2,470	52	940	397	179	134				96,112	100,284
Costs to acquire Segment Assets	336	17	202	711	486	0				2,563	4,315

Restated 2018/19	Corporate Services £000	Education £000	Health and Safeguarding £000	Environment and Natural Resources £000	Police £000	Shipping £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	38,278	9	436	349	123	0	39,195	26,795	(1,214)		64,776
Inter-segment Transfers	724	193	585	287	244	0	2,033	0	(2,033)		0
Total Segment Revenue	39,002	202	1,021	636	367	0	41,228	26,795	(3,247)		64,776
Total Segment Expenditure	17,633	3,321	7,671	3,405	6,543	453	39,026	20,714	(2,507)		57,233
Surplus/(Deficit) for the Period	21,369	(3,119)	(6,650)	(2,769)	(6,176)	(453)	2,202	6,081	(740)		7,543
Other Information:											
Segment Assets	6,046	4,357	8,592	46,804	2,924	0				255,292	324,015
Segment Liabilities	2,125	44	582	343	174	0				86,465	89,733
Costs to acquire Segment Assets	165	0	8	0	13	0				5,991	6,177
Impairments	66	0	27	69	0	0				1,184	1,346

10.0 Notes to the Statement of Financial Position

10.1 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 Ltd, Barclays Bank PLC, Crown Agents Bank Ltd and Crown Agents Investment Management Ltd.

These financial statements are prepared using the St Helena Pound (SHP). 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.

	31 March 2020	31 March 2019
	£000	£000
Bank Deposits	2,912	1,898
Overseas Call/Current Accounts	3,673	3,658
Overdraft - Bank of Saint Helena Ltd	(1,381)	(1,158)
Cash	604	489
	5,808	4,887

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.

10.2 Investments

10.2.1 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.

	31 March 2020	31 March 2019
	£000	£000
Certificates of Deposits	15,644	15,342
	15,644	15,342

10.2.2 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 12.0 Controlled Entities 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.

	2019/20	2018/19
	£000	£000
Balance at 1 April	28,650	28,128
Investment in Subsidiary	500	350
Dividend Received	25	12
Net Share of Profit/(Loss) of Subsidiaries	699	160
Balance at 31 March	29,874	28,650

On 11 March 2020, SHG invested £0.5m in St Helena Hotel Development Ltd. This is in addition to £0.350m invested on 18 July 2018. At the 31 March, SHG's total investment in subsidiaries was made up as follows:

	31 March 2020	31 March 2019
	£000	£000
Bank of St Helena Ltd	6,877	6,248
Connect St Helena Ltd	15,821	15,556
Solomon & Company (St Helena) PLC	5,560	5,567
St Helena Hotel Development Ltd	1,366	1,260
St Helena Airport Ltd	250	19
Balance at 31 March	29,874	28,650

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.

10.3 Receivables from Non-exchange Transactions

SHG recognises revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognised instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Revenues from non-exchange transactions with UK Government entities are measured at fair value and recognised on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to SHG and can be measured reliably.

	31 March 2020	31 March 2019
	£000	£000
Income Tax Debtors	1,493	1,267
Other Taxes and Duties	100	449
Grant Funding	2,755	2,512
Other	279	7
	<u>4,627</u>	<u>4,235</u>
Less Provision for Doubtful Debts:		
Grant Funding	(514)	0
	<u>(514)</u>	<u>0</u>
	4,113	4,235

10.4 Receivables from Exchange Transactions

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.

10.4.1 Amounts falling due within one year

	31 March 2020 £000	31 March 2019 £000
Receivables:		
Trade and Other Receivables	994	1,577
Government Landlord Housing	88	74
Bulk Fuel Installation	443	464
Currency Fund	103	82
	<u>1,628</u>	<u>2,197</u>
Accrued Income:		
Interest	32	16
	<u>32</u>	<u>16</u>
Loans:		
Housing and House Purchase Loans	108	124
Staff Advances	137	187
Other Advances	975	22
	<u>1,220</u>	<u>333</u>
	<u>2,880</u>	<u>2,546</u>
Less Provision for Doubtful Debts:		
Trade and Other Receivables	(308)	(285)
Housing and House Purchase Loans	(90)	(86)
Other Advances	0	(22)
	<u>(398)</u>	<u>(393)</u>
	<u>2,482</u>	<u>2,153</u>

10.4.2 Amounts falling due after one year

	31 March 2020 £000	31 March 2019 £000
Housing and House Purchase Loans	75	71
Less: Provision for Doubtful Debts:		
Housing and House Purchase Loans	(44)	(52)
	<u>31</u>	<u>19</u>

10.4.3 Reconciliation of 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.

	Short-term £000	Long-term £000	Total £000
Balance at 1 April 2019	393	52	445
Provisions Recognised	197	0	197
Provisions Released	(168)	(8)	(176)
Amounts written off during the year	(24)	0	(24)
Balance at 31 March 2020	398	44	442

10.5 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.

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.

	31 March 2020 £000	31 March 2019 £000
Consolidated Fund:		
Pharmacy	429	268
Stamps	40	34
Fish Processing	12	0
Other	54	62
	<u>535</u>	<u>364</u>
Special Funds:		
Information Technology	84	87
Transport	710	626
Aviation Fuel	112	120
Bulk Fuel Installation	1,733	2,043
	<u>2,639</u>	<u>2,876</u>
	<u>3,174</u>	<u>3,240</u>

Less Provision for Slow Moving and Obsolete Inventories:

Consolidated Fund:

Pharmacy	0	(1)
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Special Funds:

Information Technology	(39)	0
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Transport	(76)	(52)
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Bulk Fuel Installation	(245)	(266)
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	(360)	(319)
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	2,814	2,921
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The amount of Inventories recognised as an expenses during the year consists of those costs previously included in the measurement of inventory that has now been sold, issued, exchanged, or distributed. The table below shows the values of inventory recognised in expenditure for the year.

	2019/20 £000	2018/19 £000
Stamps	11	5
Transport	25	45
Other	35	47
Information Technology	81	89
Pharmacy	693	617
Bulk Fuel Installation	4,484	4,709
	5,329	5,512

10.6 Other Financial Assets

10.6.1 Current Assets

Short-term Prepayments are amounts paid for by SHG in advance of the goods or services being received within the next 12 months.

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 fails certification.

	31 March 2020 £000	31 March 2019 £000
Short-term Prepayments	473	412
Refund Asset - GBAS	1,036	1,036
	1,509	1,448
Less Provision for Doubtful Debts:		
Refund Asset - GBAS	(1,036)	0
	(1,036)	0
	473	1,448

10.6.2 Non-current Assets

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 2020 £000	31 March 2019 £000
Long-term Prepayments	14	18
	14	18

10.7 Discontinued Operations

The International Public Sector Accounting Standards Board (IPSASB) says that preparers will apply International Financial Reporting Standards (IFRS) where there is no applicable IPSAS. SHG has used IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in relation to its investment with St Helena Line Limited.

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. As at 31 March 2020, the value of SHG's investment in St Helena Line was £514.

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.

10.8 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. 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 and are not held for investment purposes.

SHG holds assets in classes Land & Buildings, Infrastructure, Infrastructure – Roads, Computer Hardware & Software, Service Concessions, Assets under Construction and Other. Within 'Other' is Plant & Machinery, Equipment, Motor Vehicles and Furniture & Fittings.

10.8.1 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 minimum is £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 except for land and buildings which is done at least every 5 years as part of the revaluation exercise. There are no restrictions on title of any items of property, plant & equipment neither are any assets pledged as security for liabilities. SHG did not receive any compensation from third parties for items of property, plant and equipment that were impaired, lost or given up.

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.

SHG had no items of property, plant and equipment which were temporarily idle as at 31st March 2020, but it did have 9 assets which were retired from active use and held for disposal in a future year. The carrying amount of these assets was nil as at 31st March 2020.

10.8.2 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.

After initial recognition as an asset the asset class land and buildings is carried at revalued amount being its fair value at date of valuation less accumulated depreciation and accumulated impairment losses. All other asset classes are carried at cost less accumulated depreciation and accumulated depreciation impairment losses.

10.8.3 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)	1-100
Infrastructure	15-65
Infrastructure - Roads	15-20
Plant & Machinery, Equipment, Motor Vehicles and Furniture & Fittings	2-15
Computer Hardware and Software	5
Service Concessions	3-55
Intangibles	3-10

IPSAS 17 *Property, Plant & Equipment* states that SHG must disclose the gross carrying amount of fully depreciated assets that are still in use. SHG holds a number of fully depreciated assets in various categories.

	31 March 2020		31 March 2019	
	Number	Gross carrying	Number of	Gross carrying
	of assets	amount	assets	amount
		£000		£000
Land & Buildings	0	0	2	35
Infrastructure	1	60	1	60
Infrastructure - Roads	0	0	54	25,202
Computer Hardware & Software	30	384	15	144
Other	98	5,335	90	3,715
Service Concessions	15	2,959	3	243
Total	144	8,738	165	29,399

An adjustment was made to the 2018/19 depreciation charge in year for the Service Concession assets as £1.8m of depreciation had been duplicated.

10.8.4 Change in Useful Lives of Assets

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. During the annual existence and impairment testing exercise, it was found that there were no non-property assets that needed their estimated remaining useful lives changing. All building assets will have a revised useful life applied for the purposes of depreciation from 1 April 2020.

10.8.5 Revaluations

Revaluations apply to the Land & Buildings assets class.

SHG carries out a revaluation programme that ensures all property, plant and equipment required to be measured at fair value are revalued at least every five years and all assets within a class are revalued simultaneously. As at 31 March 2020, Land & Buildings were externally valued by independent valuers DM Hall LLP Chartered Surveyors, Edinburgh, United Kingdom. The valuation was carried out in accordance with methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

Assets can go up in value (revaluation) as well as down in value (devaluation). Devaluation is not the same as impairment. Where devaluations are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance on the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant expenditure line according to Directorate in the Statement of Financial Performance.

Where an asset has suffered devaluation, Secretary of State Approval has not been sought as these devaluations are unrealised losses and not impairments. Secretary of State Approval would only be requested once a loss over £50,000 is realised i.e. the asset is sold.

10.8.5.1 Basis of Valuation

In estimating the market value of land and buildings revalued the following was adopted;

- Apart from infrastructure and assets under construction, the basis of value for all assets shall be fair value;
- Non-operational property is valued at fair value;
- Assets held for sale are valued at fair value less costs to sell;
Subject to any assumptions that the Standards require, fair value is the same as market value;
- Where it is difficult to establish an asset's fair value due to the specialised nature of the asset or because no market-based evidence is available, the depreciated replacement cost (DRC) method is to be applied, subject to the prospect and viability of continuing occupation and use by SHG.

10.8.5.2 Valuation Methodology

- **Exiting Use Value (EUV);** 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 means that these assets have been measured at existing use value, existing use value social housing (EUV-SH) or by adopting the depreciated replacement cost (DRC) approach in order to arrive at their fair value. Existing use value was only applied on owner-occupied property held by SHG.
- **The Depreciated Replacement Cost (DRC) Approach;** for assets which are rarely traded in the open market and for which there would be limited (if any) useful comparable transaction evidence. For the buildings and land improvements we have adopted a cost approach which is appropriate for assets which are rarely traded in the open market and for which there would be limited (if any) useful comparable transaction evidence.

10.8.6.1 Correction of prior period recognition uncertainty

The St Helena Airport, included in Service Concession Assets, and Rupert's Wharf, included in Infrastructure Assets, were initially recognised in prior years at earned value instead of replacement cost as required by IPSAS 17 *Property, Plant and Equipment* and IPSAS 23 *Non-exchange Transactions*. Additionally, the roads network was initially recognised at a fully depreciated value. These assets were restated to their fair value via an external valuation and the valuation figures were retrospectively applied to correct the prior period misstatement.

10.8.6.2 Valuation Cost Assumptions

For all assets, excluding the valuation of land included in Service Concession Assets, re-estimated cost of construction for the assets has been arrived at by utilising the industry cost sources and indices. As part of the DRC methodology we have compared with Basil Read's tender schedule of prices to ascertain the difference in the re-estimate construction costs and the rebased original costs. For the vast majority of assets, even allowing for the inflated cost of construction in St Helena, the comparable data indicates lower re-construction cost estimates as at valuation date.

The single variable to this is the runway and taxiway asset where the re-estimate cost obtained through the same industry cost information sources slightly exceeds the rebased Basil Read's tender schedule of price cost. There are a number of reasons as to why the re-estimate cost is greater than the rebased Basil Read original cost.

We consider the re-estimated cost, calculated in line with the DRC methodology, is accurate for the purposes of this valuation.

Land included in Service Concession assets has been valued at fair value.

10.8.6.3 Functional Obsolescence

In order to manage the safety challenges posed by the existence of windshear at the airport, the loading weight of aircraft is often limited, and therefore the number of passengers is limited. The runway design is based on aircraft model types including, B737-800, the A319, and the B757-200.

The length of the runway is therefore appropriate for larger aircraft, with the shortest runway design option having been adopted. No discount has been applied for functional obsolescence, as the design still fulfils the function for which it was originally designed.

We have also considered Rupert's Wharf. We understand that, to facilitate the airport development, a temporary jetty was constructed for the purposes of berthing a vessel to enable the import of materials. Work was then undertaken to expand upon the small temporary jetty to construct a permanent Wharf. The Wharf is in use daily by the local fishing sector, monthly by the call of the MV Helena and at all other times (whenever a larger vessel is not berthed alongside) by the public. Therefore, we have not applied functional obsolescence to the Wharf.

10.8.6.4 Economic Obsolescence

A DRC methodology has been used to value the Airport as it is a specialised asset with no recent comparable evidence and the value of the asset is intrinsically linked to its use.

Economic obsolescence relates to any loss of utility caused by economic or locational factors external to the asset, which can be either temporary or permanent. In this instance, the economic/financial consequences associated with reduced capacity/efficiency of the asset necessitates a form of discount. It can also apply in relation to changing market conditions for use of an asset.

We have considered issues of economic obsolescence and have considered that:

- Flights to the island are on a one day a week basis (although two flights were operated between December 2019 and March 2020); however, the airport has to be staffed for reasons of health and safety and if a private jet is required to land;
- Passenger numbers are often limited, due to weight restrictions (particularly when there is a tailwind), and as such flights are often not operated to their full capacity
- Construction data that we have obtained (mainly based on Johannesburg) assume facilities that are operational on a 7 day a week basis.
- St Helena airport has the capacity to take a greater number of flights, but the island and its services are still building the capacity to handle increased numbers of visitors. The Airport Director notes there is excess capacity in off-peak season and insufficient capacity in the peak season.
- Windshear difficulties at the airport have limited passenger numbers due to weight restrictions since the opening of the airport. Having said that, St Helena Airport is a fully certified international airport with capacity to expand volume of traffic going forwards.

For these reasons we have applied a discount of 10% to the valuation of the airport buildings valuation to represent economic obsolescence.

10.8.7 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 and are measured as per note 10.8.2.

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.

10.8.8 Bulk Fuel Installation

Ongoing construction costs of £75.6m related to the construction of the Bulk Fuel Installation (BFI) and other fuel system assets, are included within Assets under Construction in Note 10.8.10.

SHG terminated the external contract to build the BFI and assumed responsibility for the project in October 2019. An independent review was completed before 31 March 2020 and recommended that not all components of the fuel system should be commissioned. Various proposals were put forward in the review which may result in certain components of the system being rendered obsolete. A further study to determine the optimal engineering solution and identify whether all components of the BFI and wider fuel system will be put into use has yet to report.

In these circumstances management are aware that the initial recognition of capital costs relating to the BFI on a construction cost basis carries significant estimation uncertainty. The extent of the uncertainty cannot currently be quantified but will depend upon the final configuration of the fuel system, including potential for write-down of any redundant components, and any measurement changes when the completed aid-funded infrastructure is fair valued on an optimized depreciated replacement cost basis.

10.8.8 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 hand back the Airport to SHG on the agreement expiry date in a condition that meets the requirements 'fit for purpose' with no backlog of maintenance.

10.8.9 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. Impairment can be compared to accelerated depreciation. It is different from a devaluation of the asset.

Assets are reviewed annually for any impairment losses and following an existence and impairment testing exercise, it was determined that there were no items of property, plant and equipment to impair during 2019/20. The carrying value of assets was reduced by £1.346 million in 2018/19 as 12 assets were impaired. The total impairment has all been charged to the Statement of Financial Performance.

10.8.10 Movements in Property, Plant & Equipment

2019/20	Land & Buildings £000	Infrastructure £000	Infrastructure - Roads £000	Computer Hardware & Software £000	Other Concessions £000	Service Concessions £000	Assets Under Construction £000	Totals £000
Cost								
Balance at 1 April 2019	44,639	15,707	20,026	1,168	13,329	112,129	77,258	284,256
Transferred to completed assets	160	92	0	0	0	0	(252)	0
Additions	179	0	0	330	985	0	2,765	4,259
Recategorisation	0	37	(37)	0	(158)	158	0	0
Revaluation								
increases/(decreases) recognised in the Revaluation Reserve	2,656	0	0	0	0	0	0	2,656
Devaluations recognised in the Statement of Financial Performance	(4,324)	0	0	0	0	0	0	(4,324)
Disposals	(47)	0	0	0	(113)	0	0	(160)
Other Movements	(23)	0	0	0	0	0	0	(23)
Balance at 31 March 2020	43,240	15,836	19,989	1,498	14,043	112,287	79,771	286,664
Accumulated Depreciation & Impairment								
Balance at 1 April 2019	(2,922)	(1,908)	(910)	(686)	(8,326)	(4,182)	(1,077)	(20,011)
Charge for year	(668)	(293)	(910)	(206)	(866)	(3,582)	0	(6,525)
Accumulated depreciation written-back to the Revaluation Reserve	3,501	0	1	0	0	0	0	3,502
Recategorisation	0	(12)	12	0	55	(55)	0	0
Disposals	2	0	0	0	113	0	0	115
Other Movements	22	0	1	0	0	0	0	23
Balance at 31 March 2020	(65)	(2,213)	(1,806)	(892)	(9,024)	(7,819)	(1,077)	(22,896)
Net Book Value at 31 March 2020	43,175	13,623	18,183	606	5,019	104,468	78,694	263,768

	Land & Buildings	Infrastructure	Infrastructure - Roads	Computer Hardware & Software	Other	Service Concessions	Assets Under Construction	Totals
2018/19	£000	£000	£000	£000	£000	£000	£000	£000
Cost								
Balance at 1 April 2018 as previously reported	53,705	104,078	39,785	1,029	55,323	0	75,565	329,485
Correction of prior period error on valuation of strategic assets	(9,128)	(88,421)	(23,354)	0	(42,099)	112,129	0	(50,873)
Restated balance at 1 April 2018	44,577	15,657	16,431	1,029	13,224	112,129	75,565	278,612
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	0	37	(37)	0	0	0	0	0
Disposals	(70)	0	0	(16)	(435)	0	0	(521)
Balance at 31 March 2019	44,639	15,707	20,026	1,168	13,329	112,129	77,258	284,256
Accumulated Depreciation & Impairment								
Balance at 1 April 2018 as previously reported	(2,736)	(3,674)	(26,202)	(510)	(14,128)	0	0	(47,250)
Correction of prior period error on valuation of strategic assets	490	2,020	26,194	0	6,499	(290)	0	34,913
Restated balance at 1 April 2018	(2,246)	(1,654)	(8)	(510)	(7,629)	(290)	0	(12,337)
Charge for year	(676)	(244)	(912)	(196)	(944)	(3,785)	0	(6,757)
Impairments	0	0	0	0	(163)	(107)	(1,077)	(1,347)
Recategorisation	0	(10)	10	0	0	0	0	0
Disposals	0	0	0	16	410	0	0	426
Other Movements	0	0	0	4	0	0	0	4
Balance at 31 March 2019	(2,922)	(1,908)	(910)	(686)	(8,326)	(4,182)	(1,077)	(20,011)
Net Book Value at 31 March 2019	41,717	13,799	19,116	482	5,003	107,947	76,181	264,245

10.9 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. IPSAS 17 *Property, Plant & Equipment* states that SHG must disclose the gross carrying amount of fully depreciated assets that are still in use. SHG holds 10 fully depreciated intangible assets as at 31 March 2020 (4 assets at 31 March 2019). These have a gross carrying value of £73k (£37k at 31 March 2019). 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.

	2019/20 £000	2018/19 £000
Balance at 1 April		
Cost	207	195
Amortisation	(111)	(89)
Additions	57	12
Amortisation for the period	(24)	(22)
Net Carrying Amount at 31 March	129	96
Comprising:		
Gross Carrying Amounts	264	207
Accumulated Amortisation	(135)	(111)
	129	96

10.10 Leases

SHG has not entered in to any lease agreements with a third party to lease any assets of property, plant or equipment. The Government has however leased out certain assets as Operational Leases. The table below shows the total number of assets which SHG leases out and the revenue that those leases generate.

	2019/20		2018/19	
	Annual lease payments £000	Number of Leases 2019/20	Annual lease payments £000	Number of Leases 2018/19
Residential leases	26	116	25	115
Commercial leases	34	41	34	39
Non-operational leases	38	48	38	47
	98	205	97	201

10.11 Payables from Non-exchange Transactions

Various deposits are held by SHG for things such as defined contribution pension liabilities, monies held on behalf of deceased people, and funds held for clients in the Community Care Complex, Ebony View and the Prison. Deposits are released when the monies become payable or when certain contractual services are delivered.

	31 March 2020	31 March 2019
	£000	£000
Deposits:		
Defined Contribution Pension Liability	238	354
Bank of St Helena	800	0
Other	60	77
	<u>1,098</u>	<u>431</u>
Income Received in Advance:		
Income Tax	721	633
Grant Funding	1,087	2,820
	<u>1,808</u>	<u>3,453</u>
	<u>2,906</u>	<u>3,884</u>

10.12 Payables from Exchange Transactions

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.

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 multiplied by the rate of pay for a working day. 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.

SHG has no borrowings or other financial liabilities.

10.12.1 Amounts payable within one year

	31 March 2020	31 March 2019
	£000	£000
Payables:		
Trade Payables	755	1,891
Other Payables	148	221
	<u>903</u>	<u>2,112</u>
Accruals:		
Staff Benefits	989	1,019
Other	3,393	2,831
	<u>4,382</u>	<u>3,850</u>
	<u>5,285</u>	<u>5,962</u>

10.12.2 Amounts payable after one year

	31 March 2020	31 March 2019
	£000	£000
Payables:		
Trade Payables	9	16
	9	16

10.13 Provisions

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

SHG has made a provision to cover for instances of outstanding litigation relating to; child abuse cases, defamation 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's Chambers 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.

A provision of £2.9m was made in 2017/18 for the expected decommissioning costs of the Bulk Fuel Installation. In 2019/20, a further £0.3m was provided for based on adding an average global inflation rate of 3.4% per annum to the £2.9m. This makes the total BFI decommissioning cost provision now £3.2m. 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.

	Short-term	Long-term	Total
	£000	£000	£000
Balance at 1 April 2019	530	4,982	5,512
Provisions recognised	457	1,138	1,595
Provisions released	(1,082)	(3)	(1,085)
Transfers between short-term and long-term	1,057	(1,057)	0
Balance at 31 March 2020	962	5,060	6,022

Of the total balance above, £2.82m was for litigation claims and £3.2m was provided for BFI decommissioning.

10.14 Pensions

SHG operates a wholly unfunded Defined Benefit Pension Scheme for its employees who were appointed before or on 31 March 2010. Employees who commenced employment on or after 1 April 2010 have the opportunity to join the Defined Contribution Pension Scheme.

10.14.1 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.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. The amount of employer contributions recognised as an expense and charged to the Consolidated Fund in 2019/20 was £0.609m (2018/19 £0.499m). As at 31 March 2020 SHG held £0.238m of pension contributions on behalf of employees which was due to be transferred to the MiSaint Pension Scheme (31 March 2019 £0.354m). This liability is recorded in Deposits.

10.14.2 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 UK Government Actuary's Department was contracted by SHG to perform an assessment of the Pension Liability of the DBPS for this set of financial statements. A full valuation of the Actuarial Pension Liability was obtained as at 31 March 2020. Prior to this, the last full valuation was performed on 31 March 2016 and a roll-forward valuation was prepared in the intervening years. The pension scheme valuations were prepared in accordance with IPSAS 39 *Employee Benefits*.

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.

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.

10.14.2.1 Movements in the Actuarial Pension Liability

The movement in the actuarial pension liability is as follows:

	2019/20 £000	2018/19 £000
Balance at 1 April	74,359	71,612
Movement in the year due to:		
Current service cost	1,768	1,648
Interest cost	1,119	1,221
Expense for year	2,887	2,869
Pension benefits paid	(1,305)	(1,288)
Actuarial pension valuation movement	1,582	1,581
Included in the Statement of Changes in Net Assets		
Changes in financial assumptions	9,734	3,454
Changes in demographic assumptions	(5,703)	0
Actuarial (gains)/losses	6,090	(2,288)
Balance at 31 March	86,062	74,359

The item 'Changes in assumptions' (a loss of £4.031m) in the table above, arises primarily from the decrease in the discount rates net of earnings increases and pension increases, and, for post 1 April 2012 leavers, net of revaluation in deferment. These were offset, to an extent, by changes in the mortality assumptions. This represents an increase in the calculated value of the actuarial liability.

Experience gains and losses over the year give rise to a £6.090m experience loss. As well as experience gains and losses since the previous valuation as at 31 March 2019 this element also includes experience gains and losses since 31 March 2016 to the extent that these were not fully reflected in the roll-forward figures in previous years. Experience losses over the year include a loss arising from higher salary increases awarded between 2016 and 2020 than assumed, as a result of incremental progression and promotional increases. Losses also arise from fewer withdrawals and fewer deaths than expected between 2016 and 2020. Experience gains include slightly lower pension increases awarded between 2016 and 2020 than assumed.

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. The percentage of the liabilities at 31 March 2020 representing liabilities for pensions in payment is 28.7%. The duration of all the liabilities is 24 years.

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

	31 March 2020 £000	31 March 2019 £000	31 March 2018 £000	31 March 2017 £000	31 March 2016 £000
Statement of Financial Position:					
Actuarial Pension Liability	86,062	74,359	71,612	68,776	60,795
Statement of Changes in Net Assets:					
Experience (Gains)/Losses Arising on Scheme Liabilities	6,090	(2,288)	(390)	126	3,145
Changes in financial assumptions	9,734	3,454	1,607	6,234	13,512
Changes in demographic assumptions	(5,703)	0	0	0	(5,656)
Net Actuarial Loss on Scheme Liabilities	10,121	1,166	1,217	6,360	11,001

10.14.2.2 Key Estimation Assumptions

10.14.2.2.1 Financial Assumptions

The following were the principal financial assumptions adopted for the valuation as at 31 March 2020:

Assumption	31 March 2020 % a year	31 March 2019 % a year	31 March 2018 % a year
Rate of return (discount rate)	0.8	1.5	1.7
Rate of pay inflation	3.5	3.5	3.5
Rate of pension increases	3.25	3.5	3.5
Rate of increase in deferred pensions:			
Pre 1 April 2012 leavers	0.0	0.0	0.0
Post 31 March 2012 leavers	3.25	3.5	3.5
Rate of Return in excess of:			
General pay increases	-2.7	-2.0	-1.8
Pension increases	-2.45	-2.0	-1.8
Deferred pensions:			
Pre 1 April 2012 leavers	0.8	1.5	1.7
Post 31 March 2012 leavers	-2.45	-2.0	-1.8

Given there is no market in St Helena in either government bonds or high quality corporate bonds the discount rate of 0.8% was determined with reference to the yield on UK Gilts of an appropriate term. The FTSE Actuaries UK Gilts Index (20 year duration) was chosen as an appropriate index to use and the annualised yield on this index as at 31 March 2020 was 0.8% pa (1.5% 31 March 2019).

10.14.2.2.2 Demographic Assumptions

Assumptions regarding future mortality have been based on more general experience from large populations, but have regard to recent scheme experience where possible. Standard tables prepared by the Continuous Mortality Investigation of the UK actuarial profession based on the mortality of members of UK pension schemes were used. The current life expectancy underlying the values of the defined benefit obligation at the reporting date were as follows:

Life expectancy of normal health pensioners at age 65	31 March 2020		31 March 2019	
	Men (years)	Women (years)	Men (years)	Women (years)
Current Pensioners	19.4	22.7	20.4	23.9
Active Members	20.7	23.8	21.8	25.3

10.14.2.2.3 Sensitivity Analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. The principal financial assumptions are the real rates of return in excess of pension increases and earnings growth whilst pensioner mortality is the main demographic assumption.

The table below shows the indicative effects on the total liability as at 31 March 2020 of changes to these assumptions, each considered in isolation:

Change in assumption	Approximate effect on total liability	
	%	£000
Rate of salary increase 0.5% a year higher	+3.1%	+2,693
Rate of pensions increase and revaluation in deferment 0.5% a year higher	+8.7%	+7,461
Discount rate 0.5% a year lower	+12.8%	+10,977
Pensioner mortality		
Each pensioner assumed to be subject to the longevity of an individual 1 year younger	+5.6%	+4,777

10.15 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. 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. A summary of the Consolidated Fund and the Special Funds is shown below.

	Note	31 March 2020 £000	Restated 31 March 2019 £000
Consolidated Fund			
General Reserve	10.15.1.1	6,365	6,547
Capital Reserve	10.15.1.2	65,417	68,751
Revaluation Reserve	10.15.1.3	6,460	303
Pension Reserve	10.15.1.4	(86,062)	(74,359)
Investments in Subsidiaries Reserve	10.15.1.5	29,874	28,650
Aid Funded Infrastructure Reserve	10.15.1.6	192,444	196,789
Donated Asset Reserve	10.15.1.7	132	119
Litigation Reserve	10.15.1.8	(3,274)	(2,995)
		211,356	223,805
Special Funds			
Projects	10.15.2.1	11,420	8,695
Trading Accounts	10.15.2.2	1,126	748
Other Funds	10.15.2.3	965	1,034
		13,511	10,477

10.15.1 The Consolidated Fund

10.15.1.1 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 2020 £000	31 March 2019 £000
Balance at 1 April as previously reported	6,547	3,698
Audit fee income adjustment	0	288
Restated balance at 1 April	6,547	3,986
Surplus for the Period	6,319	5,921
Use of General Reserve to Finance Payment of Pension Benefits	(1,305)	(1,288)
Use of General Reserve to Finance Capital Expenditure	(479)	(147)
Recharges	(556)	(15)
Transfers between reserves	(3,597)	(1,549)
Investments Funded by the General Reserve	(500)	(350)
Gain/(Loss) on Financial Assets	(50)	(11)
Adjustment to the Donated Asset Reserve	(14)	0
Balance at 31 March	6,365	6,547

10.15.1.2 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 2020 £000	31 March 2019 £000
Balance at 1 April as previously reported	68,751	46,896
Correction of prior period error on valuation of strategic assets	0	16,776
Restated balance at 1 April	68,751	63,672
Use of General Reserve to Finance Capital Expenditure	479	147
Use of Special Funds to Finance Capital Expenditure	3,691	5,167
Use of Capital Reserve to finance Doubtful Debt expense	(1,036)	0
Depreciation charged on Non-current Assets	(2,098)	(2,200)
Impairments of Non-current Assets	0	(1,346)
Devaluations of Non-current Assets	(4,321)	0
Disposal of Non-current Assets	(45)	(94)
Disposal Adjustment	(4)	0
Removal of Revaluation Reserve for disposed assets	0	3,405
Balance at 31 March	65,417	68,751

10.15.1.3 Revaluation Reserve

The Revaluation Reserve contains the gains made by the government arising from increases in the value of its Land and Buildings. 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 2020 £000	31 March 2019 £000
Balance at 1 April as previously reported	303	3,698
Correction of prior period error on valuation of strategic assets	0	10
Restated balance at 1 April	303	3,708
Upward revaluations	4,904	0
Accumulated Depreciation from revaluations	3,501	0
Use of Revaluation Reserve for assets devalued	(2,248)	0
Revaluation reserve used for disposed assets	0	(3,405)
Balance at 31 March	6,460	303

10.15.1.4 Pension Reserve

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

	31 March 2020 £000	31 March 2019 £000
Balance at 1 April	(74,359)	(71,612)
Current service cost	(1,768)	(1,648)
Interest cost	(1,119)	(1,221)
Use of General Reserve to finance payment of pension benefits	1,305	1,288
Changes in financial assumptions	(9,734)	(3,454)
Changes in demographic assumptions	5,703	0
Actuarial gains/(losses)	(6,090)	2,288
Balance at 31 March	(86,062)	(74,359)

10.15.1.5 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 2020 £000	31 March 2019 £000
Balance at 1 April	28,650	28,128
Share of Profit/(Loss) of Subsidiaries	699	160
Dividend Received	25	12
Investments funded from the General Reserve	500	350
Balance at 31 March	29,874	28,650

10.15.1.6 Aid Funded Infrastructure Reserve

This reserve was established to represent DFID aid funded infrastructure assets acquired through non-exchange transactions, namely the Airport and Rupert's Wharf. These are shown within the Property, Plant & Equipment note. 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 2020 £000	31 March 2019 £000
Balance at 1 April as previously reported	196,789	233,598
Correction of prior period error on valuation of strategic assets	0	(32,746)
Restated balance at 1 April	196,789	200,852
DFID Infrastructure Aid Funding	0	488
Depreciation charged on Non-current Assets	(4,345)	(4,551)
Balance at 31 March	192,444	196,789

10.15.1.7 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 2020	31 March 2019
	£000	£000
Balance at 1 April	119	143
Non-Exchange Donated Asset Funding	36	0
Depreciation charged on Non-current Assets	(42)	(24)
Adjustment to the General Reserve	14	0
Disposal Adjustment	5	0
Balance at 31 March	132	119

10.15.1.8 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 2020	31 March 2019
	£000	£000
Balance at 1 April	(2,995)	(2,348)
New claims arising	(1,295)	(857)
Provisions released	1,016	210
Balance at 31 March	(3,274)	(2,995)

10.15.2 Special Funds

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

10.15.2.1 Special Funds – Projects

	DFID Projects £000	DFID Infrastructure £000	EDF Projects £000	Locally Funded Projects £000	UNDP Projects £000	Environmental Management Projects Fund £000	Foreign & Commonwealth Office Funded Projects £000	Total £000
Balance at 1 April 2018								
Funds Received	(363)	(551)	428	112	10	(16)	0	(380)
Funds Applied	6,975	0	8,959	0	10	439	218	16,601
Funds Applied to Finance Capital Expenditure	(2,424)	0	(66)	0	(10)	(418)	(214)	(3,132)
Recharges	(4,385)	0	0	0	(6)	0	(4)	(4,395)
Transfers between reserves	(2)	0	0	0	0	(1)	0	(3)
Other Movements	(541)	551	0	0	0	0	0	10
	(6)	0	0	0	0	0	0	(6)
Balance at 31 March 2019	(746)	0	9,321	112	4	4	0	8,695
Funds Received	6,327		2,944	0	52	320	681	10,324
Funds Applied	(4,020)		(88)	0	(40)	(315)	(255)	(4,718)
Funds Applied to Finance Capital Expenditure	(2,329)		(121)	0	0	(5)	(426)	(2,881)
Other Adjustments	3		(4)	(1)	0	2	0	0
Balance at 31 March 2020	(765)		12,052	111	16	6	0	11,420

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.

10.15.2.2 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	Internal Audit Trading Account £000	Total £000
Balance at 1 April 2018 as previously reported	274	868	(119)	148	88	(398)	225		1,086
Audit fee income adjustment	0	0	0	(288)	0	0	0		(288)
Restated balance at 1 April 2018	274	868	(119)	(140)	88	(398)	225		798
Funds Received – Restated	43	382	0	(8)	247	4,460	2,813		7,937
Funds Applied – Restated	(117)	(160)	0	(90)	(206)	(5,289)	(2,984)		(8,846)
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	248	7	119	1	(2)	1,165	0		1,538
Other Movements	0	0	0	0	0	72	0		72
Balance at 31 March 2019	224	603	0	(237)	94	10	54		748
Funds Received	283	32		(8)	232	4,745	805	2	6,091
Funds Applied	(122)	(2)		(117)	(174)	(5,177)	(3,523)	(36)	(9,151)
Funds Applied to Finance Capital Expenditure	(185)	(337)		0	(111)	(108)	0	0	(741)
Recharges	13	553		(4)	(6)	0	0	0	556
Transfers between reserves	237	0		(3)	(2)	334	3,020	36	3,622
Other Movements	0	1		2	(4)	2	0	0	1
Balance at 31 March 2020	450	850		(367)	29	(194)	356	2	1,126

On 29th March 2019, Her Excellency the Governor signed a Special Funds (Winding Up) Order to close the Unallocated Stores Trading Account. On 22 July 2019, His Excellency signed an Order to create the Internal Audit Service Trading Account.

10.15.2.3 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 at 1 April 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 at 31 March 2019	479	74	453	28	1,034
Funds Received	39	16	60	19	134
Funds Applied	0	0	(8)	(17)	(25)
Funds Applied to Finance Capital Expenditure	(58)	0	(120)	0	(178)
Balance at 31 March 2020	460	90	385	30	965

10.16 Nature and Extent of Risks arising from Financial Instruments

A financial instrument, as defined by IPSAS 28 *Financial Instruments: Presentation*, IPSAS 29 *Financial Instruments: Recognition & Measurement* and IPSAS 30 *Financial Instruments: Disclosures* are “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).

10.16.1 Fair values - the following table shows the carrying amounts and fair values of financial assets and financial liabilities.

	31 March 2020		31 March 2019	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets:				
Financial instruments at fair value through surplus/deficit	15,644	15,644	15,342	15,342
Receivables from exchange transactions	2,513	2,513	2,172	2,172
Cash and cash equivalents	5,808	5,808	4,887	4,887
Other financial assets	487	487	1,466	1,466
	24,452	24,452	23,867	23,867
Financial liabilities:				
Payables from exchange transactions	5,294	5,294	5,978	5,978
	5,294	5,294	5,978	5,978

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties.

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments
- Fair value of financial assets is derived from quoted market prices in active markets, if available
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques

10.16.2 Fair value hierarchy

Deposits and investments held with banking institutions 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.

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 2020 £000	31 March 2019 £000
Available for sale financial assets	Level 1	Unadjusted quoted prices in active market for identical product	15,644	15,342
			15,644	15,342

10.16.3 Credit risk

Credit risk is the risk of financial loss to SHG if customers or counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from investments, loans, receivables, and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 March was:

	31 March 2020 £000	31 March 2019 £000
Investments	15,644	15,342
Receivables from exchange transactions	2,513	2,172
Cash and cash equivalents	5,808	4,887
Other financial assets	487	1,466
	24,452	23,867

10.16.4 Credit quality

Credit quality is assessed risk of default attached to counterparties to which SHG extends credit and also those parties with whom we invest. As such, the credit quality assessed extends to all customers, investments and banks.

For financial statement purposes, the investments and balances with banks are limited to the investments, loans receivable and cash and cash equivalents line items in the Statement of Financial Position. SHG determines credit quality of the investments and banks using information obtained from external rating agencies.

In accordance with our financial risk management policy, 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 2020 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.

The customer base of SHG is diverse and consists of individuals, companies, non-profit organisations and government entities. Credit ratings, from external rating agencies, are not readily available for all customers. Also, it is not financially viable to obtain external credit ratings for all customers due to the nature of the customer base. Furthermore, SHG as a government authority, is morally obliged to provide basic services to all its constituents irrespective of their financial standing.

For the purpose of determining the credit quality of customers, SHG applies its past experience with the customer to determine the risk of default posed. In line with the methodology applied, customers 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

SHG generally allows 30 days credit for its Trade Receivables. At the reporting date the carrying values of Trade and Other Receivables was £1.021m (31 March 2019 £1.577m).

10.16.5 Liquidity risk

Liquidity risk is the risk of SHG not being able to meet its obligations as they fall due. SHG's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to its reputation.

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.

In order to help with the liquidity of money both on St Helena and overseas, SHG has a policy of paying all creditors as soon as the invoice is received. As a result, as at 31 March 2020 SHG had £0.727m of creditors due to be paid within 30 days. This included £0.248m of creditors paid by the BFI (31 March 2019 £1.894m of which BFI was £0.964m).

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.

10.16.6 Currency risk

SHG is exposed to foreign-currency risk through the importation of goods and services, either directly or indirectly, through the award of contracts to local importers.

SHG purchases aviation fuel, obtains medical services and equipment, and procures other services such as legal advice and consultants internationally exposing it to currency risk arising from currency exposures, primarily with respect to the South African Rand and US Dollar.

The table below shows a sensitivity analysis of the difference to the surplus/deficit for the period if the pound had strengthened and weakened by 5% against the South African Rand and the US Dollar. These movements are attributable to translation of South African Rand and US Dollar denominated creditors.

	Increase (+) / decrease (-) in exchange rate	Effect on surplus/deficit £s
2019/20		
South African Rand	+5%	£1,994
	-5%	-£2,204
US Dollar	+5%	£111
	-5%	-£122
2018/19		
South African Rand	+5%	£6,163
	-5%	-£6,812
US Dollar	+5%	£451
	-5%	-£498

10.16.7 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 2020, the value of investments held was £15.644m (31 March 2019 £15.342m). Total interest earned by SHG on cash surpluses during 2019/20 was £0.180m (2018/19 £0.085m). As this is not a significant element of total revenue, SHG is not deemed to be exposed to significant interest rate risk.

11.0 Written Notes to the Financial Statements

11.1 Basis of Preparation

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

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

11.2 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 signed Memorandum of Understanding (MOU) for DfID support for 2021/22 financial period has been received albeit does not cover the minimum period of 12 months from the anticipated date of signing. Adequate reserves exist for SHG to be able to continue to operate on a roll-over budget without significant curtailment of services through to June 2022 should a new forward agreement for bi-lateral support be delayed.

11.3 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 standards issued, amendments and interpretations that are, or will be, applicable after the accounting period.

New standards, amendments and interpretations in issue but not yet effective or adopted which come in to effect for organisations from 1 January 2020 are:

- A new standard IPSAS 41 *Financial Instruments*, when applied, will supersede part of IPSAS 29 *Financial Instruments*. The effective date of IPSAS 41 *Financial Instruments* is 1 January 2023 with earlier adoption encouraged. IPSAS 41 *Financial Instruments* is applied retrospectively in accordance with IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* unless specific conditions are met. When applied, it will supersede IPSAS 28 *Financial Instruments: Presentation*, IPSAS 29 *Financial Instruments: Recognition and Measurement* and IPSAS 30 *Financial Instruments: Presentation*. IPSAS 41 *Financial Instruments* replaces IPSAS 29 *Financial Instruments: Recognition and Measurement* while

providing entities with a transition option to continue to apply the hedge accounting treatment of IPSAS 29 *Financial Instruments: Recognition and Measurement*. This new standard is not expected to have a material impact on SHG's Financial Statements.

- The International Public Sector Accounting Standards Board (IPSASB) released pronouncement 'COVID-19: Deferral of Effective Dates', which delays the effective dates of recently published Standards and Amendments to IPSAS by one year to January 1, 2023. The Standards and Amendments which are impacted include: IPSAS 41 *Financial Instruments*; IPSAS 42 *Social Benefits*; Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendments to IPSAS 41); Collective and Individual Services (Amendments to IPSAS 19); and Improvements to IPSAS. The delay in these new standards is not expected to have a material impact on SHG's Financial Statements.

11.4 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.

11.4.1 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 2019/20 totalled £27.393 million (2018/19 £26.699 million), which equated to 61.1% 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).

11.4.2 Controlled entities

SHG has a controlling interest in the following reporting entities as at 31 March 2020:

Bank of Saint Helena Ltd, St Helena Currency Fund, 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 12 Controlled Entities sets out the nature of SHG's controlling interest in each of the controlled entities.

11.4.3 Key Management Personnel

11.4.3.1 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	£203,563 (2018/19 £186,954)
Number of persons	12 persons (2018/19 12 persons)

From 1 November 2018, elected members were eligible to join the MiSaint pension scheme in to which SHG makes monthly pension contributions. Aggregate remuneration for Elected Members above includes pension contributions of £26,552 (2018/19 £7,500).

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	£252,307 (2018/19 £242,862)
Number of persons	3 persons (2018/19 3 persons)

Aggregate remuneration for Ex-Officio Members above includes pension contributions of £16,790 (2018/19 £17,586). 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 as it is an unfunded non-contributory scheme. The member receives their pension 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. SHG used their judgement on who constitutes as a close family member and decided on it being those people who share a common household. The aggregate remuneration paid to close family members of key management personnel of SHG is:

Aggregate remuneration	£91,965 (2018/19 £49,049)
Aggregate pensions	£6,921 (2018/19 £1,738)
Number of persons	8 persons (2018/19 5 persons)

11.4.3.2 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 2019/20, one Councillor declared an interest in a controlled entity organisation. This interest is not material to these financial statements.

11.5 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 2019/20 SHG terminated the contracts of 3 employees (4 employees 2018/19). Termination benefits made to the 3 employees totaled £0.029m (£0.236m in 2018/19).

11.6 Capital Commitments

On 2 Oct 2018, SHG terminated its contract with Basil Read (PTY) Ltd. The capital commitment for the Bulk Fuel Installation (BFI) project 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. In 2020/21 SHG is to receive €5.65m for EDF 11 Tranche 3. Of this, €3.225m is for Tristan de Cunha Government and €1.075m is for the Ascension Island Government.

11.7 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 (SHHDL) in that if SHHDL defaults on the £1m loan it has with the Bank of St Helena, then the Guarantee crystallises and SHG will have an immediate liability.

As at 31 March 2020, 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. Contributing to the 9 cases were 4 medical negligence cases, 2 child protection cases and 3 constitutional case.

11.8 Restatement of Prior Period Figures

Three material restatements of the prior period figures in the main statements were needed for the 2019/20 Financial Statements.

11.8.1 Infrastructure Valuation

In 2019/20 SHG procured BDO LLP to value St Helena Airport, Rupert's Wharf and the island's road network. BDO LLP were able to provide valuations as at 31 March 2018 and so these were applied as a restatement to the 2018/19 financial statements by adjusting the opening balances.

11.8.2 Capital Financing Adjustment

In 2017/18, the decision was made to derecognise the Ground Based Augmentation System (GBAS) from Assets under Construction and create a refund asset in the 'Other Financial Assets' category of the Statement of Financial Position. At the same time, the Capital Financing for the Asset under Construction should also have been derecognised but this was overlooked. This has now been corrected as an adjustment to the 1 April 2018 balances on the Capital Reserve. A corresponding entry has been created in Income Received in Advance, as the asset was a non-exchange transaction paid for by DFID.

11.8.3 Audit Fee Income

The Special Fund (St Helena Audit Service Trading Account) Order, 2013 established the trading account associated with the office of Audit St Helena (ASH). This order required that only external audit fees charged to the St Helena Government be included in the trading account. The correction of the error is to reallocate those external audit fees, charged to bodies other than as envisaged in the Order and erroneously included in the ASH Trading Account, from the trading account to the Consolidated Fund.

11.8. Asset Depreciation

An adjustment was made to the 2018/19 depreciation charge in year for the Service Concession assets as £1.8m of depreciation had been duplicated.

The impact of these four changes on the four main financial statements can be seen in a statement directly after the 2019/20 statement in sections 4.0 to 7.0 of these financial statements. There was also a presentational adjustment on the Cash Flow Statement for dividends received.

11.9 Events after the Reporting Date

The financial statements were authorised for issue on 18 June 2021 by the Financial Secretary, Dax Richards. Where events taking place before this date provided information about conditions existing at 31 March 2020, 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.

Events after the 31 March 2020 reporting date have been identified as being:

- In July 2020 the Chief Secretary announced the commencement of the implementation of a major restructuring. The financial effect cannot be determined until the review is completed. This is expected to be mid-2021.
- Enterprise St Helena, a previously wholly owned entity, effectively ceased operating on 31 March 2021. The financial effect of this closure has not yet been estimated.

- The operations of St Helena Hotel Development Ltd were temporarily suspended due to low visitor numbers in 2020 as a result of the Covid-19 pandemic. The full estimated financial effect of this cannot yet be calculated as it is not yet known how long the hotel will remain closed for.
- On 29 May 2020, Connect Saint Helena Ltd signed a Power Purchase Agreement with PASH Global to provide wind turbine, solar power and battery storage capacity to St Helena, significantly increasing the amount of renewable energy capacity on the Island and resulting in the majority of the Island's energy needs being met by renewable sources. As the agreement was signed between Connect St Helena Ltd and PASH Global, there is no immediate financial effect on SHG's financial statements.
- The declaration of the COVID-19 pandemic on the 11 of March 2020 led to the last regular commercial flight occurring on the 21 of March 2020. This service has not resumed to date with infrequent repatriation flights being used as a means to travel to and from the island. This has significantly reduced the number of flights arriving on island post year end with a material impact on St Helena Airport's revenue and operating profit. The estimated 75% reduction in SHAL's revenue is expected to have a cascading effect on SHG's investment in the entity as at 31 March 2021.
- The cessation of flights due to COVID-19 has directly affected the operations and income of all businesses on the Island, particularly those related to the tourism industry. The Bank of St Helena has introduced a number of initiatives to assist where possible. This includes a three-month deferral of loan repayments for businesses affected which will reduce income initially expected from the lending portfolio for the first quarter of 2020/21 and possibly beyond.

12.0 Controlled Entities

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.

SHG has a controlling interest in the following reporting entities as at 31 March 2020:

Bank of Saint Helena Ltd, St Helena Currency Fund, 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.

Following a decision of Executive Council the St Helena Fisheries Corporation ceased trading on 31 January 2020. The Corporation is now under administration and is 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.

The Controlled Entities note to these Financial Statements sets out the nature of SHG's controlling interest in each of the controlled entities.

During 2019/20, 1 member of SHG's key management personnel declared an interest in a controlled entity. Due to employee confidentiality, SHG cannot disclose any further information.

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 (SHFC) receives a rebate of duties paid on fuel from the Bulk Fuel Installation for sale to fishermen. The total rebate to SHFC in 2019/20 was £9k (2018/19 £31k), none of which remained payable at the yearend (2018/19 £0k). As at 31st March 2020, SHFC had a long-term loan with SHG for £174,000 representing working capital contributions. Due to the closure of SHFC, the full amount of the loan has been provided for as bad debt in these financial statements.
- SHG holds current accounts and cash deposits with the Bank of Saint Helena Ltd 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 £930k (2018/19 £900k) in order to assist with the daily operations of the entity.

- ESH holds a lease with SHG for the Jamestown Market, which expires on 1 October 2162. An annual rental fee of £51 is paid.
- SHG provided Connect St Helena Ltd with a subsidy of £788k in 2019/20 (2018/19 £703k). This was to support their running operations. In addition, Connect St Helena Ltd received an £878k rebate of customs duties paid on fuel (2018/19 £734k), of which £77k was still to be paid at 31 March 2020 (£150k as at March 2019).
- St Helena Line Ltd received a subsidy each year from SHG until February 2018 when the RMS St Helena went offline at which point the distribution of the assets held by St Helena Line Limited 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. As at 31 March 2020, the value of SHG's investment in St Helena Line was £514.
- 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 (SHHDL) in that if SHHDL fails to meet any of its monthly repayments on the £1m loan it has with the Bank of St Helena Ltd, then SHG will cover these payments.
- 2019/20 was the first full year of operation for St Helena Airport Limited (SHAL). SHG is the grantor of an agreement for SHAL to be the operator of St Helena Airport. SHG provided SHAL with an annual subsidy of £2.9m in 2019/20 to provide services. The subsidy was not a fixed amount, but was given to SHAL based on expenditure and claims provided to SHG. An initial working capital loan of £250,000. This loan remained outstanding as at 31 March 2020 but was settled in the 2020/21 financial year.

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.

SHG through Great Peter Nominees Limited, holds 124,100 shares, being 62.947% of paid up share capital in Solomon & Company (St Helena) PLC. SHG owns 94.9% of shares in St Helena Hotel Development Ltd with Enterprise St Helena owning the remaining 5.1%.

12.1 Entities in which SHG holds an ownership interest

Entity	Controlling Interest	Financial Reporting Framework	Net Assets		Net Profit/(Loss)	
			31 March 2020 £000	Restated 31 March 2019 £000	2019/20 £000	Restated 2018/19 £000
Bank of St Helena Ltd	Wholly owned. Board of Directors appointed by the Governor.	Financial Reporting Standard 102	6,876	6,248	629	285
Connect St Helena Ltd	Wholly owned. Non-executive membership of the Board.	Financial Reporting Standard 102	15,821	15,556	(211)	149
Solomon & Company (St Helena) PLC	Majority shareholder (62.9%)	Financial Reporting Standard 102	8,840	8,845	(35)	469
St Helena Hotel Development Ltd	Majority shareholder (94.9%). Non-executive membership of the Board.	Financial Reporting Standard 102	1,439	1,260	(321)	(747)
St Helena Airport Ltd	Company limited by Guarantee. SHG is the sole member.	Financial Reporting Standard 102	250	98	152	98
			33,226	32,007	214	254

12.2 Other entities controlled by SHG

Entity	Controlling Interest	Financial Reporting Framework	Net Assets/(Liabilities) 31 March 2020 £000	Net Profit/(Loss) 2019/20 £000	2018/19 £000
St Helena Currency Fund	Commissioners appointed by the Governor.	International Public Sector Accounting Standards	1,124	115	45
St Helena Fisheries Corporation (Ceased trading 31st January 2020)	Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis	(266)	172	(33)
Enterprise St Helena	Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis	933	(100)	(203)
			1,791	187	(191)
			1,698		



13.0 Statement of Trust Fund Movements for the year ended 31 March 2020

Disclosure of the operations of the Trust Funds within these 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

	Balance at 1 April 2018 £	Receipts in year £	Payments in year £	Balance at 31 March 2019 £	Receipts in year £	Payments in year £	Balance at 31 March 2020 £
Alexander Bequest Fund	1,392	96	(24)	1,464	1	(108)	1,357
Arnold Memorial Christmas Gift Fund	520	7	0	527	1	(7)	521
Arnold Memorial Hospital Trust Fund	7,065	32	(71)	7,026	7	(25)	7,008
Bain Gray Prize Trust Fund	1,395	0	0	1,395	1	0	1,396
Bovell Trust Fund	1,208	140	(12)	1,336	1	(153)	1,184
Eliza Mary Lloyd Trust Fund	4,630	625	(100)	5,155	621	(1)	5,775
Leslie & Ted Moss Trust Fund	2,595	2	0	2,597	2	0	2,599
Solomon's Trust Fund	13,264	2,241	(254)	15,251	16	(2,419)	12,848
Total	32,069	3,143	(461)	34,751	650	(2,713)	32,688

14.0 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.

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.

Discontinued Operations

When parts, or all, of a company's core business have been divested or shut down.

Economic Development Investment Programme (EDIP)

The agreement of a multi-year EDIP project between SHG and the UK Government aims to grow the Island's future economic prosperity through funding of local crucial projects.

European Development Fund (EDF)

The main instrument for European Union (EU) aid for development cooperation in Africa, the Caribbean, and Pacific countries and the Overseas Countries and Territories (OCT). Funding is provided by voluntary donations by EU member states.

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 of 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).