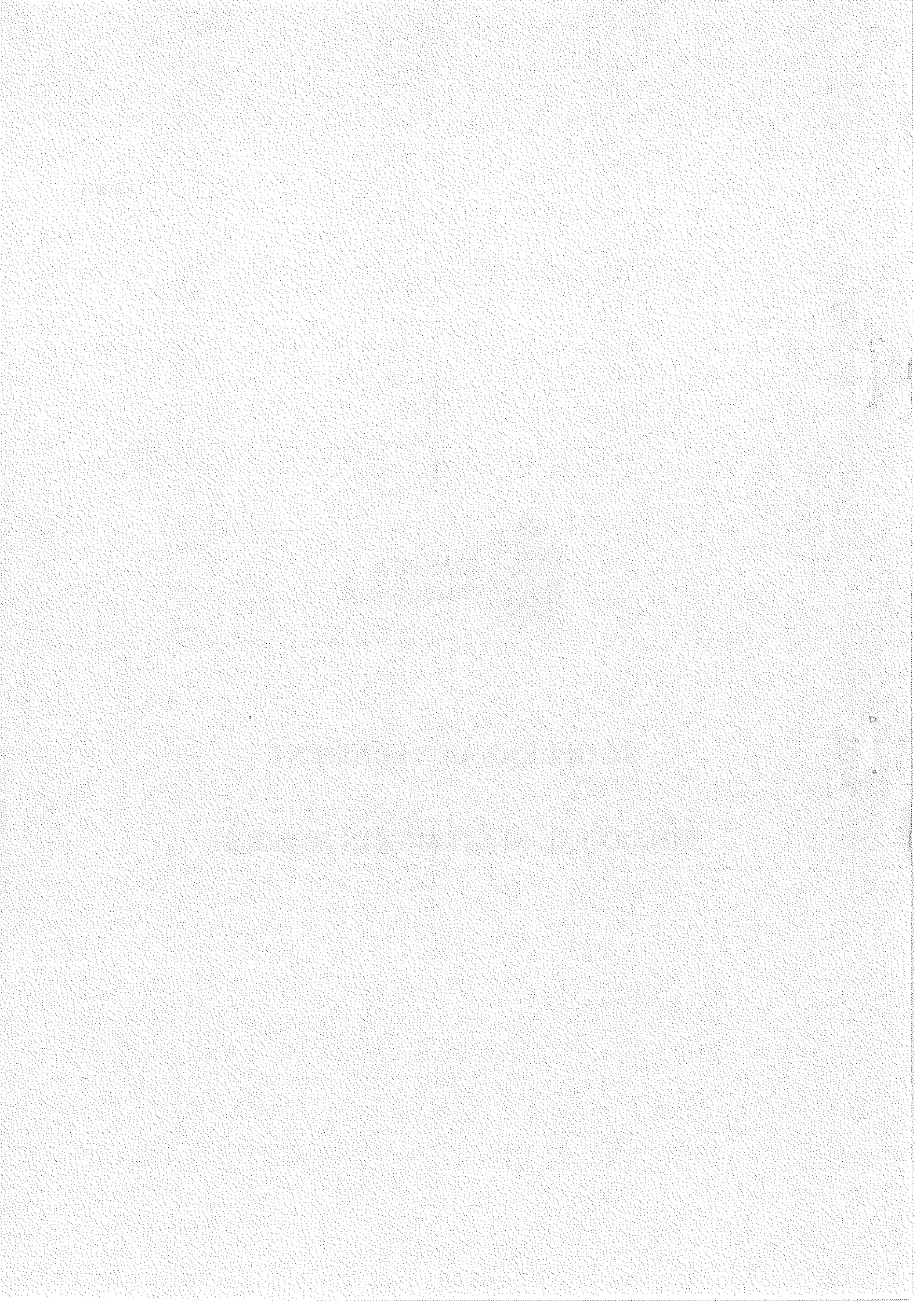
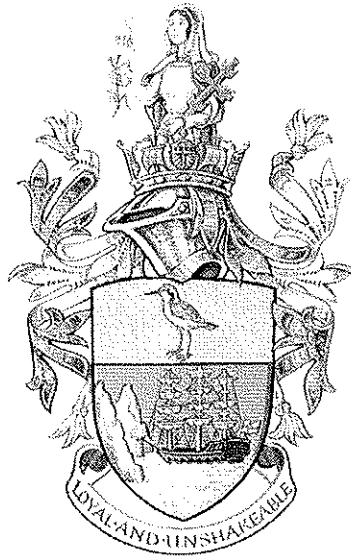




ST HELENA GOVERNMENT

FINANCIAL STATEMENTS 2020/2021





**St Helena Government
Financial Statements
2020/2021**

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

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1.0 Financial Secretary's Report

1.0 Introduction

Welcome to Saint Helena Government's (SHG) Financial Statements for the year ending 31 March 2021.

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 reviewed by the Government's external auditors, Audit St Helena. The auditor's opinion on the financial statements is provided in the Independent Auditor's Report (Section 2 of these financial statements).

1.1 Overview

SHG is the governing body of the Island of St Helena. Executive authority is vested in Her Majesty and is exercised on behalf of Her Majesty by the Governor either directly or indirectly through officers subordinate to him or her. Executive Council is the highest policy-making body on St Helena and currently consists of the Chief Minister, four Ministers and the Attorney General, who is a non-voting Member.

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 Foreign and Commonwealth Development Office (FCDO) previously known as the Department for International Development (DfID). On an annual basis discussions are held between the Financial Aid Mission team (FAM), which is made up of delegates from FCDO and representatives from St Helena to agree on an aid settlement. On the St Helena side discussants include the Governor, Elected Members, senior SHG officials, the private sector and civil society organisations. For the financial year ending 2020/21 an aid settlement was agreed in April 2020.

SHG's annual budget is approved each year by Legislative Council and is developed through the Medium Term Expenditure Framework (MTEF) process. The Appropriation Ordinance 2020, 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 2020. Financial performance against the approved budget is reported to Legislative Council and FCDO monthly in the form of Budget Execution Reports.

SHG controls, from an accounting perspective, a number of 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.

1.2 Review of the 2020/21 Financial Year

2020/21 was a difficult year for St Helena and in particular the tourism sector due to the Covid-19 pandemic which limited access to and from the Island. The UK Government provided £3 million to mitigate some of the impact of the pandemic. The funding was used to facilitate the limited travel to the island through chartered flights, support businesses in the tourism and hospitality sector and for preparing SHG Directorates for a possible Covid-19 outbreak on the island such as construction of the hospital and quarantine facilities at Bradleys Camp.

Despite the adversities brought about by the pandemic SHG achieved a number of positive outcomes.

Some of the key highlights and achievements by St Helena Government in 2020/21 include:

- The Island received and installed the cable landing station and associated infrastructure in Rupert's. This was funded by the third tranche of EDF 11 funding from the EU.
- SHG successfully completed the Rockfall Protection project in both Jamestown and Rupert's Valley.
- Phase 1 of the Bottom Woods Comprehensive Development Area (CDA) commenced with two new Government Landlord Houses having been completed.
- Through the EDIP Micro projects two public toilets were refurbished, a walk way was constructed at Longwood Avenue and covered areas were completed for St Pauls Primary School and the emergency service entrance at the hospital.
- Standard and Poor's (S&P) awarded St Helena an investment grade credit rating of BBB minus this year.

1.3 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 2021 management accounts and the Statement of Financial Performance.

1.4 Statement of Financial Performance

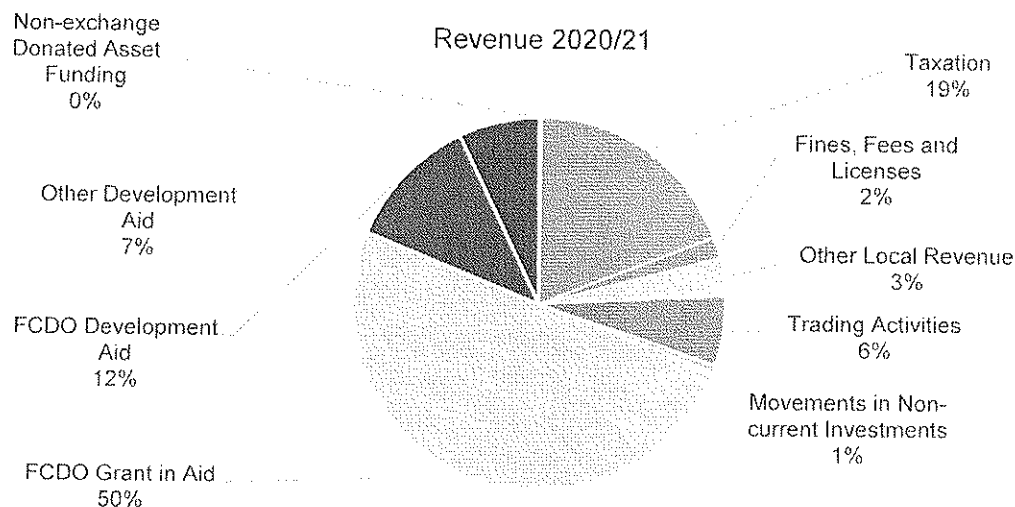
This statement sets out the expenditure and revenues of SHG during the financial year. It shows the expenditure incurred in the delivery of services and projects and the revenues received to fund services and projects. Notes 9.1 and 9.2 to the financial statements show a breakdown of revenue and expenditure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

1.4.1 Revenue

The Statement of Financial Performance shows that total revenue in 2020/21 was £60.282m this is generally in line with 2019/20 revenue of £60.455m. It is important to note however that while Grant in Aid increased by the Covid-19 funding for the BFI project ceased and the grant for Airport operations was reduced.

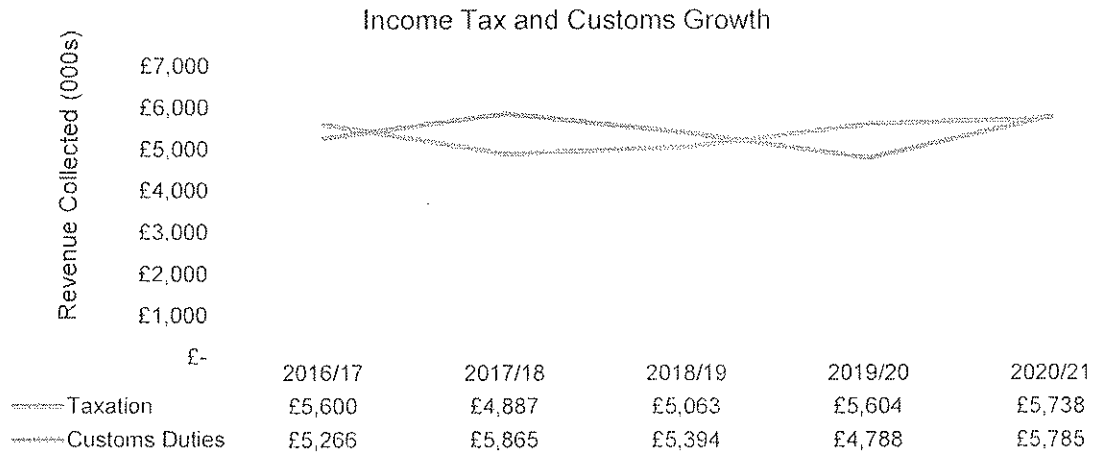
The statement contains exchange income and non-exchange income, non-exchange income which constitutes 89% of total revenue relates to funds received by SHG without it giving value in return these include the FCDO Grant and Development Aid, Other Development Aid, Non-exchange Donated Assets Funding, Movements in Non-current Investments, Customs Duty and Income Tax. Total revenue from Non-exchange transactions was £53.589m (53.264m in 2019/20). Exchange income which was mainly from sale of fuel through the Bulk Fuel Installation (BFI) and Charter flight income was £6.693m (£7.191 in 2019/20).

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, FCDO 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.

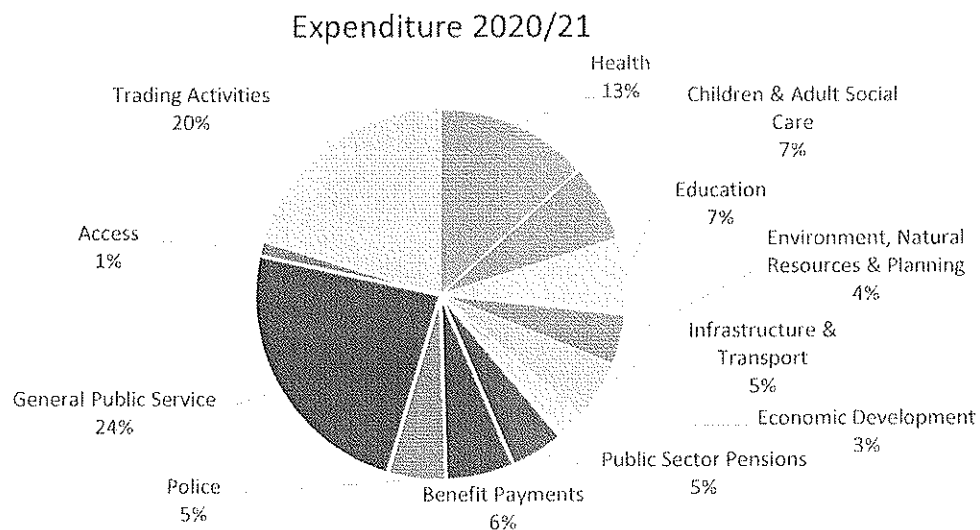


The increase in customs duty revenue was mainly driven by the increase in duty rates for alcohol and tobacco.

1.4.2 Expenditure

The Statement of Financial Performance shows that total expenditure in 2020/21 was £57.013m (£65.883m in 2019/20), a decrease of £8.9m. The decrease in expenditure is mainly a result of the absence of significant non-cash loss that were present in the 2019/20 financial statements these include the £4.3m devaluation losses as a result of the revaluation of SHG assets in 2019/20 and the provision created in 2019/20 to recognise the potential of not recovering £1.036m spent on the Ground Based Augmentation System (GBAS) installed at the St Helena Airport. Other decreases can be attributed to lower overseas medical referral expenses in 2020/21 owing to the Covid-19 induced travel restrictions and less subsidy payments due to the closure of St Helena Fisheries Corporation.

The following chart shows how total expenditure in 2020/21 was distributed by Head of Expenditure:



Overall the Statement of Financial Performance shows a surplus (total revenue less total expenditure) for 2020/21 of £3.269m (deficit of £5.428m in 2019/20).

The overall surplus 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.

1.5 Statement of Financial Position

The Statement of Financial Position summarises the financial position of SHG at 31 March 2021 and shows that the net worth of SHG's assets and liabilities is £242.417m.

	31 March 2021	31 March 2020
	£000	Restated £000
Tangible and Intangible Assets owned	266,642	263,908
Cash Investments and Inventories	59,887	57,308
Pension Liabilities	(74,728)	(86,062)
Money SHG owes	(14,138)	(16,298)
Money SHG is owed	4,754	7,751
Net Worth of SHG at 31 March	242,417	226,607

- The value of tangible and intangible assets owned has increased mainly because of expenditure spent to date on the St Helena Cable project as well as Rock Fall mitigation.
- The value of cash, investments and inventories has increased because our cashflow position improved and we had more cash and investment holdings due to unspent funds.
- Pension liabilities have decreased because of favourable changes in financial assumptions used in the valuation of the Defined Benefit Pension Scheme liability as at 31 March 2021.
- Money SHG owes has decreased mainly due to there being less unpaid accruals at year end.
- Money owed to SHG decreased as funds were received to clear the advance to Tristan da Cunha for EDF project funding which was outstanding at the end of 2019/20. In addition generally there were less receivables from Non-Exchange transactions at the end of 2020/21 as claims were made early.

1.6 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

1.6.1 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 2021 the Statement of Changes in Net Assets/Reserves shows that the balance on the Consolidated Fund was £231.011m.

	Note	31 March 2021 £000	31 March 2020 £000
General Reserve	10.15.1.1	9,660	7,351
Capital Reserve	10.15.1.2	71,635	65,427
Revaluation Reserve	10.15.1.3	6,442	6,461
Pension Reserve	10.15.1.4	(74,728)	(86,062)
Investments in Subsidiaries Reserve	10.15.1.5	32,049	32,055
Aid Funded Infrastructure Reserve	10.15.1.6	188,824	192,444
Donated Asset Reserve	10.15.1.7	177	133
Litigation Reserve	10.15.1.8	(3,048)	(3,274)
		231,011	214,535

1.6.2 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 2021 the Statement of Changes in Net Assets/Reserves shows that the balance of Special Funds was £11.406m (£12.071m at 31 March 2020). The reasons for the £0.665m decrease are mainly linked to the cable project where expenditure for the year exceeded the Economic Development Funding Tranche received.

1.7 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 £0.632m reflects that SHG earned more from operating activities than was spent on investing activities.

1.8 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 2021 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 2021 management accounts.

1.9 Capital Expenditure

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

Capital expenditure additions of Property, Plant and Equipment, excluding Assets under Construction, totalled £1.048m in 2020/21 (£1.494m in 2019/20). This represents the purchase of 27 items of IT equipment and software for £0.251m, 19 items of plant, machinery and equipment for £0.389m, 2 motor vehicles for £0.069m, a Flu Pod £7K, Infrastructure work on the Island's Fuel

System Handling for £0.112m and assets transferred to SHG as part of St Helena Fisheries Corporation liquidation £0.126m.

During the Financial Year assets worth £0.092m were donated or transferred to SHG. These include 3 items of medical equipment purchased by FCDO, a land parcel, a wood chipper and 3 vehicles transferred from Enterprise St Helena.

Spend during 2020/21 on Assets under Construction was £8.136m (£2.765m in 2019/20). This was spent on the Economic Development Investment Programme (EDIP) £2.338m, Ruperts Valley Development £0.149m, Construction work at Bradley's camp in response to the Covid-19 pandemic £0.565m, Wharf Office Development £0.107m, Custody Suite £0.205m, Bottom Woods Comprehensive Development Areas £0.172, building and housing maintenance £0.181m and £4.419m on the Equiano cable project.

1.10 Bulk Fuel Installation Project

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. A further study is required to determine the optimal engineering solution and identify whether all components of the BFI and wider fuel system will be put into use. It is possible 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.

1.11 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.

1.12 Looking forward

Note 11.9 of these financial statements provides details of material events that have occurred since the end of the 2020/21 financial year.

Key among these are:

- SHG signed a 10-Year lease with Saints Tuna Corporation Limited (STC) for the Fish Processing Factory and committed £0.5m for the refurbishment of the factory.
- Charter flights to and from St Helena have since stopped with Airlink commercial flights resuming on the 25th of March 2022.
- Enterprise St Helena a SHG controlled entity ceased operations with some of its functions being integrated into SHG's Treasury, Infrastructure & Sustainable Development portfolio.
- St Helena Line Limited the company that operated the RMS St Helena was dissolved on 31 May 2022.
- The Fit for the Future transformational programme Phase 1 reviews has been undertaken resulting in the successful creation of five Portfolios and a Central Support Service
- A general election was held in October 2021 under a new ministerial form of government.

1.13 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 2020/21.

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 Chief Auditor, Brendon Hunt at brendon.hunt@sainthelena.gov.sh



Dax Richards
Financial Secretary