



## Report and Financial Statements 31 March 2017



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## 1. Corporate Information

### **Directors:**

#### ***Non-executive***

Geoff Dawson  
Dax Richards  
Tracey Stroud (resigned 31 May 2017)  
Clare Harris (resigned on 4 January 2017)  
Josephine George (appointed on 17 January 2017)

#### ***Executive***

Barry Hubbard (Chief Executive Officer)  
Leon de Wet (Operations Director)

#### ***Company Secretary***

Clare Harris

#### ***Auditors***

Moore Stephens  
150 Aldersgate Street  
London  
EC1A 4AB

#### ***Bankers***

Bank of Saint Helena  
Market Street, Jamestown  
Saint Helena  
STHL 1ZZ

Crown Agents Bank  
St. Nicholas House  
St. Nicholas Road  
Sutton  
Surrey  
SM1 1EL  
United Kingdom

#### ***Solicitors***

Falkland Legal Services  
Atlantic House, Philomel Street  
Stanley, Falkland Islands  
FIQQ 1ZZ

#### ***Registered Office***

Seales Corner, Jamestown  
Saint Helena  
STHL 1ZZ



## 2. Strategic Report

The directors present their strategic report for the year ended 31 March 2017.

### 2.2 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.

As the company entered its fourth year of trading the business processes further bedded in. The company received a clean financial audit and had a second internal audit which identified improvements of a minor nature and commented how the business had noticeably matured over the last year.

There was no further investment in renewable energy this year although an impressive 26% of the island's electricity was generated from the wind and solar farms. Connect is working with SHG to identify alternative funding streams for renewable energy. Renewable energy directly affects the business by reducing the quantity of diesel fuel requirement. Customers see no direct benefit but the reduction in subsidy provided by SHG has allowed them to direct that funding to other priority areas.

Considerable investment was made in refurbishing some key 11kV electricity feeder infrastructure which has further helped us achieve the increasingly tighter power outage KPI. Work also commenced on a HV link between the main Feeder 2 and Blue Hill. The area to the West of Scotland currently has no alternative means of electricity supply which inconveniences consumers during fault conditions and during scheduled maintenance. Once the link is complete it provides us with more flexibility to improve the level of service to these consumers.

The enlargement of Harpers 3 reservoir to increase capacity from 8,000m<sup>3</sup> to nominally 20,000m<sup>3</sup> was completed. Whilst the butyl lining contractor was on island we took the opportunity to replace the time expired linings in Longwood 1, Longwood 2 and Millfield reservoirs which following this exercise are now fully watertight and serviceable for the foreseeable future.

Silt traps were installed on the watercourse feeding Harpers 2 Earth Dam. This omission from when the reservoir was originally constructed in the 1980's has created a serious problem with excessive silt now in the reservoir. The traps will prevent further build up and we are now faced with the significant task of removing the unwanted silt.

Surveying work is ongoing and now being supported by contractors. Having started from scratch, the task of surveying all assets is enormous but once complete will provide quality data to support investment decisions.

Although the previously mentioned planned activities were successfully implemented the year was dominated by a severe water shortage which consumed significant physical and human resources. The water shortage was triggered when the winter rains never materialised. The problem was always going to be solved when the rains finally arrived and in March reservoirs were replenished and we entered the 2017/18 financial year with full reservoirs. Previous reports mentioned the work completed to improve water catchments so it was pleasing that when the rains finally came there was clearly a significant improvement in the efficiency of water capture with a very high percentage of free flowing water ending up in the reservoirs. Prior to that significant quantities



were lost to the ocean and reservoirs struggled to fill when water was available. This improved situation is as a direct result of the investments made to the raw water catchment systems.

SHG supported the crisis well with our business case for additional transfer systems and an exploratory drilling program funded through a capital grant. There is always excess water in Jamestown and a transfer system is now in place to pump from there to Scotts Mill reservoir. A second system supplying water from Prosperous Bay Plain and a third from Sharks Valley were substantially completed prior to rains arriving. All of these systems are expensive to run so will only be used in times of an impending crisis.

During the drought a total of 29,038 bowser trips were made delivering 126,962 cubic metres of water. Although times were difficult all commercial agricultural users were supplied with water quantities dictated by ANRD. Exemption notices were used to control all non-essential use. The way the drought was managed was detailed in a contingency plan that had been prepared following the 2013 water shortage and had been updated earlier in the year before the trouble began. A tactical implementation plan was created to distil down to individual performance objectives and this was used to ensure everyone understood their roles and responsibilities. Once the drought was over the document was further scrutinised by SHG's Emergency Planning Team with final honing now complete and the document approved by the Connect Board of Directors.

Connect had already planned to undertake an exploratory drilling program with the intention of identifying additional raw water resources and setting up a ground water monitoring program. The drought prompted an acceleration of that process under guidance from a specialist consultancy. Ten trial boreholes were drilled to a maximum depth of one hundred and thirty metres, eight of which can produce water, two of those in significant quantity. There is further work to be done now to establish potential yields and environmental assessments need to be undertaken to support any development application that we will need prior to bringing any into service.

Although it has been a difficult year the majority of planned works have been undertaken. In terms of our codes of practice, resources were diverted away from providing new supplies as we struggled to maintain raw water volumes and therefore we failed to conduct water connection surveys within the 5 days from receipt of application as promised in the code of practice. Performance was compliant prior to the drought and subsequently returned to compliant. Although the drought stretched resources we emerged stronger from it, with a clean financial audit and our systems and processes now well bedded in the company moves out of the early development phase and into the business as usual phase of its evolution.

## 2.3 Financial Performance

### 2.3.1 Highlights

The key financial highlights during the year were as follows:

- **A net loss before tax of £177,107** compared to the budgeted breakeven and last year profit of £347,895.
- **A 7% net growth in turnover** to £4.367 million compared to last year's £4.074 million.
- **Gross loss at £83,209** contrast to last year's gross profit £185,970 due to drought mitigation costs.
- **Cost of sales increased 14%** to £4.450 million from last year's £3.889 million.

- **9.66 megawatts billed are almost exactly as budgeted** being 9.68 and 2.7% higher than 9.41 megawatts billed last year.
- **Water units billed at 265,623 m<sup>3</sup>** was 8.5% and 10% lower than budget and prior year respectively owing to restrictions on usage during the drought.

The profit making trend achieved in all of the past three years against break even targets was not achieved during the year under review with the company recording a net loss after tax of (£200,997) compared to a net profit of £216,484 recorded last year. The loss was mainly caused by managed overspending in preventative maintenance works that were carried over from previous years owing to then limited contractual capacity.

### 2.3.2 Turnover

Turnover grew by 7% or £0.293 million on last year in the backdrop of the 2.7% growth on electricity consumption and the restructured tariffs where the lowest band tariff was raised towards the cost of production. While water turnover declined by 4% on last year the actual units billed declined by 10% as people responded to the water shortages restrictions.

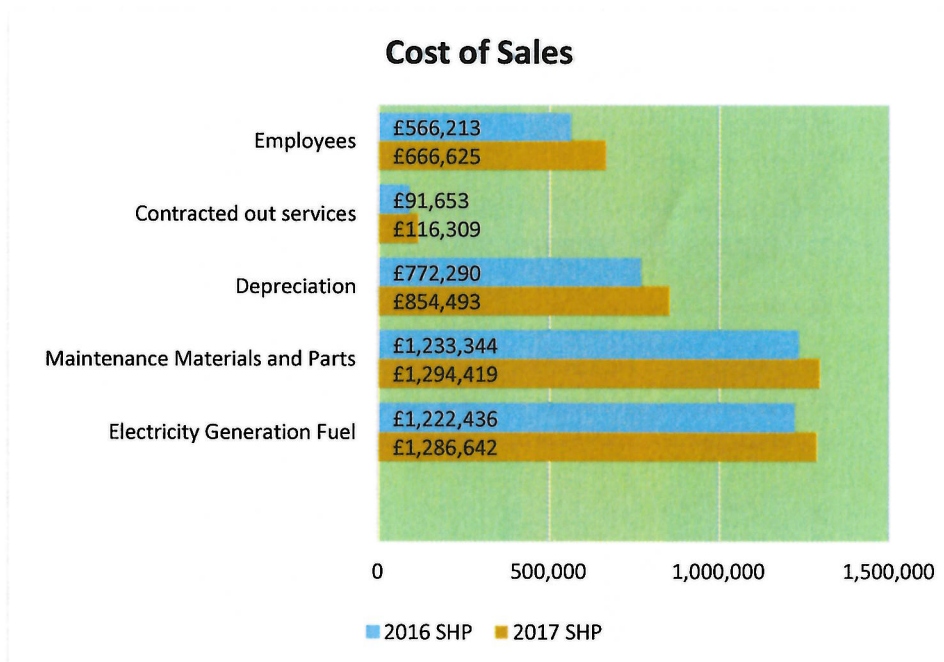
	2017 SHP	2016 SHP	Change
Unit Charges-Water	344,654	358,447	-4%
Unit Charges-Electricity	3,574,550	3,182,407	12%
Service Charges	248,697	350,952	-29%
Other Service Income	199,025	182,667	9%
<b>Total turnover</b>	<b>4,366,926</b>	<b>4,074,472</b>	<b>7%</b>

The 29% reduction in service charge income was a result of the scrapping of electricity service charges after the adoption of a two band tariff structure where the lowest band tariff was raised towards production costs and the impact on consumers lessened by the removal of service charges. In the previous 3 band tariff structure the lower end users were paying lower than the cost of production while the high end users were paying higher. The restructuring brought both the low and high consumers towards the unit costs by increasing the lower band tariff from 23 pence to 30 pence per kWh and widening the lower band from 400 kWh to 1,000 kWh.

### 2.3.3 Cost of sales

Total cost of sales surged upwards by 14% to £4.450 million in comparison to the £3.889 million recorded last year in the backdrop of the drought mitigation costs and increases in electricity generation fuel, maintenance and operational employee costs. Electricity generation fuel expenditure which remains the most significant efficiency target increased by 5% to £1.29 million compared to last year's £1.22 million. Maintenance expenditure surged upwards by 5% to £1.294 million up from last year's £1.233 million largely due to outstanding preventative maintenance carried out on the electricity distribution network where Feeder 2 network's ceramic insulators were replaced by the more durable silicon. This investment had an immediate impact on electricity reliability and is intended to be extended to the rest of the network over the next few years.





During the year management took the decision to strengthen the operations team by the appointment of an experienced civil engineer to guide civil planning of both maintenance and capital works while the power station also benefitted from the appointment of an experienced and qualified power generation manager. These developments together with inflationary adjustments saw the employee portion of cost of sales increasing by an effective 18% to £0.667 million compared to last year's £0.566 million.

#### 2.3.4 Divisional Performance

The company's operating units comprise, electricity, water and sewage operations. Direct operating income and expenditure for each service is directly recognised and charged in the service they relate to while administrative overheads are allocated on the basis of staff establishment. Analysed by service division the company's income statement for the year is depicted in the table following:



	Water	Sewage	Electricity	Internal Charges & Recharges	Consolidated
Unit Charges tariff	344,654		3,768,889	(194,339)	3,919,204
Service charges	101,339	63,806	84,143	(589)	248,699
Other service income	22,008	55,598	121,418		199,024
<b>Turnover</b>	<b>468,001</b>	<b>119,404</b>	<b>3,974,450</b>	<b>(194,928)</b>	<b>4,366,926</b>
Cost of sales	(1,541,646)	(115,567)	(2,944,513)	151,591	(4,450,135)
<b>Gross (loss)/profit</b>	<b>(1,073,645)</b>	<b>3,837</b>	<b>1,029,937</b>	<b>(43,337)</b>	<b>(83,209)</b>
Administrative expenses	(617,428)	(57,244)	(613,627)	43,337	(1,244,963)
Revenue Grant-Drought mitigation	232,776				232,776
Gain on disposal of assets					15,166
Revenue grant-Subsidy	605,000				605,000
Amortized grants					286,504
<b>Operating profit/(loss)</b>	<b>(853,297)</b>	<b>(53,407)</b>	<b>416,310</b>		<b>(188,727)</b>
Interest receivable					18,415
Finance costs					(6,795)
<b>Net profit/(loss)</b>	<b>(853,297)</b>	<b>(53,407)</b>	<b>416,310</b>		<b>(177,107)</b>

The above results show that water is significantly under-priced resulting in the gross loss of £1,073,645. After administrative overheads and subsidies water recorded a net loss of £853,297. On the other hand, electricity division has passed the breakeven point resulting in a net profit of £416,309 that partly subsidized loss making water and sewage operations. It is evident from the foregoing that the success of the subsidy elimination strategy will partly depend on decisions made to reduce the magnitude of the water and sewage losses through efficiencies and alignment of tariffs to costs. Deriving efficiencies from water costs is currently an uphill task given that the high water and sewage maintenance costs are a result of the aged infrastructure. Minimising maintenance costs would only be possible after the water distribution network is significantly upgraded and the level of investment required to do so is currently beyond the company's reach. This has led management and the board to recently embark on a water tariff review strategy that seeks to ultimately align the water tariff to total costs per unit.

While electricity division is now at the profit making level the division remains the major source of efficiencies through substitution of diesel generation with renewable energy. Management and the board remain seized with taking every opportunity to invest in renewable energy and eliminate over 30% of the electricity total cost of sales.

## 2.4 Financial Position

While the overall cash balances have significantly declined to £1.4 million in comparison to last year's £2.5 million the company's financial position remained strong with current ratio at 11.17 times in comparison to

last year's 7.67 times. The decline in cash balances are largely attributable to investment in tangible fixed assets in the form of replacement of the aged vehicle fleet together with the relining of some reservoirs.

Debtors and other receivables closed at £2.84 million, an increase of £0.953 million compared to last year's £1.887 million mainly due to the £1.073 million capital grants receivable from SHG for committed capital projects contracts and orders. Trade debtors decreased by £113,188 to £390,168 compared to same period last year's £503,357. The decrease could have been much larger were it not for the combined £116,000 owed by two large consumers which deteriorated into the over 90 days category. The decrease in debtor balance noted above is also manifest in the bill collection rates which improved with cash collected during the period representing 103% of turnover by value compared to 99% collected same period last year. The collection rate of all dues including brought forward debtors also improved to 92% from 89% achieved last year. In aggregate £447,000 was collected during the year under review more than collected the previous year.

## DEBTORS AND INCOME COLLECTION

	2017 £000	2016 £000
Opening Debtors Balance	503	462
Turnover	4,367	4,074
<b>Total Turnover and Debtors for Collection</b>	<b>4,870</b>	<b>4,536</b>
Closing Debtors	390	503
<b>Collected Cash</b>	<b>4,480</b>	<b>4,033</b>
Collected Cash as percent of total Turnover & Debtors	92%	89%
Collected Cash as percent of Turnover	103%	99%

Inventories increased by £134,310 during the period to close at £2.046 million. While efforts towards keeping optimum inventory levels continue in a bid to avoid unnecessary stockpiling the remoteness of the island and the long lead times do not help achieve this objective.

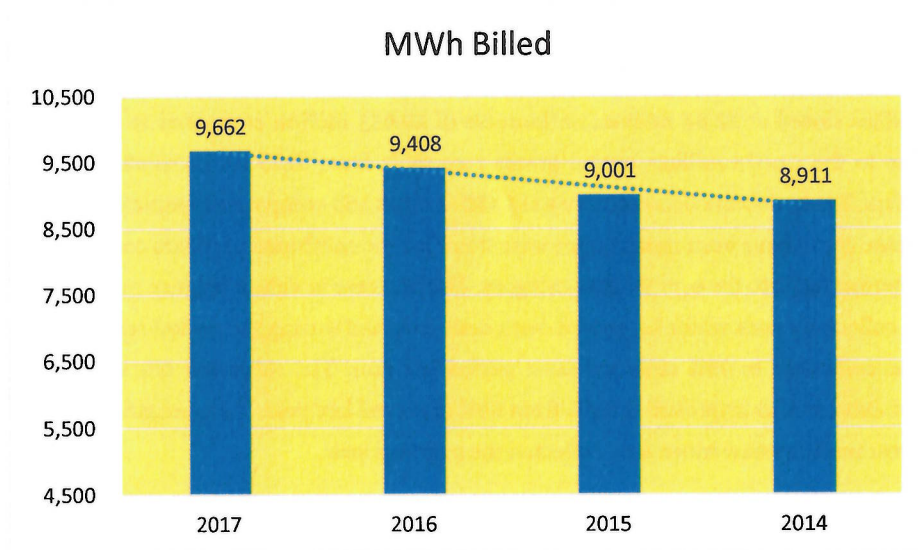
## 2.5 Operating Performance, Consumption and Efficiency

While consumption of electricity during the year registered expected growth over last year's figures, water declined due to drought restrictions:

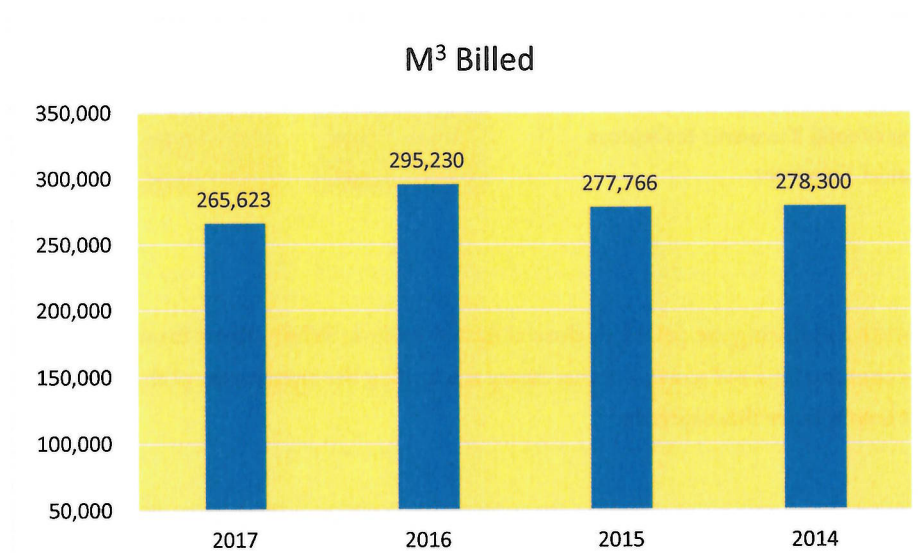
	2017	2016	%
Electricity MWh billed	9,662	9,408	2.7%
Water cubic metres billed	265,623	295,230	-10%

Electricity consumption grew by 2.7% and maintained the steady growth that has been achieved since the first year of the company's operations. This is a positive development as it reflects growth in the economic activity.



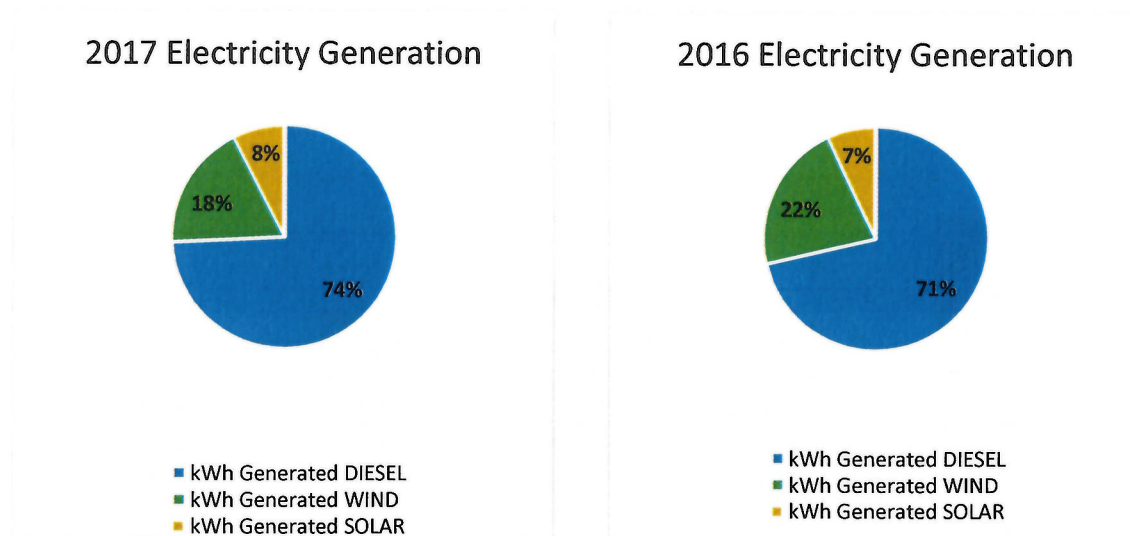


On the other hand as shown in the graph below water consumption declined 10% as consumers positively responded to the water restrictions imposed during the drought period.

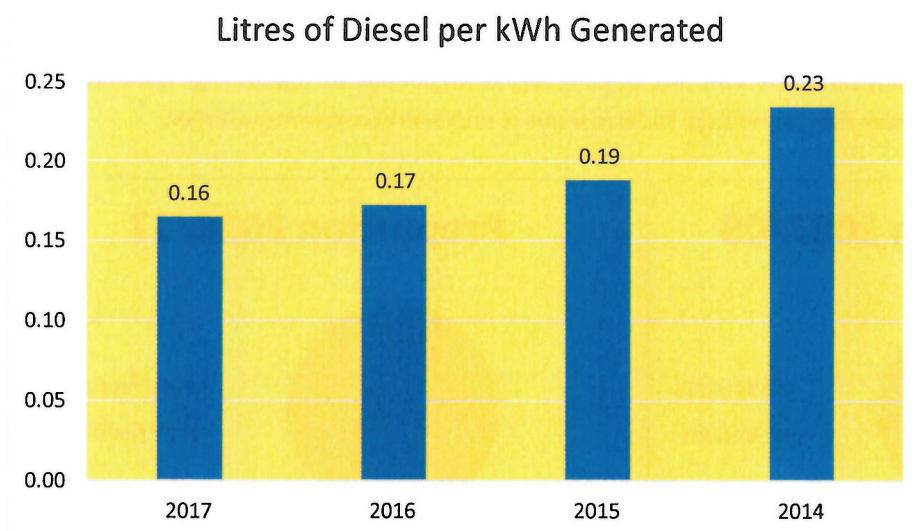


The increase in electricity demand was met by increased diesel generation as there was no further investment on renewable energy during the year. As depicted by the following pie charts, diesel generated energy accounted for 74% during the year an increase of 3% from last year's contribution of 71%. While solar energy generation also increased 1% to 8% against the 7% contributed last year, wind energy output declined due to a combination of less favourable weather and wind turbines breakdowns. Several wind turbines were out of service for long periods due to very long spares order lead times and some delays in securing the crane needed for working on them.





While there was increased diesel generation during the year the number of litres of diesel used per kWh generated actually declined to 0.164 litres from last year's 0.171 litres due to generators running more efficiently following an improved maintenance regime.

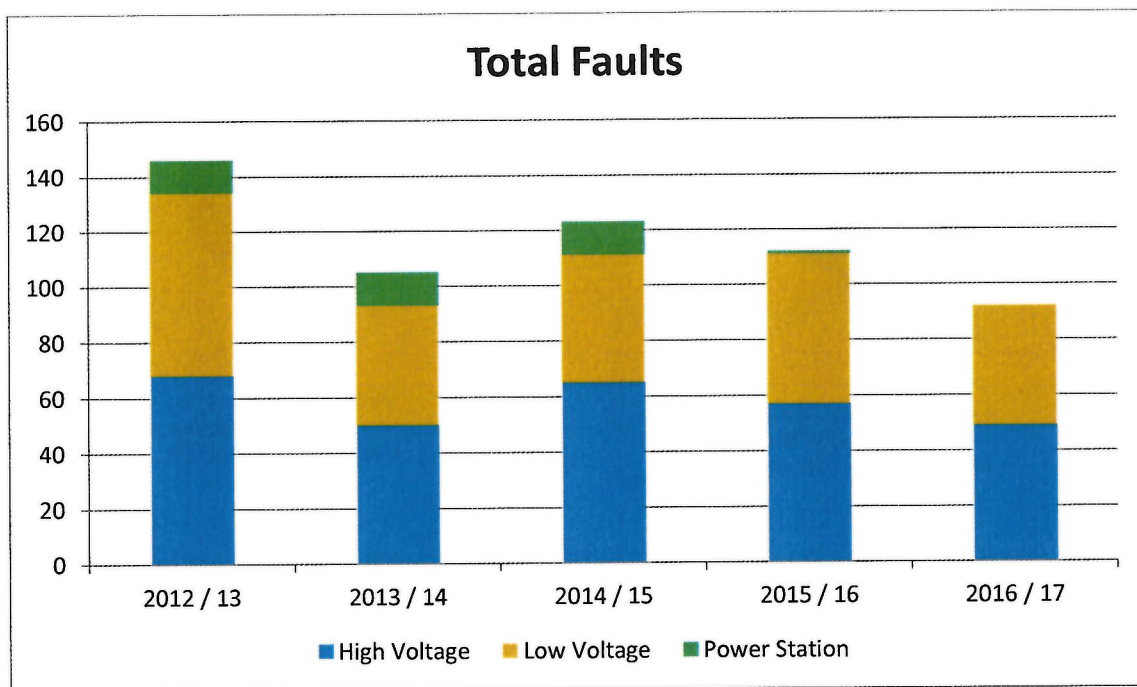


#### 2.5.1 Reliability, Quality and Customer Service

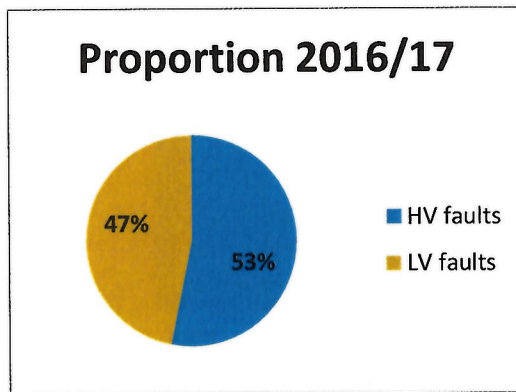
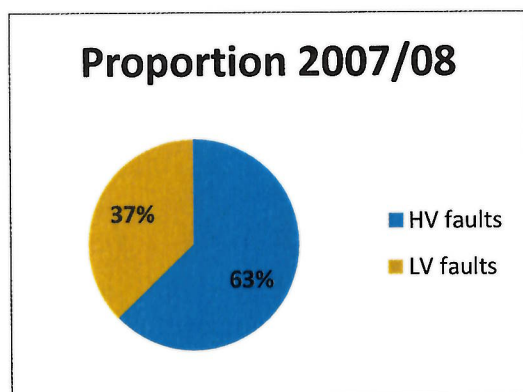
Connect's technical performance is publicly reported on by the Utilities Regulatory Authority. The following sections should be read in conjunction with the Regulatory Authority's independent assessment of the company's performance which is available on both Connect's and the SHG websites.

There were a total of ninety two unplanned interruptions to the electricity supply; the target of one hundred and five was achieved. Against the pre-divestment benchmark this is an improvement of 37% and a 18% improvement on the previous year. The graph following shows an improvement trend with 2016 being an exceptionally good year.

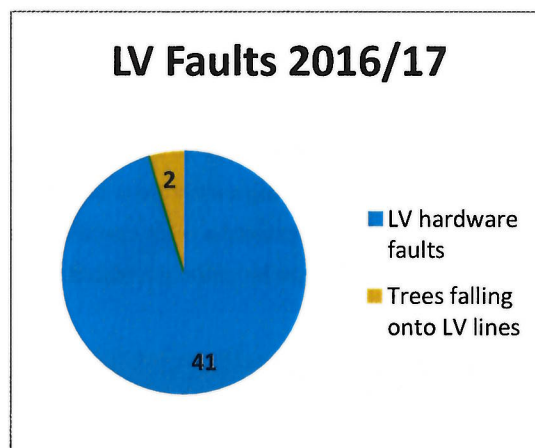
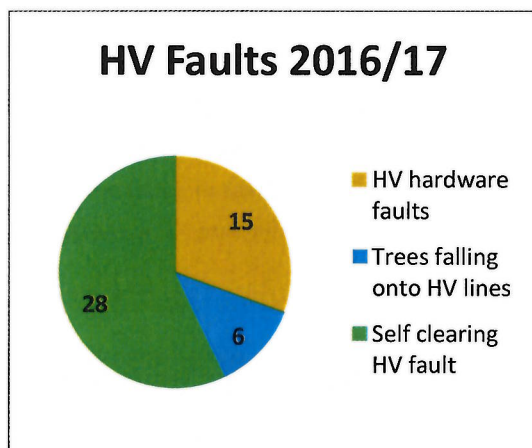
In recent years the proportion of high voltage and low voltage faults remains about equal.



Looking further back in time from 2007 until 2010 high voltage faults dominated, high voltage faults are considerably more disruptive than low voltage faults in terms of numbers of consumers affected.



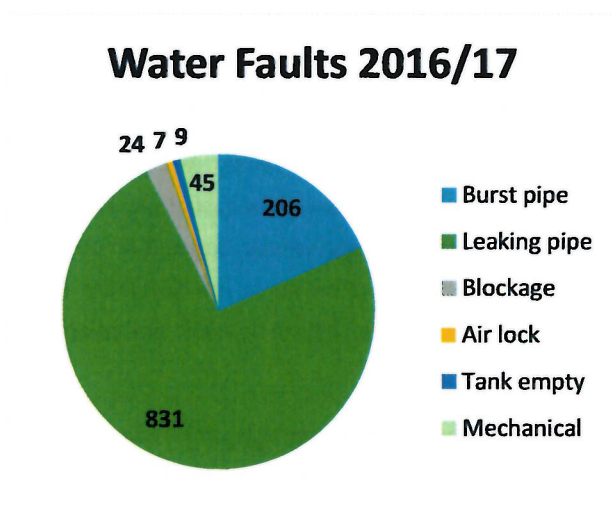
The spread of both low voltage and high voltage interruptions remains similar in proportion to the previous year, high voltage faults reduced from fifty seven to forty nine and with a reduction of power station faults from one to zero.



The unplanned outage KPI is key to the public perception of Connect's performance. We continue to focus our lines team and local contractors on preventing failure and we are making progress against this enormous task.

We have improved the specification of newly purchased HV insulators to silicone (rather than ceramic) and as lines get maintained they will become more reliable since silicone is technically superior.

Water interruptions amounted to one thousand, one hundred and twenty two, adverse against the target of eight hundred and fifty. The gathering of more spatial data is helping to identify problem areas where mains are replaced rather than repaired. Previous reports showed the process how clusters of leaks have been identified to inform the decision making process, we have invested in surveyors and a dedicated team to commence an upgrade program and make progress to improve on this KPI.



Leaking and burst pipes accounted for 92.5% of the callouts, 4% of callouts were attributed to the network being damaged with the combined blockages, air locks and empty tanks accounting for the remaining 3.5%. Against the pre-divestment benchmark an impressive 29% improvement has been made in this area.



Compared to the previous year the number of leaks has increased from six hundred and eight one to eight hundred and thirty one. All other fault numbers remained broadly similar to the previous year. One possible explanation is the extended dry period made leaks more evident so more were being reported. However we do know that the water network is in an extremely poor state and will take many years to make significant improvements. The ongoing survey work is providing essential design data to allow areas of the network to be replaced and we have recruited a team specifically tasked with making progress in this area. The enormity of the task must however not be underestimated.

### 2.5.2 Quality

All the weekly laboratory tests conducted by the Public Health Laboratory resulted in 100% success for both water visual appearance and microbiological integrity. For only one week the Public Health Laboratory was unable to perform testing which is a significant improvement from previous years. The Environmental Health Department still provide independent verification of results with the sampling and testing regime now working well supported by annual training from the Senior Microbiologist on correct sampling methodology.

This year is the first time we implemented and reported on water appearance against the internationally recognised NTU scale rather than relying on the subjective visual measurement. There were issues with calibration of the newly installed sensors and some valve failures on the clarification plants. During the drought we minimised backwashing to preserve water stocks since backwash water is significant in quantity and is not recovered. So although we were fully compliant with the previous measures there is still work to do in obtaining accurate NTU data and optimising the filtration plants which will further improve the visual appearance of our treated water.

### 2.5.3 Customer Service

We agreed improved targets for the time to perform new connections to the electricity and water supply networks. The measure is the number of days Connect contributes to the process and for ease of measurement non-working days are included. Electricity connections were favourable against the target. The 2012/13 benchmark was fifty days, the 2016/17 target was eighteen days and the actual result was seventeen days. Electricity connections show a 10% improvement on previous year and an impressive 66% improvement against the pre-divestment benchmark.

Water connections were also favourably below the target of fifteen with the average time reduced to an impressive eleven days. The 2012/13 benchmark was ninety days. There was a significant improvement with a massive 87% improvement being recorded against the 2012/13 benchmark and 21% improvement on last year.

Complaints handling system has been established with 100% compliance.

### 2.5.4 Access to Premises (Code of Practice)

The majority of customer contact is by the meter reader which was a 3rd party company contracted to Connect. The requirements of the Code of Practice have been included in the contract so the meter reader is contractually bound by the requirements stated in the Code of Practice. Both the meter reader staff and Connect staff have

ID badges to readily identify themselves to members of the public. Training materials have been provided and information is now printed on the reverse side of the bills. We are 100% compliant with this Code of Practice.

#### 2.5.5 Payment of Bills / Customers in Default (Code of Practice)

The code of practice was introduced and included in our process with input from the Social Services Manager in respect of those having difficulty in paying their bills. We have a member of our finance staff dedicated to managing customer debt which includes agreeing alternative payment arrangements and liaising with Social Services to ensure the vulnerable are not unduly penalised. Although Connect does not publicise the fact, we do work with the charity 'Making Ends Meet' (MEM) and through the charity provide funding to those that MEM consider are vulnerable and unable to pay their bills once they are happy that measures have been put in place to ensure the debt cannot build again. We are 100% compliant with this Code of Practice.

With increased focus on Safeguarding following the Wass enquiry, Connect and SHG have collaborated to produce a document proceduralising disconnections where potentially vulnerable people are involved. The report details the steps to be taken and actions required to establish and deal with the most vulnerable in society and has already been sent to the URA for information. The Code of Practice has been updated to reflect these new working procedures.

#### 2.5.6 Connections & Disconnections (Code of Practice)

The Code of Practice requires a site visit within five working days. Electricity was fully compliant and so was water until the onset of the drought. At that time resources were directed to maintaining existing water supplies and we were reluctant to connect new customers unless absolutely necessary. Therefore during the drought we were non-compliant in this area with an average of ten days taken to perform surveys for sixteen proposed new water supplies. Despite this area of non-compliance the overall time taken for the end to end connection process was favourable against the KPI target by four days. This was an improvement of three days on last year and seventy nine days compared to the pre-divestment benchmark.

#### 2.5.7 Complaints (Code of Practice)

A total of nineteen complaints were received. Complaints are reviewed by the management team on a weekly basis. Eighteen complaints were resolved at the first level, the one that was escalated was resolved at the second level and no complaints required escalation to the third level. The number of complaints are slightly less than last year but higher than the historical situation, since divestment staff are better at referring complaints and customers feel more willing to complain now they understand there is a proper process in place with possible recourse through the Authority. We are 100% compliant with this Code of Practice.

#### 2.5.8 Meter Readings (Code of Practice)

The meter reading contractor is contractually obliged to comply with the essential elements of all relevant Code of Practices. Reliably obtaining accurate meter readings is an essential business function and the service



provided has achieved this. The meter readers have been trained in identifying potentially dangerous meter installations.

The former meter reading contract concluded in March 2016. Connect took the opportunity to enter into a contract to inspect 100% of electricity meters and produce photographs as evidence to use as a baseline for meter replacement and re-sealing.

### 2.5.9 Efficient Use of Electricity (Code of Practice)

A number of advertisements have been designed to inform the public. Customers are advised on the reverse side of their bills that information leaflets are available. Home visits are offered to disabled and chronically ill customers via Social Services. Two advertisements are placed each week in the local papers which is significantly greater than the six monthly requirements; the scope has been expanded to provide water consumers with information on efficient use of water. Connect also publish articles on an ad-hoc basis that we feel will be of interest to the general public.

During the drought Connect undertook a significant public relations exercise supported by the Warning & Informing committee of the Resilience Forum. In total there were eighty nine articles, tips and interviews designed to engage with and change public consumption behaviour.

## 2.6 Principal Risks and Uncertainties

The company manages its risks through monthly board meetings where key risks are discussed through management accounts and operational reports with the company's Risk Register being reviewed and updated throughout the year. After mitigation the Risk Register identifies no risks categorised as High. In addition a number of the low risks are to be removed on the next update since with the passing of time the Board now considers these to be so low they do not warrant featuring on the Risk Register. The primary risks to the business fall into a number of categories, these are discussed as follows.

### 2.6.1 Environmental and Regulatory

The emergence of Environmental legislation with tough penalties and a lack of case law present Connect with a medium risk. We have lawyers appointed who provide us with professional advice and a specialist environmental consultancy helping us to ensure we are compliant. The whole company has undergone training and we are creating documentation to support our compliance. However after mitigation the Board has identified this as a medium risk. We have also reassessed the risk of extreme weather after the recent lack of rain and further measures are now in place to mitigate the risk.

### 2.6.2 Fuel Price

Although considerable progress has been made in reducing fuel consumption through the expansion of renewable energy initiatives the size of the fuel bill dictates that this is a medium risk to the business. The solution is considerably reducing the reliance on imported diesel fuel and we are currently working with SHG



to identify a partner where we can purchase electricity through a power purchase agreement. This is because it is unlikely that SHG will be able to provide significant capital grants for this type of project in the future.

### 2.6.3 Staff retention

The limited talent pool on the island is of concern since the departure of key staff is likely to present the company with a recruitment problem. However our retention rate is good indicating the mitigations in place are working.

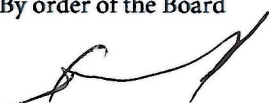
### 2.6.4 Capital Projects

Capital works are well managed by experienced staff but we lack documented project management procedures and hence this remains a medium risk. Project Management procedures are being prepared which will mitigate the risk.

### 2.6.5 Physical

Some physical risks have been mitigated and will be removed from the risk register. However the failure of some key plant exposed a risk where we jeopardised our water treatment process and have needed to mitigate the risk. In addition as the island opens its doors to air access, there is increased threat to our premises from undesirables which now features as a new risk which we will mitigate against. Our reliance on IT systems to maintain business continuity dictates that this risk is currently on our Risk Register.

By order of the Board



**Leon de Wet**  
Acting Chief Executive Officer

### 3. Director's Report

The Directors present their report for the year ended 31 March 2017.

#### **Directors of the company**

The current Directors are shown on Page 2.

#### **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.

#### **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. Significant progress has been made in strengthening the projects office, extensive use is now being made of the (GIS) with a data sharing agreement with SHG now in existence.

#### **Future Developments**

Progress is currently underway for the planning of sewage treatment plants for Jamestown, Half Tree Hollow and Bottom Woods and this is likely to continue into the next two financial years. Investment in renewables will continue to be priority and every opportunity that avails will be explored with a goal of maximising renewal generation. Connect is actively working with SHG to identify potential Power Purchase agent partners. The continued investment in renewable energy is expected to materially drive electricity unit costs down, the sewage treatment plants will be the first on the island and 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 3 to 16. 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 policy 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 variations to working arrangements or taking some other positive action which would enable them to be effective in the job. After a period of rehabilitation for one of the employees unable to perform in his contracted employment this individual was redeployed to the alternative job where his disability is better managed.

**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



**Clare Harris**  
Company Secretary



## 4. Director's Responsibility Statement

The directors are responsible for preparing the annual report and the financial statements in accordance with 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.



**Leon de Wet**  
Acting Chief Executive Officer



**Geoff Dawson**  
Chairman

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

We have audited the financial statements of Connect Saint Helena Limited for the year ended 31 March 2017 which are set out on pages 23 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.



**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.



Nick Bennett, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street

London

EC1A 4AB

Date: 27 October 2017

## 6. Financial Statements for the year ended 31 March 2017

### 6.1 Comprehensive Income Statement for the year ended 31 March 2017

	2017 SHP	2016 SHP	Notes
Turnover	4,366,926	4,074,472	3
Cost of Sales	(4,450,135)	(3,888,502)	4
<b>Gross (Loss)/Profit</b>	<b>(83,209)</b>	<b>185,970</b>	
Administrative expenses	(1,244,963)	(998,953)	5
Gain/(loss) on disposal of tangible fixed assets	15,166	(1,000)	9.2
Other Operating Income	1,124,279	1,156,659	7
<b>Operating Profit</b>	<b>(188,727)</b>	<b>342,676</b>	
Interest receivable	18,415	10,919	
Finance Costs	(6,795)	(5,700)	
<b>Profit on Ordinary Activities Before Taxation</b>	<b>(177,107)</b>	<b>347,895</b>	
Tax charge for the year	-	(166,101)	14
Deferred tax movements	(23,890)	34,690	15
<b>Profit for the Financial Year</b>	<b>(200,997)</b>	<b>216,484</b>	

The notes on pages 27 to 40 form an integral part of these financial statements.

**6.2 Statement of Financial Position**

	<u>31-Mar-17</u>	<u>31-Mar-16</u>	Notes
	SHP	SHP	
<b>Fixed Assets</b>			
Assets Under construction	1,500,678	857,894	8
Tangible fixed assets	17,176,826	16,511,182	9.1
	<b>18,677,504</b>	<b>17,369,076</b>	
<b>Current Assets</b>			
Inventories	2,045,680	1,911,370	10
Debtors			
Amounts falling due within one year	2,686,103	1,785,766	11
Amounts falling due after one year	154,232	101,365	11
	<b>2,840,335</b>	<b>1,887,131</b>	
Cash and bank balances	1,420,200	2,509,623	
	<b>6,306,215</b>	<b>6,308,124</b>	
Creditors: amounts falling due within one year	550,979	809,622	12
<b>Net current assets</b>	<b>5,755,236</b>	<b>5,498,502</b>	
<b>Total assets less current liabilities</b>	<b>24,432,740</b>	<b>22,867,578</b>	
Provisions for other payables and charges	273,355	175,909	18
Retention Funds	47,827	43,358	12
Deferred Government Grants	8,924,035	7,224,076	19
<b>Net assets</b>	<b>15,187,523</b>	<b>15,424,235</b>	
Capital and reserves			
Share Capital	14,585,598	15,287,175	20
Retained profits	601,925	137,060	
<b>Total Shareholders' Equity</b>	<b>15,187,523</b>	<b>15,424,235</b>	

The notes on pages 24 to 37 form an integral part of these financial statements

These financial statements on pages 20 to 37 were approved and authorised for issue on 25 October 2017 by the board of directors.

Signed on behalf of the board of directors



Leon de Wet – Acting Chief Executive Officer



Geoff Dawson – Chairman



**6.3 Statement of cash flows**

	2017 SHP	2016 SHP	Notes
Net cash flows from operating activities	(768,275)	(399,031)	16
Cash flows from investing activities			
Payments to acquire and construct tangible assets	(2,322,776)	(1,847,991)	
Proceeds from disposal of tangible fixed assets	15,166	500	
Net cash used in investing activities	<u>(2,307,610)</u>	<u>(1,847,491)</u>	
Cash flows from financing activities			
Government Grants received	1,986,462	827,697	
Net cash used in financing activities	<u>1,986,462</u>	<u>827,697</u>	
Net increase/(decrease) in cash and cash equivalents	(1,089,423)	(1,418,825)	
Cash and cash equivalents at the beginning of year	2,509,623	3,928,448	
Cash and cash equivalents at end of year	<u>1,420,200</u>	<u>2,509,623</u>	

The notes on pages 27 to 40 form an integral part of these financial statements.

**6.4 Statement of Changes in Equity**

	Share Capital	Retained Income	Total Equity	Notes
	SHP	SHP	SHP	
<b>At 1 April 2015</b>	<b>15,287,175</b>	<b>(79,424)</b>	<b>15,207,751</b>	
Retained Profits for the year		216,484	216,484	
<b>At 31 March 2016</b>	<b>15,287,175</b>	<b>137,060</b>	<b>15,424,235</b>	
	Share Capital	Retained Income	Total Equity	
	SHP	SHP	SHP	
<b>At 1 April 2016</b>	<b>15,287,175</b>	<b>137,060</b>	<b>15,424,235</b>	
2013/2014 Exceptional item reversed and assumed by SHG	(665,862)	665,862		20
Correction of TFA transferred from SHG	(35,715)		(35,715)	20
Retained Profits for the year		(200,997)	(200,997)	
<b>At 31 March 2017</b>	<b>14,585,598</b>	<b>601,925</b>	<b>15,187,523</b>	

The notes on pages 27 to 40 form an integral part of these financial statements.

## 6.5 Accounting Policies and Explanatory notes to the Financial Statements

### 1. General Information

Connect Saint Helena Limited (the Company) is a private company, limited by shares, which is incorporated on the British Overseas Territory of Saint Helena Island and the ultimate controlling party is Saint Helena Government. 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 sewage 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 Management 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 £5,000 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.

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.

**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, the debt is recognised as a bad debt in the Income Statement.

**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.

### m) Employee Benefits

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company.

The annual contributions payable are charged to the Statement of Comprehensive Income in the period in which they relate.

### 3. Turnover

Turnover, analysed by category was as follows:

	2017	2016
	SHP	SHP
Unit Charges – Water	344,654	358,447
Unit Charges – Electricity	3,574,550	3,182,407
Service Charges	248,697	350,952
Other Service Income	199,025	182,666
	<b>4,366,926</b>	<b>4,074,472</b>

### 4. Cost of Sales

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

	2017	2016
	SHP	SHP
Electricity Generation Fuel	1,286,642	1,222,436
Maintenance Materials and Parts	1,294,419	1,233,344
Depreciation	853,364	774,856
Contracted Out Services	116,309	91,653
Employees	666,625	566,213
Drought mitigation costs	232,776	
	<b>4,450,135</b>	<b>3,888,502</b>

During the year St Helena experienced a severe drought from September to December that the company managed through installation of emergency water transfer systems and bowsering water from areas with excess water to dry areas. The cost of transfer systems were capitalised while the bowsering costs of £232,776 were recognised as cost of sales. Both these capital and operating costs were fully reimbursed by SHG as capital and revenue grants.



## 5. Administrative Expenses

	2017	2016
	SHP	SHP
Administrative expenses during the year included:		
Directors and employees	594,903	555,709
Office and other administrative costs	341,018	320,979
Audit fees	28,308	28,066
Premises Related Costs	64,794	16,679
Depreciation	125,269	110,824
Provisions for Doubtful Debts	90,672	(33,304)
	<b>1,244,963</b>	<b>998,953</b>

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

	2017	2016
Electricity	22	20
Water	23	22
Administration	22	21
	<b>67</b>	<b>63</b>

## 6. Key Management Compensation

A total of £493,017 (2016: £438,804) included in staff costs was paid to key management and directors as compensation for their services to the company. Two senior appointments were made during the year to strengthen the management team.

## 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.

	2017	2016
	SHP	SHP
Government Revenue Grants	605,000	777,000
Amortization of Government Grants	286,503	379,659
Drought mitigation grant	232,776	
<b>Total Other Income</b>	<b>1,124,279</b>	<b>1,156,659</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 2016	-	-	-	857,894	857,894
Reclassified					
Additions	-	-	21,511	1,602,233	1,623,744
Transferred to Tangible Assets	-	-	-	(980,960)	(980,960)
31 March 2017	0	0	21,511	1,479,167	1,500,678

### 9.1 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
01 April 2016	1,319,818	891,754	18,024,557	13,483,867	33,719,996
Transfers from SHG	-	26,551	-	-	26,551
Transfers from assets under construction	-	-	-	980,960	980,960
Additions	-	372,865	3,855	322,313	699,033
Disposals	(22,550)	(86,000)	-	(154,117)	(262,667)
<b>31 March 2017</b>	<b>1,297,268</b>	<b>1,205,170</b>	<b>18,028,412</b>	<b>14,633,023</b>	<b>35,163,873</b>
<b>Accumulated Depreciation</b>					
01 April 2016	145,079	430,981	8,678,095	7,954,660	17,208,815
Transfers from SHG	-	1,611	-	-	1,611
Disposals	(3,210)	(86,000)	-	(112,802)	(202,012)
Charge for the year	32,714	114,447	464,584	366,888	978,633
<b>31 March 2017</b>	<b>174,583</b>	<b>461,039</b>	<b>9,142,679</b>	<b>8,208,746</b>	<b>17,987,047</b>
<b>Carrying Amounts</b>					
<b>At 31 March '17</b>	<b>1,122,685</b>	<b>744,131</b>	<b>8,885,733</b>	<b>6,424,277</b>	<b>17,176,826</b>
<b>At 31 March '16</b>	<b>1,174,739</b>	<b>460,773</b>	<b>9,346,462</b>	<b>5,529,207</b>	<b>16,511,181</b>



## 9.2 Disposals and De-recognition of Tangible Fixed Assets

Following a physical asset verification some assets which were transferred from the government on divestment were found to have been scrapped before the company started operating.

	Land & Buildings	Equipment & Vehicles	Water Infrastructure	Total
	SHP	SHP	SHP	SHP
<b>De-recognised assets</b>				
Cost	22,550	5,000	154,117	<b>181,667</b>
Accumulated depreciation	(3,210)	(5,000)	(112,802)	<b>(121,012)</b>
<b>Carrying amounts charged to Share Capital</b>	<b>19,340</b>	<b>-</b>	<b>41,315</b>	<b>60,655</b>
<b>Scrapped/Disposed assets</b>				
Cost	-	81,000	-	<b>81,000</b>
Accumulated depreciation	-	(81,000)	-	<b>(81,000)</b>
Proceeds from disposal	-	15,166	-	<b>15,166</b>
<b>Gain on disposal recognised in Income Statement</b>	<b>-</b>	<b>15,166</b>	<b>-</b>	<b>15,166</b>
<b>Total de-recognised and disposed assets</b>				
Cost	22,550	86,000	154,117	<b>262,667</b>
Accumulated depreciation	(3,210)	(86,000)	(112,802)	<b>(202,012)</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.

	2017	2016
	SHP	SHP
Electricity Generation Inventories	329,338	286,533
Electricity Distribution Inventories	910,024	772,117
Water Treatment, and Distribution Inventories	487,738	484,156
Inventories held for assets under construction	219,730	314,029
Fuel	65,055	34,668
Other Inventories	33,795	19,867
<b>Total Inventories</b>	<b>2,045,680</b>	<b>1,911,370</b>

# 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. Included in other receivables and prepayments are £1,073,047 accrued capital grants for committed capital contracts together with £384,026 revenue grants receivable from SHG.

	2017	2016
	SHP	SHP
Trade Debtors	390,168	503,357
Accrued tariffs receivable	387,938	369,487
Fuel Duty Refunds Due from Saint Helena Government	141,907	74,340
Other Receivables and Prepayments	1,934,125	915,947
	2,854,138	1,863,130
	(168,036)	(77,365)
<b>Amounts falling due within one year</b>	<b>2,686,102</b>	<b>1,785,766</b>
Amounts falling due after more than one year:		
Deferred tax assets	154,231	101,365
<b>Total Debtors</b>	<b>2,840,333</b>	<b>1,887,131</b>
<b>Provision for credit losses</b>		
Balance at 1 April	77,365	110,669
Charged during the year	90,671	(33,304)
Closing balance at 31 March	168,036	77,365

## 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.

	2017	2016
	SHP	SHP
Trade Payables	407,042	512,245
Corporate tax payable	-	170,430
Deferred Income and Other Payables	67,391	59,347
Accruals	76,546	67,600
<b>Amounts falling due within one year</b>	<b>550,979</b>	<b>809,622</b>
Amounts falling due after more than one year:		
Retention Funds	47,826	43,357
<b>Total Creditors</b>	<b>598,805</b>	<b>852,979</b>

## 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 borne 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 % 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 manifested 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.

**14. Income Tax on Profit on Ordinary Activities**

	2017	2016
	SHP	SHP
<b>a. Tax expense included in profit or loss</b>		
<b>Current Tax</b>		
Saint Helena corporate tax on profit for the year	-	166,101
<b>Deferred Tax</b>		
Origination and reversal of timing differences	23,890	(34,690)
<b>Total tax on profit on ordinary activities</b>	<b>23,890</b>	<b>131,412</b>
<b>b. Reconciliation of Tax Charge</b>		
Profit multiplied by the standard rate of Saint Helena corporate tax	-	86,974
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	219,733
Prior year tax charges	-	166,102
Depreciation allowances	-	(256,436)
Re-measurement of deferred tax-timing differences	23,890	(34,690)
Capital expenditure allowances	-	(50,271)
<b>Income tax charge for the year</b>	<b>23,890</b>	<b>131,412</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.

	Provisions	Electricity Infrastructure	Water Infrastructure	Vehicles & equipment	Land & Buildings	Total
	SHP	SHP	SHP	SHP	SHP	SHP
<b>Balances at 31</b>						
<b>March 2016</b>	-37,299	37,577	-33,345	26,924	8,853	2,711
Net movement during the year	-27,841	15,748	13,678	16,911	5,393	23,890
<b>Balances at 31</b>						
<b>March 2017</b>	-65,140	53,325	-19,667	43,835	14,247	26,600

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

# 16. Cash from Operating Activities

	2017	2016
	SHP	SHP
<b>(Loss)/Profit for the year</b>	<b>(200,997)</b>	<b>216,483</b>
Adjustments to reconcile profit for the year to net cash flow from operating activities		
Depreciation of tangible fixed assets	978,633	885,681
Gain on disposal of fixed assets	(15,166)	
Amortization of Government Grants	(286,503)	(379,659)
Carrying amounts of de-commissioned and expensed assets	-	138,201
Provision for doubtful debts	90,672	(33,304)
Increase/(decrease) in corporate tax payable	(170,429)	166,101
Increase in provisions	20,689	26,556
Increase in trade and other receivables	(991,008)	(890,057)
Increase in trade and other payables	(83,744)	71,262
Decrease (increase) in inventories	(134,310)	(565,608)
Movements in deferred tax balances	23,890	(34,690)
<b>Net cash flows from operating activities</b>	<b>(768,275)</b>	<b>(399,033)</b>

**17. Retirement Benefit Scheme**

A total of £100,262 (2016: £85,561) 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 15)</b>	<b>Total</b>
	<b>SHP</b>	<b>SHP</b>	<b>SHP</b>	<b>SHP</b>
At 1 April 2016	56,833	15,000	104,076	175,909
Additions less utilized	19,189	1,500	-	20,689
Origination and reversal of timing differences	-	-	76,757	76,757
<b>At 31 March 2017</b>	<b>76,022</b>	<b>16,500</b>	<b>180,833</b>	<b>273,355</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.

	<b>2017</b>	<b>2016</b>
<b>19. Deferred Government Grants</b>	<b>SHP</b>	<b>SHP</b>
Balance at 1 April 2016	7,224,076	6,776,038
Received during the year	1,986,462	827,697
Amortized during the year	(286,503)	(379,659)
<b>Balance at 31 March 2017</b>	<b>8,924,035</b>	<b>7,224,076</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 2017 and 1st April 2016 of £14,585,598 and £15,287,175 respectively comprise of 14,585,598 ordinary shares (at 31st March 2017) and 15,287,175 ordinary shares (at 1st April 2016). During the year ended 31 March 2017 a total of 701,577 shares were cancelled following SHG's decision to assume the costs of the £665,862 water solutions project that had been written off by the company in the 2013/2014 financial year. The full reconciliation of the share capital movement is given below:

		<b>SHP</b>
Share capital balance at 1 April 2016		15,287,175
Prior year accounting errors		
2013/2014 Exceptional item reversed and assumed by SHG		(665,862)
De-commissioned assets carrying amounts (note 9.2)	(60,655)	
Additional tangible fixed assets transferred (note 9.1)	24,940	(35,715)
Share capital balance at 31 March 2017		14,585,598

**21. Capital commitments**

The company had capital commitments for electricity and water infrastructure of £1,062,427 (2016: £506,481). 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 authorised for issue on 25 October 2017.

