



St Helena Government Financial Statements 2022/2023

Issue Date: 22 August 2024

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 2023.

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. The Governor chairs Executive Council but is not a voting member. 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. Ministers have executive responsibility of the portfolios to which they have been appointed by the Chief Minister. The Governor is therefore obliged to follow the advice of ministers in all decisions taken by Executive Council unless in his or her opinion the advice threatens non-compliance with the partnership values or the special responsibilities of the Governor set out in the constitution (with the exception of where these responsibilities have been delegated to a minister).

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 and Social Care;
- Education;
- Environment and Natural Resources management
- Land Planning
- Emergency Response services
- Border Control Services
- Access
- Crown Estates Management including housing and critical infrastructure.
- Treasury including local and international mail services

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 inform the UKG decision on a financial aid settlement.

Representatives from St Helena involved in discussions include the Ministers, Elected Members, senior SHG officials, the private sector and civil society organisations. For the financial year 2022/23 an aid settlement was agreed in March 2022.

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 2022, 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 2022. Financial performance against the approved budget is reported to Ministers and FCDO 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 2022/23 Financial Year

2022/23 remained a difficult year for St Helena. Highlights are provided below for matters that arose during the year.

On 8 August 2022, St Helena reopened its borders to enable free passage to and from the Island after over two years of quarantine restrictions and limited air access. This, combined with the reinstatement of weekly Airlink flights, the re-opening of the hotel on Main Street, successful marketing campaigns, and strong relationships maintained with key customers, increased visitor arrivals across all categories.

EDIP funded projects continued during the year with a total of £2.7m being spent out of the £4.5m that had been allocated for 2022/23 under the programme. The Rupert's Cargo Handling Facility project continues to progress, with steel frame buildings being erected and the main container yard also under construction. Alongside this, Side Path Road re-opened in December 2022 after being closed since September 2021. The road was closed to minimise health and safety risks whilst works were being undertaken to widen and resurface the road and improve the storm water drainage. These improvements mean that we now have a road base that we expect to last up to 40 years.

EDIP micro-project funding has been utilised to make a number of smaller but highly beneficial improvements across the Island. This includes multiple improvements to the Jamestown wharf, carrying out infrastructure improvements to some of the Island's Post Box walks, construction of bus shelters around the Island, repairs to Bishop's Bridge, construction of Maldivia parking area, and the installation of a public warning information system.

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 2023 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

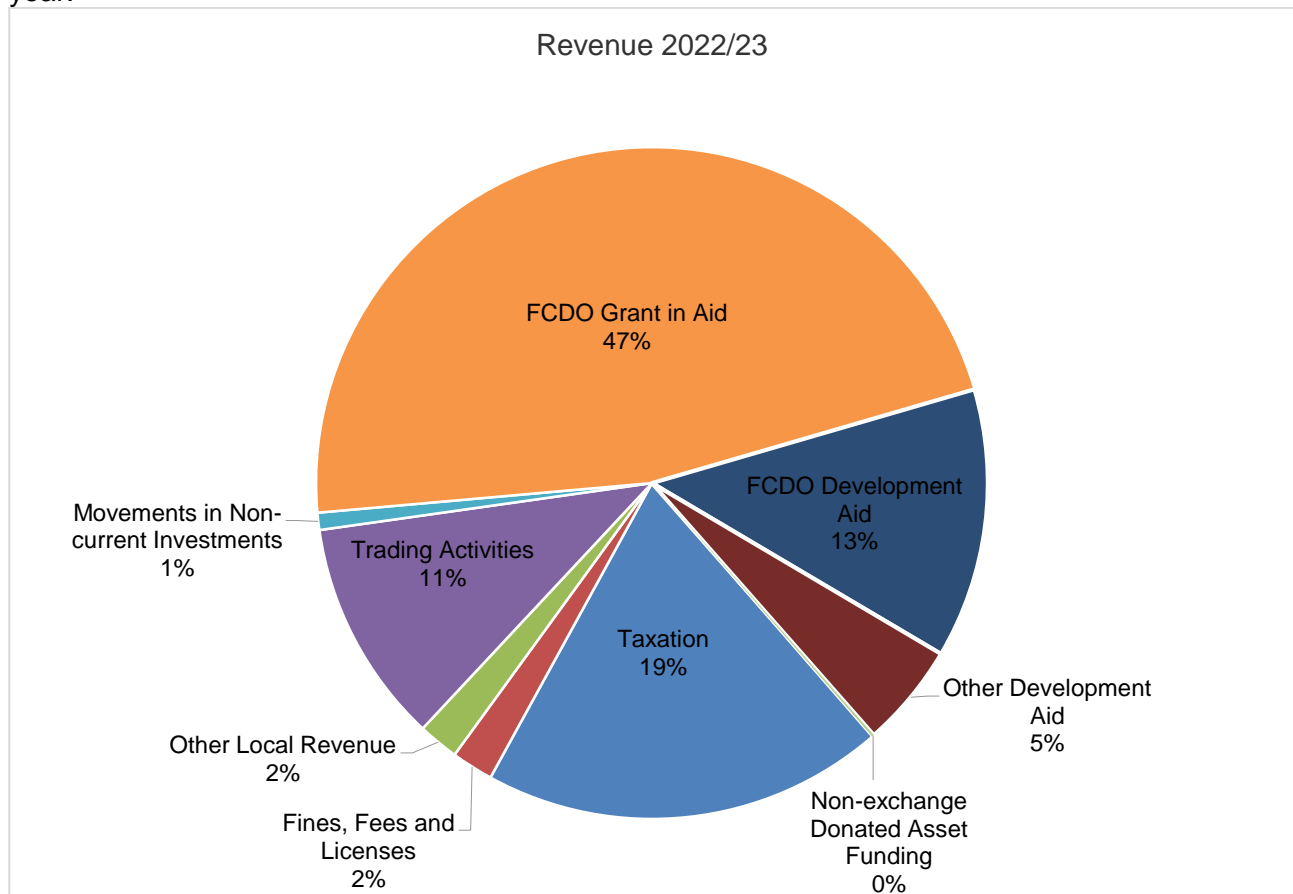
Total income for the 2022/23 financial year was £61.607m compared to £56.844m in 2021/22, an increase of £4.763m. The increase in income is mostly as a result of an increase in FCDO Development Aid and Other Development Aid amounting to £3.718m.

The increase in FCDO Development Aid is a result of the Essential Equipment funding of £1.7m used to purchase outboard engines for the sea rescue vessels, a Dry Chemical Powder Recirculation station for the St. Helena Airport Fire & Rescue Service, a new reach stacker for Port Operations, a slurry road paver and various equipment for the hospital and medical laboratory, the most notable being a 128 slice CT scanner. Increased FCDO Development Aid also funded the EDIP expenditure detailed in Note 1.2 above and the contract dispute settlement between SHG & Basil Read under the St. Helena Airport Project.

The main increase under Other Development Aid is attributed to the funding tranche received from the European Development Fund for the Fibre Optic Cable Project.

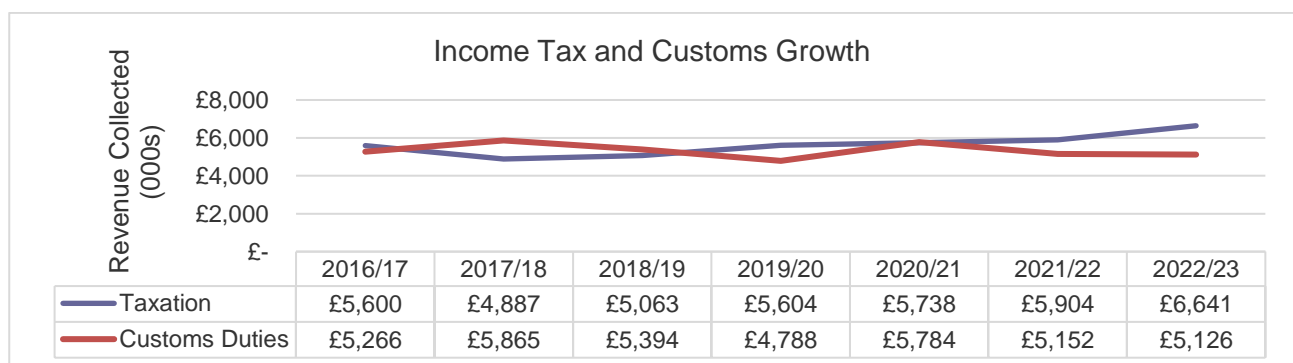
The statement of financial performance is grouped into exchange income and non-exchange income, non-exchange income which constitutes 85% of total revenue relates to funds received by SHG without it giving value in return, these include the FCDO Grant and Development Aid, Other Development Aid, Non-exchange Donated Assets Funding, Movements in Non-current Investments, Customs Duty and Income Tax. Total revenue from Non-exchange transactions was £52.499m (£48.312m in 2021/22). Exchange income was £9.108m (£8.532m in 2021/22) mainly earned from the sale of fuel through the Bulk Fuel Installation (BFI).

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 seven years.



The increase in Taxation revenue was mainly driven by an increase in Income Tax and Corporation Tax.

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

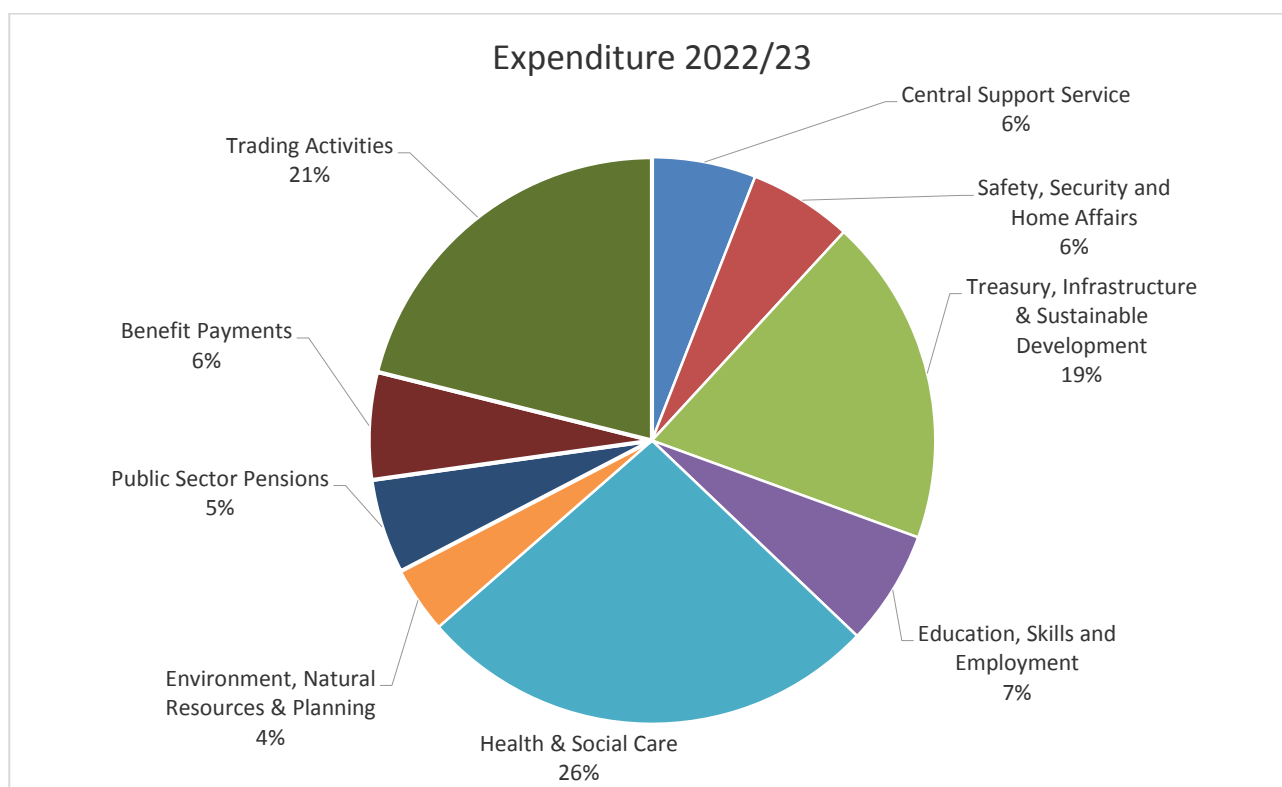
1.4.2 Expenditure

The Statement of Financial Performance shows that total expenditure in 2022/23 was £62.586m (£61.934m in 2021/22), an increase of £0.652m.

A breakdown of the total expenditure is provided in the table below.

	2022/23 £000	2021/22 £000	Increase/ (Decrease) £000	Increase/ Decrease %
<u>Increases</u>				
Supplies & Services Costs	13,279	11,028	2,251	20%
Payments to Other Agencies, Bodies or Persons	8,399	6,381	2,018	32%
Employee Costs	22,174	21,746	428	2%
Share of Loss of Subsidiaries	869	864	5	1%
Provisions Recognised for Doubtful Debts	371	371	0	0%
Sub Total	45,092	40,390	4,702	12%
<u>Decreases</u>				
Finance & Other Expenditure	2,020	5,204	(3,184)	-61%
Provisions Recognised/(Released)	390	716	(326)	-46%
Payment to Contractors	6,207	6,375	(168)	-3%
Administration Costs	1,410	1,559	(149)	-10%
Loss on Disposal of Non-current Assets	28	112	(84)	-75%
Impairment of Non-current Assets	0	79	(79)	-100%
Property Costs	888	927	(39)	-4%
Depreciation of Non-current Assets	6,435	6,456	(21)	0%
Transport & Plant Costs	116	116	0	0%
Sub Total	17,494	21,544	(4,050)	-19%
Total Expenditure	62,586	61,934	652	1%

The following chart shows how total expenditure in 2022/23 was distributed by Head of Expenditure:



1.4.3 Surplus or deficit

Overall the Statement of Financial Performance shows a Deficit (total expenditure exceeds total revenue) for 2022/23 of £0.979m (Deficit of £5.090m in 2021/22).

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.

	2022/23 £000	2021/22 £000
Revenue	61,607	56,844
Expenditure	62,586	61,934
Deficit	(979)	(5,090)

1.5 Statement of Financial Position

The Statement of Financial Position summarises the financial position of SHG at 31 March 2023 and shows that the net worth of SHG's assets and liabilities is £271.914m.

	31 March 2023 £000	31 March 2022 £000	Increase/ (Decrease) £000
Tangible and Intangible Assets owned	274,395	274,056	339
Cash Investments and Inventories	46,416	50,839	(4,423)
Pension Liabilities	(43,220)	(63,820)	20,600
Money SHG owes	(15,727)	(14,993)	(734)
Money SHG is owed	10,050	4,357	5,693
Net Worth of SHG at 31 March	271,914	250,439	21,475

- The value of tangible and intangible assets owned has increased by £0.339m. The table below contains a summary of the movement.

	Tangible Assets £000	Intangible Assets £000
Net Book Value as at 31 March 2022	273,869	187
Additions	6,772	70
Disposals	(305)	-
Depreciation/ Amortisation charge for year	(6,355)	(61)
Depreciation on Disposals	218	-
Net movement in Net Book Value	330	9
Net Book Value as at 31 March 2023	274,199	196

- The value of cash, investments and inventories has decreased mainly as a result of cash spent to finance Capital Expenditure.
- The decrease in the pension liability is largely attributed to Changes in the assumptions (a gain of £20.926 million) arising from Changes in financial assumptions amounting to £19.792m and Changes in demographic assumptions amounting to £1.17m.
- The increase in Money SHG owes of £0.734m is mainly attributed to an increase in the Bank overdraft balance at the end of the year.
- Money owed to SHG increased mainly because of Grant funding due at the end of the year.

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 2023, the balance on the Consolidated Fund was £265.331m.

	Note	31 March 2023 £000	31 March 2022 £000
General Reserve	10.15.1.1	5,850	8,603
Capital Reserve	10.15.1.2	86,167	82,505
Revaluation Reserve	10.15.1.3	6,442	6,442
Pension Reserve	10.15.1.4	(43,221)	(63,820)
Investments in Subsidiaries Reserve	10.15.1.5	31,704	31,970
Aid Funded Infrastructure Reserve	10.15.1.6	182,264	185,354
Donated Asset Reserve	10.15.1.7	280	247
Litigation Reserve	10.15.1.8	(4,155)	(3,765)
		265,331	247,536

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 2023 the Statement of Changes in Net Assets/Reserves shows that the balance of Special Funds was £6.583m (£2.903m at 31 March 2022).

	Note	31 March 2023 £000	31 March 2022 £000
Projects	10.15.2.1	3,190	789
Trading Accounts	10.15.2.2	2,478	1,229
Other Funds	10.15.2.3	915	885
		6,583	2,903

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 by £2.831m during the 2022/23 financial year as more money was used to finance expenditure 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 2023 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 2023 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 £1.923m in 2022/23 (£1.798m in 2021/22). A total of £4.849m was spent on assets that were still under construction at 31 March 2023 (£12.254m in 2021/22).

1.10 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.

1.11 Looking forward

Note 11.9 of these financial statements provides details of material events that have occurred since the end of the 2022/23 financial year. These include:

- Implementation of the 2023/24 annual budget and agreement of the financial aid settlements for 2024/25 financial year;
- Progression of projects to deliver the vision for Saint Helena.

1.12 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 2022/23.

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



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 2023, 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 2023, 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 £15.599m at 31 March 2023 (2021/22: £13.543m) 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. Pharmacy Inventory

Pharmacy Inventory amounting to £0.842m is recognised in the statement of financial position. The accounting system recording the receipting and issuing of pharmacy inventory records all pharmacy inventory as being receipted and issued from one location whereas multiple physical locations exist wherein pharmacy inventory is stored. In these circumstances, I was unable to trace inventory selected from physical inventory on hand to final inventory count sheets. I have thus been unable to determine, even by alternative means, whether pharmacy inventory is complete at 31 March 2023.

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

Material Uncertainty Related to Going Concern

I draw attention to Note 11.2 in the financial statements which indicates that SHG is reliant on recurrent funding through UK grant-in-aid for the continued operation of public services in St Helena. Whilst the Government of the United Kingdom, through the Foreign, Commonwealth & Development Office (FCDO) has a responsibility to meet the reasonable assistance needs of St Helena the level of financial support for the final year to 31 March 2026 has yet to be formalised.

In the absence of sufficient grant-in-aid and with limited usable reserves SHG would not be in a position to meet its liabilities as they fall due within the foreseeable future without significant curtailment of services. As stated in Note 11.2 these circumstances indicate that a material uncertainty exists which may cast doubt on SHG's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Emphasis of Matters

1. 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.

2. Material Uncertainty Related to the Fibre Network

I draw attention to Note 10.8.9.2 in the financial statements which highlights the significant estimation uncertainty associated with the new Fibre Network which is carried at a cost of £0.679m and included within assets under construction in Note 10.8.12. The note details that works on the project was halted during the 2023/24 financial year which has resulted in uncertainty as to the future use of designs and equipment on this project. Accordingly, management has not been able to determine whether these construction costs should be impaired, in accordance with IPSAS 21, at 31 March 2023. 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.

As explained in note 10.14.2 the present value of the Defined Benefit Pension Fund liability was calculated by the UK Government Actuary's Department. Note 10.14 discloses that the results of any actuarial valuation are inherently uncertain because of the assumptions that are made whilst performing the valuation. The uncertainty inherent in these varied assumptions together with the magnitude of the liability at 31 March 2023 resulted in this matter being one of most significance during the audit.

I applied specific audit procedures to address the identified significant risk which included reviewing the assumptions used in the valuation, ensuring the completeness of data provided to the actuary and assessing the reasonableness of the roll forward methodology used by the actuary via recalculation procedures.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Auditor's Other Responsibilities arising from Law and Regulation

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

Opinion on Regularity

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

Opinion on Other Matters Required by Statute

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



Brendon Hunt
Chief Auditor CA(SA)

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

22 August 2024

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 in 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

22 August 2024



4.0 Statement of Financial Performance for the year ended 31 March 2023

	Note	2022/23 £000	2021/22 £000
REVENUE	9.1		
Exchange Revenue			
Fines, Fees and Licenses		1,243	1,256
Other Local Revenue		1,207	3,468
Trading Activities		6,658	3,808
Total Exchange Revenue		9,108	8,532
Non-exchange Revenue			
Taxation		11,824	11,180
Movements in Non-current Investments		601	785
Proceeds from Discontinued Operations		0	72
FCDO Grant in Aid		28,909	28,790
FCDO Development Aid		8,013	5,854
Other Development Aid		3,090	1,531
Non-exchange Donated Asset Funding		62	100
Total Non-exchange Revenue		52,499	48,312
Total Revenue		61,607	56,844
EXPENDITURE	9.2		
Benefit Payments		3,809	3,581
Central Support Service		3,689	3,367
Education, Skills and Employment		4,076	4,281
Environment, Natural Resources & Planning		2,357	2,341
Health & Social Care		16,442	14,921
Public Sector Pensions		3,360	3,481
Safety, Security and Home Affairs		3,668	3,777
Trading Activities		13,114	11,778
Treasury, Infrastructure & Sustainable Development		12,071	14,407
Total Expenditure		62,586	61,934
SURPLUS/(DEFICIT) FOR THE PERIOD		(979)	(5,090)



5.0 Statement of Financial Position as at 31 March 2023

		31 March 2023	Restated 31 March 2022
	Note	£000	£000
ASSETS			
Current Assets			
Cash & Cash Equivalents	10.1	4,824	6,851
Investments	10.2.1	6,869	9,801
Receivables from Non-exchange Transactions	10.3	5,524	1,716
Receivables from Exchange Transactions	10.4.1	2,448	2,214
Inventories	10.5	3,019	2,216
Prepayments	10.6.1	2,076	417
Discontinued Operations		0	1
		<u>24,760</u>	<u>23,216</u>
Non-current Assets			
Non-current Investments	10.2.2	31,704	31,970
Receivables from Exchange Transactions	10.4.2	1	9
Prepayment	10.6.2	1	1
Property, Plant & Equipment	10.8	274,199	273,869
Intangible Assets	10.9	196	187
		<u>306,101</u>	<u>306,036</u>
Total Assets		<u>330,861</u>	<u>329,252</u>
LIABILITIES			
Current Liabilities			
Bank overdraft	10.1	2,317	1,513
Payables from Non-exchange Transactions	10.11	1,322	1,561
Payables from Exchange Transactions	10.12.1	5,179	5,288
Provisions	10.13	4	61
		<u>8,822</u>	<u>8,423</u>
Non-current Liabilities			
Payables from Exchange Transactions	10.12.2	5	6
Pension Liabilities	10.14	43,220	63,820
Provisions	10.13	6,900	6,564
		<u>50,125</u>	<u>70,390</u>
Total Liabilities		<u>58,947</u>	<u>78,813</u>
NET ASSETS		<u>271,914</u>	<u>250,439</u>
FUNDS AND RESERVES			
Consolidated Fund	10.15.1	265,331	247,536
Special Funds	10.15.2	6,583	2,903
		<u>271,914</u>	<u>250,439</u>



6.0 Statement of Changes in Net Assets/Reserves for the year ended 31 March 2023

	Consolidated Fund £000	Special Funds £000	Restated Total Reserves £000
Balance at 1 April 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 Losses	1,566	0	1,566
Pensions: Changes in Financial Assumptions	10,785	0	10,785
Recharges	(556)	556	0
Transfers between reserves	(4,580)	4,580	0
Other movements:	762	0	762
As previously recorded	(8)	0	(8)
Restatement	770	0	770
Balance at 31 March 2022	247,537	2,903	250,439
Surplus/(Deficit) for the Period	(4,912)	0	(4,912)
Funds Received	0	15,013	15,013
Funds Applied	0	(11,077)	(11,077)
Use of Funds to Finance Capital Expenditure	5,374	(5,374)	0
Actuarial Losses	834	0	834
Pensions: Changes in Financial Assumptions	19,792	0	19,792
Pensions: Changes in Demographic Assumptions	1,170	0	1,170
Recharges	(849)	849	0
Transfers between reserves	(4,238)	4,238	0
Other movements	623	32	655
Balance at 31 March 2023	265,331	6,583	271,914



7.0 Statement of Cash Flows for the year ended 31 March 2023

	Note	2022/23 £000	2021/22 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the Period		(979)	(5,090)
Interest Received	9.1	(238)	(131)
Dividend Received	9.1	(131)	(59)
<u>Non Cash Movements</u>			
Depreciation Charged on Non-current Assets	9.2	6,435	6,457
Impairment of Non-current Assets	9.2	0	79
Net (Gain)/Loss on Disposal of Non-current Assets	9.1, 9.2	6	110
Donated Asset Funding	9.1	(62)	(101)
Share of Net (Profit)/Loss of Subsidiaries	9.1, 9.2	266	79
Difference in Pensions Earned and Benefits Paid Relating to the Defined Benefit Pension Scheme	10.14	1,197	1,443
Movements in Working Capital			
(Increase)/Decrease in Receivables	10.3, 10.4	(4,034)	322
(Increase)/Decrease in Inventories	10.5	(819)	523
(Increase)/Decrease in Prepayments	10.6	(1,659)	75
Increase/(Decrease) in Payables	10.12	(349)	768
Increase/(Decrease) in Provisions	10.13	279	632
Net Cash Flows from Operating Activities		(88)	5,107
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend Received	9.1	131	59
Interest Received	9.1	238	131
Capital Expenditure		(6,163)	(13,215)
Proceeds from the Sale of Non-current Assets		119	25
(Increase)/Decrease in Investments		2,932	6,791
Net Cash Flows from Investing Activities		(2,743)	(6,209)
NET CASH FLOW FOR THE FINANCIAL YEAR		(2,831)	(1,102)
Cash & Cash Equivalents at 1 April		5,338	6,440
Net Cash Flows		(2,831)	(1,102)
Cash & Cash Equivalents at 31 March		2,507	5,338



8.0 Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2023

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 2023 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	10,401	10,882	10,755	18	18	18
Attorney General's Chambers	104	104	95	0	0	0
Safety, Security and Home Affairs	2,240	2,320	2,330	276	276	313
Judicial Services	148	148	128	25	25	53
Treasury	11,353	12,753	12,411	42,644	44,763	45,438
Education, Skills and Employment	3,606	3,606	3,501	1	1	16
Health	8,876	11,479	11,679	374	374	427
Environment, Natural Resources & Planning	1,667	1,667	1,598	117	117	121
	38,395	42,959	42,497	43,455	45,574	46,386

Appropriated

	Capital Expenditure		
	Original Budget £000	Final Budget £000	Actual £000
Safety, Security and Home Affairs	14	79	21
Treasury	559	559	557
Health	513	513	356
Environment, Natural Resources & Planning	0	0	14
	1,086	1,151	948

Non-appropriated	Recurrent Expenditure			Revenue		
	Original Budget £000	Final Budget £000	Actual £000	Original Budget £000	Final Budget £000	Actual £000
Pensions and Benefits	5,197	5,197	5,161	0	0	0
	5,197	5,197	5,161	0	0	0
TOTAL EXPENDITURE	44,678	49,307	48,606			

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 2022 to 31 March 2023.

The Appropriation Ordinance 2022, 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 2022. 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 2023 is presented below.

	Operating £000	Investing £000	Net Cash Flow £000
Surplus in Comparable Basis as Presented in the Budget and Actual Comparative Statement	3,889	(948)	2,941
Basis Differences	(8,515)	3,371	(5,144)
Entity Differences	4,538	(5,166)	(628)
Actual Amount in the Statement of Cash Flows	(88)	(2,743)	(2,831)

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 2022/23

	Consolidated Fund	Special Funds	Total
	£000	£000	£000
REVENUE			
Taxation	11,824	0	11,824
Fines, Fees and Licences	1,243	0	1,243
Other Local Revenue	1,075	132	1,207
Trading Activities	0	6,658	6,658
Movements in Non-current Investments	601	0	601
Proceeds from Discontinued Operations	0	0	0
FCDO Grant in Aid	28,909	0	28,909
FCDO Development Aid	2,881	5,132	8,013
Other Development Aid	0	3,090	3,090
Non-exchange Donated Asset Funding	62	0	62
Total Revenue	46,595	15,012	61,607
EXPENDITURE			
Central Support Service	3,651	38	3,689
Safety, Security and Home Affairs	3,581	87	3,668
Treasury, Infrastructure & Sustainable Development	11,855	216	12,071
Education, Skills and Employment	4,076	0	4,076
Health & Social Care	16,442	0	16,442
Environment, Natural Resources & Planning	1,632	725	2,357
Public Sector Pensions	3,360	0	3,360
Benefit Payments	3,809	0	3,809
Trading Activities	3,104	10,010	13,114
Total Expenditure	51,510	11,076	62,586
SURPLUS/(DEFICIT) FOR THE PERIOD	(4,915)	3,936	(979)

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 based on the actual annual self-assessment forms submitted to SHG by businesses and self-employed persons.

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.

	2022/23 £000	2021/22 £000
Exchange Revenue		
Fines, Fees and Licenses:		
Immigration Fees	44	23
Planning Fees	10	15
Other Fines, Fees and Licences	1,189	1,218
	<u>1,243</u>	<u>1,256</u>
Other Local Revenue:		
Earnings Government Departments	57	92
Interest Received	237	123
Other Treasury Receipts	156	5
Dividends Received	131	60
Profit on Disposal of Non-current Assets	22	0
Charter Flight Income	(11)	2,607
Other Income Received	616	583
	<u>1,208</u>	<u>3,468</u>
Trading Activities:		
Operating Revenue	6,651	3,786
Interest Received ¹	1	8
Other Income Received ¹	6	13
Profit on Disposal of Non-current Assets	0	2
	<u>6,658</u>	<u>3,808</u>
Total Exchange Revenue	<u>9,109</u>	<u>8,532</u>

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

Non-Exchange Revenue	2022/23 £000	2021/22 £000
Taxation:		
Income Tax (PAYE)	4,679	4,081
Self Employed Tax	302	277
Corporation Tax	1,154	1,049
Service Tax	480	471
Withholding Tax	26	26
Customs Duty - Alcohol	1,036	1,009
Customs Duty - Tobacco	1,057	917
Customs Duty - Petrol & Diesel	784	843
Other Customs Duties	2,249	2,383
Stamp Duty	57	123
	<u>11,824</u>	<u>11,179</u>
Movements in Non-current Investments:		
Share of Profit of Subsidiaries	601	785
	<u>601</u>	<u>785</u>
Proceeds from Discontinued Operations		
St Helena Line Limited	0	72
	<u>0</u>	<u>72</u>
FCDO Grant in Aid	28,909	28,790
FCDO Development Aid	8,013	5,854
Other Development Aid	3,090	1,531
Non-exchange Donated Asset Funding	62	101
	<u>40,074</u>	<u>36,276</u>
Total Non-Exchange Revenue	<u>52,499</u>	<u>48,312</u>
Total Revenue	<u>61,607</u>	<u>56,844</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.

The reduction in Employee Costs is a result of vacant staff positions which SHG was not able to fill during the year under review. These staff shortages adversely affected SHG's ability to provide services and to fulfil its mandate.

The fee for the audit of the 2022/23 financial statements is expected to be £102,920 (2021/22 £101,100). 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.

	2022/23	2021/22
	£000	£000
Employee Costs	22,174	21,746
Property Costs	888	927
Transport & Plant Costs	116	116
Supplies & Services Costs	13,279	11,028
Administration Costs	1,410	1,559
Payments to Other Agencies, Bodies or Persons	8,399	6,381
Finance & Other Expenditure	2,020	5,204
Payment to Contractors	6,207	6,375
Depreciation of Non-current Assets	6,435	6,456
Impairment of Non-current Assets	0	79
Loss on Disposal of Non-current Assets	28	112
Share of Loss of Subsidiaries	869	864
Provisions Recognised/(Released)	390	716
Provisions Recognised/(Released) for Doubtful Debts	371	371
Total Expenditure	62,586	61,934

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.

	2022/23	2021/22
	£000	£000
Benefit Payments:		
Basic Island Pension	2,802	2,765
Social Benefits	1,007	817
Unemployment Benefits	0	13
Better Life Allowance	260	217
	4,069	3,812

9.3 Comparison of Budget and Actual Amounts

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

	Original Budget £000	Supplementary Appropriations £000	Withdrawal Warrants £000	Special Warrants £000	Final Budget £000
Appropriated Recurrent Expenditure					
Central Support Service	10,401	481	0	0	10,882
Attorney General's Chambers	104	0	0	0	104
Safety, Security and Home Affairs	2,240	80	0	0	2,320
Judicial Services	148	0	0	0	148
Treasury	11,353	1,400	0	0	12,753
Education, Skills and Employment	3,606	0	0	0	3,606
Health	8,876	2,603	0	0	11,479
Environment, Natural Resources & Planning	1,667	0	0	0	1,667
	38,395	4,564	0	0	42,959
Appropriated Capital Expenditure					
Safety, Security and Home Affairs	14	65	0	0	79
Treasury	559	0	0	0	559
Health	513	0	0	0	513
	1,086	65	0	0	1,151
	39,481	4,629	0	0	44,110
Non-appropriated					
Pensions and Benefits	5,197	0	0	0	5,197

	Appropriated Expenditure			Revenue		
	Final Budget £000	Actual £000	Variation £000	Final Budget £000	Actual £000	Variation £000
Appropriated Recurrent Expenditure						
Central Support Service	10,882	10,755	127	18	18	0
Attorney General's Chambers	104	95	9	0	0	0
Safety, Security and Home Affairs	2,320	2,330	(10)	276	313	37
Judicial Services	148	128	20	25	53	28
Treasury, Infrastructure & Sustainable Development	12,753	12,411	342	44,763	45,438	675
Education, Skills and Employment	3,606	3,501	105	1	16	15
Health & Social Care	11,479	11,679	(200)	374	427	53
Environment, Natural Resources & Planning	1,667	1,598	69	117	121	4
	42,959	42,497	462	45,574	46,386	812
Appropriated Capital Expenditure						
Safety, Security and Home Affairs	79	21	58	0	0	0
Treasury	559	557	2	0	0	0
Health	513	356	157	0	0	0
Environment, Natural Resources & Planning	0	14	(14)	0	0	0
	1,151	948	203	0	0	0
Appropriated Total	44,110	43,445	665	45,574	46,386	812
Non-appropriated						
Pensions and Benefits	5,197	5,161	36	0	0	0
Total	49,307	48,606	701	45,574	46,386	812
Surplus / (Deficit)					(2,220)	

9.3.1 Revenue

Revenue had a positive variance largely because of the following:

- **Income Received**

- Revenue from the Internet Computer Bureau for the use of domain name.sh was more than budgeted;
- Funding received from the Napoleonic Bicentenary Trust Fund for the Jacob's ladder Rehabilitation Project; and
- Funding received from UK Health Security Agency for the exploitation strategy update.

- **Treasury Receipts**

- Increased return on investments: Interest and Dividends.

9.3.2 Recurrent Expenditure

- **Central Support Service (Underspend)**

- The full amount requested through supplementary appropriation for TC Posts was not utilised. Eight posts factored into the forecast were not filled when anticipated.

- **Attorney General's Chambers (Underspend)**

- Underspend as a result of Vacant Post of Assistant Crown Council.

- **Safety, Security and Home Affairs (Overspend)**

- A mechanical fault on the Sea Rescue tractor and trailer, identified during the MOT inspection required additional funding of £2k in order to ensure the Sea Rescue boats could be deployed in an emergency.
- The running costs of the prison; computer consumables and fuel exceeded what had been projected when requesting additional budget allocation through the third supplementary appropriation by £8k.

- **Judicial Services (Underspend)**

- The Chief Justice was not required to preside over Supreme Court sessions. This role was performed by the Chief Magistrate.

- **Treasury, Infrastructure and Sustainable Development (Underspend)**

The net underspend was a result of the following;

Underspends realised on:

- Connect St Helena subsidy for Fuel,
 - Sustainable Development Grants,
 - Audit Saint Helena fees due to delay in financial audits and decrease in VFM service provision,
 - Provision for supplementary appropriation to cover vacancy savings not required
 - Employee costs and Contract payments associated with Airport Operations
- Overspends were realised on Cargo Handling and Legal fees.

- **Health and Social Care (Overspend)**
 - The cost of overseas medical treatment both in terms of the number of patients and the complexity of those cases were greater than what had been projected when requesting additional budget allocation through the third supplementary appropriation.
 - In addition, an aero medical evacuation flight was activated on 31 March 2023 which had not been budgeted.
- **Environment, Natural Resources and Planning (Underspend)**
 - Six vacant posts resulting from freeze on recruitment
 - Agricultural contracts identified as savings in conjunction with the corporate budget requirement
 - Funding allocated for the construction of the donated animal handling facility at the St Helena Airport which has been reclassified as capital expenditure

9.3.3 Capital Expenditure

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

- **Safety, Security and Home Affairs (Underspend)**
 - The full amount awarded through supplementary appropriation for Sea Rescue boat engines was not utilised this financial year as alternate FCDO funding was secured through the essential equipment programme.
- **Health and Social Care (Underspend)**
 - Some of the upgrade works within the Health Directorate has been deferred to the next financial year.
- **Environment, Natural Resources & Planning (Overspend)**
 - Constriction of an animal handling facility at the St Helena Airport is covered by funding identified within the recurrent budget. The necessity to reclassify this expenditure was identified after the application for the third supplementary appropriation had been endorsed for consideration by the Legislative Council.

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.

	Central Support Service	Education, Skills and Employment	Health & Social Care	Environment, Natural Resources & Planning	Safety, Security and Home Affairs	Treasury, Infrastructure & Sustainable Development	Management Accounts	Not included in Management Accounts but included in Financial Statements	Included in Management Accounts but not included in Financial Statements	Unallocated Assets and Liabilities	Financial Statements
2022/23	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Segment Revenue:											
Revenue from External Sources	54	7	427	118	313	45,082	46,001	15,606	0		61,607
Inter-segment Transfers	17	9	0	3	0	356	385	0	(385)		0
Total Segment Revenue	71	16	427	121	313	45,438	46,386	15,606	(385)		61,607
Total Segment Expenditure	10,978	3,501	12,035	1,612	2,351	18,129	48,606	13,032	948		62,586
Surplus/(Deficit) for the Period	(10,907)	(3,485)	(11,608)	(1,491)	(2,038)	27,309	(2,220)	2,574	(1,333)		(979)

Other Information:

Segment Assets	8,731	3,711	8,088	585	3,954	231,632		74,160	330,861
Segment Liabilities	453	205	964	62	263	1,538		55,463	58,947
Costs to acquire Segment Assets	540	0	261	122	32	2,018		3,870	6,843
Impairments	0	0	0	0	0	0		0	0

SEGMENT ASSETS WORKINGS

	Central Support Service	Education, Skills and Employment	Health & Social Care	Environment, Natural Resources & Planning	Safety, Security and Home Affairs	Treasury, Infrastructure & Sustainable Development	Management Accounts	Not included in Management Accounts but included in Financial	Included in Management Accounts but not included in Financial	Unallocated Assets and Liabilities	Financial Statements
2022/23											
Cash & Cash Equivalents										4,824	4,824
Investments										6,869	6,869
Receivables from Non-exchange Transactions										5,524	5,524
Receivables from Exchange Transactions	0	0	(1)	0	0	0				2,450	2,449
Inventories	805	0	842	156	0	369				846	3,018
Other Financial Assets	96	16	831	27	697	407				3	2,078
Discontinued Operations										0	0
Non-Current Investments										31,704	31,704
PPE and Intangibles	7,829	3,695	6,415	402	3,256	230,855				21,942	274,395
	8,730	3,711	8,087	585	3,953	231,631				74,162	330,861

SEGMENT LIABILITY WORKINGS

	Central Support Service	Education, Skills and Employment	Health & Social Care	Environment, Natural Resources & Planning	Safety, Security and Home Affairs	Treasury, Infrastructure & Sustainable Development	Management Accounts	Not included in Management Accounts but included in Financial Statements	Unallocated Assets and Liabilities	Financial Statements
2022/23										
Bank overdraft									(2,317)	(2,317)
Payables from Non- exchange Transactions	0	0	(30)	0	(4)	(75)			(1,213)	(1,322)
Payables from Exchange Transactions	(453)	(205)	(934)	(62)	(258)	(1,463)			(1,809)	(5,184)
Provisions	0	0	0	0	0	0			(6,904)	(6,904)
Pensions	0	0	0	0	0	0			(43,220)	(43,220)
	(453)	(205)	(964)	(62)	(262)	(1,538)			(55,463)	(58,947)

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 2023 £000	31 March 2022 £000
Bank Deposits	1,600	1,209
Overseas Call/Current Accounts	2,807	5,228
Cash	417	415
Per Statement of Financial Position	4,824	6,851
Overdraft - Bank of Saint Helena	(2,317)	(1,513)
Per Statement of Cash Flows	2,507	5,338

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.

These investments are highly liquid 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.

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.

10.2.1 Current Investments

	31 March 2023 £000	31 March 2022 £000
Certificates of Deposits	6,869	9,801
	6,869	9,801

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 2023 £000	31 March 2022 £000
Balance at 1 April	31,970	32,049
Net Share of Profit/(Loss) of Subsidiaries	(266)	(79)
Balance at 31 March	31,704	31,970

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

	31 March 2023 £000	31 March 2022 £000
Bank of St Helena Ltd	7,555	7,333
Currency Fund	1,619	1,461
Enterprise St Helena	875	827
Connect St Helena Ltd	14,757	15,052
Solomon & Company (St Helena) Plc	5,472	5,712
St Helena Hotel Development Ltd	945	1,224
St Helena Airport Limited	481	360
Balance at 31 March	31,704	31,970

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 2023 £000	31 March 2022 £000
Income Tax Debtors	1,041	1,266
Other Taxes and Duties	221	448
Grant Funding	5,034	714
	6,296	2,428
Less Provision for Doubtful Debts:		
Income Tax Debtors	(266)	(199)
Grant Funding	(506)	(513)
	(772)	(712)
	5,524	1,716

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 2023 £000	31 March 2022 £000
Receivables:		
Trade and Other Receivables	1,907	1,293
Government Landlord Housing	194	163
Bulk Fuel Installation	610	405
	<u>2,711</u>	<u>1,861</u>
Accrued Income:		
Interest	22	12
Other	142	529
	<u>164</u>	<u>541</u>
Loans:		
House Purchase Loans	133	118
Staff Advances	146	153
Other Advances	116	125
	<u>395</u>	<u>396</u>
	<u>3,270</u>	<u>2,798</u>
Less Provision for Doubtful Debts:		
Trade and Other Receivables	(701)	(470)
House Purchase Loans	(121)	(114)
	<u>(822)</u>	<u>(584)</u>
	<u>2,448</u>	<u>2,214</u>

10.4.2 Amounts falling due after one year

	31 March 2023 £000	31 March 2022 £000
Housing and House Purchase Loans	8	13
Less: Provision for Doubtful Debts:		
House Purchase Loans	(7)	(4)
	<u>1</u>	<u>9</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 2022	584	5	589
Provisions Recognised	238	0	238
Provisions Released	0	0	0
Amounts written off during the year	0	0	0
Balance at 31 March 2023	822	5	827

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 2023 £000	31 March 2022 £000
Consolidated Fund:		
Pharmacy	842	550
Stamps	72	56
Infrastructure	188	182
Other	156	62
	<u>1,258</u>	<u>850</u>
Special Funds:		
Information Technology	115	92
Transport	798	699
Aviation Fuel	181	43
Bulk Fuel Installation	1,011	949
	<u>2,105</u>	<u>1,783</u>
	<u>3,363</u>	<u>2,633</u>

Less Provision for Slow Moving and Obsolete Inventories:

Special Funds:

Information Technology	(42)	(33)
Transport	(65)	(66)
Bulk Fuel Installation	(237)	(318)
	<u>(344)</u>	<u>(417)</u>
	<u>3,019</u>	<u>2,216</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 Mar 2023	31 Mar 2022
	£000	£000
Consolidated Fund:		
Pharmacy	1,201	942
Stamps	2	4
Fish Processing	0	24
Infrastructure	23	146
Other	49	79
	<u>1,275</u>	<u>1,195</u>
Special Funds:		
Information Technology	72	24
Transport	91	186
Aviation Fuel	270	39
Bulk Fuel Installation	4,330	3,015
	<u>4,763</u>	<u>3,264</u>
Total	<u><u>6,038</u></u>	<u><u>4,459</u></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 2023	31 March 2022
	£000	£000
Short-term Prepayments	<u>2,076</u>	<u>417</u>
	<u>2,076</u>	<u>417</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 2023	31 March 2022
	£000	£000
Long-term Prepayments	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

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 in 2021/22 is disclosed in the Statement of Financial Performance.

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 £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 are 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 an item of property, plant and equipment, Barn View Building, which was temporarily idle as at 31st March 2023. An application for re-adaptive use as key worker accommodation, and the disposal of Barn View Building for these purposes was approved on 8 December 2023, for a Term of 10 years, on the basis of a commercial rent and wider letting where full occupancy is not achieved.

2022/23

Asset Description	Asset Category	Gross carrying amount £000	Accumulated Depreciation £000	Net carrying amount £000
Barn View Building	Land & Buildings	360	(23)	337

2021/22

Asset Description	Asset Category	Gross carrying amount £000	Accumulated Depreciation £000	Net carrying amount £000
Barn View Building	Land & Buildings	360	(15)	345

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 2023		31 March 2022	
	Number of assets	Gross carrying amount £000	Number of assets	Gross carrying amount £000
Computer Hardware	70	1,014	47	650
Infrastructure	1	60	1	60
Buildings	4	21	4	21
Other	169	6,864	132	5,873
Service Concession	16	5,567	17	5,761
Fisheries Assets	5	2	12	23
Total	265	13,528	213	12,388

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 Initial valuation of Strategic Assets

For strategic assets (Rupert's Wharf & St. Helena Airport), excluding the valuation of land included in Service Concession Assets, re-estimated cost of construction for the assets have 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 minimum one day a week basis ; 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

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. Progress on the study is included in note 11.8.2.1. 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

10.8.9.1 Fibre Optic Cable

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 was attached to the main trunk of the cable connecting Europe and South Africa. The Cable Landing Station at Ruperts Bay was commissioned in June 2023. The finalisation of all the activities, which needed to be undertaken to interconnect the island's internet feed to the Equiano System was on 1st October 2023.

Construction costs for the St Helena Fibre Optic Cable totalling £15.6m are included within Assets under Construction in Note 10.8.12, comprising £2.1m in 2022/23, £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 becomes fully operational.

10.8.9.2 Fibre Network

Included in Assets under construction is £0.679m spent in 2022/23 on designs and equipment to facilitate the building of a fibre network across the Island. Work was later halted during 2023/24 as disclosed in Note 11.9. Events after the reporting date. SHG is now considering options on the way forward for the project. Given the uncertainty around the project in terms of the future use of the

designs and equipment, Management are not able to determine whether the designs and equipment should be impaired in accordance with IPSAS 21 par 31 and 27(e).

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, no assets were impaired at the end of 2022/23.

10.8.12 Movements in Property, Plant & Equipment

2022/23	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 2022	45,651	19,773	20,026	1,883	15,403	112,287	94,584	309,607
Additions	83	0	0	62	1,458	320	4,849	6,772
Transferred to completed assets	962	365	0	0	0	0	(1,327)	0
Disposals	(79)	(4)	0	0	(27)	(195)	0	(305)
Balance at 31 March 2023	46,617	20,134	20,026	1,945	16,834	112,412	98,106	316,074
Accumulated Depreciation & Impairment								
Balance at 1 April 2022	(2,279)	(3,074)	(3,786)	(1,335)	(10,728)	(13,459)	(1,077)	(35,738)
Recategorisation	0	0	0	0	0	0	0	0
Charge for year	(1,246)	(472)	(994)	(201)	(1,060)	(2,382)	0	(6,355)
Disposals	3	5	0	0	15	195	0	218
Balance at 31 March 2023	(3,522)	(3,541)	(4,780)	(1,536)	(11,773)	(15,646)	(1,077)	(41,875)
Net Book Value at 31 March 2023	43,095	16,593	15,246	409	5,061	96,766	97,029	274,199

2021/22 (Restated)	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:	856	32	0	134	776	0	12,254	14,052
As previously recorded	86	32	0	134	776	0	12,254	13,282
Restatement	770	0	0	0	0	0	0	770
Transferred to completed assets	545	32	0	0	0	0	(577)	0
Disposals	(152)	(1)	0	0	(13)	0	0	(166)
Other Movements	0	0	0	0	0	0	0	0
Balance at 31 March 2022	45,651	19,773	20,026	1,883	15,403	112,287	94,584	309,607
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	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	43,372	16,699	16,240	548	4,675	98,828	93,507	273,869

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 16 fully amortised intangible assets still in use at 31 March 2023 with a gross carrying amount of £135k (12 assets at 31 March 2022 at £105k). 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.

	2022/23 £000	2021/22 £000
Balance at 1 April		
Cost	421	386
Amortisation	(234)	(176)
Additions	70	35
Amortisation for the period	(61)	(58)
Net Carrying Amount at 31 March	196	187
Comprising:		
Gross Carrying Amounts	491	421
Accumulated Amortisation	(295)	(234)
	196	187

FULLY DEPRECIATED ASSETS	2022/23		2021/22	
	£000		£000	
	Number of assets	Gross carrying amount £000	Number of assets	Gross carrying amount £000
Intangible Assets	16	135	12	105

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.

	2022/23		2021/22	
	Annual lease payments £000	Number of Leases 2022/23	Annual lease payments £000	Number of Leases 2021/22
Residential leases	32	139	30	127
Commercial leases	48	56	41	43
Non-operational leases	45	63	39	52
	125	258	110	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 2023 £000	31 March 2022 £000
Deposits:		
Bank of St Helena Ltd	0	1
Other	58	76
	58	77
Income Received in Advance:		
Income Tax	91	128
Grant Funding	1,098	1,282
	1,189	1,410
Other Payables		
Fuel Rebates	75	74
	75	74
	1,322	1,561

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 2023 £000	31 March 2022 £000
Payables:		
Trade Payables	700	105
Currency Fund	59	656
Defined Contribution Pension Liability	667	575
Other Payables	17	18
	<u>1,443</u>	<u>1,354</u>
Accruals:		
Staff Benefits	1,142	1,146
Other	2,594	2,788
	<u>3,736</u>	<u>3,934</u>
Income Received in Advance:		
Other	-	-
	<u>-</u>	<u>-</u>
	<u><u>5,179</u></u>	<u><u>5,288</u></u>

10.12.2 Amounts payable after one year

10.12.2 Amounts Payable After 1 Year

	31 March 2023 £000	31 March 2022 £000
Payables:		
Trade Payables	5	6
	<u><u>5</u></u>	<u><u>6</u></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. IPSAS 19 states that 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, medical negligence claims and constitutional cases and related legal costs. In determining the provision SHG relies on estimates provided by the Attorney General's Chambers which are based on the amount the claimant has sought in damages or their assessment of what the damages payable would be if SHG lost the case. Although this approach is considered to be reasonable, it does introduce some degree of uncertainty as the final cost to SHG will depend on the court's ruling.

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 3.9% 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. There are estimation uncertainties associated with this provision as the final liability is affected by the agreed treatment plan and medical outcome for each individual patient for which no two cases would be identical and therefore this introduce a degree of uncertainty around the final cost to SHG.

	Short-term £000	Long-term £000	Total £000
Balance at 31 March 2022	61	6,564	6,625
Provisions recognised	0	2,047	2,047
Provisions released	(57)	(1,711)	(1,768)
Transfers between short-term and long-term	0	0	0
Balance at 31 March 2023	4	6,900	6,904
Litigation claims	4	3,127	3,131
BFI Decommissioning	0	3,653	3,653
Overseas medical treatment	0	120	120
Balance at 31 March 2023	4	6,900	6,904

Litigation Claims

	Short-term £000	Long-term £000	Total £000
Balance at 31 March 2022	61	2,680	2,741
Additional Provisions	0	2,047	2,047
Amounts Used	0	(1,600)	(1,600)
Unused Provisions reversed	(57)	0	(57)
Balance at 31 March 2023	4	3,127	3,131

BFI Decommissioning

	Short-term £000	Long-term £000	Total £000
Balance at 31 March 2022	0	3,671	3,671
Additional Provisions	0	0	0
Amounts Used	0	0	0
Unused Provisions reversed	0	(18)	(18)
Balance at 31 March 2023	0	3,653	3,653

Overseas Medical Referrals

	Short-term £000	Long-term £000	Total £000
Balance at 31 March 2022	0	213	213
Additional Provisions	0	0	0
Amounts Used	0	(93)	(93)
Unused Provisions reversed	0	0	0
Balance at 31 March 2023	0	120	120
Total Provisions	4	6,900	6,904

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 2022/23 was £0.809m (2021/22 £0.720m). As at 31 March 2023 SHG held £0.667m of pension contributions on behalf of employees which was due to be transferred to the MiSaint Pension Scheme (31 March 2022 £0.575). 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 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.

SHG carries out a full pension revaluation once every five years with the last full valuation being performed at financial year ending 31 March 2020.

Prior to this, the pension scheme valuations were prepared in accordance with IPSAS 39 *Employee Benefits*.

For the 2022/23 financial statements, the UK Government Actuary's Department was contracted by SHG to perform a roll-forward valuation of the Actuarial Pension Liability of the DBPS.

A roll-forward calculation is not as accurate as carrying out a full valuation using membership data as at the balance sheet date. The roll-forward calculation does not allow for detailed membership movements during the year. Although this approach is considered to be reasonable, it does introduce some degree of uncertainty. It should therefore be recognised that the results will differ from those that would emerge following a full actuarial review.

The liabilities of the scheme are included in the Statement of Financial Position on an actuarial basis using the Projected Unit Credit 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.

Risks- SHG has not identified any unusual risks, entity-specific risks, plan-specific risks, or any significant concentrations arising from the Defined Benefit Pension Scheme and the Defined Contribution Pension Scheme.

10.14.2.1 Movements in the Actuarial Pension Liability

The movement in the actuarial pension liability is as follows:

	2022/23	2021/22
	£000	£000
Balance at 1 April	63,820	74,728
Movement in the year due to:		
Current service cost	1,401	1,701
Past service cost		
Interest cost	1,149	1,049
Expense for year	2,550	2,750
Pension benefits paid	(1,353)	(1,307)
Actuarial pension valuation movement	1,197	1,443
Included in the Statement of Changes in Net Assets		
Changes in financial assumptions	(19,792)	(10,785)
Changes in demographic assumptions	(1,170)	0
Actuarial (gains)/losses	(835)	(1,566)
Balance at 31 March	43,220	63,820

The decrease in pension liability is largely attributed to Changes in the assumptions (a gain of £20.926 million) arising from Changes in financial assumptions amounting to £19.792m and Changes in demographic assumptions amounting to £1.17m.

The Changes in financial assumptions resulted from an increase in the discount rate to 3.9% in 2022/23 from 1.8% in 2021/22. 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.

Changes in demographic assumptions resulted from the reduction in the life expectancy brought about by the update to the mortality future improvement assumption. This represents a decrease in the calculated value of the actuarial liability.

Current service cost are the estimated cost of benefits accrued during 2022-23 financial year based on the overall amount of pensionable salary paid during the 12-month period ending 31 March 2023. Interest cost refers to the annual interest accrued on the opening balance of the pension obligation. Actuarial gains relate to experience gains of £0.834m (2021/22 £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 2022-23.

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 2023 £000	31 March 2022 £000	31 March 2021 £000	31 March 2020 £000	31 March 2019 £000
Statement of Financial Position:					
Actuarial Pension Liability	43,221	63,820	74,728	86,062	71,612
Statement of Changes in Net Assets:					
Experience (Gains)/Losses Arising on Scheme Liabilities	(834)	(1,566)	(1,704)	6,090	(2,288)
Changes in financial assumptions	(19,792)	(10,785)	(10,818)	9,734	3,454
Changes in demographic assumptions	(1,170)	0		(5,703)	0
Net Actuarial (Gain)/Loss on Scheme Liabilities	(21,796)	(12,351)	(12,522)	10,121	1,166

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 2023:

Assumption	31 March 2023 % a year	31 March 2022 % a year	31 March 2021 % a year
Rate of return (discount rate)	3.9	1.8	1.4
Rate of pay inflation	3.5	3.5	3.5
Rate of pension increases	2.75	2.75	3.25
Rate of increase in deferred pensions:			
Pre 1 April 2012 leavers	0.0	0.0	0.1
Post 31 March 2012 leavers	2.75	2.8	3.3
Rate of Return in excess of:			
General pay increases	0.4	-1.7	-2.1
Pension increases	1.15	-0.95	-1.9
Deferred pensions:			
Pre 1 April 2012 leavers	3.9	1.8	1.4
Post 31 March 2012 leavers	1.15	-0.95	-1.9

Given there is no market in St Helena in either government bonds or high quality corporate bonds the discount rate of 3.9% 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 2023 was 3.9% pa (1.8% 31 March 2022).

10.14.2.2.2 Demographic Assumptions

The DBPS is a small scheme and it is not possible to derive baseline mortality rates from the experience of the scheme itself, therefore UK standard mortality tables with a suitable adjustment for the baseline mortality assumption are used.

The baseline mortality assumptions are the same as those adopted for the 31 March 2020 report. The Office for National Statistics (ONS) published a more recent set of population projections, the 2020-based projections, in January 2022 which incorporate an allowance of the effects of the COVID-19 pandemic in the United Kingdom. The assumed future mortality improvement assumption was updated to include this updated view from the ONS. These figures are cohort life expectancy figures which allow for projected future changes in mortality rates. Future pensioners have a longer life expectancy than current pensioners because of assumed improvements in life expectancy. 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 2023		31 March 2022	
	Men (years)	Women (years)	Men (years)	Women (years)
Current Pensioners	19.2	22.6	19.6	22.8
Active Members	20.4	23.8	20.8	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 2023 of changes to these assumptions, each considered in isolation:

Approximate effect on total liability		
Change in assumption	%	£000
Rate of salary increase 0.5% a year higher	+1.8%	+765
Rate of pensions increase and revaluation in deferment 0.5% a year higher	+5.5%	+2,371
Discount rate 0.5% a year lower	+9.2%	+3,955
Pensioner mortality		
Each pensioner assumed to be subject to the longevity of an individual 1 year younger	+5.5%	+2,376

10.15 Funds and Reserves

There is a statutory authority for SHG to maintain only two forms of Funds and Reserves; the Consolidated Fund and Special Funds. The Consolidated Fund is divided into eight reserves. All revenue and expenditure generated and incurred by SHG through normal “day to day” government business is channelled through the General Reserve within the Consolidated Fund.

Whenever SHG receives money provided by any Government or International Body outside St Helena, on terms or conditions that such money may only be used for purposes specified by the donor, the Governor may, by Order, establish a Special Fund for the purpose of receiving, managing, disbursing and accounting for such money. Special Funds are also created for the trading accounts. Trading accounts exist for business trading such as Information Technology, Transport and Housing.

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

	Note	31 March 2023 £000	31 March 2022 £000
Consolidated Fund			
General Reserve	10.15.1.1	5,850	8,603
Capital Reserve	10.15.1.2	86,167	82,505
Revaluation Reserve	10.15.1.3	6,442	6,442
Pension Reserve	10.15.1.4	(43,221)	(63,820)
Investments in Subsidiaries Reserve	10.15.1.5	31,704	31,970
Aid Funded Infrastructure Reserve	10.15.1.6	182,264	185,354
Donated Asset Reserve	10.15.1.7	280	247
Litigation Reserve	10.15.1.8	(4,155)	(3,765)
		265,331	247,536
Special Funds			
Projects	10.15.2.1	3,190	789
Trading Accounts	10.15.2.2	2,478	1,229
Other Funds	10.15.2.3	915	885
		6,583	2,903

10.15.1 The Consolidated Fund

10.15.1.1 General Reserve

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

	31 March 2023 £000	31 March 2022 £000
Balance at 1 April	8,603	9,660
Surplus/ (Deficit) for the Period	4,801	6,610
Use of General Reserve to Finance Payment of Pension Benefits	(1,353)	(1,307)
Use of General Reserve to Finance Capital Expenditure	(948)	(1,020)
Recharges	(849)	(557)
Transfers between reserves	(4,238)	(4,579)
Gain/(Loss) on Financial Assets	(166)	(204)
Balance at 31 March	5,850	8,603

10.15.1.2 Capital Reserve

This reserve was created upon initial recognition of Property, Plant and Equipment within the Statement of Financial Position. Funds will be transferred to the Capital Reserve to reflect expenditure on assets and an amount equivalent to depreciation will be charged to the reserve over the useful life of assets.

	31 March 2023	Restated 31 March 2022
	£000	£000
Balance at 1 April	82,505	71,635
Use of General Reserve to finance capital expenditure	948	1,020
Use of Special Funds to finance capital expenditure	5,374	12,166
Depreciation charged on non-current assets	(3,255)	(2,887)
Impairments of non-current assets	0	(79)
Disposal of Non-current Assets	(28)	(112)
Other movements	623	762
As previously recorded	0	(8)
Restatement	0	770
Balance at 31 March	86,167	82,505

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 2023	31 March 2022
	£000	£000
Balance at 1 April	6,442	6,442
Revaluation reserve used for disposed assets	-	-
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 2023	31 March 2022
	£000	£000
Balance at 1 April	(63,820)	(74,728)
Current service cost	(1,401)	(1,701)
Interest cost	(1,149)	(1,049)
Use of General Reserve to finance payment of pension benefits	1,353	1,307
Changes in financial assumptions	19,792	10,785
Changes in demographic assumptions	1,170	0
Actuarial gains/(losses)	834	1,566
Balance at 31 March	(43,221)	(63,820)

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, these funds are not available for the provision of services. Returns on investments realised either through sale of shares or distribution of profits, funds are recognised in 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 2023	31 March 2022
	£000	£000
Balance at 1 April	31,970	32,049
Share of Profit/(Loss) of Subsidiaries	(266)	(79)
Balance at 31 March	31,704	31,970

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 2023	31 March 2022
	£000	£000
Balance at 1 April	185,354	188,824
Depreciation charged on Non-Current Assets	(3,090)	(3,470)
Balance at 31 March	182,264	185,354

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 2023	31 March 2022
	£000	£000
Balance at 1 April	247	177
Non-Exchange Donated Asset Funding	62	101
Depreciation charged on Non-Current Assets	(29)	(31)
Balance at 31 March	280	247

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 2023 £000	31 March 2022 £000
Balance at 1 April	(3,765)	(3,048)
New claims arising	(2,047)	(948)
Provisions released	1,657	231
Balance at 31 March	(4,155)	(3,765)

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 Projects

	FCDO Projects	EDF Projects	Locally Funded Projects	UNDP Projects	Environmental Management Projects Fund	Foreign & Commonwealth Office Funded Projects	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 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)
Transfers between reserves	0	0	0	0	0	0	0
Balance at 31 March 2022	(764)	1,405	111	11	20	6	789
Funds Received	5,135	1,983	0	0	140	967	8,225
Funds Applied	(328)	120	1	0	(112)	(739)	(1,058)
Funds Applied to Finance Capital Expenditure	(2,516)	(2,064)	0	(1)	(23)	(135)	(4,739)
Recharges	(10)	(3)	0	0	(4)	(6)	(23)
Transfers between reserves	0	(4)	0	0	0	0	(4)
Balance at 31 March 2023	1,517	1,437	112	10	21	93	3,190

10.15.2.2 Trading Accounts

	IT Trading Account	Transport Trading Account	Audit St Helena Trading Account	Housing Service Trading Account	Bulk Fuel Installation Trading Account	Airport Trading Account	Internal Audit Trading Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 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	198	2	110	0	1,429	2,808	33	4,580
Other Movements	0	0	0	0	0	0	0	0
Balance at 31 March 2022	542	1,657	236	182	(1,831)	407	36	1,229
Funds Received	0	27	103	269	6,197	56	6	6,658
Funds Applied	(11)	(6)	(251)	(125)	(6,923)	(2,656)	(37)	(10,009)
Funds Applied to Finance Capital Expenditure	(131)	(414)	0	0	0	0	0	(545)
Recharges	221	510	152	(10)	0	0	(2)	871
Transfers between reserves	213	(1)	0	0	1,186	2,804	40	4,242
Other Movements	32	0	0	0	0	0	0	32
Balance at 31 March 2023	866	1,773	240	316	(1,371)	611	43	2,478

10.15.2.3 Other Funds

	Government Landlord Housing Capital Fund	Improvements and New Construction Revolving Fund	Capital Receipts Fund	Animal Husbandry Fund	Total
	£000	£000	£000	£000	£000
Balance at 1 April 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)
Transfers between reserves	0	0	0	0	0
Balance at 31 March 2022	468	113	262	42	885
Funds Received	22	12	89	7	130
Funds Applied	0	0	(10)	0	(10)
Funds Applied to Finance Capital Expenditure	0	0	(89)	0	(89)
Recharges	0	1	(2)	0	(1)
Balance at 31 March 2023	490	126	250	49	915

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 2023		31 March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial assets:				
Available for Sale Financial Assets	6,869	6,869	9,801	9,801
Receivables from exchange transactions	2,449	2,449	2,223	2,223
Cash and cash equivalents	2,507	2,507	5,338	5,338
	11,825	11,825	17,362	17,362
Financial liabilities:				
Payables from exchange transactions	5,184	5,184	5,295	5,295
	5,184	5,184	5,295	5,295

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 highly liquid 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.

	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2023 £000	31 March 2022 £000
Financial Assets	Level 1	Unadjusted quoted prices in active market for identical product	6,869	9,801
			6,869	9,801

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.

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 2023 £000	31 March 2022 £000
Investments	6,869	9,801
Receivables from exchange transactions	2,449	2,223
Cash and cash equivalents	2,507	5,338
	11,825	17,362

10.16.4 Credit quality

Credit quality is the assessed risk of default attached to counterparties to which SHG extends credit and also those parties with whom it invests in. It is an evaluation of the ability of the aforementioned counterparties to repay their debts. 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 2023 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 £1.907m (31 March 2022 £1.293m).

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 2023, SHG had £0.700m of creditors due to be paid within 30 days. This included £0.010m of creditors payable by the BFI (31 March 2021 £0.138m of which BFI was £0.044m).

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 is 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.

	Increase (+) / decrease (-) in exchange rate	Effect on surplus/deficit £s
2022/23		
South African Rand	+5%	£128
	-5%	-£141
EURO	+5%	£12
	-5%	-£14
US Dollar	+5%	£38
	-5%	-£42
2021/22		
South African Rand	+5%	£3,529
	-5%	-£3,901
US Dollar	+5%	£105
	-5%	-£116

10.16.7 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Crown Agents Investment Management Ltd, who manages SHG's financial instruments, closely monitor the interest rate risk and manage the portfolio duration in line with the investment benchmark.

Cash surpluses are deposited as a mix of fixed rate and floating rate investments. As at 31 March 2023, the value of investments held was £6.869m (31 March 2021 £9.801m). Total interest earned by SHG on cash surpluses during 2022/23 was £0.237m (2021/22 £0.112m).

During 2022/23 there were 8 changes to the interest rates (Bank of England – 5 May 2022 1%; 16 June 2022 1.25%; 4 August 2022 1.75%; 22 September 2022 2.25%; 3 November 2022 3%; 15 December 2022 3.5%; 2 February 2023 4%; 23 March 2023 4.25%).

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 2024/25. On this basis, management have concluded that SHG could continue to operate without significant curtailment of services through to August 2025, one calendar year after the sign off of these financial statements, subject to the material uncertainty mentioned below.

In the absence of sufficient grant-in-aid and with limited usable reserves SHG would not be in a position to meet its liabilities as they fall due within the foreseeable future without significant curtailment of services. These circumstances indicate that a material uncertainty exists which may cast doubt on SHG's ability to continue as a going concern.

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 42 Social Benefits which was approved in December 2018 will be effective for financial periods beginning on or after 1 January 2023. SHG has not opted for early adoption of this standard and plans to implement it for the year beginning 01 April 2023.

IPSAS 47 *Revenue* which was approved in May 2023 will be effective for financial periods beginning on or after 1 January 2026. SHG has not opted for early adoption of this standard and plans to implement it for the year beginning 01 April 2027.

The objective of the standard is to help users of the financial statements and general purpose financial reports assess the nature of social benefits provided by the entity, the features of the operation of social benefit schemes; and the impact of social benefits on the entity's financial performance, financial position and cash flows. SHG does not expect significant changes when the standard is adopted.

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 2022/23 totalled £28.909 million (2021/22 £28.790 million), which equated to 58% 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 2023:

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 Fisheries Corporation and Enterprise St Helena. The last two 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.

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	£368,910 (2021/22 £281,525)
Number of persons	12 persons (2021/22 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 £45,625 (2021/22 £36,721).

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	£294,201 (2021/22 £257,375)
Number of persons	5 persons (2021/22 3 persons)

Aggregate remuneration for the senior SHG officials above includes pension contributions of £18,825 (2021/22 £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	£77,461 (2021/22 £161,677.78)
Aggregate pensions	£5,538 (2021/22 £15,179.46)
Number of persons	4 persons (2021/22 11 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 2022/23, 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 2023. (There was one termination benefit paid out for the year ending 31 March 2022).

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 2023 and is financed through the 11th European Development Fund. As at 31 March 2023, £16.7m had been received in grant funding in comparison with total expenditure of £16.1m. £0.6m of the Special Funds - EDF Project balance as at 31 March 2023 is therefore committed for this project.

Based on the current plan of works the project will be completed during the 2024/25 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 2023, grant funding received totaled £9.1m.

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 2023, 14 cases were raised against the Attorney General for SHG which were considered to be contingent liabilities. These cases are potential liabilities which are yet to be pleaded and heard, they include: 10 medical negligence cases, 3 employment cases and 1 other case. The monetary value associated with the 14 cases could not be determined at the time of reporting.

Since the end of the reporting period, the Attorney General's Offices have been notified of 83 new claims in relation to medical negligence. At the date of sign-off, the potential quantum could not be established and as such no provision has been estimated for these claims.

11.8 Restatement of Prior Period Figures

The following material restatements of prior period figures in Note 10.8 Property, Plant and Equipment and Note 10.15.1.2 Capital Reserve were required for the 2022/23 Financial Statements.

Prior to 2022/23 financial year ESH made leasehold improvements to Bertrand's Cottage, Jamestown Market, Longwood Enterprise Park and the Canister. The leasehold improvements were taken over by SHG in 2021/22 for no consideration.

The effect of the restatement is to recognize the Net book value of these leasehold improvements amounting to £0.770m in Land & Buildings under Property Plant and Equipment and in Other Movements under the Capital Reserve. Below is a summary of the restatements.

Statement of Financial position for the year ended 31 March 2022

	As previously recorded 2021/22 £000	Leasehold improvements £000	Restated 2021/22 £000
Non-current assets			
Property, Plant & Equipment	273,099	770	273,869
Total Non-current assets	305,266	770	306,036
Total assets	328,482	770	329,252
FUNDS AND RESERVES			
Consolidated Fund	246,766	770	247,536
Total Funds and Reserves	249,669	770	250,439

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

	As previously recorded 2021/22 £000	Leasehold improvements £000	Restated 2021/22 £000
Consolidated Fund			
Other movements	(8)	770	762
Balance at 31 March 2022	246,766	770	247,536

11.9 Events after the Reporting Date

The financial statements were authorised for issue on 20 August 2024 by the Financial Secretary, Dax Richards. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

11.9.1 Adjusting events after 31 March 2023

11.9.2.2 Litigation claims

The Litigation Provision disclosed in Note 10.13 includes £0.213m (£0.550m additional provisions and £0.337m reversed provisions) emanating from updates received on the 18th August 2024 from the Attorney General's Chambers.

Effect of events after 31 March 2023 on the Litigation Provision

	Short-term £000	Long-term £000	Total £000
Additional Provisions	0	550	550
Amounts Used	0	0	0
Unused Provisions reversed	0	(337)	(337)
Increase in Provision	0	213	213

11.9.2 Non-adjusting events after 31 March 2023

11.9.2.1 St Helena Fibre Optic Cable Project

During 2023/24 SHG and Maestro St Helena Ltd (Maestro) ended their contract through a Mutual Drop Hands Agreement in which by mutual agreement all liabilities, obligations and costs arising from the contract were extinguished. As such Mutual Drop Hands Agreement did not result in any further financial transactions. Maestro a company registered in St Helena. Maestro was contracted in November 2022 to design and build a fibre network across the Island. SHG is considering options on the way forward for the project. The total expenditure recorded for the period April 2023 to March 2024 is £0.965m.

11.9.2.2 Bulk Fuel Installation Project

In 2023/24, a consultant was engaged to undertake the feasibility study and design work for this project. The scope of work includes recommending the final ground fuel delivery method which will in turn determine the way forward for this project. It is anticipated this will be early in the 2024/25 reporting year.

11.9.2.3 Controlled Entities

There were no significant events after the Reporting date relating to controlled entities.

11.9.2.4 Subsequent Financial Periods

The financial year 2023/24 and four months of financial year 2024/25 have passed.

The full financial aid allocation for the 2023/24 financial year of £33.06m was secured from the UK Government. The financial aid settlement for the 2024/25 financial year of up to £34.06m was confirmed in March 2024. The application of these sources of funding will be reported in the annual financial statements for 2023/24 and 2024/25.

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 2023:

- 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 in the process of being wound up. SHG's net investment in the assets of SHFC were accumulated losses of £17k at 31 March 2023 (£17k at 21 March 2022). The Enterprise St Helena's ceased operating on 31 March 2021 and is in the process of being wound up.

Although SHG has transacted with the controlled entities in the financial year, 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. 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 £118k from the bank during 2022/23.
- SHG provided Connect St Helena Ltd with a subsidy of £1.8m in 2022/23 (2021/22 £447k). This was to support their running operations. In addition, Connect St Helena Ltd received £478k rebate of customs duties paid on fuel (2021/22 £845k), of which £75k was still to be paid at 31 March 2023 (£73k as 31 March 2022).
- 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 2023 SHG owed the Fund £59k 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 £150k in 2022/23 (2021/22 £200k).
- 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 2022/23 (2021/22 £2.8m) to provide services. The subsidy was not a fixed amount, but was given to SHAL based on expenditure and claims provided to SHG. In addition to this SHG also gave additional subsidy of £197k in 2022/23 for the purchase of a runway sweeper.
- 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 2022/23 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 2023	31 March 2023
			£000	£000
Bank of St Helena Ltd	Wholly owned. Board of Directors appointed by the Governor.	Financial Reporting Standard 102	7,555	341
Connect St Helena Ltd	Wholly owned. Non-executive membership of the Board.	Financial Reporting Standard 102	14,757	(295)
Solomon & Company (St Helena) Plc	Majority shareholder (62.9%)	Financial Reporting Standard 102	8,693	(370)
St Helena Hotel Development Ltd	Majority shareholder (94.9%)	Financial Reporting Standard 102	945	(281)
St Helena Airport Limited	Company limited by Guarantee. SHG is the sole member.	Financial Reporting Standard 102	480	120
St Helena Currency Fund	Commissioners appointed by the Governor.	International Public Sector Accounting Standards	1,619	314
Enterprise St Helena	Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis	875	(185)
			34,924	(356)



13.0 Statement of Trust Fund Movements for the year ended 31 March 2023

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 2021	Receipts in year	Payments in year	Balance at 31 March 2022	Receipts in year	Payments in year	Balance at 31 March 2023
	£	£	£	£	£	£	£
Alexander Bequest Fund	1,386	11	(10)	1,387	1	(44)	1,344
Arnold Memorial Christmas Gift Fund	521	1	0	522	1	0	523
Arnold Memorial Hospital Trust Fund	7,138	7	(1)	7,144	7	0	7,151
Bain Gray Prize Trust Fund	1,397	3	0	1,400	1	0	1,401
Bovell Trust Fund	1,221	1	0	1,222	1	(19)	1,204
Eliza Mary Lloyd Trust Fund	6,228	624	(1262)	5,590	6	(54)	5,542
Leslie & Ted Moss Trust Fund	2,581	3	0	2,584	3	0	2,587
Solomon's Trust Fund	13,497	144	(131)	13,510	14	(557)	12,967
Total	33,969	794	(1404)	33,359	34	(674)	32,719

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).