Connect
SAINT HELENA LTD

Report and Financial Statements

31 March 2014

Contents

Corporate Information

Directors

Non-executive	Mark Stevenson (Chairman) Dax Richards Julie Lawrence
Executive	Barry Hubbard (Chief Executive Officer) Leon de Wet (Operations Director)
Secretary	Sarah Thomson
Auditors	Moore Stephens 150 Aldersgate Street London EC1A 4AB
Bankers	Bank of Saint Helena Market Street, Jamestown Saint Helena STHL 1ZZ
Solicitors	Attorney General's Chambers The Castle House, Jamestown Saint Helena STHL 1ZZ
Registered Office	Seales Corner, Jamestown Saint Helena STHL 1ZZ

Strategic Report

The directors present their strategic report for the year ended 31 March 2014.

Review of the business

The company's principal activities during the year continued to be the provision of utility services on Saint Helena Island as mandated at its formation when Saint Helena Government privatised the service. The early months of trading were complicated by a severe drought that threatened security of supply in the Redhill area. It was clear that the historical methods of monitoring the raw water reserves were inadequate and very quickly systems were developed for monitoring and reporting water reserves. Improvements were made in reporting water usage with further improvements being made over the year providing enhanced levels of management information so that informed business decisions can be made. The water shortage was treated as a National Emergency and forced Connect into a reactionary mode for approximately four months until water reserves were restored. This distracted the business from focusing on planned works in the short term but has had the benefit of enacting a real life disaster management exercise that left the business in a better position to mitigate and cope with a similar situation in the future.

The key financial and other performance indicators during the year were:

	2014
Financial	**SHP**
Turnover	3,591,732
Operating loss before exceptional items and subsidies	(915,540)
Operating loss after exceptional items and subsidies	(454,650)
Net loss after tax	(434,362)
Current assets as a percentage of current liabilities (quick ratio)	550%
Average number of employees	60

Operational

Electricity Generation	0000kWh	Contribution (%)
Units generated by diesel generators	8,838	89.60
Units generated by wind turbines	958	9.71
Units generated by solar	68	0.69
	9,864	100.00

While operating leanly during the transition from public sector to the corporate culture, the company managed to meet most of the critical service delivery standards set by the regulators during the year with the exception of microbiological integrity tests at consumer premises were a failure rate of 21% was attained against a target of 12%. Some of the key Utility Regulatory Authority (URA) service reliability and quality targets the company attained and exceeded during the year are shown in the table below.

Strategic Report (continued)

Review of the business (continued)

A net loss after tax of £0.434 million was recorded after a £0.666 million exceptional charge to the income statement for sustainable water solutions designs and consultancy works committed to before the commercialisation of the utilities service and formation of the Company. These consultancy charges which related to long term water supply strategy and were initially capitalised by the government were written off to the income statement as they did not result in the construction or acquisition of any tangible assets.

	Actual	URA Target
Number of disruptions to the electricity distribution network	93	121
Number of leakages on the water distribution network	689	1,424
Percentage of water samples found clear at water treatment works	100%	100%
Microbiological Integrity failure rate at water treatment works	1.3%	1.5%

Initially since the exact financial position of the company was not clear, spending was limited to essential and critical areas only with some elective maintenance schedules being put on hold. This strategy worked out well as evidenced by the healthy current ratio of 550%.

Having inherited some fully depreciated infrastructure from the government, the company had to adopt a depreciation based asset replacement strategy where depreciation charges are accumulated into a fund that will be used to fund the asset replacement programme. Developmental capital programmes will however continue to be funded through further capital injection by the shareholders and government capital grants. In this respect a total of £3.58 million government grants was received and spent during the year on various water and electricity projects as follows:

	SHP
Electricity Infrastructure	1,992,445
Water Infrastructure	1,535,464
Plant and Equipment	51,645
	3,579,554

By the close of the financial year a total of £2.905 million worth of infrastructure development projects were completed and commissioned. This included assets under construction valued at £2.512 million transferred to the Company from the government on 1 April 2013 and resulted in additions to tangible fixed assets as shown below:

	SHP
Projects transferred from government, completed and commissioned during the year	2,512,415
Projects completed and commissioned during the year	392,362
Company funded additions to equipment and vehicles	74,139
Total additions to tangible fixed assets during the year	**2,978,916**

Strategic Report (continued)

Review of the business (continued)

Principal risks and uncertainties

The company manages its risks through monthly board meetings where key risks are discussed through management accounts and operational reports. At management level a weekly meeting is held to review performance and identify any potential issues on the horizon. The principal risks facing the company are broadly classified as regulatory, financial and human capital risks.

Regulatory Risk

The provision of the utilities on the island is regulated and monitored by the Utilities Regulatory Authority who sets standards of service delivery and holds the company accountable in delivering to these standards. These standards form the basis of the company's key performance indicators and are reported to the board on a monthly basis with any variance from set standards discussed and corrective action taken. The Chief Executive Officer is directly responsible for managing the company's compliance with the regulator's standards and reports every month to the board.

Financial Risks

The main financial risks faced by the company are credit risk, exchange risk and oil price risk. Credit risk lies in the collection of debts incurred by the utilities consumers who are billed for services consumed in arrears. This risk is managed via the company's Debt Recovery-Utility Bills policy and summaries of outstanding debtors tabled at each board meeting as part of the key performance indicators.

Exchange risk is born by the company each time materials and supplies are ordered abroad. Almost all of the materials and parts used in the operations of the company are imported from South Africa and the United Kingdom. While imports from UK do not present any exchange risk those from South Africa present exchange risk. This risk is managed through performance bonds when payments are made before delivery and through payment terms where the supplier is exposed to the currency risk rather than the company.

Currently over 70 percent of the electricity generated by the company is through the diesel generator powered power station. As such variations in international oil prices affect the cost at which the company produces electricity the extent of which cannot immediately be passed on to consumers due to regulated tariffs. To reduce the impact this might have on the company and the island at large, the company has been and will continue to invest in renewable energy infrastructure.

Human Capital Risk

Due to its size and isolation Saint Helena has critical skills shortages in almost all types of vocations. The company is not spared from this especially at the executive and professional levels where both the executive directors are expatriates. This risk is managed by the Board's Remuneration Committee and an arrangement with the shareholder where special funding is availed to attract and retain such critical skills.

By order of the Board

Barry Hubbard
Chief Executive Officer

Director's Report

The Directors present their report for the year ended 31 March 2014.

Directors of the company

The current Directors are shown on Page 3

Formation of the Company

In early 2013 Saint Helena Government decided to reduce its direct footprint on the island's economy and a decision was made to divest from the provision of public utility services leading to the birth of Connect Saint Helena in March 2013. The main objective of the divestment was to get better control and management of the delivery of utility services through understanding of the full costs involved as in the past these costs were enshrouded in the overall government expenditure and thus making it impossible to drive value for money initiatives in utility services delivery.

Connect Saint Helena Limited started operating on 1st April 2013 upon which all Saint Helena Government's assets previously under Water and Electricity directorates with the total net book value of £14.466 million were transferred to the Company as Saint Helena Government's initial investment in the Company (see details in note 21 in the Notes to the Financial Statements).

Dividend

Directors are not recommending any dividend in light of the need to build up cash resources for the asset replacement strategy referred to in the strategic report.

Research and Development

During the year the company undertook various developmental projects that are still ongoing in respect of renewable energy capacity development, water and sewer infrastructure upgrades.

Future Developments

In the short to medium term the company will be seeking land for establishing a solar farm and building a modern sewage treatment plant. While the investment in renewable energy will certainly drive electricity unit costs down it is not so for the sewage treatment plant which will be the first on the island. The latter will come with running and maintenance costs which will put pressure on tariffs.

Events since the balance sheet date

Two major events since the balance sheet date are the commissioning of the £2 million wind turbines which were under construction on the balance sheet date and the awarding of the solar farm contract which is scheduled to commence production in June 2015.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to price, credit, and exchange risk are described in the Strategic Report on pages 4 to 6. The company has considerable financial resources together with a secure and growing consumer base which will continue to require the utilities provided by the company. As a consequence, the directors believe that the company is well placed to manage its business risks successfully

Director's Report (continued)

Despite the risks highlighted in the strategic report. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disabled Employees

The company focuses on the person's abilities rather than their disability and they are entitled not to be discriminated against nor to be denied opportunities. This may mean making reasonable adjustments to the working environment for a disabled person, accommodating other variations to working arrangements or taking some other positive action which would enable them to be effective in the job.

The company currently employs one employee who is registered disabled.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Director's liability insurance

During the year and at the time of this report the company had in place a directors' liability insurance policy against possible damages, legal fees, and other civil costs and expenses in the event of a breach of duty, breach of trust, neglect, error, omission, misstatement, misleading statement, or other act committed or attempted individually or otherwise, solely in their status as a director, secretary or officer in the course of their duties for the Company.

Appointment of the auditors

In accordance with s.137 of the Companies Ordinance 2004, a resolution is to be proposed at the Annual General Meeting for reappointment of Moore Stephens LLP as auditor of the Company.

By order of the Board

Thomson

Sarah Thomson
Company Secretary

SAINT HELENA LTD

Director's responsibility statement

The directors are responsible for preparing the annual report and the financial statements in accordance applicable law and regulations.

Company Ordinance 2004 requires the directors to prepare the financial statements for each financial year. Under that ordinance the directors are required to prepare financial statements in accordance with Financial Reporting Standard 102 (FRS 102). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the company's financial position and the profit or loss of the company for that period.

In preparing the company's financial statements, the directors are required to:

i) select suitable accounting policies and apply them consistently,
ii) make judgements and accounting estimates that are reasonable and prudent,
iii) state whether applicable Financial Reporting Standards have been followed subject to any material departures disclosed and explained in the financial statements, and
iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing these financial statements, Financial Reporting Standard 102 requires that the directors:

i) properly select and apply accounting policies,
ii) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
iii) provide additional disclosures when compliance with specific requirements in FRS 102 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
iv) make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Ordinance.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation on Saint Helena Island governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

-the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and

-the strategic report includes a fair view of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties that they face.

Geoff Dawson
Chairman

Barry Hubbard
Chief Executive Officer

Independent Auditor's Report to the Shareholders of Connect Saint Helena Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Connect Saint Helena Limited, which comprise the statement of financial position as 31 March 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's members, as a body, in accordance with our terms of engagement. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with FRS102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

We were appointed as auditors of the company on 28 May 2015, being the first auditors since formation of the Company, and thus did not observe the counting of the physical inventories at the beginning or end of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 1 April 2013 or 31 March 2014. Since inventories enter into the determination of the financial performance and financial position, we were unable to

Independent Auditor's Report (continued)

determine whether adjustments might have been necessary in respect of the profit for the year reported in the income statement, or net assets reported in the statement of financial position.

Qualified Opinion

In our opinion, except for any adjustments that may be required in respect of inventory, the financial statements present fairly, in all material respects, the financial position of Connect St Helena Limited as 31 March 2014 and of its financial performance and its cash flows for the year then ended in accordance with FRS102, the Financial Reporting Standard Applicable in the UK and Republic of Ireland.

Nick Bennett

Nick Bennett
Senior Statutory Auditor
For and on behalf of Moore Stephens LLP, Statutory Auditor
Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB
08-Jan-16

Financial Statements for the year ended 31 March 2014

Comprehensive Income Statement for the year ended 31 March 2014

	Notes	2014 SHP
Turnover	3	3,591,732
Cost of Sales	4	(3,629,412)
Gross Profit		**(37,680)**
Administrative expenses	5	(877,860)
Exceptional item	13	(665,862)
Other Operating Income	7	1,126,753
Operating Profit		**(454,649)**
Bank Interest receivable		14,257
Finance Costs		(4,579)
Profit on Ordinary Activities Before Taxation		**(444,971)**
Income tax on profit on ordinary activities	15	
Deferred tax movements	16	10,610
Profit for the Financial Year		**(434,361)**

The notes on pages 16 to 26 form an integral part of these financial statements.

Financial Statements for the year ended 31 March 2014

Statement of Financial Position

	Notes		31-Mar-14 SHP
Fixed Assets			
Assets Under construction	8		3,187,192
Tangible fixed assets	9		11,847,773
			15,034,965
Current Assets			
Inventories	10		1,201,787
Debtors			
Amounts falling due within one year	11	833,684	
Amounts falling due after one year	11	51,799	
			885,482
Cash and bank balances			2,105,058
			4,192,327
Creditors: amounts falling due within one year	12		762,625
Net current assets			**3,429,702**
Total assets less current liabilities			**18,464,667**
Provisions for other payables and charges	18		70,764
Deferred Government Grants	20		3,671,090
Net assets			**14,722,813**
Capital and reserves			
Share Capital	21		15,157,175
Retained profits			(434,362)
Total Shareholders Equity			**14,722,813**

The notes on pages 16 to 26 form an integral part of these financial statements.

These financial statements on pages 12 to 26 were approved and authorised for issue on 4 November 2015 by the board of directors.

Signed on behalf of the board of directors

Barry Hubbard
Chief Executive Officer

Geoff Dawson
Chairman

Financial Statements for the year ended 31 March 2014

Statement of Cash Flows

	Notes	2014 SHP
Net cash flows from operating activities	17	**709,281**
Cash flows from investing activities		
Payments to acquire and construct tangible assets		(2,987,831)
Net cash used in investing activities		**(2,987,831)**
Cash flows from financing activities		
Government Grants received		3,688,330
Ordinary Share capital issued		691,124
Net cash used in financing activities		**4,379,454**
Net increase (decrease) in cash and cash equivalents		**2,100,906**
Cash and cash equivalents at the beginning of year		4,152
Cash and cash equivalents at end of year		**2,105,058**

The notes on pages 16 to 26 form an integral part of these financial statements.

Financial Statements for the year ended 31 March 2014

Statement of Changes in Equity

	Share Capital	Retained Income	Total Equity
	SHP		SHP
At 1 April 2013	-	-	-
Issue of Ordinary Shares	15,157,175		**15,157,175**
Retained Profits for the year		(434,362)	**(434,362)**
At 31 March 2014	**15,157,175**	**(434,362)**	**14,722,813**

The notes on pages 16 to 26 form an integral part of these financial statements.

Connect SAINT HELENA LTD

Financial Statements for the year ended 31 March 2014

Accounting policies and explanatory notes to the financial statements

1. General Information

Connect Saint Helena Limited (the Company) is a limited company incorporated on the British Overseas Territory of Saint Helena Island and is wholly owned by Saint Helena Government which is the ultimate parent of the Company. The address of its registered office and principal place of business is Seales Corner, Jamestown, South Atlantic Ocean, STHL 1ZZ. The Company's principal activities are the provision of electricity, water and sewerage services on the island.

2. Accounting Policies

a) Basis of preparation and accounting policies

These financial statements have been prepared in accordance with the Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and applicable in the United Kingdom and Republic of Ireland. They are presented in Saint Helena Pounds (SHP) the currency of Saint Helena that is pegged at par with the British Pound Sterling.

These financial statements have been prepared under the historical cost convention and amounts are rounded to the nearest pound.

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

-Useful lives of tangible fixed assets. These are based on Management's experience of the lifespan of similar assets both at Connect and similar other companies in the utilities sector and are reconsidered each year. Due to the long life of many assets and the uncertainty of the future there is no guarantee that managements estimates will turn out to be correct.

-Allowance for bad debts. These are based on Management's experience of customers' behaviours and payment patterns over time, along with future personal and economic factors.

b) Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

c) Revenue and expense recognition

Revenue from sales of goods and services is recognised when the goods or services are delivered by the company. Expenditure is recognised when it is incurred, upon delivery of goods or when services are employed. Revenue is measured at fair value of the consideration received or receivable. Turnover includes an estimate of the electricity and water charges unbilled at year end. The accrual is estimated using a defined methodology based on historical consumption levels of the unbilled consumer groups and average tariffs.

d) Fixed Assets

These comprise those assets that are held by the Company for current and future use to deliver Company services and meet statutory obligations. The capitalisation threshold used during this financial year is £1000 or above. Fixed Assets of the Company are disclosed on the Statement of Financial Position and depreciated over the estimated useful economic life of the asset.

A comprehensive exercise to identify all Company properties was undertaken during the year to identify all assets transferred from Saint Helena Government to the Company on its formation. The majority of these assets were electricity and water infrastructure. These assets were brought onto the Company's Statement of Financial Position at net book values and remaining useful lives as they were recorded on Saint Helena Government's Statement of Financial Position at 31st March 2013. The total net book value of these transferred assets was recognised on the Company's Statement of Financial Position as Tangible Assets opening balances with the equivalent amount being recognised as an increase in Shareholders Capital.

All tangible fixed assets have been depreciated. Depreciation is calculated on the "Straight Line" basis, based on their useful economic life and charged to the Statement of Comprehensive Income in the year.

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

Class of Asset	**Estimated Useful Economic Life (Years)**
Infrastructure Electricity	25
Infrastructure Water	10-50
Buildings	40
Plant, Machinery and Equipment	10
Furniture and Fittings	10-50
IT Networks and Equipment	5
Motor Vehicles	10

e) Impairment of Assets
At each reporting date, property, plant and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

f) Assets under the Course of Construction
Assets under the course of construction have not been depreciated and are separately accounted for on the Statement of Financial Position. These assets, once completed, are transferred to completed assets within the class of assets stated above and depreciated over their useful economic life.

g) Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the average cost method.

Accounting policies and explanatory notes to the financial statements (continued)

h) Income tax
Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profits in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which the company expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

i) Trade and Other Receivables
Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

j) Trade Payables
Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into SHP using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

k) Provisions
Provisions are recognised where there is a present obligation as a result of a past event, it is probable that there will be an outflow of economic benefits to settle this obligation and a reliable estimate of this amount can be made.

l) Government Grants
Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Accounting policies and explanatory notes to the financial statements (continued)

Notes to the Financial Statements

3. Turnover

Turnover, analysed by category was as follows:	**2014**
	SHP
Unit Charges – Water	277,454
Unit Charges – Electricity	2,800,900
Service Charges	322,906
Other Service Income	190,472
	3,591,732

4. Cost of sales

Included in cost of sales are all costs directly involved in the production of utility services as follows:

	2014
	SHP
Electricity Generation Fuel	1,851,636
Maintenance Materials and Parts	615,299
Depreciation	594,238
Contracted Out Services	65,628
Employees	502,611
	3,629,412

5. Administrative expenses

	2014
Administrative expenses during the year included:	**SHP**
Directors and employees	437,071
Office and other administrative costs	183,552
Audit fees	33,529
Premises Related Costs	98,136
Depreciation	54,083
Provisions for Doubtful Debts	71,489
	877,860

Accounting policies and explanatory notes to the financial statements (continued)

The average monthly number of employees during the year was made up as follows:

	2014
	NO
Electricity	24
Water	23
Administration	13
	60

6. Key Management Compensation

A total of £299,633 included in employee salaries and benefits was paid to key management and executive directors as compensation for their services to the company.

7. Other Operating Income

Other Income include revenue grants from Saint Helena Government received to support the company's revenues in light of the current subdued population-based consumer base and the cost of service delivery and amortization of deferred government capital grants.

	2014
	SHP
Government Revenue Grants	1,109,514
Amortization of Government Grants	17,239
Total Other Income	**1,126,753**

8. Assets under construction

Assets Under Construction include significant ongoing water, electricity and sewerage infrastructural projects valued at cost that will result in long term assets the value of which will be transferred to Tangible Fixed Assets and start being depreciated once they are commissioned and begin contributing economically.

	Equipment & Vehicles	Electricity Infrastructure	Water Infrastructure	Total
Cost	SHP	SHP	SHP	SHP
01 April 2013	**Nil**	**1,613,219**	**1,565,058**	**3,178,277**
Additions	51,645	1,992,445	1,535,464	3,579,554
Transferred to Tangible Assets	(22,415)	(1,700,459)	(1,181,903)	(2,904,777)
Written off to income statement			(665,862)	(665,862)
31 March 2014	**29,230**	**1,905,205**	**1,252,757**	**3,187,192**

9. Tangible Fixed Assets

Tangible fixed assets include significant investment in power stations, water treatment plants, water storage assets and buildings. The values at 1st April 2013 represent the cost or valuation and depreciation values of property, plant and equipment that were formally owned by Saint Helena Government and were recognized by the company when it started to operate with the equivalent value of shares being issued for the consideration. At the time of reporting legal transfer and registration of land and buildings was not yet finalized although the assets that are reported in these financial statements were agreed for transfer to the Company.

	Land & Buildings	Equipment & Vehicles	Electricity Infrastructure	Water Infrastructure	Total
Cost	**SHP**	**SHP**	**SHP**	**SHP**	**SHP**
01 April '13	**1,095,561**	**399,589**	**13,414,341**	**9,605,570**	**24,515,061**
Transfers from assets under construction	-	22,415	1,700,459	1,181,903	2,904,777
Additions	-	74,139	-	-	74,139
31 March '14	**1,095,561**	**496,143**	**15,114,800**	**10,787,473**	**27,493,977**
Accumulated Depreciation					
01 April 2013	54,975	301,538	7,453,470	7,187,900	14,997,883
Charge for the year	28,712	31,582	348,040	239,987	648,321
31 March 2014	**83,687**	**333,120**	**7,801,510**	**7,427,887**	**15,646,204**
Carrying Amounts					
At 31 March '14	**1,011,874**	**163,023**	**7,313,290**	**3,359,586**	**11,847,773**
At 31 March '13	**1,040,586**	**98,051**	**5,960,871**	**2,417,670**	**9,517,179**

10. Inventories

Inventories represent assets, held at cost, that we intend to use in future electricity generation and water treatment or by using it to replace parts worn out on infrastructural assets. The bulk of these assets include spares and parts together with items such as electricity cables, poles and fittings and water pipework and fittings held for repairs and replacements.

	2014
	SHP
Electricity Generation Inventories	243,556
Electricity Distribution Inventories	776,858
Water Treatment, and Distribution Inventories	150,362
Fuel	30,640
Other Invoices	371
Total Inventories	**1,201,787**

11. Debtors

Debtors include accrued income, and are amounts owed by our customers for goods we have delivered or services we have provided. These balances are valued net of expected irrecoverable debts. Fuel duty refunds due from Saint Helena Government represent duty rebates for electricity generation diesel refundable to the company under Saint Helena law.

	2014
	SHP
Trade Debtors	408,035
Accrued tariffs receivable	323,672
Fuel Duty Refunds Due from Saint Helena Government	140,476
Other Receivables and Prepayments	32,990
	905,173
Less: Provision for credit losses	(71,489)
Amounts falling due within one year	**833,684**
Amounts falling due after more than one year:	
Deferred tax assets	51,799
Total Debtors	**885,483**
Provision for credit losses	
Balance at 1 April	Nil
Charged during the year	71,489
Closing balance at 31 March 2014	71,489

12. Creditors

Trade and other payables include accruals, and are principally amounts we owe to our suppliers. Deferred income represents monies received from customers in advance of the delivery of goods or the performance of services by the Company.

	2014
	SHP
Trade Payables	378,227
Other Payables	40,831
Accruals	343,567
Amounts falling due within one year	**762,625**

13. Exceptional item

A £0.666 million exceptional charge was made to the income statement for sustainable water solutions designs and consultancy works committed to before the commercialisation of the utilities service and formation of the Company. These consultancy charges which related to long term water supply strategy and were initially capitalised by the government were written off to the income statement as they did not result in the construction or acquisition of any tangible assets.

14. Financial risk management

The company faces three main types of financial risk - credit risk exposure, foreign exchange currency exposure and liquidity risk. Having no debt the company's interest rate risk is only limited to bank interest income on bank balances which is not considered a significant risk.

Credit risk
Credit risk lies in the collection of debts incurred by the company's utilities consumers who are billed for services consumed in arrears. This risk is managed via the company's Debt Recovery-Utility Bills policy and summaries of outstanding debtors tabled at each board meeting as part of the key performance indicators. The Debt Recovery-Utility Bills policy guides management from initial risk assumption when customer's ability to pay is assessed before connection through to timeous billing, follow ups on outstanding balances through to disconnection and legal debt recovery procedures.

Foreign exchange risk
Foreign exchange risk is born by the company each time materials and supplies are ordered abroad. Almost all of the materials and parts used in the operations of the company are imported from South Africa and the United Kingdom. While imports from UK do not present any exchange risk those from South Africa present exchange risk. This risk is managed through performance bonds when payments are made before delivery and through payment terms where the supplier is exposed to the currency risk rather than the company.

Currently over 70 percent of the electricity generated by the company is through the diesel generator powered power station. While the company does not directly import the diesel and is therefore not directly exposed to foreign exchange risk, this risk is however manifest in price variability caused by both international oil prices and the strength or weakness of the sterling against the United States dollar. This price risk affects the cost at which the company produces electricity which cannot immediately be passed on to consumers due to regulated tariffs. To reduce the impact this might have on the company and the island at large, the company has been and will continue to invest in renewable energy infrastructure.

Liquidity risk
The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. While the company expects to meet its financial obligations through operating cash flows this ability is currently reliant upon government subsidies which the company receives in compensation for lower than otherwise economic tariffs the company would have to levy to fully recover costs given the current subdued population-based consumption.

15. Income tax on profit on ordinary activities

a. Tax expense included in profit or loss	2014 SHP
Current Tax	
Saint Helena corporate tax on profit for the year	-
Deferred Tax	
Origination and reversal of timing differences	(10,610)
Total tax on profit on ordinary activities	**(10,610)**

b. Reconciliation of tax charge

Profit multiplied by the standard rate of Saint Helena corporate tax	-
Effects of:	
Remeasurement of deferred tax-timing differences	(10,610)
Income tax charge for the year	**(10,610)**

16. Deferred Tax Assets and Liabilities

The following are the deferred tax liabilities and (assets) that have been recognized by the company due to temporary differences between the accounting net book values and the tax written down values.

	Provisions SHP	Electricity Infrastructure SHP	Water Infrastructure SHP	Vehicles & equipment SHP	Land & Buildings SHP	Total SHP
Charge to profit and loss for the year	-	15,585	3,652	17,678	4,274	41,189
(Credit) to profit and loss for the year	(25,266)	(6,870)	(18,654)	(849)	(160)	(51,799)
31 March 2014	**(25,266)**	**8,715**	**(15,002)**	**16,829**	**4,114**	**(10,610)**

The net effect of balances shown above are the deferred tax assets as shown in note 11 and deferred tax liabilities as shown in note 18.

Accounting policies and explanatory notes to the financial statements (continued)

17. Cash from operating activities

Profit for the year	**(434,362)**
Adjustments to reconcile profit for the year to net cash flow from operating activities	
Depreciation of tangible fixed assets	648,321
Amortization of Government Grants	(17,239)
Provision for doubtful debts	71,489
Increase in provisions	29,575
Decrease (increase) in trade and other receivables	(345,389)
Increase (decrease) in trade and other payables	762,625
Decrease (increase) in inventories	4,871
Movements in deferred tax balances	(10,610)
Net cash flows from operating activities	**709,281**

18. Provisions for payables and other charges	**Leave Pay**	**Deferred Tax (note 16)**	**Total**
	SHP	**SHP**	**SHP**
Recognised during the year	29,575	41,189	**70,764**

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

19. Retirement Benefit Scheme

A total of £52,639 was charged to employee salaries and benefit costs and recognised in the Income Statement in respect of the company's contribution towards a Defined Contribution Scheme on behalf of eligible employees. The scheme is run and managed by a third party on behalf of employees and as such, there are no assets or future obligations recognisable by the company in respect of the scheme.

20. Deferred Government Grants	**SHP**
Balance at 1 April 2013	Nil
Received during the year	3,688,329
Amortized during the year	(17,239)
Balance at 31 March 2014	**3,671,090**

Accounting policies and explanatory notes to the financial statements (continued)

21. Share Capital

The company's authorised share capital is 25 million of ordinary shares. The balance as at 31st March 2014 of £15,157,175 comprises of 15,157,175 ordinary shares issued at £1 per share. This represents the value of assets transferred from the Saint Helena Government to the company in the form of underlying infrastructure, outstanding debtors and inventories, £14,466,051 and a further £691,124 issued for working capital (£500,000) and other inventories transferred to the company by the shareholders during the year (£191,124). Three pieces of land valued in total at £55,146 were not transferred but agreed to be transferred to the company in future upon which more shares to the same value will be issued.

	SHP	SHP
Opening Balance		Nil
Assets transferred		
Tangible fixed assets	9,517,179	
Assets under construction	2,512,415	
Sustainable Water Solutions design and consultancy project	665,863	
Inventories	1,206,657	
Trade Debtors	275,855	
Unbilled tariff income for units supplied before 1 April 2013	275,723	
Expenses relating to Saint Helena Government era	8,207	
Cash in bank	4,152	**14,466,051**
Issued during the year		691,124
Share capital at 31 March 2014		15,157,175

22. Capital commitments

The company had capital commitments for electricity and water infrastructure of £473,288. This represents the total value of signed contracts and orders for delivery of goods and services towards infrastructural development and is funded by confirmed government grants.

23. Approval of Financial Statements

These financial statements were approved by the board of directors and authorized for issue on 4 November 2015.