



**Report and Financial Statements  
31 March 2015**





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## Corporate Information

### Directors

#### **Non-executive**

Mark Stevenson (Chairman) *resigned on 17 October 2015*  
Geoff Dawson *(joined the Board on 16 July 2015 and was appointed Chairman on 17 September 2015)*  
Dax Richards  
Julie Lawrence *(resigned on 23 April 2015)*

#### **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 2015.

### 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 year 2014/15 was a very exciting year in the energy sector and in particular for the company with the oil prices tumbling down to below \$50 per barrel, the company's wind farm being commissioned and work on the solar farm being started all during the same year. These developments had a strong bearing on the company's performance where fuel costs declined by 17 percent from the previous year's £1.88 million to £1.56 million. This was on the backdrop of both low fuel prices and the increased renewable energy capacity and in line with the strategy to maximise renewable energy capacity and minimise dependency on the expensive diesel generation.

The commissioning of the wind energy farm in April resulted in renewable power generation contributing 22 percent up from 11 percent achieved last year while the solar farm is expected to increase the total annual renewable contribution to 30 percent when commissioned in June 2015.

On the water side of the business, contracts were awarded for bulk water supply improvements with some of the installation works completed during the financial year. The records relating to installed assets are poor and create hindrance to the day to day business. This problem is being addressed by extensive surveying and mapping works which will inform future business decisions.

In order to inform the design for sewage treatment plants and associated sewage collection systems extensive surveying has been undertaken predominantly in the Half Tree Hollow, Jamestown and Ruperts Valley areas. Survey information was provided to consultants who have provided design options for consideration, with implementation scheduled to commence in the next financial year.

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

	2015	2014
<b>Financial Performance</b>	<b>£000</b>	<b>£000</b>
Turnover	3,846	3,592
Operating loss before subsidies	(608)	(916)
Operating profit after subsidies	396	(455)
Profit after tax	355	(434)
Current assets as a percentage of current liabilities (quick ratio)	1041%	550%
Average number of employees	59	60

Turnover increased by 7.1 percent from last year buoyed largely by the tariffs increases together with the growth in electricity consumption. This together with low oil prices and the impact of renewable energy investments helped to significantly narrow down the operating

## Strategic Report (continued)

### Review of the business (continued)

loss before subsidies from (£0.916 million) to (£0.608 million) and fill the gap left by the 23.2 percent reduction in government subsidies from last year's £1.1 million to £0.845 million. Net income after subsidies and before tax turned around from a loss of £0.455 million to £0.396 million profit. While the turnaround is mainly due to the £0.666 million exceptional item charged to the income statement last year, the declining fuel prices and efficiencies brought by renewable energy contributed significantly.

### Operational Performance

#### Electricity Generation

	MWh	(%)
Units generated by diesel generators	7,851	78
Units generated by wind turbines	2,167	21
Units generated by solar	106	1
	<b>10,124</b>	<b>100</b>

As reported in the last financial year strategic report, the company continued to operate leanly both on operating and administrative functions during the year under review. This lean approach has continued to work effectively for the company with some key service standard targets improving year on year surpassing pre-divesting era on both reliability and quality of service while most regulatory targets were either met or narrowly missed.

During the year the Company received its first review from the regulator wherein after noting that the Company had made very significant improvements they issued two directives to the effect that (i) the Company has to maintain a detailed record of all network disruptions with location, cause and remedial action being recorded against each disruption and (ii) The URA, CSH and SHG Public Health Department agreed a modified approach that put the onus on CSH to perform sampling and organise analysis with Public Health independently monitoring and raising with CSH / URA as appropriate.

While a detailed record of the locations, causes and corrective actions of interruptions to the distribution network have been maintained during the year the revised sampling regime under the control of CSH was implemented in time for analysis during the 2015/16 reporting period.

Below are some of the key performance indicators for the year measured against targets set by the Utilities Regulatory Authority (URA):

#### Reliability

	Actual	URA Target
Number of disruptions to the electricity distribution network	123	109
Number of leakages on the water distribution network	897	1282

While the 123 actual unplanned electricity distribution interruptions did not meet the URA target of 109 it is an 8 percent improvement on the 2012/13 benchmark of 134 interruptions and include 12 power station events that were not being counted in the past and therefore overlooked in the URA target setting process. Water interruptions were 897 and favourable against the target of 1,282.

## Strategic Report (continued)

### Review of the business (continued)

#### Water Quality

During the 2013/14 review the method of water sampling was discussed at length. The URA, SHG Public Health Department and the Company agreed a modified approach that put the onus on CSH to perform sampling and organise analysis, with Public Health independently monitoring and raising with the Company or/ URA as appropriate. The change in sampling methodology took place late in this reporting period and so the benefits will not be apparent until the 2015/16 reporting year. Additionally the URA placed more stringent targets for the 2015/16 year of 0% failure in relation to microbiological integrity.

	Actual	URA Target
Percentage of water samples found clear at water treatment works	98.5%	100%
Microbiological Integrity of Treated Water in CSH Network	99.5%	98.5%

With the overall aim of improving utility service delivery, driving down costs and enhancing capacity for anticipated post airport economic prosperity, the grants funded infrastructural development program continued during the year with the total investment over £2.2 million having been made by the close of the year. While the single most significant asset funded during the year was the solar farm the total capital spending was spread as follows:

	SHP
Electricity Infrastructure	906,176
Water Infrastructure	1,078,754
Lands and Buildings	189,998
Plant and Equipment	70,794
<b>Total investment in assets under construction during the year</b>	<b>2,245,722</b>

#### 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 Regulator 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.

*Strategic Report (continued)*

*Review of the business (continued)*

**Financial Risks**

The main financial risks faced by the company are credit risk, exchange risk, oil price risk and cash flow 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 a trade debtors report 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.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations, timeously applying its utility bill debt recovery policy to all defaulting customers.

**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. A Remuneration Committee has been formed to ensure fair reward for Executive Directors and the Risk Register identifies actions for the Business Support Manager in relation to staff generally.

By order of the Board



**Barry Hubbard**  
Chief Executive Officer



## **Director's Report**

The Directors present their report for the year ended 31 March 2015.

### **Directors of the company**

The current Directors are shown on Page 3.

### **Dividend**

Directors are not recommending any dividend in light of the need to build up cash resources for the asset replacement strategy. This decision is also taken in view of the profits having been achieved at the expense of postponed maintenance works together with the actual operating loss before subsidies.

The commissioning of the wind energy farm in April resulted in renewable power generation contributing 22 percent up from 11 percent achieved last year while the solar farm is expected to increase the total annual renewable contribution to 30 percent when commissioned in June 2015.

### **Research and Development**

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

### **Future Developments**

The commissioning of the solar farm which is scheduled for June 2015 is expected to materially drive electricity unit costs down while 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**

There were no material events to report on after the balance sheet date at the time of reporting.

### **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 7. 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 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



### *Director's Report (continued)*

other variations to working arrangements or taking some other positive action which would enable them to be effective in the job.

### **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

A handwritten signature in black ink, appearing to read "S Thomson".

**Sarah Thomson**  
Company Secretary



## **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



*Director's responsibility statement (continued)*

-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.

A blue ink signature of Barry Hubbard, consisting of a large 'B' followed by a series of loops and a long horizontal stroke.

**Barry Hubbard**  
Chief Executive Officer

A blue ink signature of Geoff Dawson, featuring a stylized 'G' and 'D' followed by a long, sweeping horizontal line.

**Geoff Dawson**  
Chairman



## **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 2015 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, 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 2014 or 31 March 2015. Since inventories enter into the determination of the financial performance and financial position, we were unable to determine whether adjustments might have been



*Report on Financial statements (continued)*

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 2015 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.

A handwritten signature in black ink, appearing to read "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 2015

### Comprehensive Income Statement for the year ended 31 March 2015

	Notes	2015 SHP	2014 SHP
Turnover	3	3,846,041	3,591,732
Cost of Sales	4	<u>(3,532,321)</u>	<u>(3,629,412)</u>
<b>Gross Profit</b>		<b>313,720</b>	<b>(37,680)</b>
Administrative expenses	5	(921,974)	(877,860)
Exceptional Item			(665,862)
Other Operating Income	7	1,004,427	1,126,753
<b>Operating Profit</b>		<b>396,173</b>	<b>(454,650)</b>
Bank Interest receivable		16,550	14,257
Finance Costs		(5,448)	(4,579)
<b>Profit on Ordinary Activities Before Taxation</b>		<b>407,275</b>	<b>(444,972)</b>
Tax charge for the year	14	(4,328)	
Deferred tax movements	15	(48,011)	10,610
<b>Profit for the Financial Year</b>		<b>354,936</b>	<b>(434,362)</b>

The notes on pages 18 to 28 form an integral part of these financial statements.

## Financial Statements for the year ended 31 March 2015

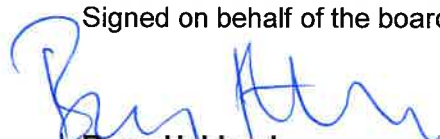
### Statement of Financial Position

	Notes	31-Mar-15 SHP	31-Mar-14 SHP
<b>Fixed Assets</b>			
Assets Under construction	8	1,965,697	3,187,192
Tangible fixed assets	9	14,579,770	11,847,773
		<b>16,545,467</b>	<b>15,034,965</b>
<b>Current Assets</b>			
Inventories	10	1,345,762	1,201,787
Debtors			
Amounts falling due within one year	11	862,403	833,684
Amounts falling due after one year	11	90,248	51,799
		952,651	885,482
Cash and bank balances		3,928,448	2,105,058
		6,226,861	4,192,327
Creditors: amounts falling due within one year	12	597,942	762,625
<b>Net current assets</b>		<b>5,628,919</b>	<b>3,429,702</b>
<b>Total assets less current liabilities</b>		<b>22,174,386</b>	<b>18,464,667</b>
Provisions for other payables and charges	18	172,924	70,764
Retention Funds	12	17,673	
Deferred Government Grants	19	6,776,038	3,671,090
<b>Net assets</b>		<b>15,207,751</b>	<b>14,722,813</b>
Capital and reserves			
Share Capital	20	15,287,175	15,157,175
Retained profits		(79,424)	(434,362)
<b>Total Shareholders Equity</b>		<b>15,207,751</b>	<b>14,722,813</b>

The notes on pages 18 to 28 form an integral part of these financial statements.

These financial statements on pages 13 to 28 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 2015

### Statement of Cash Flows

	Notes	2015 SHP	2014 SHP
<b>Net cash flows from operating activities</b>	<b>16</b>	<b>729,131</b>	<b>709,281</b>
<b>Cash flows from investing activities</b>			
Payments to acquire and construct tangible assets		(2,299,768)	(2,987,831)
<b>Net cash used in investing activities</b>		<b>(2,299,768)</b>	<b>(2,987,831)</b>
<b>Cash flows from financing activities</b>			
Government Grants received		3,264,027	3,688,330
Ordinary Share capital issued		130,000	691,124
<b>Net cash used in financing activities</b>		<b>3,394,027</b>	<b>4,379,454</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,823,390</b>	<b>2,100,906</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>2,105,058</b>	<b>4,152</b>
<b>Cash and cash equivalents at end of year</b>		<b>3,928,448</b>	<b>2,105,058</b>

The notes on pages 18 to 28 form an integral part of these financial statements.



## Financial Statements for the year ended 31 March 2015

### Statement of Changes in Equity

	Share Capital	Retained Income	Total Equity
	SHP		SHP
<b>At 1 April 2014</b>	<b>15,157,175</b>	<b>-434,362</b>	<b>14,722,813</b>
Issue of Ordinary Shares	130,000		130,000
Retained Profits for the year		354,936	354,937
<b>At 31 March 2015</b>	<b>15,287,175</b>	<b>-79,424</b>	<b>15,207,751</b>

The notes on pages 18 to 28 form an integral part of these financial statements.



## Financial Statements for the year ended 31 March 2015

### 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) Tangible 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

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

the Statement of Financial Position and depreciated over the estimated useful economic life of the asset.

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:

<b>Class of Asset</b>	<b>Estimated Useful Economic Life (Years)</b>
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.

**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



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

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)*

**3. Turnover**

Turnover, analysed by category was as follows:	<b>2015</b>	<b>2014</b>
	<b>SHP</b>	<b>SHP</b>
Unit Charges – Water	330,038	277,454
Unit Charges – Electricity	3,003,879	2,800,900
Service Charges	353,295	322,906
Other Service Income	158,829	190,472
	<b>3,846,041</b>	<b>3,591,732</b>

**4. Cost of sales**

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

	<b>2015</b>	<b>2014</b>
	<b>SHP</b>	<b>SHP</b>
Electricity Generation Fuel	1,566,287	1,851,636
Maintenance Materials and Parts	635,427	615,299
Depreciation	708,181	594,238
Contracted Out Services	80,018	65,628
Employees	542,408	502,611
	<b>3,532,321</b>	<b>3,629,412</b>

**5. Administrative expenses**

Administrative expenses during the year included:	<b>2015</b>	<b>2014</b>
	<b>SHP</b>	<b>SHP</b>
Directors and employees	432,081	437,071
Office and other administrative costs	323,757	183,552
Audit fees	29,729	33,529
Premises Related Costs	16,142	98,136
Depreciation	81,085	54,083
Provisions for Doubtful Debts	39,180	71,489
	<b>921,974</b>	<b>877,860</b>



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

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

	2015	2014
	NO	NO
Electricity	23	24
Water	23	23
Administration	13	13
	<u>59</u>	<u>60</u>

## 6. Key Management Compensation

A total of £267,348 (2014: £299,633) included in staff costs was paid to key management and executive directors as compensation for their services to the company.

## 7. Other Operating Income

Other Income include subsidies from Saint Helena Government to support the company's revenues in light of the current subdued population-based consumer base and the cost of service delivery.

	2015	2014
	SHP	SHP
Government Revenue Grants	845,348	1,109,514
Amortization of Government Grants	159,079	17,239
<b>Total Other Income</b>	<b><u>1,004,427</u></b>	<b><u>1,126,753</u></b>

## 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.

	Land & Buildings	Equipment & Vehicles	Electricity Infrastructure	Water Infrastructure	Total
Cost	SHP	SHP	SHP	SHP	SHP
01 April 2014	Nil	29,230	1,905,205	1,252,757	3,187,192
Additions	189,998	70,794	906,176	1,078,754	2,245,722
Transferred to Tangible Assets	(189,998)	(100,024)	(1,602,888)	(1,574,307)	(3,467,217)
<b>31 March 2015</b>	<b>0</b>	<b>0</b>	<b>1,208,493</b>	<b>757,204</b>	<b>1,965,697</b>

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

## 9. Tangible Fixed Assets

Tangible fixed assets include significant investment in power stations, water treatment plants, water storage assets and buildings. All assets are depreciated over their useful economic lives.

	Land & Buildings	Equipment & Vehicles	Electricity Infrastructure	Water Infrastructure	Total
Cost	SHP	SHP	SHP	SHP	SHP
<b>01 April 2014</b>	<b>1,095,561</b>	<b>496,143</b>	<b>15,114,800</b>	<b>10,787,473</b>	<b>27,493,977</b>
Transfers from assets under construction	189,998	100,024	1,602,888	1,574,307	3,467,217
Additions	-	50,251		3,795	54,046
<b>31 March 2015</b>	<b>1,285,559</b>	<b>646,418</b>	<b>16,717,688</b>	<b>12,365,575</b>	<b>31,015,240</b>
<b>Accumulated Depreciation</b>					
01 April 2014	83,687	333,120	7,801,510	7,427,887	15,646,204
Charge for the year	28,712	52,373	412,155	296,026	789,266
<b>31 March 2015</b>	<b>112,399</b>	<b>385,493</b>	<b>8,213,665</b>	<b>7,723,913</b>	<b>16,435,470</b>
<b>Carrying Amounts</b>					
<b>At 31 March '15</b>	<b>1,173,160</b>	<b>260,925</b>	<b>8,504,023</b>	<b>4,641,662</b>	<b>14,579,770</b>
<b>At 31 March '14</b>	<b>1,011,874</b>	<b>163,023</b>	<b>7,313,290</b>	<b>3,359,586</b>	<b>11,847,773</b>

## 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.

	2015 SHP	2014 SHP
Electricity Generation Inventories	192,566	243,556
Electricity Distribution Inventories	835,008	776,858
Water Treatment, and Distribution Inventories	272,365	150,362
Fuel	24,800	30,640
Other Invoices	21,023	371
<b>Total Inventories</b>	<b>1,345,762</b>	<b>1,201,787</b>

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

## 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.

	<b>2015</b>	<b>2014</b>
	<b>SHP</b>	<b>SHP</b>
Trade Debtors	401,365	408,035
Accrued tariffs receivable	359,783	323,672
Fuel Duty Refunds Due from Saint Helena Government	99,073	140,476
Other Receivables and Prepayments	112,852	32,990
	<u>973,073</u>	<u>905,173</u>
	(110,669)	(71,489)
<b>Amounts falling due within one year</b>	<b>862,404</b>	<b>833,684</b>
Amounts falling due after more than one year:		
Deferred tax assets	<u>90,248</u>	<u>51,799</u>
<b>Total Debtors</b>	<b>952,652</b>	<b>885,482</b>
<b>Provision for credit losses</b>		
Balance at 1 April	71,489	Nil
Charged during the year	<u>39,180</u>	<u>71,489</u>
Closing balance at 31 March	<u>110,669</u>	<u>71,489</u>

## 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.

	<b>2015</b>	<b>2014</b>
	<b>SHP</b>	<b>SHP</b>
Trade Payables	359,055	378,227
Corporate tax payable	4,328	-
Deferred Income and Other Payables	41,286	40,831
Accruals	<u>193,273</u>	<u>343,567</u>
<b>Amounts falling due within one year</b>	<b>597,942</b>	<b>762,625</b>
Amounts falling due after more than one year:		
Retention Funds	<u>17,673</u>	
<b>Total Creditors</b>	<b>615,615</b>	<b>762,625</b>



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

### **13. 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.

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

**14. Income tax on profit on ordinary activities**

	<b>2015</b>	<b>2014</b>
	<b>SHP</b>	<b>SHP</b>
<b>a. Tax expense included in profit or loss</b>		
<b>Current Tax</b>		
Saint Helena corporate tax on profit for the year	4,328	-
<b>Deferred Tax</b>		
Origination and reversal of timing differences	48,011	(10,610)
<b>Total tax on profit on ordinary activities</b>	<b>52,339</b>	<b>(10,610)</b>

**b. Reconciliation of tax charge**

Profit multiplied by the standard rate of Saint Helena corporate tax	101,819	-
<b>Effects of:</b>		
Expenses not deductible for tax purposes	211,037	-
Carry forward losses multiplied by corporate tax rate	(108,591)	
Depreciation allowances	(188,015)	-
Remeasurement of deferred tax-timing differences	48,011	(10,610)
Capital expenditure allowances	(11,922)	-
<b>Income tax charge for the year</b>	<b>52,339</b>	<b>(10,610)</b>

**15. 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.

	<b>Provisions</b>	<b>Electricity</b>	<b>Water</b>	<b>Vehicles &amp;</b>	<b>Land &amp;</b>	<b>Total</b>
	<b>SHP</b>	<b>Infrastructure</b>	<b>Infrastructure</b>	<b>equipment</b>	<b>Buildings</b>	<b>SHP</b>
	<b>SHP</b>	<b>SHP</b>	<b>SHP</b>	<b>SHP</b>	<b>SHP</b>	<b>SHP</b>
<b>Balances at 31 March 2014</b>	<b>(25,266)</b>	<b>8,715</b>	<b>(15,002)</b>	<b>16,829</b>	<b>4,114</b>	<b>(10,610)</b>
Net movement during the year	(13,720)	12,722	54,323	(10,617)	5,302	48,011
<b>Balances at 31 March 2015</b>	<b>(38,986)</b>	<b>21,437</b>	<b>39,321</b>	<b>6,212</b>	<b>9,416</b>	<b>37,401</b>

The balances shown above are the net effect of 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)*

**16. Cash from operating activities**

	<b>2015</b>	<b>2014</b>
	<b>SHP</b>	<b>SHP</b>
<b>Profit for the year</b>	<b>354,937</b>	<b>(434,362)</b>
Adjustments to reconcile profit for the year to net cash flow from operating activities		
Depreciation of tangible fixed assets	789,266	648,321
Amortization of Government Grants	(159,079)	(17,239)
Provision for doubtful debts	39,180	71,489
Increase in corporate tax payable	4,328	
Increase in provisions	15,701	29,575
Increase in trade and other receivables	(67,899)	(345,389)
Increase in trade and other payables	(151,338)	762,625
Decrease (increase) in inventories	(143,975)	4,871
Movements in deferred tax balances	48,011	(10,610)
<b>Net cash flows from operating activities</b>	<b>729,132</b>	<b>709,281</b>

**17. Retirement Benefit Scheme**

A total of £66,777 (2014: £52,639) was charged to employee staff 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.

<b>18. Provisions for payables and other charges</b>	<b>Leave Pay</b>	<b>Other Provisions</b>	<b>Deferred Tax (note 14)</b>	<b>Total</b>
	<b>SHP</b>	<b>SHP</b>	<b>SHP</b>	<b>SHP</b>
At 1 April 2014	29,575		41,189	<b>70,764</b>
Additions less utilized	701	15,000		<b>15,701</b>
Origination and reversal of timing differences			86,460	<b>86,460</b>
<b>At 31 March 2015</b>	<b>30,277</b>	<b>15,000</b>	<b>127,649</b>	<b>172,925</b>

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.



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

	<b>2015</b>	<b>2014</b>
	<b>SHP</b>	<b>SHP</b>
<b>19. Deferred Government Grants</b>		
Balance at 1 April 2014	3,671,090	Nil
Received during the year	3,264,027	3,688,329
Amortized during the year	(159,079)	(17,239)
Balance at 31 March 2015	<b>6,776,038</b>	<b>3,671,090</b>

**20. Ownership and Share Capital**

Wholly owned by Saint Helena Government, the company's authorised share capital is 25 million of ordinary shares. Balances as at 31st March 2015 and 1st April 2014 of £15,287,175 and £15,157,175 respectively comprise of 15,287,175 ordinary shares (at 31st March 2015) and 15,157,175 ordinary shares (at 1st April 2014). During the year ended 31 March 2015 a total of 130,000 shares were issued to the shareholders for £130,000 injection made to enhance the company's working capital.

**21. Capital commitments**

The company had capital commitments for electricity and water infrastructure of £996,785 (2014: £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.

**22. Approval of Financial Statements**

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