



**St Helena
Government**

ST HELENA GOVERNMENT

FINANCIAL STATEMENTS 2021-2022



St Helena Government Financial Statements 2021/2022

Issue Date: 14 June 2023

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 2022.

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

1.1 Overview

SHG is the governing body of the Island of St Helena. Executive authority is vested in His Majesty and is exercised on behalf of His 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 management, Emergency Services and Access.

SHG receives a significant proportion of its funding each year from the UK Government, through the Foreign and Commonwealth Development Office (FCDO). 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 Ministers, Elected Members, senior SHG officials, the private sector and civil society organisations. For the financial year 2021/22 an aid settlement was agreed in April 2021.

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 2021, enacted by the Governor of St Helena on the advice and consent of Legislative Council, sets out the approved budget for Portfolios in the financial year commencing 1 April 2021. 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 2021/22 Financial Year

2021/22 remained a difficult year for St Helena due to the Covid pandemic. Despite the adversities SHG still achieved a number of positive outcomes. Highlights are provided below for matters that arose during the year.

On 1 April 2021 SHG functions were rearranged from directorates into 'Portfolios' to create a streamlined structure with services and functions that have a shared or similar purpose being grouped together under a single manager. The eight directorates have now been reduced to six portfolios. The financial statements have been adjusted to also account for expenditures based on the new structure.

The financial year also marks the implementation of the ministerial form of government. Costs associated with this change are reflected in these financial statements on Note 11.4 Related Party Transactions.

Work on the Equiano Cable continued during the financial year with the cable landing on Rupert's Beach on 29 August 2021. £9m was spent during the year bringing the total capital spend to date to £13.5m.

EDIP funded projects continued during the year with a total of £2.4m being spent. Five projects were completed namely: Half Tree Hollow Water Mitigation, Scotland Embankment Stabilisation, Judicial Relocation Phase 2 and public toilets at Rosemary Plain and Plantation Stables.

During the year under review SHG committed £500k for the refurbishment of the Fish Processing plant at Rupert's Valley. At 31 March the project had progressed significantly with a total of £331k having been spent.

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 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 2022 management accounts and the Statement of Financial Performance.

1.4 Statement of Financial Performance

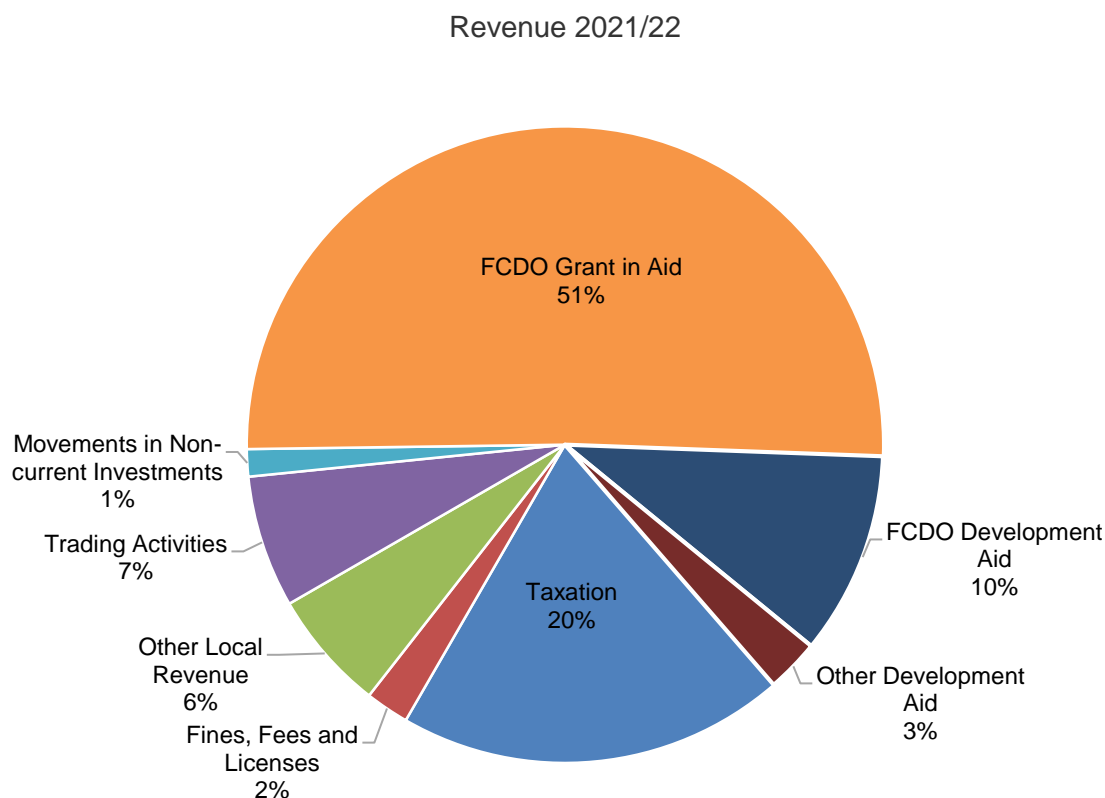
This statement sets out the expenditure and revenues of SHG during the financial year. It shows the expenditure incurred in the delivery of services and projects and the revenues received to fund services and projects. Notes 9.1 and 9.2 to the financial statements show a breakdown of revenue and expenditure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

1.4.1 Revenue

Total income for the 2021/22 financial year was £56.844m compared to £60.282 in 2020/21 a decrease of £3.43m. The reduction in income is mostly a result of the EDF11 cable funding which has begun decreasing as the project nears completion, in 2021/22 £0.51m was received compared to £2.8m in 2020/21. Other notable reductions in income include ending of the ESH project, funding was nil compared to £0.615m in the previous year, funding for the moth-balled new BFI fell by £0.209m and no specific grant was received for Covid-19 as was the case in 2020/21 when £2.9m was received. The fall in income is compensated partly by additional Grant in Aid funding which increased from £27.1m to £28.8m and additional income from charter flights which increased by £1.6m from £1m. Except for charter flight income which increased significantly, local revenue remained consistent at last financial year level.

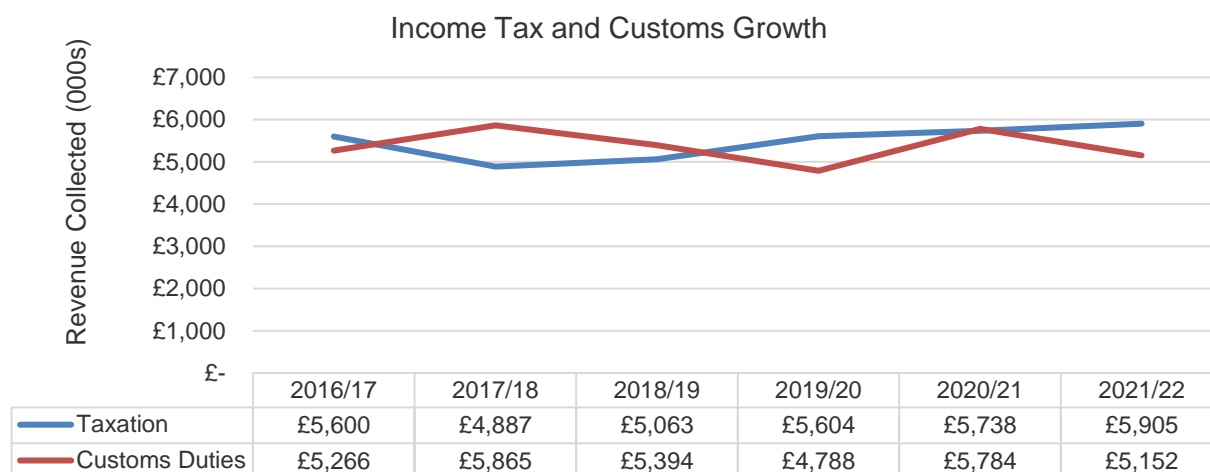
The statement of financial performance is grouped into exchange income and non-exchange income, non-exchange income which constitutes 85% of total revenue relates to funds received by SHG without it giving value in return, these include the FCDO Grant and Development Aid, Other Development Aid, Non-exchange Donated Assets Funding, Movements in Non-current Investments, Customs Duty and Income Tax. Total revenue from Non-exchange transactions was £48.312m (£53.618m in 2020/21). Exchange income was £8.532m (£6.664 in 2020/21) mainly earned from the sale of fuel through the Bulk Fuel Installation (BFI) and charter flight income.

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 six years.

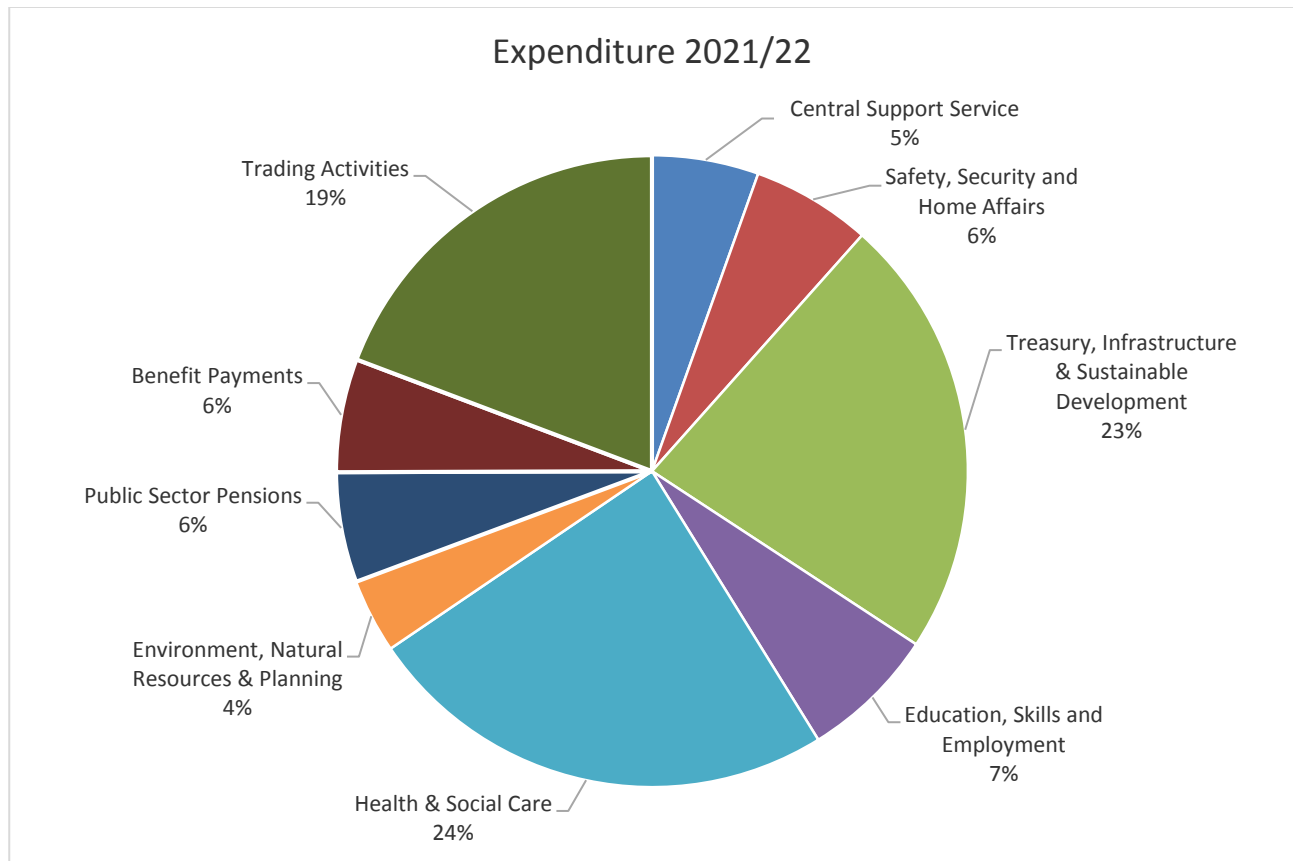


The decrease in customs duty revenue was mainly driven by decrease in alcohol and tobacco duty collected from the major merchants.

1.4.2 Expenditure

The Statement of Financial Performance shows that total expenditure in 2021/22 was £61.934m (£57.014m in 2020/21), an increase of £4.920m. The increase is attributable to a number of factors among them the following; Supplies and services increased by £2.681m mainly because of significant expenditure incurred on overseas medical referrals and drug purchases. Referrals were mostly to the UK and treatment is generally more costly than in South Africa, in addition patients had to remain overseas for extended periods of time due to access only being available monthly rather than weekly. Other notable increases include full years costs of charter flights compared to 2020/21 as travel increased with countries lifting of Covid restrictions. Another key factor includes the cost of implementing the new Ministerial system and increased remuneration for members of Legislative Council. Significant losses were also incurred by SHG subsidiaries, Connect in particular which reported a £632k loss in 2021/22 compared to £137k loss in 2020/21. Also a number of provisions were raised for doubtful debts, increasing the provisions expensed by £190k.

The following chart shows how total expenditure in 2021/22 was distributed by Head of Expenditure:



Overall the Statement of Financial Performance shows a deficit (total revenue less total expenditure) for 2021/22 of £5.090m (Surplus of £3.268m in 2020/21).

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.

1.5 Statement of Financial Position

The Statement of Financial Position summarises the financial position of SHG at 31 March 2022 and shows that the net worth of SHG's assets and liabilities is £249.669m.

	31 March 2022 £000	31 March 2021 £000
Tangible and Intangible Assets owned	273,286	266,642
Cash, Investments and Inventories	50,839	59,887
Pension Liabilities	(63,820)	(74,728)
Money SHG owes	(14,993)	(14,138)
Money SHG is owed	4,357	4,754
Net Worth of SHG at 31 March	249,669	242,417

- The value of tangible and intangible assets owned has increased mainly because of expenditure spent to date on the St Helena Cable project and Rupert's Operationalisation Phase 1.
- The value of cash, investments and inventories has decreased mainly as a result of cash spent to finance construction of the fibre optic cable.

- Pension liabilities have decreased because of favourable changes in financial assumptions used in the valuation of the Defined Benefit Pension Scheme liability in particular the discount rate which has increased in line with increasing interest rates.
- Money SHG owes has increased mainly due to grant funding received in advance that are yet to be utilised and recognised as income and a £0.5m liability raised in relation to a contractual dispute with constructor of the Airport.
- Money owed to SHG decreased mainly because there were less receivables in relation to grant funding in the year under review.

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. An explanation of each of the reserves and a detailed analysis of the movements on each reserve is shown in Note 10.15 to the financial statements.

The General Reserve is the only Useable Reserve. The General Reserve is used to provide services, subject to the need to maintain a prudent level of reserves to meet unforeseen circumstances. The other seven reserves are Unusable Reserves. These are reserves that SHG is not able to use to provide services.

At 31 March 2022, the balance on the Consolidated Fund was £246.766m.

	Note	31 March 2022 £000	31 March 2021 £000
General Reserve	10.15.1.1	8,603	9,660
Capital Reserve	10.15.1.2	81,735	71,635
Revaluation Reserve	10.15.1.3	6,442	6,442
Pension Reserve	10.15.1.4	(63,820)	(74,728)
Investments in Subsidiaries Reserve	10.15.1.5	31,970	32,049
Aid Funded Infrastructure Reserve	10.15.1.6	185,354	188,824
Donated Asset Reserve	10.15.1.7	247	177
Litigation Reserve	10.15.1.8	(3,765)	(3,048)
Total		246,766	231,011

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 31 March 2022 the Statement of Changes in Net Assets/Reserves shows that the balance of Special Funds was £2.903m (£11.406m at 31 March 2021). The reasons for the decrease is a reflection of the continued draw down on the EDF project reserve to finance the cable project which is now nearing completion. During the year, £9.4m was spent on the project.

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.

SHG's Cash and Cash Equivalents decreased £1.102m during the 2021/22 financial year as more money was used to finance capital expenditure in particular the cable project than was raised through operating activities and sale of investments.

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 2022 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 2022 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 £1.028m in 2021/22 (£1.048m in 2020/21). This represents the purchase of eighteen items of computer hardware for £0.134m, twenty four items of plant, machinery and equipment for £0.540m (including £114k for various fish processing equipment purchased as part of the fish processing plant refurbishment), and five motor vehicles for £0.221m one of them also being part of the fish processing plant refurbishment project. £0.101m relates to the value of assets donated to SHG that is the Meteorological (MET) operations building and a Search and Rescue vessel for the Sea Rescue department.

A total of £12.255m was spent on assets that were still under construction at 31 March 2022 (£8.136m in 2020/21). The majority of the funds £9.003m was spent on the Equiano Cable Project to date £13.543m has been spent. A total of £2.391m was spent on Economic Development Investment Programme (EDIP) projects namely the Rupert's Operationalisation Phase 1 project, Field Road & Side Path road construction, Maldivia parking, HTH water investigation, Scotland bank stabilisation, Bishops Bridge, Rosemary Plain public toilets, Plantation public toilets and Capital Receipts Fund Projects. Other significant capital outlays at year end include the purchase and installation of Bradley's oxygen plant for £0.398m and the Fish Processing Plant refurbishment at Rupert's Valley £0.176m.

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 11.8 of these financial statements provides details of material events that have occurred since the end of the 2021/22 financial year. These include:

- Implementation of the 2022/23 annual budget and agreement of the financial aid settlement for the 2023/24 financial year;
- Progression of projects to deliver the vision for Saint Helena. Major projects include the Saint Helena Fibre Optic Cable and Bulk Fuel Installation;
- SHG negotiated a settlement on a contractual dispute with Basil Read Limited the company that was contracted to construct St Helena Airport a final agreement was signed on 17 April 2022; and
- St Helena Line Limited (the company that ran the RMS St Helena) was dissolved on 1 May 2022.

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 2021/22.

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 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
- Email the Deputy Financial Secretary nicholas.yon@sainthelena.gov.sh
- Call the Financial Reporting Team 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

2.0 Independent Auditor's Report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the financial statements of St Helena Government (SHG), which comprise the statement of financial position as at 31 March 2022, and the statement of financial performance, statement of changes in net assets and reserves, statement of cash flows, and statement of comparison of budget and actual amounts, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matters described below, the accompanying financial statements present fairly, in all material respects, the financial position of SHG as at 31 March 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Qualified Opinion

1. Internet cable and associated works infrastructure

Infrastructure expenditure on the internet cable and associated works project amounted to £11.303m at 31 March 2022 (2020/21: £2.602m) which is reported within Property, Plant and Equipment in the Statement of Financial Position, and also forms part of assets under construction in Note 10.8. Expenditure on this project is measured at the cost of works completed on the internet cable infrastructure and associated works under the current contract.

IPSAS 17, Property Plant and Equipment and IPSAS 23, Revenue from non-exchange transactions requires that consideration given which does not approximate the fair value of resources received is considered to contain a non-exchange element which should be measured at fair value. Note 10.8.9 details that there is a high degree of estimation uncertainty associated with capital expenditure outlaid on this project.

I was unable to obtain sufficient appropriate audit evidence regarding the valuation of the asset by the reporting date, even by alternative means. In these circumstances I am unable to determine whether any adjustments are necessary in respect of the accounting for the internet cable and associated works infrastructure.

2. Investment in Enterprise Saint Helena

SHG's investment in Enterprise Saint Helena (ESH) is equity accounted and shown at £0.827m (2020/21: £0.827m) as recognised in the Statement of Financial Position. With the financial statements of ESH not prepared for the year ended 31 March 2022, SHG has not recognised the entity's financial performance in its investment in ESH, as disclosed in note 10.2, and the statement of financial performance for the year ended 31 March 2022. Its share of the loss of ESH amounting to £0.231m for the year ended 31 March 2021 is fully recognised in the investment in ESH, included in the comparatives to note 10.2, and the Statement of Financial Performance. The accounts of ESH have not been audited for the current and prior reporting periods as required by Section 9(2) of the Enterprise Saint Helena Ordinance. I have thus been unable to determine, even by alternative means, whether any adjustments are necessary in respect of the accounting for the Investment in ESH, as disclosed in note 10.2.2, and the results of its operations in the Statement of Financial Performance for the year ended 31 March 2022 including its comparatives.

3. Events after the reporting period

Note 11.8 discloses events after the reporting date which either provide evidence of conditions existing at the reporting date or material events after the reporting date. I was unable to obtain sufficient appropriate audit evidence, in the form of unrestricted access to the minutes of the Executive Committee, to support the completeness of the disclosure of events after the reporting date, even by alternative means.

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

Material Uncertainty Related to the Bulk Fuel Installation

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 10.8.12. 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.

Except for the matters described in the above sections on Basis for Qualified Opinion and Emphasis of Matter, I have determined there are no other key audit matters to communicate in my report.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Auditor's Other Responsibilities arising from Law and Regulation

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

Qualified Opinion on Regularity

In my opinion, except for matters 1, 2 and 3 below, in all material respects, the expenditure and income has been applied to the purposes intended, and conforms to the authorities which govern them.

Basis for qualified opinion on Regularity

1. Authorisation for write off of assets

Property, Plant and Equipment amounting to £65,000 and pharmacy inventory of £82,011 was written off during the 2021/22 financial year.

Section 17 of the Public Finance Ordinance requires that any write-off of assets exceeding £50,000 is required to be authorised by the Secretary of State. The authorisation for the write off of these assets has not been obtained and accordingly the write-off of these assets does not conform to the statutory authority which governs it.

2. Authorisation for the waiver of debt payable to SHG

The expectation of the receipt of a debt amounting to £94,133 was waived by SHG during a contractual dispute process.

Additionally, loans and trade receivables due to SHG from the Saint Helena Fisheries Corporation amounting to £82,938 were written off during liquidation proceedings in the 2020/21 financial year.

Section 16 of the Public Finance Ordinance requires that the waiver of any debt payable to SHG, in excess of £50,000 be authorised by the Secretary of State. The authorisation for the loss on the debts payable to SHG of £94,133 and SHFC receivable of £82,938, first reported in the prior period, has not been obtained and accordingly this waiver of debt receivable by SHG does not conform to the statutory authority which governs it.

3. Expenditure in Excess

For the year ended 31 March 2022 expenditure in excess of the final appropriated budget of £59,120 has been incurred on Head of Expenditure: Children & Adults Social Care. The statutory authorisation, granted under the provisions of Section 106 of the Constitution, amounts to £55,930. Accordingly, expenditure in excess on this expenditure head of £3,190 does not conform to the statutory authority which governs it.

Opinion on Other Matters Required by Statute

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



Brendon Hunt CA(SA)
Chief Auditor

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

14 June 2023

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 (SHG) 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

14 June 2023



4.0 Statement of Financial Performance for the year ended 31 March 2022

	Note	2021/22 £000	2020/21 £000
REVENUE	9.1		
Exchange Revenue			
Fines, Fees and Licenses		1,256	1,071
Other Local Revenue		3,468	1,961
Trading Activities		3,808	3,632
Total Exchange Revenue		8,532	6,664
Non-exchange Revenue			
Taxation		11,180	11,551
Movements in Non-current Investments		785	362
Proceeds from Discontinued Operations		72	0
FCDO Grant in Aid		28,790	30,348
FCDO Development Aid		5,854	7,023
Other Development Aid		1,531	4,242
Non-exchange Donated Asset Funding		100	92
Total Non-exchange Revenue		48,312	53,618
Total Revenue		56,844	60,282
EXPENDITURE	9.2		
Central Support Service		3,367	3,317
Safety, Security and Home Affairs		3,777	3,601
Treasury, Infrastructure & Sustainable Development		14,407	12,807
Education, Skills and Employment		4,281	4,019
Health & Social Care		14,921	12,445
Environment, Natural Resources & Planning		2,341	2,486
Public Sector Pensions		3,481	3,372
Benefit Payments		3,581	3,411
Trading Activities		11,778	11,556
Total Expenditure		61,934	57,014
SURPLUS/(DEFICIT) FOR THE PERIOD		(5,090)	3,268



5.0 Statement of Financial Position as at 31 March 2022

	Note	31 March 2022 £000	31 March 2021 £000
ASSETS			
Current Assets			
Cash & Cash Equivalents	10.1	6,851	8,497
Investments	10.2.1	9,801	16,592
Receivables from Non-exchange Transactions	10.3	1,716	2,365
Receivables from Exchange Transactions	10.4.1	2,214	1,877
Inventories	10.5	2,216	2,748
Prepayments	10.6.1	417	488
Discontinued Operations		1	1
		<u>23,216</u>	<u>32,568</u>
Non-current Assets			
Non-current Investments	10.2.2	31,970	32,049
Receivables from Exchange Transactions	10.4.2	9	17
Prepayments	10.6.2	1	6
Property, Plant & Equipment	10.8.12	273,099	266,432
Intangible Assets	10.9	187	210
		<u>305,266</u>	<u>298,714</u>
Total Assets		<u>328,482</u>	<u>331,282</u>
LIABILITIES			
Current Liabilities			
Bank overdraft	10.1	1,513	2,057
Payables from Non-exchange Transactions	10.11	1,561	1,607
Payables from Exchange Transactions	10.12.1	5,288	4,472
Provisions	10.13	61	791
		<u>8,423</u>	<u>8,927</u>
Non-current Liabilities			
Payables from Exchange Transactions	10.12.2	6	8
Pension Liabilities	10.14.2.1	63,820	74,728
Provisions	10.13	6,564	5,202
		<u>70,390</u>	<u>79,938</u>
Total Liabilities		<u>78,813</u>	<u>88,865</u>
NET ASSETS		<u>249,669</u>	<u>242,417</u>
FUNDS AND RESERVES			
Consolidated Fund	10.15.1	246,766	231,011
Special Funds	10.15.2	2,903	11,406
		<u>249,669</u>	<u>242,417</u>



6.0 Statement of Changes in Net Assets/Reserves for the year ended 31 March 2022

	Consolidated Fund £000	Special Funds £000	Total Reserves £000
Balance at 1 April 2020	214,534	12,072	226,606
Surplus/(Deficit) for the Period	1,841	0	1,841
Funds Received	0	11,828	11,828
Funds Applied	0	(10,397)	(10,397)
Use of Funds to Finance Capital Expenditure	7,994	(7,994)	0
Actuarial Gains	1,704	0	1,704
Pensions: Changes in Financial Assumptions	10,818	0	10,818
Pensions: Changes in Demographic Assumptions	0	0	0
Recharges	(630)	630	0
Transfers between reserves	(5,250)	5,249	(1)
Other movements	0	18	18
Balance at 31 March 2021	231,011	11,406	242,417
Surplus/(Deficit) for the Period	(3,617)	0	(3,617)
Funds Received	0	8,385	8,385
Funds Applied	0	(9,858)	(9,858)
Use of Funds to Finance Capital Expenditure	12,166	(12,166)	0
Actuarial Gains	1,566	0	1,566
Pensions: Changes in Financial Assumptions	10,785	0	10,785
Recharges	(556)	556	0
Transfers between reserves - Appropriated	(4,169)	4,169	0
Transfers between reserves – Inter-Entity Eliminations	(411)	411	0
Other movements	(9)	0	(9)
Balance at 31 March 2022	246,766	2,903	249,669



7.0 Statement of Cash Flows for the year ended 31 March 2022

	Note	2021/22 £000	2020/21 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the Period		(5,090)	3,268
Interest Received		(131)	(91)
Dividend Received		(59)	(170)
<u>Non Cash Movements</u>			
Depreciation Charged on Non-current Assets	9.2	6,457	6,505
Impairment of Non-current Assets	9.2	79	5
Net (Gain)/Loss on Disposal of Non-current Assets	9.1, 9.2	110	(16)
Donated Asset Funding	9.1	(101)	(92)
Share of Net Profit/Loss of Subsidiaries	9.1, 9.2	79	6
Difference in Pensions Earned and Benefits Paid Relating to the Defined Benefit Pension Scheme	10.14	1,443	1,188
Movements in Working Capital			
(Increase)/Decrease in Receivables	10.3, 10.4	322	3,003
(Increase)/Decrease in Inventories	10.5	523	(329)
(Increase)/Decrease in Prepayments	10.6	75	(7)
Increase/(Decrease) in Payables	10.12	768	(2,794)
Increase/(Decrease) in Provisions	10.13	632	(28)
Net Cash Flows from Operating Activities		5,107	10,448
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend Received	9.1	59	170
Interest Received		131	91
Capital Expenditure		(13,215)	(9,214)
Proceeds from the Sale of Non-current Assets		25	83
(Increase)/Decrease in Investments		6,791	(948)
Net Cash Flows from Investing Activities		(6,209)	(9,818)
NET CASH FLOW FOR THE FINANCIAL YEAR		(1,102)	630
Cash & Cash Equivalents at 1 April		6,440	5,808
Net Cash Flows		(1,102)	632
Cash & Cash Equivalents at 31 March		5,338	6,440



8.0 Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2022

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 2022 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
Central Support Service	1,277	1,279	1,277	194	194	189
Human Resources & Organisational Development	8,811	8,794	8,763	0	0	0
Attorney General's Chambers	115	115	102	0	0	0
Safety, Security and Home Affairs	2,451	2,451	2,408	311	311	320
Judicial Services	130	136	131	39	39	50
Treasury	4,127	4,212	4,065	39,943	41,052	40,830
Sustainable Development	538	538	422	0	0	1
Access	7,093	7,804	7,720	4,930	5,490	5,607
Education, Skills and Employment	3,849	3,849	3,782	222	222	298
Health	6,104	7,682	7,980	702	702	763
Environment, Natural Resources & Planning	1,793	1,793	1,743	106	106	139
Infrastructure	1,762	1,752	1,683	546	546	614
Children & Adults Social Care	3,499	3,499	3,558	280	280	267
	41,549	43,904	43,634	47,273	48,942	49,078

Appropriated

	Capital Expenditure		
	Original Budget £000	Final Budget £000	Actual £000
Safety, Security and Home Affairs	39	39	40
Treasury	405	482	331
Access	479	50	0
Education, Skills and Employment	0	0	4
Health	472	597	494
Infrastructure	91	101	91
Children & Adults Social Care	125	95	60
	1,611	1,364	1,020

Non-appropriated

	Recurrent Expenditure			Revenue		
	Original Budget £000	Final Budget £000	Actual £000	Original Budget £000	Final Budget £000	Actual £000
Pensions and Benefits	5,302	5,302	4,897	0	0	0
	5,302	5,302	4,897	0	0	0
TOTAL EXPENDITURE	48,462	50,570	49,551			

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 2021 to 31 March 2022.

The Appropriation Ordinance 2021, 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 enacted on 1 July 2021. 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 basis 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 2022 is presented below.

	Operating £000	Investing £000	Net Cash Flow £000
Surplus in Comparable Basis as Presented in the Budget and Actual Comparative Statement	5,444	(1,020)	4,424
Basis Differences	352	6,834	7,186
Entity Differences	(689)	(12,023)	(12,712)
Actual Amount in the Statement of Cash Flows	5,107	(6,209)	(1,102)

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.

Note 9.3 Comparison of Budget and Actual Amounts, 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 the financial year 2021/22

	Consolidated Fund	Special Funds	Total
	£000	£000	£000
REVENUE			
Taxation	11,180	0	11,180
Fines, Fees and Licences	1,256	0	1,256
Other Local Revenue	3,276	192	3,468
Trading Activities	0	3,808	3,808
Movements in Non-current Investments	785	0	785
Proceeds from Discontinued Operations	72	0	72
FCDO Grant in Aid	28,790	0	28,790
FCDO Development Aid	3,000	2,854	5,854
Other Development Aid	0	1,531	1,531
Non-exchange Donated Asset Funding	100	0	100
Total Revenue	48,459	8,385	56,844
EXPENDITURE			
Central Support Service	3,367	0	3,367
Safety, Security and Home Affairs	3,663	114	3,777
Treasury, Infrastructure & Sustainable Development	13,558	849	14,407
Education, Skills and Employment	4,282	0	4,282
Health & Social Care	14,900	21	14,921
Environment, Natural Resources & Planning	1,780	560	2,340
Public Sector Pensions	3,481	0	3,481
Benefit Payments	3,581	0	3,581
Trading Activities	3,464	8,314	11,778
Total Expenditure	52,076	9,858	61,934
SURPLUS/(DEFICIT) FOR THE PERIOD	(3,617)	(1,473)	(5,090)

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.

	2021/22 £000	2020/21 £000
Exchange Revenue		
Fines, Fees and Licenses:		
Immigration Fees	23	32
Planning Fees	15	29
Other Fines, Fees and Licences	1,218	1,010
	<u>1,256</u>	<u>1,071</u>
Other Local Revenue:		
Earnings Government Departments	92	79
Interest Received	123	88
Other Treasury Receipts	5	4
Dividends Received	59	170
Profit on Disposal of Non-current Assets	0	8
Charter Flight Income	2,606	1,051
Other Income Received	583	561
	<u>3,468</u>	<u>1,961</u>
Trading Activities:		
Operating Revenue	3,786	3,596
Interest Received	8	3
Other Income Received	13	15
Profit on Disposal of Non-current Assets	1	18
	<u>3,808</u>	<u>3,632</u>
Total Exchange Revenue	<u>8,532</u>	<u>6,664</u>

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

Non-Exchange Revenue	2021/22 £000	2020/21 £000
Taxation:		
Income Tax (PAYE)	4,082	3,845
Self Employed Tax	277	212
Corporation Tax	1,049	1,288
Service Tax	471	386
Withholding Tax	26	7
Customs Duty - Alcohol	1,009	1,397
Customs Duty - Tobacco	917	1,119
Customs Duty - Petrol & Diesel	843	639
Other Customs Duties	2,383	2,629
Stamp Duty	123	29
	<u>11,180</u>	<u>11,551</u>
Movements in Non-current Investments:		
Share of Profit of Subsidiaries	<u>785</u>	<u>362</u>
	785	362
Proceeds from Discontinued Operations		
St Helena Line Limited	<u>72</u>	<u>0</u>
	72	0
FCDO Grant in Aid	28,790	30,348
FCDO Development Aid	5,854	7,023
Other Development Aid	1,531	4,242
Non-exchange Donated Asset Funding	<u>100</u>	<u>92</u>
	36,275	41,705
Total Non-Exchange Revenue	<u>48,312</u>	<u>53,618</u>
Total Revenue	<u>56,844</u>	<u>60,282</u>

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 received. 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 portfolios 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 portfolio 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 portfolio 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.

	2021/22 £000	2020/21 £000
Employee Costs	21,746	22,113
Property Costs	927	879
Transport & Plant Costs	116	90
Supplies & Services Costs	11,028	8,347
Administration Costs	1,559	1,282
Payments to Other Agencies, Bodies or Persons	6,381	8,205
Finance & Other Expenditure	5,204	2,841
Payment to Contractors	6,375	6,418
Depreciation of Non-current Assets	6,456	6,502
Impairment of Non-current Assets	79	5
Loss on Disposal of Non-current Assets	112	9
Share of Loss of Subsidiaries	864	368
Provisions Recognised/(Released)	716	(226)
Provisions Recognised/(Released) for Doubtful Debts	371	181
Total Expenditure	61,934	57,014

The fee for the audit of the 2021/22 financial statements is expected to be £101,100 (2020/21 £100,300). 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.

	2021/22 £000	2020/21 £000
Benefit Payments:		
Basic Island Pension	2,765	2,668
Social Benefits	817	744
Unemployment Benefits	13	33
Better Life Allowance	217	209
	3,812	3,654

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	Special Warrants £000	Final Budget £000
Appropriated Recurrent Expenditure					
Central Support Service	1,277	2	0	0	1,279
Human Resources & Organisational Development	8,811	0	(17)	0	8,794
Attorney General's Chambers	115	0	0	0	115
Safety, Security and Home Affairs	2,451	0	0	0	2,451
Judicial Services	130	6	0	0	136
Treasury	4,127	85	0	0	4,212
Sustainable Development	538	0	0	0	538
Access	7,093	711	0	0	7,804
Education, Skills and Employment	3,849	0	0	0	3,849
Health	6,104	1,377	0	201	7,682
Environment, Natural Resources & Planning	1,793	0	0	0	1,793
Infrastructure	1,762	0	(10)	0	1,752
Children & Adults Social Care	3,499	0	0	0	3,499
	41,549	2,181	(27)	201	43,904
Appropriated Capital Expenditure					
Safety, Security and Home Affairs	39	0	0	0	39
Treasury	405	77	0	0	482
Sustainable Development	479	0	(429)	0	50
Health	472	125	0	0	597
Infrastructure	91	10	0	0	101
Children & Adults Social Care	125	0	(30)	0	95
	1,611	212	(459)	0	1,364
	43,160	2,393	(486)	201	45,268
Non-appropriated					
Pensions and Benefits	5,302	0	0	0	5,302

On 8 September 2021 the Governor approved a special warrant to increase the Health and Social Care portfolio appropriation by £201k to enable the portfolio to appoint an organization to provide urgent virtual clinical assessments of patients, the warrant was funded from the Consolidated Fund. This was followed by the first and only Supplementary Appropriation for 2021/22 enacted on 14 March 2022. The appropriation had an effect of increasing the 2021/22 recurrent and capital budgets by £2.2m and £212k respectively. Part of the supplementary appropriation was funded by a Withdrawal Warrant of £486k approved by the Governor on 17 March 2022. The balance was financed by a withdrawal from the Consolidated Fund of £667k and additional revenues generated by the Treasury and Access.

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 2022 Budget Execution Report.

	Appropriated Expenditure			Revenue		
	Final Budget £000	Actual £000	Variation £000	Final Budget £000	Actual £000	Variation £000
Appropriated Recurrent Expenditure						
Central Support Service	1,279	1,277	2	194	189	(5)
Human Resources & Organisational Development	8,794	8,763	31	0	0	0
Attorney General's Chambers	115	102	13	0	0	0
Safety, Security and Home Affairs	2,451	2,408	43	311	320	9
Judicial Services	136	131	5	39	50	11
Treasury	4,212	4,065	147	41,052	40,830	(222)
Sustainable Development	538	422	116	0	1	1
Access	7,804	7,720	84	5,490	5,607	117
Education, Skills and Employment	3,849	3,782	67	222	298	76
Health	7,682	7,980	(298)	702	763	61
Environment, Natural Resources & Planning	1,793	1,743	50	106	139	33
Infrastructure	1,752	1,683	69	546	614	68
Children & Adults Social Care	3,499	3,558	(59)	280	267	(13)
	43,904	43,634	270	48,942	49,078	136

	Appropriated Expenditure			Revenue		
	Final Budget £000	Actual £000	Variation £000	Final Budget £000	Actual £000	Variation £000
Appropriated Capital Expenditure						
Safety, Security and Home Affairs	39	40	(1)	0	0	0
Treasury	482	331	151	0	0	0
Sustainable Development	50	0	50	0	0	0
Education, Skills and Employment	0	4	(4)	0	0	0
Health	597	494	103	0	0	0
Infrastructure	101	91	10	0	0	0
Children & Adults Social Care	95	60	35	0	0	0
	1,364	1,020	344	0	0	0
Appropriated Total	45,268	44,654	614	48,942	49,078	136
Non-appropriated						
Pensions and Benefits	5,302	4,897	405	0	0	0
Total	50,570	49,551	1,019	48,942	49,078	136
Surplus / (Deficit)				(473)		

9.3.1 Revenue

Significant variance to budget is explained for the following directorates:

- Treasury – Revenue had an adverse variance largely because of less than expected customs duty. Merchants reported lower imports due to the COVID-19 ban on alcohol sales in South Africa and decreased sales on island. The COVID-19 pandemic also affected transshipment of cargo meaning containers arrived on island much later than expected. Fuel imports were less than projected due to storage capacity issues at the Bulk Fuel Installation.
- Sustainable Development – The favourable variance relates to charter flight income from higher numbers of passenger than anticipated.

9.3.2 Recurrent Expenditure

Explanations for significant variances and excess expenditure for directorates are as follows:

- Treasury – The under spend on Treasury is mostly attributed to customs exemptions on the Fisheries Processing Plant refurbishment endorsed after the budget was approved. In addition there was a reduction in Value For Money audit services from Audit St Helena.
- Sustainable Development – The under spend was due to delays in posts being filled for Visitor Information and Marketing and Branding functions. This led to contracts not being awarded early in the financial year as originally anticipated. The COVID-19 pandemic prevented an effective marketing plan to be carried out in the financial year.
- Access – The favourable variance is as a result of lower than expected cargo volumes. The COVID-19 pandemic also affected transshipment of cargo meaning containers arrived on the Island much later than expected.
- Health – The over spend is in relation to the patients that received treatment in South Africa and United Kingdom. Treatment in the UK is generally more costly and some patients had to remain there for extended periods of time due to access only being available monthly rather than weekly.
- Children & Adults Social Care – Employee costs overspent resulting from additional staff required to cover vacant posts, sickness and increased client head count.

9.3.3 Capital Expenditure

Significant variance explanations and excess expenditure for Capital Expenditure are as follows:

- Treasury – Some of the equipment for the Fish Processing Plant refurbishment though ordered in 2021/22 only arrived in the second quarter of 2022/23 financial year.
- Health – Planned procurement of a photocopy machine did not materialise in this financial year. Actual spend for a Diagnostic Tool Kit was lower than expected and a budget of up to £60k relating to the installation of the Oxygen Plant at Bradley's was not utilised.
- Safety, Security and Home Affairs - The estimated cost for the purchase of a compressor unit exceeded the approved budget.
- Education, Skills and Employment - No budget was appropriated for the final payment for the upgrading of emergency lighting at the Education Learning Centre.

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.

2021/22	Central Support Service £000	Education, Skills and Employment £000	Health & Social Care £000	Environment, Natural Resources & Planning £000	Safety, Security and Home Affairs £000	Treasury, Infrastructure & Sustainable Development £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	51	52	443	128	279	46,455	47,408	9,436	0		56,844
Inter-segment Transfers	188	246	587	11	41	597	1,670	0	(1,670)		0
Total Segment Revenue	239	298	1,030	139	320	47,052	49,078	9,436	(1,670)		56,844
Total Segment Expenditure	10,273	3,786	12,092	1,743	2,448	19,209	49,551	11,363	1,020		61,934
Surplus/(Deficit) for the Period	(10,034)	(3,488)	(11,062)	(1,604)	(2,128)	27,843	(473)	(1,927)	(2,690)		(5,090)
Other Information:											
Segment Assets	8,864	3,873	7,038	400	3,649	232,775				71,883	328,482
Segment Liabilities	452	87	900	103	171	1,981				75,119	78,813
Costs to acquire Segment Assets	342	4	549	209	82	1,972				10,160	13,318
Impairments	0	0	0	0	0	79				0	79

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 2022	31 March 2021
	£000	£000
Bank Deposits	1,209	1,517
Overseas Call/Current Accounts	5,227	6,534
Cash	415	446
Per Statement of Financial Position	6,851	8,497
Overdraft - Bank of Saint Helena	(1,513)	(2,057)
Per Statement of Cash Flows	5,338	6,440

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 13.0 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 2022	31 March 2021
	£000	£000
Certificates of Deposits	9,801	16,592
	9,801	16,592

10.2.2 Non-current Investments

Non-current Investments represent SHG's interests in subsidiaries, these include controlled entities where SHG has an ownership interest and those in which SHG has no ownership interest. SHG's interest in the controlled entity is recognised as an investment in the Statement of Financial Position. Additional information on controlled entities is 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.

	31 March 2022	31 March 2021
	£000	£000
Balance at 1 April	32,049	32,055
Net Share of Profit/(Loss) of Subsidiaries	(79)	(6)
Balance at 31 March	31,970	32,049

At the 31 March, SHG's net assets from investment in subsidiaries was made up as follows:

	31 March 2022	31 March 2021
	£000	£000
Bank of St Helena Ltd	7,333	6,907
Currency Fund	1,461	1,234
Enterprise St Helena	827	827
Connect St Helena Ltd	15,052	15,684
Solomon & Company (St Helena) Plc	5,712	5,689
St Helena Hotel Development Ltd	1,224	1,408
St Helena Airport Limited	361	300
Balance at 31 March	31,970	32,049

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 2022	31 March 2021
	£000	£000
Income Tax Debtors	1,266	1,746
Other Taxes and Duties	448	90
Grant Funding	714	1,173
	2,428	3,009
Less Provision for Doubtful Debts:		
Income Tax Debtors	(199)	(131)
Grant Funding	(513)	(513)
	(712)	(644)
	1,716	2,365

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.

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 2022 £000	31 March 2021 £000
Receivables:		
Trade and Other Receivables	1,293	1,042
Government Landlord Housing	163	105
Bulk Fuel Installation	405	375
	<u>1,861</u>	<u>1,522</u>
Accrued Income:		
Interest	12	17
Other	529	129
	<u>541</u>	<u>146</u>
Loans:		
House Purchase Loans	118	108
Staff Advances	153	184
Other Advances	125	314
	<u>396</u>	<u>606</u>
	<u>2,798</u>	<u>2,274</u>
Less Provision for Doubtful Debts:		
Trade and Other Receivables	(470)	(296)
House Purchase Loans	(114)	(101)
	<u>(584)</u>	<u>(397)</u>
	<u>2,214</u>	<u>1,877</u>

10.4.2 Amounts falling due after one year

	31 March 2022 £000	31 March 2021 £000
Housing and House Purchase Loans	13	31
Less: Provision for Doubtful Debts:		
House Purchase Loans	(4)	(14)
	<u>9</u>	<u>17</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 2021	1,042	14	1,056
Provisions Recognised	311	0	311
Provisions Released	(13)	(10)	(23)
Amounts written off during the year	(44)	0	(44)
Balance at 31 March 2022	1,296	4	1,300

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 2022 £000	31 March 2021 £000
Consolidated Fund:		
Pharmacy	550	835
Stamps	56	54
Fish Processing	0	24
Infrastructure	182	205
Other	62	105
	<u>850</u>	<u>1,223</u>
Special Funds:		
Information Technology	92	83
Transport	699	719
Aviation Fuel	43	82
Bulk Fuel Installation	949	958
	<u>1,783</u>	<u>1,842</u>
	<u>2,633</u>	<u>3,065</u>

Less Provision for Slow Moving and Obsolete Inventories:

Special Funds:

Information Technology	(33)	(39)
Transport	(66)	(76)
Bulk Fuel Installation	(318)	(202)
	<u>(417)</u>	<u>(317)</u>
	<u>2,216</u>	<u>2,748</u>

The amount of inventories recognised as 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.

	31 March 2022	31 March 2021
	£000	£000
Consolidated Fund:		
Pharmacy	942	633
Stamps	4	17
Fish Processing	24	33
Infrastructure	146	0
Other	79	42
	<u>1,195</u>	<u>725</u>
Special Funds:		
Information Technology	24	45
Transport	186	102
Aviation Fuel	39	141
Bulk Fuel Installation	3,015	2,184
	<u>3,264</u>	<u>2,472</u>
	<u>4,459</u>	<u>3,197</u>

10.6 Prepayments

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.

	31 March 2022	31 March 2021
	£000	£000
Short-term Prepayments	<u>417</u>	<u>488</u>
	<u>417</u>	<u>488</u>

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 Prepayments on the Statement of Financial Position.

	31 March 2022	31 March 2021
	£000	£000
Long-term Prepayments	1	6
	1	6

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 was fully dissolved on 1 May 2022. SHG received £115k on 15 October 2021 from the liquidation process. The net proceeds (after accounting for the amount owed to SHG) of 72k is disclosed in the Statement of Financial Performance.

Following a decision of Executive Council the St Helena Fisheries Corporation ceased trading on 31 January 2020 and the Corporation is currently going through the process of being wound up. Fish processing on the island is now carried out by a private company Saints Tuna Corporation Limited (STC) following the signing of a 10-year lease for the Fish Processing Factory at Rupert's between SHG and the company on 9 April 2021.

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 minimum £5,000 threshold. Assets transferred from St Helena Fisheries Corporation and those purchased or constructed after are recognised as a group subdivided into Equipment, Plant Machinery and Motor Vehicles.

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 2022.

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 classes land and buildings are carried at revalued amount being the 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 2022		31 March 2021	
	Number of assets	Gross carrying amount £000	Number of assets	Gross carrying amount £000
Computer Hardware	47	650	47	650
Infrastructure	1	60	1	60
Buildings	4	21	3	17
Other	132	5,873	114	5,804
Service Concession	17	5,761	15	2,959
Fisheries Assets	12	23	5	0
Total	213	12,388	185	9,490

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.

10.8.5 Revaluations

Revaluations apply to land and buildings.

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. The last assets revaluation was carried out for the financial year ending 31 March 2020, land and buildings were externally valued by independent valuer DM Hall LLP Chartered Surveyors. The valuations were 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;

- 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 assets 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

- **Existing 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 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.

10.8.6.2 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.

Rupert's Wharf was also considered. 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.

10.8.6.3 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 2021); 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 10.8.12.

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 2021 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 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.

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.

10.8.9 St Helena Fibre Optic Cable Project

On 24 December 2019, SHG signed a contract with Google Singapore Pte. Ltd (Google), to connect St Helena to Phase 1 of the Equiano Subsea Cable Project. This project has been financed by the 11th European Development Fund. In June 2018, SHG signed a Financing Agreement with the European Commission for budget support of €21.5m for 'Supporting better Connectivity for Saint Helena'.

The contract with Google is a key component in the development of fibre optic connectivity from St Helena to the outside world. The construction of an extension of the Equiano System to Ruperts Bay in St Helena includes the Branch, Cable Landing Station, Terminal facilities and Outside Plant. On 29 August 2021, the St Helena branch of the Equiano Subsea Cable was landed at Ruperts Beach. Following the landing at St Helena, the branch will be attached to the main trunk of the cable connecting Europe and South Africa. The indicative timeline for the Equiano Cable Project suggests that it will be ready for service in the 2023/24 reporting year; commissioning of the Cable Landing Station at Ruperts Bay is due in June 2023.

Construction costs for the St Helena Fibre Optic Cable totalling £13.5m are included within Assets under Construction in Note 10.8.12, comprising £9.0m in 2021/22 and £4.5m as at 31 March 2021. The asset under construction has initially been valued at cost as it is deemed to be acquired through an exchange transaction on the basis that SHG made payment to the contractor.

The Branch includes four fibre pairs, two of which are designated to Google. SHG retains all of its right, title and interest on the designated fibre pairs and Google has exclusive possession, use, control and is the equitable owner. Management has considered and concluded that it is impracticable to determine the cost of the fibre pairs designated to Google to exclude these costs from the cost of the asset under construction which will be controlled by St Helena. These costs are interlinked within project components and billing milestones in the Equiano St Helena Branch Agreement and as such costs pertaining to the fibre pairs cannot be separately identified. These costs are therefore included in full in the cost of assets under construction. A further management judgement is required to determine the proportion of the contract price which should be derecognised at each reporting date during the period of construction. Further consideration will be given to the value of the Fibre Optic Cable Project when the asset is fully operational.

10.8.10 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.

10.8.11 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, the items listed in the table below were determined to be impaired at the end of 2021/22. The carrying amount of the assets impaired was £79k. The total amount was impaired and has been charged to the Statement of Financial Performance.

Asset Description	Asset Category	Book Value £000	Reason for impairment
Nano Fix Geo GPS Loggers x3	Equipment	1	Equipment deployed on Seabirds and unrecovered
Nano Fix Mini GPS Loggers x13	Equipment	3	Equipment deployed on Seabirds and unrecovered
Ford Transit Tipper Lorry (SHFC)	Motor Vehicles	10	Vehicle no longer in a good working condition.
Condenser and various machinery transferred from SHFC	Plant and Machinery	65	Condenser removed as part of building refurbishment. Other machinery deemed unusable and scrapped after STC take over.

10.8.12 Movements in Property, Plant & Equipment

2021/22	Land & Buildings £000	Infrastructure £000	Infrastructure - Roads £000	Computer Hardware & Software £000	Other * £000	Service Concessions £000	Assets Under Construction £000	Totals £000
Cost								
Balance at 1 April 2021	44,402	19,719	20,026	1,749	14,631	112,287	82,907	295,721
Recategorisation	0	(9)	0	0	9	0	0	0
Additions	86	32	0	134	776	0	12,254	13,282
Transferred to completed assets	545	32	0	0	0	0	(577)	0
Disposals	(152)	(1)	0	0	(13)	0	0	(166)
Balance at 31 March 2022	44,881	19,773	20,026	1,883	15,403	112,287	94,584	308,837
Accumulated Depreciation & Impairment								
Balance at 1 April 2021	(1,182)	(2,608)	(2,802)	(1,102)	(9,794)	(10,724)	(1,077)	(29,289)
Recategorisation	0	9	0	0	(9)	0	0	0
Charge for year	(1,111)	(477)	(984)	(233)	(859)	(2,735)	0	(6,399)
Impairment losses recognised in the Statement of Financial Performance	0	0	0	0	(79)	0	0	(79)
Disposals	14	2	0	0	13	0	0	29
Balance at 31 March 2022	(2,279)	(3,074)	(3,786)	(1,335)	(10,728)	(13,459)	(1,077)	(35,738)
Net Book Value at 31 March 2022	42,602	16,699	16,240	548	4,675	98,828	93,507	273,099

2020/21	Land & Buildings £000	Infrastructure £000	Infrastructure - Roads £000	Computer Hardware & Software £000	Other £000	Service Concessions £000	Assets Under Construction £000	Totals £000
Cost								
Balance at 1 April 2020 (Restated)	43,240	15,836	19,989	1,498	14,043	112,287	79,782	286,675
Recategorisation	0	(55)	37	0	18	0	0	0
Additions	39	112	0	251	646	0	8,136	9,184
Transferred to completed assets	1,185	3,826	0	0	0	0	(5,011)	0
Disposals	(62)	0	0	0	(76)	0	0	(138)
Balance at 31 March 2021	44,402	19,719	20,026	1,749	14,631	112,287	82,907	295,721
Accumulated Depreciation & Impairment								
Balance at 1 April 2020	(65)	(2,213)	(1,806)	(892)	(9,024)	(7,819)	(1,077)	(22,896)
Recategorisation	(21)	12	(12)	0	21	0	0	0
Charge for year	(1,096)	(425)	(984)	(210)	(842)	(2,905)	0	(6,462)
Impairment losses recognised in the Statement of Financial Performance	0	0	0	0	(5)	0	0	(5)
Disposals	0	18	0	0	56	0	0	74
Balance at 31 March 2021	(1,182)	(2,608)	(2,802)	(1,102)	(9,794)	(10,724)	(1,077)	(29,289)
Net Book Value at 31 March 2021	43,220	17,111	17,224	647	4,837	101,563	81,830	266,432

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 cost is amortised over its useful life to the relevant service area in the Statement of Financial Performance. IPSAS 31 *Intangible Assets* states that SHG must disclose the gross carrying amount of fully amortised assets that are still in use. There were 12 fully amortised intangible assets still in use at 31 March 2022 with a gross carrying amount of £105k (10 assets at 31 March 2021 at £73k). 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 life 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.

	31 March 2022 £000	31 March 2021 £000
Balance at 1 April		
Cost	386	264
Amortisation	(176)	(135)
Additions	35	122
Amortisation for the period	(58)	(41)
Net Carrying Amount at 31 March	187	210
Comprising:		
Gross Carrying Amounts	421	386
Accumulated Amortisation	(234)	(176)
	187	210

10.10 Leases

SHG has not entered into any lease agreements with a third party to lease any assets of property, plant or equipment with the exception of a notional lease with the Saints Tuna Corporation. 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.

	2021/22		2020/21	
	Annual lease payments £000	Number of Leases	Annual lease payments £000	Number of Leases
Residential leases	30	133	29	127
Commercial leases	41	50	34	43
Non-operational leases	39	57	39	52
	110	240	102	222

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 and the Prison. Deposits are released when the monies become payable or when certain contractual services are delivered.

	31 March 2022 £000	31 March 2021 £000
Deposits:		
Bank of St Helena Ltd	1	0
Other	76	94
	77	94
Income Received in Advance:		
Income Tax	128	640
Grant Funding	1,282	873
	1,410	1,513
Other Payables		
Fuel Rebates	74	0
	74	0
	1,561	1,607

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 however an interest free bank overdraft facility is operated with the Bank of St Helena as disclosed in Note 10.1.

10.12.1 Amounts payable within one year

	31 March 2022 £000	31 March 2021 £000
Payables:		
Trade Payables	105	872
Currency Fund	656	0
Defined Contribution Pension Liability	575	328
Other Payables	18	41
	<u>1,354</u>	<u>1,241</u>
Accruals:		
Staff Benefits	1,146	1,217
Other	2,788	1,984
	<u>3,934</u>	<u>3,201</u>
Income Received in Advance:		
Other	0	30
	<u>0</u>	<u>30</u>
	<u>5,288</u>	<u>4,472</u>

10.12.2 Amounts payable after one year

	31 March 2022 £000	31 March 2021 £000
Payables:		
Trade Payables	6	8
	<u>6</u>	<u>8</u>

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 15 years. In another case where the Court has determined that a care package must be provided, it has been assumed that payments will be made over the normal life expectancy for the gender of the plaintiff based upon the demographic assumptions in Note 10.14.2.2.2 Demographic Assumptions. The costs for both cases have been discounted using the rate on the FTSE Actuaries UK Gilts Index (20 year duration). The discount rate used is 1.8% per annum.

The provision for expected decommissioning costs of the Bulk Fuel Installation has been determined on the basis of a scope of works for the BFI decommissioning prepared by SHG's Project Management Unit (PMU) in 2018. The provision estimates the future expected decommissioning costs on the decommissioning date by adjusting the original calculation by an average global inflation rate and then discounting back to the present value using a risk free discount rate of 1.8% per annum.

Provision has been made for overseas medical treatment expenses for patients who have been referred to South Africa and the United Kingdom, and for whom invoices have not been received to confirm the amounts payable at the year end. The provision has been determined by the Health and Social Care Directorate based upon a combination of quotations provided by service providers prior to the approval of medical services and historical costs for medical procedures and treatment plans.

	Short-term £000	Long-term £000	Total £000
Balance at 31 March 2021	791	5,202	5,993
Provisions recognised	31	776	807
Provisions released	(147)	(28)	(175)
Transfers between short-term and long-term	(614)	614	0
Balance at 31 March 2022	61	6,564	6,625
Litigation claims	61	2,680	2,741
BFI Decommissioning	0	3,671	3,671
Overseas Medical Treatment	0	213	213
	61	6,564	6,625

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 2021/22 was £0.720m (2020/21 £0.705m). As at 31 March 2022 SHG held £0.575m of pension contributions on behalf of employees which was due to be transferred to the MiSaint Pension Scheme (31 March 2021 £0.328m). This liability is recorded on Note 10.12 Payables from Exchange Transactions.

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 roll-forward valuation of the Actuarial Pension Liability was obtained for 2021/22. Prior to this, the last full valuation was performed on 31 March 2020. 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:

	2021/22	2020/21
	£000	£000
Balance at 1 April	74,728	86,062
Movement in the year due to:		
Current service cost	1,701	1,966
Past service cost		
Interest cost	1,049	690
Expense for year	2,750	2,656
Pension benefits paid	(1,307)	(1,468)
Actuarial pension valuation movement	1,443	1,188
Included in the Statement of Changes in Net Assets		
Changes in financial assumptions	(10,785)	(10,818)
Actuarial (gains)/losses	(1,566)	(1,704)
Balance at 31 March	63,820	74,728

The decrease in pension liability is largely attributed to the item 'Changes in financial assumptions' a gain of £10.785m. This arose primarily from the increase in the discount rate to 1.8% in 2021/22 from 1.4% - 2020/21, as interest rates increase the discount rate used in the calculation of the pension valuation increases which causes a decrease in the present value of SHG's liability.

Current service cost are the estimated cost of benefits accrued during 2021-22 financial year based on the overall amount of pensionable salary paid during the 12-month period ending 31 March 2022. Interest cost refers to the annual interest accrued on the opening balance of the pension obligation. Actuarial gains relate to experience gains of £1.566m. Experience gains include a gain arising from overall salaries increasing by less than the long-term assumption for earnings increases and no increases in pensions being awarded in 2021-22.

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.

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

	31 March 2022 £000	31 March 2021 £000	31 March 2020 £000	31 March 2019 £000	31 March 2018 £000
Statement of Financial Position:					
Actuarial Pension Liability	63,820	74,728	86,062	71,612	68,776
Statement of Changes in Net Assets:					
Experience (Gains)/Losses Arising on Scheme Liabilities	(1,566)	(1,704)	6,090	(2,288)	(390)
Changes in financial assumptions	(10,785)	(10,818)	9,734	3,454	1,607
Changes in demographic assumptions	0	0	(5,703)	0	0
Net Actuarial (Gain)/Loss on Scheme Liabilities	(12,351)	(12,522)	10,121	1,166	1,217

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 2022:

Assumption	31 March 2022 % a year	31 March 2021 % a year	31 March 2020 % a year
Rate of return (discount rate)	1.8	1.4	0.8
Rate of pay inflation	3.5	3.5	3.5
Rate of pension increases	2.75	3.25	3.25
Rate of increase in deferred pensions:			
Pre 1 April 2012 leavers	0.0	0.1	0.0
Post 31 March 2012 leavers	2.75	3.3	3.25
Rate of Return in excess of:			
General pay increases	-1.7	-2.1	-2.7
Pension increases	-0.95	-1.9	-2.45
Deferred pensions:			
Pre 1 April 2012 leavers	1.8	1.4	0.8
Post 31 March 2012 leavers	-0.95	-1.9	-2.45

Given there is no market in St Helena in either government bonds or high quality corporate bonds the discount rate of 1.8% 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 2022 was 1.8% pa (1.4% 31 March 2021).

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 2022		31 March 2021	
	Men (years)	Women (years)	Men (years)	Women (years)
Current Pensioners	19.6	22.8	19.5	22.7
Active Members	20.8	23.9	20.7	23.9

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 2022 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	+2.4	+1.542
Rate of pensions increase and revaluation in deferment 0.5% a year higher	+7.1	+4.503
Discount rate 0.5% a year lower	+11.3	+7.196
Pensioner mortality		
Each pensioner assumed to be subject to the longevity of an individual 1 year younger	+4.8	+3.032

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.

10.15.1 The Consolidated Fund

	Note	31 March 2022 £000	31 March 2021 £000
Consolidated Fund			
General Reserve	10.15.1.1	8,603	9,660
Capital Reserve	10.15.1.2	81,735	71,635
Revaluation Reserve	10.15.1.3	6,442	6,442
Pension Reserve	10.15.1.4	(63,820)	(74,728)
Investments in Subsidiaries Reserve	10.15.1.5	31,970	32,049
Aid Funded Infrastructure Reserve	10.15.1.6	185,354	188,824
Donated Asset Reserve	10.15.1.7	247	177
Litigation Reserve	10.15.1.8	(3,765)	(3,048)
		246,766	231,011
Special Funds			
Projects	10.15.2.1	789	9,667
Trading Accounts	10.15.2.2	1,229	891
Other Funds	10.15.2.3	885	848
		2,903	11,406

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 2022 £000	31 March 2021 £000
Balance at 1 April	9,660	7,351
Surplus/ (Deficit) for the Period	6,610	10,635
Use of General Reserve to Finance Payment of Pension Benefits	(1,307)	(1,468)
Use of General Reserve to Finance Capital Expenditure	(1,020)	(973)
Recharges	(556)	(630)
Transfers between reserves - Appropriated	(4,169)	(5,250)
Transfers between reserves – Inter-Entity Eliminations	(411)	0
Gain/(Loss) on Financial Assets	(204)	(5)
Balance at 31 March	8,603	9,660

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.

	£000	£000
Balance at 1 April	71,635	65,427
Use of General Reserve to finance capital expenditure	1,020	973
Use of Special Funds to finance capital expenditure	12,166	7,994
Depreciation charged on non-current assets	(2,887)	(2,761)
Impairments of non-current assets	(79)	(5)
Disposal of Non-current Assets	(112)	(11)
Other movements	(8)	0
Removal of Revaluation Reserve for Disposed Assets	0	18
Balance at 31 March	81,735	71,635

10.15.1.3 Revaluation Reserve

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

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

	31 March 2022 £000	31 March 2021 £000
Balance at 1 April	6,442	6,460
Revaluation reserve used for disposed assets	0	(18)
Balance at 31 March	6,442	6,442

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 2022	31 March 2021
	£000	£000
Balance at 1 April	(74,728)	(86,062)
Current service cost	(1,701)	(1,966)
Interest cost	(1,049)	(690)
Use of General Reserve to finance payment of pension benefits	1,307	1,468
Changes in financial assumptions	10,785	10,818
Actuarial gains/(losses)	1,566	1,704
Balance at 31 March	(63,820)	(74,728)

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 2022	31 March 2021
	£000	£000
Balance at 1 April	32,049	32,055
Share of Profit/(Loss) of Subsidiaries	(79)	(6)
Balance at 31 March	31,970	32,049

10.15.1.6 Aid Funded Infrastructure Reserve

This reserve was established to represent FCDO 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 2022	31 March 2021
	£000	£000
Balance at 1 April	188,824	192,444
Depreciation charged on Non-Current Assets	(3,470)	(3,620)
Balance at 31 March	185,354	188,824

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 2022	31 March 2021
	£000	£000
Balance at 1 April	177	133
Non-Exchange Donated Asset Funding	101	92
Depreciation charged on Non-Current Assets	(31)	(48)
Balance at 31 March	247	177

10.15.1.8 Litigation Reserve

This reserve exists to account for unresolved litigation claims currently under review by the Attorney General and provisions for claims which are settled subsequent to the reporting period. The balance will change each year when notification of new claims is received or provisions are released. Provisions are released when cases are closed. The provision for a case which is closed without an agreement to make a settlement payment, will either be released in the financial year in which the provision was made, if the financial statements have not been issued, or in the next earliest financial reporting period. When settlement payments are agreed, provisions will be released from this reserve in the financial year in which the settlement payment is due, to correspond with the financing of the payment from the General Reserve.

	31 March 2022	31 March 2021
	£000	£000
Balance at 1 April	(3,048)	(3,274)
New claims arising	(948)	(135)
Provisions released	231	361
Balance at 31 March	(3,765)	(3,048)

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

	FCDO Projects £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 2020	(765)	12,052	111	16	6	0	11,420
Funds Received	3,881	2,792	0	21	224	1,208	8,126
Funds Applied	(1,508)	(18)	0	(21)	(164)	(704)	(2,415)
Funds Applied to Finance Capital Expenditure	(2,351)	(4,568)	0	0	(6)	(488)	(7,413)
Recharges	(2)	(3)	0	0	0	(2)	(7)
Transfers between reserves	0	0	0	0	(44)	0	(44)
Balance at 31 March 2021	(745)	10,255	111	16	16	14	9,667
Funds Received	2,874	510	0	16	202	803	4,405
Funds Applied	(489)	(341)	0	(21)	(173)	(502)	(1,526)
Funds Applied to Finance Capital Expenditure	(2,398)	(9,012)	0	0	0	(290)	(11,700)
Recharges	(6)	(7)	0	0	(25)	(19)	(57)
Balance at 31 March 2022	(764)	1,405	111	11	20	6	789

10.15.2.2 Special Funds - Trading Accounts

	IT Trading Account £000	Transport 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 2020	450	850	(405)	28	(1,595)	356	2	(314)
Funds Received	3	78	136	231	3,090	29	64	3,631
Funds Applied	(193)	2	(271)	(160)	(4,311)	(2,962)	(67)	(7,962)
Funds Applied to Finance Capital Expenditure	(339)	(69)	0	(3)	0	0	0	(411)
Recharges	26	525	143	(52)	0	0	(7)	635
Transfers between reserves	467	(5)	641	(2)	1,216	2,938	40	5,295
Other Movements	0	0	0	0	17	0	0	17
Balance at 31 March 2021	414	1,381	244	42	(1,583)	361	32	891
Funds Received	20	21	11	322	3,362	36	36	3,808
Funds Applied	(16)	12	(300)	(113)	(5,039)	(2,798)	(60)	(8,314)
Funds Applied to Finance Capital Expenditure	(169)	(180)	0	0	0	0	0	(349)
Recharges	95	421	171	(69)	0	0	(5)	613
Transfers between reserves - Appropriated	229	0	0	0	1,100	2,808	32	4,169
Transfers between reserves – Inter-Entity Eliminations	(31)	2	110	0	329	0	1	411
Balance at 31 March 2022	542	1,657	236	182	(1,831)	407	36	1,229

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 2020	460	89	385	31	965
Funds Received	8	14	44	6	72
Funds Applied	0	0	(21)	0	(21)
Funds Applied to Finance Capital Expenditure	0	0	(172)	0	(172)
Transfers between reserves	0	0	4	0	4
Balance at 31 March 2021	468	103	240	37	848
Funds Received	0	10	157	5	172
Funds Applied	0	0	(18)	0	(18)
Funds Applied to Finance Capital Expenditure	0	0	(117)	0	(117)
Balance at 31 March 2022	468	113	262	42	885

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 2022		31 March 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial assets:				
Available for Sale Financial Assets	9,801	9,801	16,592	16,592
Receivables from exchange transactions	2,223	2,223	1,764	1,764
Cash and cash equivalents	5,338	5,338	6,440	6,440
Other Financial Assets	418	418	494	494
	17,780	17,780	25,290	25,290
Financial liabilities:				
Payables from exchange transactions	5,294	5,294	4,152	4,152
	5,294	5,294	4,152	4,152

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 in surplus/deficit through the Statement of Financial Performance. Interest earned on these funds is recognised in the General Reserve of 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 2022 £000	31 March 2021 £000
Available for Sale Financial Assets	Level 1	Unadjusted quoted prices in active market for identical product	9,801	16,592
			9,801	16,592

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 2022 £000	31 March 2021 £000
Investments	9,801	16,592
Receivables from exchange transactions	2,223	1,893
Cash and cash equivalents	5,338	6,440
	17,362	24,925

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 held at 31 March 2022 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 £1,293m (31 March 2021 £1.042m).

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.

As a matter of policy SHG always aim 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 2022, SHG had £0.138m of creditors due to be paid within 30 days. This included £0.044m of creditors payable by the BFI (31 March 2021 £0.872m of which BFI was £0.459m).

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 liquidity risk if St Helena Hotel Development Ltd default on their contractual obligations of the £1,000,000 loan. The loan between St Helena Hotel Development Ltd and the Bank of St Helena for which SHG has provided a guarantee matures on 1 November 2026.

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
2021/22		
South African Rand	+5%	£521
	-5%	-£576
US Dollar	+5%	£35
	-5%	-£38
2020/21		
South African Rand	+5%	£3,529
	-5%	-£3,901
US Dollar	+5%	£105
	-5%	-£116

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 2022, the value of investments held was £9.8m (31 March 2021 £16.592m). Total interest earned by SHG on cash surpluses during 2021/22 was £0.112m (2020/21 £0.72m). 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. FCDO Ministers have agreed a Business Case for a two year Financial Aid Programme covering the period April 2023 to March 2025. The current financial aid settlement covers the financial year 2023/24 and whilst the financial aid package for 2024/25 has not been confirmed, SHG has been advised to plan on the basis that the financial aid package will be the same as that awarded for 2023/24. On this basis, management has concluded that SHG can continue to operate without significant curtailment of services through to June 2024, one calendar year after the sign off of these financial statements.

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 IPSASs, amendments and interpretations that are, or will be, applicable to SHG after the accounting period.

IPSAS 41 Financial Instruments which was approved in August 2018 will be effective for financial periods beginning on or after 1 January 2022; this replaces IPSAS 29. SHG has not early adopted the standard and plans to implement it for the year beginning 01 April 2022.

The main changes brought about by the standard are:

- New financial asset classification requirements, selection and measurement categories will now depend on the entity's management model and nature of contractual cashflows.
- A new impairment model for financial assets based on expected credit losses, which may result in earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

SHG does not expect significant changes when the standard is adopted for the classification of its two main financial assets namely receivables and current investments. Receivables are mostly short-term and will remain carried at cost. Investments are currently held as available for sale, this is expected to change to fair value through other comprehensive revenue or expenses in line with SHG's management model of holding investments to maturity.

When the new expected credit losses impairment model is applied there is an expectation that impairment losses will increase as allowance for losses will now have to include receivables other than those with observable evidence of impairment. The full impact of the change is currently unknown.

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 Foreign, Commonwealth & Development Office (FCDO). FCDO Grant in Aid in 2021/22 totalled £28.790 million (2020/21 £26.990 million), which equated to 73% of SHG's total revenue (excluding FCDO and Other Development Aid, Movements in Non-current Investments, Non-exchange FCDO 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 2022:

Bank of Saint Helena Ltd, St Helena Currency Fund, Solomon & Company (St Helena) PLC. Connect St Helena Ltd, St Helena Hotel Development Ltd, St Helena Airport Ltd, St Helena Line Ltd, St Helena Fisheries Corporation and Enterprise St Helena the last three entities are currently being liquidated.

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 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.

St. Helena moved from a committee system of government to a ministerial system during 2021/22; a revised remuneration system was also implemented at the same time.

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	£281,525 (2020/21 £216,200)
Number of persons	12 persons (2020/21 12 persons)

Elected members are eligible to join the MiSaint pension scheme into which SHG makes monthly pension contributions. Aggregate remuneration for Elected Members above includes pension contributions of £36,721 (2020/21 £28,200).

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

Aggregate remuneration	£257,375 (2020/21 £254,875)
Number of persons	3 persons (2020/21 3 persons)

Aggregate remuneration for the senior SHG officials above includes pension contributions of £16,875 (2020/21 £16,875). One official is in the Defined Benefit Pension Scheme, the scheme is unfunded as such no pension contributions are paid by SHG into the scheme. The official will receive their pension from SHG upon retirement.

Some senior SHG officials are entitled to allowances, however these are considered to be reimbursement of expenses and not remuneration and have not been included in the amount above.

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	£161,677.78 (2020/21 £106,611)
Aggregate pensions	£15,179.46 (2020/21 £9,328)
Number of persons	11 persons (2020/21 8 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 2021/22, 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.

Termination benefits were paid to one person for less than a thousand pounds in the year ending 31 March 2022. (There were no termination benefits paid out for the year ending 31 March 2021)

11.6 Capital Commitments

St Helena Fibre Optic Cable Project

Note 10.8.9 St Helena Fibre Optic Cable Project discloses that this project which was under construction as at 31 March 2022 and is financed through the 11th European Development Fund. As at 31 March 2022, £14.6m had been received in grant funding in comparison with total expenditure of £13.8m. £0.8m of the Special Funds - EDF Project balance as at 31 March 2022 is therefore committed for this project.

Based on the current plan of works the project will be completed during the 2023/24 financial year. The total funding allocated under the 11th European Development Fund is £22.1m. Additional funding will be released as expenditure is incurred and funding milestones are met.

Economic Development Investment Programme

In April 2019, His Majesty's Government (HMG) approved a £30m Economic Development Investment Programme (EDIP), with the overall objective to 'support economic development in St Helena through enhanced dialogue on policy reforms, infrastructure development and harnessing

private investment opportunities. The £30m investment is split into 2 phases. £15m is committed for the first phase of the programme which is due to be delivered from 2019/20 to 2022/23. The remaining £15m is indicatively planned for the financial years 2023/24 to 2025/26.

Grant funding is released on a reimbursement basis, following submission of quarterly expenditure claims. As at 31 March 2022, grant funding received totalled £8m, £23k of which was received in advance of the recognition of expenditure. The grant funding received in advance is committed for prepayments made in 2021/22 which will be expensed in 2022/23.

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).

The Ground Based Augmentation System (GBAS) installed at the St Helena Airport in 2015 has not been commissioned for use due to certification difficulties. SHG now intends to sell the GBAS with a view to recovering some or all of its original investment. The intended sale suggests a possible inflow of economic benefits however this is not wholly within the control of SHG as this is subject to a buyer being found.

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. The loan between St Helena Hotel Development Ltd and the Bank of St Helena for which SHG has provided a guarantee matures on the 1 November 2026.

As at 31 March 2022, 11 cases were raised against the Attorney General for SHG which were considered to be contingent liabilities. The settlement agreement for one medical negligence case is contingent on the implementation of agreed actions. At the time of reporting, agreed actions have not been fully implemented creating potential scope for an increase in settlement payments to £1m. Current costs pertaining to this case have been expensed and futures costs have been provided for in Note 10.13 Provisions. The remaining cases are potential liabilities which are yet to be pleaded and heard, they include: 5 medical negligence cases, 2 child protection cases, 1 constitutional case, 1 employment case and 1 other case.

11.8 Events after the Reporting Date

The financial statements were authorised for issue on 14 June 2023 by the Financial Secretary, Dax Richards. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

11.8.1 Adjusting events after 31 March 2022

11.8.1.1 Settlement Agreements

Basil Read Limited

In April 2022, SHG signed an agreement to make a settlement payment to Basil Read Limited of £0.5m. Negotiations on a contractual dispute with Basil Read Limited, the company that was contracted to construct the St Helena Airport, were ongoing during 2021/22. The signing of the

agreement confirmed SHG's liability as at 31 March 2022 and the financial statements have been updated to disclose the liability. Payment was made on 4 May 2022.

The signing of the settlement agreement in April 2022 also confirmed that the debt owed by Basil Read Limited of £32k was irrecoverable. The financial statements have been updated to remove this balance from receivables as at 31 March 2022. On 20 March 2023, the Financial Secretary granted approval to write-off the debt.

Penspen

In September 2022, SHG signed an agreement accepting a settlement payment from Penspen Limited of £50k. Negotiations on a contractual dispute with Penspen Limited, the contractor for the fuel management contract, was ongoing during 2021/22.

The signing of the settlement agreement in September 2022 also confirmed that the debt owed by Penspen Limited of £94k was irrecoverable. The financial statements have been updated to remove this balance from receivables as at 31 March 2022. Arrangements are being made to obtain approval to write-off this debt.

11.8.2 Non-adjusting events after 31 March 2022

11.8.2.1 Transfer of Ownership agreement with Basil Read Limited

On 12 April 2022, SHG signed a Transfer of Ownership agreement with Basil Read Limited. The agreement transferred all of Basil Read Limited's rights, title and interest in Plant and Equipment for the St Helena Airport – Design, Build, Operate and Handback Contract to SHG. No adjustments have been made to these financial statements as title to these assets did not transfer until after the 31 March 2022 reporting date.

11.8.2.2 Bulk Fuel Installation Project

In August 2022, a way forward for the project was agreed. A consultant will undertake a further feasibility study and produce completion designs for the fuel systems. Construction and commissioning of the systems will commence thereafter. Current plans anticipate commencement of construction in the 2023/24 reporting year.

11.8.2.3 St Helena Fibre Optic Cable Project

During 2022/23, SHG signed contracts with American Manufactured Structure and Services (AMSS) and Maestro St Helena Ltd (Maestro), a company registered in St Helena, AMSS were contracted from October 2022 to December 2022 to survey the Cable Landing Station and provide training to local representatives. Maestro was contracted in November 2022 to design and build a fibre network across the Island. The handover to the new service provider, is scheduled to be completed by 31 December 2023. Funding for these contracts have been secured from the Economic Development Investment Programme. The total expenditure recorded for the period April 2022 to May 2023 is £2.2m.

11.8.2.4 Controlled Entities

St Helena Airport Limited

Commercial flights between Johannesburg and St Helena which recommenced on a bi-weekly basis from March 2022, increased to a weekly basis from 8 October 2022.

St Helena Hotel Development Limited

Mantis St Helena, which had temporarily closed in July 2020, re-opened on 15 October 2022.

St Helena Line Limited

As reported in Note 10.7 Discontinued Operations, St Helena Line Limited, the company that ran the RMS St Helena was fully dissolved on 1 May 2022. The dissolution did not result in any further financial transactions.

11.8.2.5 Subsequent Financial Periods

The financial year 2022/23 and two months of the financial year 2023/24 have passed.

The full financial aid allocation for the 2022/23 financial year of £31.79m was secured from the UK Government. Additional financial aid of up to £1.8m was supported by the UK Government in December 2022 for essential infrastructure assets. The financial aid settlement for the 2023/24 financial year of up to £33.06m was confirmed on 13 March 2023. The application of these sources of funding will be reported in the annual financial statements for 2022/23 and 2023/24.

During the 2022/23 financial year and April to May 2023 of the 2023/24 financial year, several contracts have been entered into to ensure business continuity for essential public services and progression of the national priorities and vision for Saint Helena. Significant contractual arrangements included the cargo shipping service which resulted in the commencement of a transshipment service in January 2023 for a period of one year and the extension of the contract for the provision of fuel management services to St Helena Airport for a two year period from November 2022.

At the date of issuing these financial statements, 5 cases were raised against the Attorney General for SHG which are considered to be potential liabilities with an estimated exposure of £338k. The cases which are yet to be pleaded and heard, include: 3 medical negligence cases, 1 employment case and 1 other case. SHG has also received notification of potential additional medical negligence claims which could result in active cases in 2023/24. On the basis that a letter of claim has not been presented for these cases, no provision has been estimated. Provision for litigation expenses are considered during the annual budget aid discussions with FCDO and ring fenced financial aid is included in the financial aid settlement.

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.

The Controlled Entities note to these Financial Statements sets out the nature of SHG's controlling interest in each of the controlled entities. SHG has a controlling interest in the following reporting entities as at 31 March 2022:

- 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 Airport Ltd and
- St Helena Fisheries Corporation.

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. SHG's net investment in the assets of SHFC were accumulated losses of £17k at 31 March 2022 (£17k at 21 March 2021). The Enterprise St Helena's ceased operating on 31 March 2021 and is also in the process of being wound up.

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 SHG would have adopted if dealing with the entities at arm's length in the same circumstances. Therefore, further information on these transactions have not been disclosed. The exceptions to this are that:

- SHG holds current accounts and cash deposits with the Bank of Saint Helena Ltd for which no interest is payable or receivable; no interest is received on funds deposited or payable on bank overdrafts. The closing balance of these accounts at the year-end can be seen in the Cash and Cash Equivalents note. SHG received a dividend of £47k from the bank during 2021/22.
- SHG provided Connect St Helena Ltd with a subsidy of £447k in 2021/22 (2020/21 £386k). This was to support their running operations. In addition, Connect St Helena Ltd received an £845k rebate of customs duties paid on fuel (2020/21 £737k), of which £73k was still to be paid at 31 March 2022 (£72k as 31 March 2021).

- 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 at 31 March 2022 SHG owed the Fund £656k this mostly relate to funds received on behalf of the fund towards the end of the financial year for royalties on coin sales.
- SHG provided St Helena Hotel Development Ltd (SHHDL) with a subsidy of £200k in 2021/22 (2020/21 £400k).
- SHG is also acting as Guarantor for 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 be required to cover the payments.
- 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 £2.8m in 2021/22 to provide services. The subsidy was not a fixed amount, but was given to SHAL based on expenditure and claims provided to SHG.
- 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 94.1% of shares in St Helena Hotel Development Ltd with Enterprise St Helena owning the remaining 5.87%. During 2021/22 SHG received £12K in dividends from Solomon & Company.

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.

12.1 Entities in which SHG holds an ownership interest

Entity	Controlling Interest	Financial Reporting Framework	Net Assets		Net Profit/(Loss)	
			31 March 2022	31 March 2021	31 March 2022	31 March 2021
			£000	£000	£000	£000
Bank of St Helena Ltd	Wholly owned. Board of Directors appointed by the Governor.	Financial Reporting Standard 102	7,333	6,907	472	189
Connect St Helena Ltd	Wholly owned. Non-executive membership of the Board.	Financial Reporting Standard 102	15,052	15,684	(632)	(137)
Solomon & Company (St Helena) Plc	Majority shareholder (62.9%)	Financial Reporting Standard 102	9,082	9,038	65	217
St Helena Hotel Development Ltd	Majority shareholder (94.13%)	Financial Reporting Standard 102	1,302	1,496	(194)	57
St Helena Airport Limited	Company limited by Guarantee. SHG is the sole member.	Financial Reporting Standard 102	360	300	60	50
St Helena Currency Fund	Commissioners appointed by the Governor.	International Public Sector Accounting Standards	1,461	1,234	227	110
Enterprise St Helena	Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis	827	827	121	121
			35,417	35,486	119	607



13.0 Statement of Trust Fund Movements for the year ended 31 March 2022

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 2020 £	Receipts in year £	Payments in year £	Balance at 31 March 2021 £	Receipts in year £	Payments in year £	Balance at 31 March 2022 £
Alexander Bequest Fund	1,357	40	(11)	1,386	11	(10)	1,387
Arnold Memorial Christmas Gift Fund	521	0	(0)	521	1	(0)	522
Arnold Memorial Hospital Trust Fund	7,008	138	(8)	7,138	7	(1)	7,144
Bain Gray Prize Trust Fund	1,396	1	(0)	1,397	3	(0)	1,400
Bovell Trust Fund	1,184	1	36	1,221	1	(0)	1,222
Eliza Mary Lloyd Trust Fund	5,775	623	(170)	6,228	624	(1,262)	5,590
Leslie & Ted Moss Trust Fund	2,599	2	(20)	2,581	3	(0)	2,584
Solomon's Trust Fund	12,848	798	(149)	13,497	144	(131)	13,510
Total	32,688	1,603	(322)	33,969	794	(1,404)	33,359

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.

Foreign, Commonwealth & Development Office (FCDO)

The Foreign, Commonwealth & Development Office 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 or loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and

Reserves

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

Revenue Expenditure

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

Statement of Financial Performance

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

Statement of Financial Position

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