Company registration number 14993 (England and Wales)

SURE SOUTH ATLANTIC LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

SURE SOUTH ATLANTIC LIMITED

COMPANY INFORMATION

Directors	R Stewart	
	A Beak	(Appointed 1 May 2023)
Company number	14993	
Registered office	45 John Street Stanley Falkland Islands FIQQ 1ZZ	
Auditor	Azets Audit Services Secure House Lulworth Close Chandlers Ford Southampton Hampshire SO53 3TL	

SURE SOUTH ATLANTIC LIMITED

CONTENTS

SURE SOUTH ATLANTIC LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their annual report and financial statements for the year ended 31 December 2023.

Principal activities, review of the business and future development
The principal activity of the company continued to be that of providing network and telecommunications services to the people of the Falklands, Saint Helena, and Ascension Island.

Falklands
Following on from the effects of the global pandemic in 2022, the Falklands saw a return of visitors to the islands in 2023 which contributed to a strong performance in the year.

The Falklands community in 2023 benefited from a significant increase in broadband package quota through the collaboration with the Falkland Islands Government at the end of 2022. Plans also began at the end of 2023 to prepare for the launch of low latency services in the islands as Sure worked with their satellite provider to install a new 9M Antenna at the Earth Station. It is envisaged the benefits of low latency would be passed on to business customers in 2024.

Ongoing camp improvements in 2023 saw works continue to move camp customers from the old and unsupported WIMAX system to a 4G based solution (Fixed Wireless Access).

Work also continued in Stanley to provide fixed network connectivity to a number of private sector and business customers.

St. Helena
In Quarter 3 of 2022 Sure was issued a one year extension of the current Telecommunications and Broadcasting exclusive licences in St Helena to 31 December 2023; these have since been further extended to 31 December 2025.

October 2023 saw the connection of Sure's on-island telecommunication's network to the Equiano sub-sea cable. This has resulted in a significant increase of capacity via subsea cable and the relinquishing of satellite services for the main provision of telecommunications services to the island. Sure launched new data products, including residential unlimited Broadband and greatly enhanced mobile data products. Speeds have been significantly improved for all customers including residential, business and government. The value of services has been significantly improved and this along with optimisation by customers as well as movement from traditional landline services and television services to alternative data services, has seen a decline in revenues in the business unit.

Sure is currently building a space park on behalf of a customer in St Helena, with a view to this becoming operational and being maintained and serviced by Sure by the end of 2024.

Ascension
On Ascension Island the runway repair project came to a close in mid 2023 and the island's population returned to pre-project levels. This coupled with the entrance of another internet service provider into the market in Quarter 1 of 2023 resulted in a significant decrease in broadband customer numbers as well as impacting negatively on other services such as fixed line and mobile. As a result of this, revenues and overall performance of the business unit has been negatively impacted. The business unit has had to change the structure of its operations to meet the needs of a much-reduced customer base, whilst maintaining key services for the community such as emergency radio and IT support.

Throughout 2023 all the company operations have benefited from continued investment and continue to deliver projects to improve communications infrastructure which increased reliability and resilience of services.

Results and dividends
The results for the year are set out on page 8.

Ordinary dividends of £9,000,000 (2022: £8,500,000) were paid during the year. The directors recommend payment of a final dividend of £nil (2022: £4,000,000) in respect of the year ended 31 December 2023.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R Stewart	
A Beak	(Appointed 1 May 2023)
J McPhee	(Resigned 31 March 2024)

The directors do not have a direct or indirect interest in the shares of the company.

Financial instruments

Principal risks and uncertainties

The key risks and uncertainties relate to ensuring consistent delivery of the product and services offered in a geographically diverse and challenging location. A further risk remains occasional variations in quality of service for internet and other services due to the company’s reliance on international satellite connectivity and third party providers in the UK for internet connectivity.

We look forward to supporting important future infrastructure developments on all the three South Atlantic Islands to ensure they have access to the appropriate telecommunications services.

Financial instrument risk

The company’s financial instruments at the reporting date comprised cash, trade receivables and liquid resources. The main purpose of these financial instruments is to provide working capital for the company’s operations. The company has various other financial instruments such as inter-company loans, trade & other payables and accruals that arise directly from its operations. The company endeavours to mitigate financial risk by regular monitoring of these financial instruments.

The company has significant credit risk attached to its trade debtors, which is monitored by a credit control function managed by the directors.

Interst rate risk

The company has no current or projected third party debt and therefore interest rate risk is minimal.

Foreign currency risk

The company minimises exchange risk by offsetting some of its commitments to suppliers in USD with settlement of international traffic in USD where possible, however out-payments in USD exceed in-payments. Therefore fluctuation in the USD rate has significant effect but is managed through working capital management.

Liquidity risk

The company monitors cash flow as part of its day to day control procedures and ensures that appropriate funding is available. The company has cash balances at the year end and no overdraft facility. The company monitors its creditors to ensure liabilities are managed within the company’s cash flow capabilities.

Competitive risks

The company is the sole provider of traditional telecommunication services in the South Atlantic, however the business is transforming due to changes in customers’ requirements. Traditional voice services are continuing to decline as customers move to alternative services including social media and Voice over IP. The issues of self-supply remain a risk at all three locations.

Legislative risks

The company is currently in negotiations with the Falkland Islands Government regarding the future provision of telecommunications services in the Islands.

The company is aware of the risk of changes in legislation which may affect its business. The company works closely with the Government in each of the regions it serves to ensure it is aware of any material and relevant legislative proposals that may impact its current and future operations. The directors consider the potential exposure to legislation risk and change to be medium.

Post reporting date events

There have been no events subsequent to 31 December 2023, which would in any way invalidate the financial statements on pages 8 to 37.

Auditor

In accordance with the company's articles, a resolution proposing that Azets Audit Services be reappointed as auditor of the company will be put at a General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as applied in the Falkland Islands. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs 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
- 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 Act 1985 as it applies (amended by the Companies (Amendment) Ordinance 2006) in the Falkland Islands. 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.

Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the Companies Act 1985 as it applies (amended by the Companies (Amendment) Ordinance 2006) in the Falkland Islands.

On behalf of the board

....

R Stewart

Director

Date: 30 September 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SURE SOUTH ATLANTIC LIMITED

Opinion

We have audited the financial statements of Sure South Atlantic Limited (the 'company') for the year ended 31 December 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as applied in the Falkland Islands.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as applied in the Falkland Islands; and
- have been prepared in accordance with the requirements of the Companies Act 1985 (amended by the companies (Amendment) Ordinance 2006).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Falkland Islands, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where company law in the Falkland Islands requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report
This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 (amended by the Companies (Amendment) Ordinance 2006) as it applies in the Falkland Islands. 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.

Azets Audit Services

Azets Audit Services
Registered Auditor

Date: 30 September 2024

Secure House
Lulworth Close
Chandlers Ford
Southampton
Hampshire
SO53 3TL

SURE SOUTH ATLANTIC LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
Revenue	**10**	18,306	18,512
Cost of sales		(4,144)	(4,507)
Gross profit		14,162	14,005
Other operating income		46	46
Administrative expenses		(7,420)	(7,144)
Operating profit	**13**	6,788	6,907
Investment income	**11**	5	5
Finance costs	**12**	(1)	(1)
Profit before taxation		6,792	6,911
Income tax expense	**17**	(1,803)	(1,661)
Profit and total comprehensive income for the year		4,989	5,250

The income statement has been prepared on the basis that all operations are continuing operations.

SURE SOUTH ATLANTIC LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	**18**	9,642	10,255
Right-of-use assets	**18**	41	66
		9,683	10,321
Current assets			
Inventories	**20**	1,066	1,112
Trade and other receivables	**21**	3,228	2,823
Cash and cash equivalents		6,276	9,516
		10,570	13,451
Total assets		20,253	23,772
EQUITY			
Called up share capital	**25**	12,957	12,957
Retained earnings		1	4,012
Total equity		12,958	16,969
LIABILITIES			
Non-current liabilities			
Lease liabilities	**19**	25	48
Deferred tax liabilities	**24**	1,924	2,016
Deferred revenue	**23**	107	84
		2,056	2,148
Current liabilities			
Trade and other payables	**22**	3,387	4,009
Lease liabilities	**19**	13	14
Deferred revenue	**23**	1,839	632
		5,239	4,655
Total liabilities		7,295	6,803
Total equity and liabilities		20,253	23,772

SURE SOUTH ATLANTIC LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2023

The financial statements were approved by the board of directors and authorised for issue on 30 September 2024 and are signed on its behalf by:

R Stewart
....
R Stewart
Director

Company registration number 14993

SURE SOUTH ATLANTIC LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022		12,957	7,262	20,219
Year ended 31 December 2022:				
Profit and total comprehensive income for the year		-	5,250	5,250
Transactions with owners in their capacity as owners:				
Dividends	**26**	-	(8,500)	(8,500)
Balance at 31 December 2022		12,957	4,012	16,969
Year ended 31 December 2023:				
Profit and total comprehensive income for the year		-	4,989	4,989
Transactions with owners in their capacity as owners:				
Dividends	**26**	-	(9,000)	(9,000)
Balance at 31 December 2023		12,957	1	12,958

SURE SOUTH ATLANTIC LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities					
Cash generated from operations	**30**		9,424		8,898
Interest paid			(1)		(1)
Income taxes paid			(2,379)		(1,531)
Net cash inflow from operating activities			7,044		7,366
Investing activities					
Purchase of property, plant and equipment		(1,269)		(870)	
Proceeds from disposal of property, plant and equipment		4		5	
Interest received		5		5	
Net cash used in investing activities			(1,260)		(860)
Financing activities					
Payment of lease liabilities		(24)		(24)	
Dividends paid		(9,000)		(8,500)	
Net cash used in financing activities			(9,024)		(8,524)
Net decrease in cash and cash equivalents			(3,240)		(2,018)
Cash and cash equivalents at beginning of year			9,516		11,534
Cash and cash equivalents at end of year			6,276		9,516

1 Accounting policies

Company information

Sure South Atlantic Limited is a private company limited by shares incorporated in the Falkland Islands.

The registered office is 45 John Street, Stanley, Falkland Islands, FIQQ 1ZZ.

The prinicpal place of business is Ross Road East, Stanley, Falkland Islands, FIQQ 1ZZ.

The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the Falkland Islands and with those parts of the Companies Act 1985 (amended by the Companies (Amendment) Ordinance 2006) as applied in the Falkland Islands applicable to companies reporting under IFRS, except as otherwise stated.

The financial statements are prepared in Falkland Islands Pounds (£), which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is 100% owned by BTC Sure Group Limited, a holding company, incorporated in the United Kingdom. The company’s ultimate parent is Bahrain Telecommunications Company BSC (“Beyon”), an entity incorporated under the laws of the Kingdom of Bahrain and whose shares are listed on the Bahrain Bourse. Batelco is primarily engaged in the provision of public telecommunications and associated products and services. The consolidated financial statements are available from P.O.Box 14, Manama, Kingdom of Bahrain.

1.2 Going concern

On Ascension Island, the company holds a license to provide telecommunication services until January 2024 on a 2 year rolling basis. In Saint Helena, the company holds a license to provide telecommunication services until December 2025. In the Falkland Islands, the company holds a license to provide telecommunication services until December 2027.

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue represents the value of fixed or determinable consideration received or receivable for telecommunication products and services provided. Revenue is recognised, net of discounts, when it is probable that the economic benefits associated with a transaction will flow to the company and the amount of revenue and associated cost can be measured reliably. The company principally obtains revenue from providing telecommunication services comprising access charges, airtime usage, messaging, interconnect fee, data services and infrastructure provision, installation and activation fees, equipment sales and other related services. Government grants are recognised as deferred income once it is received and amortised over the term to which it relates.

1 Accounting policies **(Continued)**

Provision of telecommunication services

Revenue for access charges, airtime usage and messaging by contract customers is recognised as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred.

Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires. Deferred revenue related to unused airtime is recognised when utilised by the customer. Upon termination of the customer contract, all deferred revenue for unused airtime is recognised in profit or loss.

Revenue from interconnect fees is recognised at the time the services are performed. Revenue from data services is recognised when the company has performed the related service.

Sale of equipment

Revenue from handset and other equipment sales is recognised when the product is delivered to the customer.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

The cost includes expenditures that are directly attributable to the acquisition cost of the asset. The cost of self-constructed assets includes the following:

- the cost of materials;
- any other costs directly attributable to bringing an asset to its working condition for their intended use;
- when the company has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they were located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. On-going repair and maintenance are expensed as incurred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Assets are depreciated from the date they are available for use or, in respect of self-constructed assets, from the time an asset is completed and ready for service. Freehold land, assets under construction and items held for capital projects are not depreciated. The estimated useful lives for the current and comparative period are as follows:

Freehold land and buildings	5 - 40 years
Leasehold land and buildings	2 - 15 years
Fixtures and fittings	2 - 10 years
Plant and equipment	2 - 25 years
Motor vehicles	5 - 10 years

Depreciation methods, useful lives and residual values, are reassessed and adjusted, if appropriate, at the year end.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1 Accounting policies **(Continued)**

1.5 Impairment of tangible and intangible assets

At the end of each reporting period, the Company assesses whether there is any indication that any of its tangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units. Otherwise, these are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised as income.

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes expenditure incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

When the net realisable value of the inventories is lower than the cost, the company provides an allowance for the decline in the value of the inventory and recognises the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with maturities of three months or less.

1 Accounting policies **(Continued)**

1.8 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are recognised initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

Financial assets held at amortised cost

Financial assets are measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company’s business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

1 Accounting policies **(Continued)**

Business model assessment
The company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the company considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the company changes its business model for managing financial assets.

1 Accounting policies **(Continued)**

Impairment of financial assets

The company recognises loss allowances for expected credit losses on: financial assets measured at amortised cost.

The company measures loss allowances for its trade and other receivables arising from its revenue generating activities at an amount equal to lifetime 'expected credit loss' (ECL) using the simplified approach permitted under IFRS 9. For other financial instruments, the company applies the general approach, where if credit risk has not increased significantly since their initial recognition, impairment is measured as 12-month ECL and for all other instances lifetime ECL is recognised.

Under the general approach, the company applies a three-stage approach to measuring ECL on financial assets carried at amortised cost. Assets migrate through the three stages based on the change in credit quality since initial recognition.

Stage Classification: General approach

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL - not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

When determining whether the credit risk of a financial asset at amortised cost has increased significantly since initial recognition when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience.

Trade and other receivables (simplified approach)

The company uses an allowance matrix to measure the ECLs of trade and other receivables.

Loss rates are calculated using a 'roll rate (Net-flow)' method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. Recovery from the loss bucket is also considered for computing the historical loss rates. Roll rates are calculated separately for exposures in different segments based on the customer's common credit risk characteristics.

Loss rates are based on actual credit loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the company's view of economic conditions over the expected lives of the receivables. The forward looking adjustment of the loss rates is based on a qualitative score card which factors in management's view on the future economic and business conditions that is specific to its customer pool and industry segment.

1 Accounting policies **(Continued)**

Cash and bank balances (general approach)

Impairment on cash and bank balances has been measured on a 12-month expected loss basis adjusted to reflect the short maturities of the exposures. The company considers that its cash and bank balances have low credit risk based on the profile and financial strength of its banking counterparties. The external credit rating of the banks is considered for the purpose of determining the probability of default. The loss given default is assessed using external published data as the company does not have internal loss experiences on bank balances.

Credit-impaired financial assets
At each reporting date, the company assesses whether financial assets carried at amortised cost are impaired. A financial asset at amortised cost is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Derecognition of financial assets
The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss on de-recognition of such securities. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the company is recognised as a separate asset or liability.

Write-off
A financial asset is written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the company determines that the obligor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

1.9 Financial liabilities
The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss
The company does not have any financial liabilities measured at fair value through profit or loss.

1 Accounting policies **(Continued)**

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

The company derecognises financial liabilities when its contractual obligations are discharged or cancelled, or expire. The company also derecognises financial liabilities when their terms are modified and the cash flows of the modified liabilities are substantially different, in which case new financial liabilities based on the modified terms are recognised at fair value. On de-recognition of financial liabilities, the difference between the carrying amount extinguished and the consideration (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Reclassifications

The company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

The company has one class of equity shares. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

1.11 Taxation

The tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be realised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

1 Accounting policies **(Continued)**

1.12 Employee benefits

The company recognises a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the company has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

1.13 Retirement benefits

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The company has a defined contribution pension scheme managed by an independent third party. The company contributes monthly on a fixed-percentage-of-salaries-basis to the scheme.

1.14 Leases

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the cost of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

1 Accounting policies **(Continued)**

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment and lease liabilities in the statement of financial position.

The company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.15 Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

1.16 Foreign exchange

Transactions in foreign currencies other than Falkland Islands Pounds are recorded at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency of the company at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Exchange differences arising on the settlement of monetary items and on retranslation are recognised in profit or loss.

1.17 Expenses

Expenses are recognised in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognised in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Expenses in the statement of comprehensive income are presented using the function of expense method. Operating expenses are costs attributable to administrative, marketing and other business activities of the company.

2 Adoption of new and revised standards and changes in accounting policies

A number of new standards, amendments and interpretations to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted, however; the company has not early applied the following new standards, amendments and interpretations in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on the company's financial statements:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and critical judgements in applying accounting policies on the amounts recognised in the financial statements are described in the following notes.

Critical judgements

Impairment of tangible and intangible fixed assets

Determine whether there are any indications of impairment of the company's tangible and intangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Revenue recognition

Identify performance obligations in contracts and whether revenue from contracts with customers should be recognised over time or at a point in time.

Useful life of tangible and intangible fixed assets

Assess the actual lives of the tangible and intangible fixed assets and residual values. These are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into consideration.

Leases

Determine whether any extension options are likely to be exercised in assessing the lease term.

Key sources of estimation uncertainty

Depreciation

Tangible fixed assets are depreciated over their useful economic lives taking into consideration residual values, where appropriate. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3 Critical accounting estimates and judgements (Continued)

Impairment of inventories
Inventories are reviewed for impairment and a provision is made accordingly on a line by line basis. Product life cycles, general market conditions and expected net realisable value are taken into consideration when determining the level of provision required.

Impairment of financial assets
The company makes an estimate of the recoverable value of trade and other receivables. Management consider factors including the age profile of receivables and historical experience.

Revenue estimates
Revenue is recognised at the balance sheet date based on the stage of completion of ongoing contracts. The estimation method used to determine the stage of completion is described in the revenue accounting policy.

4 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the company. The company trades only with recognised and creditworthy third parties. It is the company's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. In addition, balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

Except as detailed below, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk.

	Maximum credit risk	
	2023	**2022**
	£'000	**£'000**
Cash at bank	6,268	9,508
Trade receivables	826	1,263
Contract assets	1,037	1,210
Other receivables	1,365	350
	9,496	12,331

5 Trade receivables - credit risk

Fair value of trade receivables
The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Before any significant work is undertaken for new customers, credit checks will be considered and a credit limit set. Separate departments have responsibility for the collection of debts and the directors are kept up to date with any issues. The company had bad debts this year totalling £60,000 (2022: £55,000).

5 Trade receivables - credit risk (Continued)

Movement in the allowances for impairment of trade receivables

	2023 £'000	2022 £'000
Balance at 1 January	197	230
Allowance reversed	(15)	(33)
Balance at 31 December	182	197

6 Market risk

Market risk management
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's profit or the value of its holdings of financial instruments. The company focuses on two market risk areas namely foreign exchange risk and interest rate risk.

Foreign exchange risk
The company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations and foreign exchange risk arises from commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the company's functional currency. Significant fluctuation in the exchange rates could significantly affect the company's financial position. Currently, the risks are not considered significant to the financial statements.

The carrying amount of the company's foreign currency denominated monetary financial assets as at 31 December 2023 was US$ 68,000 (2022: US$ 397,000) and EU€ nil (2022: EU€ 1,000).

Sensitivity analysis
There would be no significant difference to the reported profit or equity figures in the event of a 5% increase or decrease in foreign exchange rates.

Interest rate risk
The company does not rely on external finance, not does it receive significant interest income. Until such time as the company either borrows funds or invests surplus cash, its exposure to interest rate risk is negligible.

Sensitivity analysis
There would be no significant difference to the reported profit or equity figures in the event of a 5% increase or decrease in interest rates.

7 Capital risk management

The company manages its capital to ensure that the company will be able to continue as a going concern while maximising the return to stakeholders through pricing products and services commensurately with the level of risk. The company reviews the capital structure on a regular basis. The company decided to distribute dividends amounting to £9,000,000 based on its assessment of ongoing capital requirements and with a view to provide returns to its shareholders.

8 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company manages liquidity risk by monitoring and maintaining a level of cash and bank credit facilities deemed adequate by management to finance the company's operations, to ensure continuity of funding and to mitigate the effects of fluctuations in cash flows.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and exclude the impact of netting agreements:

	Carrying amount	Contractual cash flows	Due within one year	Due over one year	Total
	£'000	£'000	£'000	£'000	£'000
At 31 December 2022					
Trade payables	328	328	328	-	328
Accruals	1,239	1,239	1,239	-	1,239
Other payables	106	106	106	-	106
Social security and other taxation	2,090	2,090	2,090	-	2,090
Lease liabilities	62	65	15	50	65
	3,825	3,828	3,778	50	3,828
At 31 December 2023					
Trade payables	260	260	260	-	260
Accruals	1,179	1,179	1,179	-	1,179
Other payables	342	342	342	-	342
Social security and other taxation	1,606	1,606	1,606	-	1,606
Lease liabilities	38	44	15	29	44
	3,425	3,431	3,402	29	3,431

9 Financial instruments

	Carrying value 2023 £'000	Carrying value 2022 £'000	Fair value 2023 £'000	Fair value 2022 £'000
Financial assets				
Cash at bank	6,268	9,508	6,268	9,508
Trade receivables	826	1,263	826	1,263
Contract assets	1,037	1,210	1,037	1,210
Other receivables	1,365	350	1,365	350
	9,496	12,331	9,496	12,331

Valuation methods and assumptions:
All financial assets are carried at amortised cost. The directors believe that the fair value of financial assets approximates to the carrying value.

	Carrying value 2023 £'000	Carrying value 2022 £'000	Fair value 2023 £'000	Fair value 2022 £'000
Financial liabilties				
Trade payables	260	328	260	328
Accruals	1,179	1,239	1,179	1,239
Other payables	342	106	342	106
Social security and other taxation	1,606	2,090	1,606	2,090
Lease liabilities	38	62	38	62
	3,425	3,825	3,425	3,825

Valuation methods and assumptions:
All financial liabilities are carried at amortised cost. The directors believe that the fair value of financial liabilities approximates to the carrying value.

10 Revenue

	2023 £'000	2022 £'000
Revenue analysed by class of business		
Adjacent services	2,331	2,488
Data communication	1,448	1,502
Fixed broadband	8,763	9,060
Fixed line telecommunications services	2,222	2,341
Mobile telecommunications services	3,542	3,121
	18,306	18,512

10 Revenue **(Continued)**

	2023 £'000	2022 £'000
Other income		
Grants received	46	46

11 Investment income

	2023 £'000	2022 £'000
Interest income		
Financial instruments measured at amortised cost:		
Other interest income on financial assets	5	5

12 Finance costs

	2023 £'000	2022 £'000
Interest on lease liabilities	1	1

13 Operating profit

Operating profit for the year is stated after charging/(crediting):	2023 £'000	2022 £'000
Exchange losses	40	75
Government grants	(46)	(46)
Fees payable to the company's auditor for the audit of the company's financial statements	51	47
Depreciation of property, plant and equipment	1,907	1,940
Profit on disposal of property, plant and equipment	(4)	(4)
Cost of inventories recognised as an expense	577	683

14 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2023 Number	2022 Number
Administration and support	65	66

14 Employees (Continued)

Their aggregate remuneration comprised:

	2023 £'000	2022 £'000
Wages and salaries	2,252	2,202
Social security costs	27	23
Pension costs	155	142
	2,434	2,367

15 Retirement benefit schemes

Defined contribution schemes	2023 £'000	2022 £'000
Charge to profit or loss in respect of defined contribution schemes	155	142

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

16 Directors' remuneration

	2023 £'000	2022 £'000
Remuneration for qualifying services	241	232
Company pension contributions to defined contribution schemes	13	13
	254	245

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2022: 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2023 £'000	2022 £'000
Remuneration for qualifying services	149	144
Company pension contributions to defined contribution schemes	8	8

17 Income tax expense

	2023 £'000	2022 £'000
Current tax		
Corporation tax on profits for the current period	1,825	1,919
Adjustments in respect of prior periods	70	(62)
Total current tax	1,895	1,857
Deferred tax		
Origination and reversal of temporary differences	(92)	(196)
Total tax charge	1,803	1,661

The charge for the year can be reconciled to the profit per the income statement as follows:

	2023 £'000	2022 £'000
Profit before taxation	6,792	6,911
Expected tax charge based on a corporation tax rate of 26% (2022: 26%)	1,766	1,797
Income not taxable	(1)	-
Adjustment in respect of prior years	70	(62)
Decrease from effect of higher rate deductible expenses	(9)	(5)
Deferred tax arising from unrecognised temporary differences	-	(196)
Increase / (decrease) from effect of capital allowances depreciation	37	127
Other timing differences	(60)	-
Taxation charge for the year	1,803	1,661

18 Property, plant and equipment

	Freehold land and buildings	Leasehold land and buildings	Assets under construction	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost							
At 1 January 2022	2,793	118	1,065	22,776	186	673	27,611
Additions	-	11	870	-	-	-	881
Disposals	-	-	-	-	-	(68)	(68)
Other	97	-	(1,044)	933	-	14	-
At 31 December 2022	2,890	129	891	23,709	186	619	28,424
Additions	-	-	1,269	-	-	-	1,269
Disposals	-	(23)	-	(294)	-	(52)	(369)
Other	90	-	(938)	783	65	-	-
At 31 December 2023	2,980	106	1,222	24,198	251	567	29,324
Accumulated depreciation and impairment							
At 1 January 2022	1,642	39	-	13,928	167	455	16,231
Charge for the year	110	24	-	1,747	9	50	1,940
Eliminated on disposal	-	-	-	-	-	(68)	(68)
At 31 December 2022	1,752	63	-	15,675	176	437	18,103
Charge for the year	124	25	-	1,694	9	55	1,907
Eliminated on disposal	-	(23)	-	(294)	-	(52)	(369)
At 31 December 2023	1,876	65	-	17,075	185	440	19,641

18 Property, plant and equipment **(Continued)**

	Freehold land and buildings	Leasehold land and buildings	Assets under construction	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Carrying amount analysed between owned assets and right-of-use assets							
At 31 December 2023							
Owned assets	1,104	-	1,222	7,123	66	127	9,642
Right-of-use assets	-	41	-	-	-	-	41
	1,104	41	1,222	7,123	66	127	9,683
At 31 December 2022							
Owned assets	1,138	-	891	8,034	10	182	10,255
Right-of-use assets	-	66	-	-	-	-	66
	1,138	66	891	8,034	10	182	10,321

Property, plant and equipment includes right-of-use assets, as follows:

	Land and buildings £'000
Net carrying value at 1 January 2022	79
Additions	11
Depreciation charge	(24)
Net carrying value at 31 December 2022	66
Depreciation charge	(25)
Net carrying value at 31 December 2023	41

19 Lease liabilities

Maturity analysis	2023 £'000	2022 £'000
Within one year	13	14
In two to five years	25	48
Total undiscounted liabilities	38	62

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2023 £'000	2022 £'000
Current liabilities	13	14
Non-current liabilities	25	48
	38	62

Amounts recognised in profit or loss include the following:	2023 £'000	2022 £'000
Interest on lease liabilities	1	1

The fair value of the company's lease obligations are approximately equal to their carrying amount. With the exception of short-term leases, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The company classifies its right-of-use assets in a consistent manner to its property, plant and equipment. The lease liabilities are secured on the related underlying asset.

The company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) and leases where control of the asset does not pass to the lessee. Payment made under such leases are expensed on a straight-line basis. During the year, the expense relating to payments not included in the measurement of the lease liability was £72,000 (2022: £72,000). At 31 December 2023, the company's commitment to operating leases was £23,000 (2022: £83,000).

20 Inventories

	2023 £'000	2022 £'000
Finished goods	1,066	1,112

During the year, the company recognised an impairment against the carrying value of inventories of £nil (2022: £53,000) due to obsolescence.

21 Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	1,008	1,460
Contract assets (Unbilled revenue)	1,037	1,210
Provision for bad and doubtful debts	(182)	(197)
	1,863	2,473
Prepayments	1,365	350
	3,228	2,823

Trade receivables are generally on 30 days' credit terms. No interest is charged for receivables that exceeds the credit period.

22 Trade and other payables

	2023 £'000	2022 £'000
Trade payables	260	328
Accruals	1,179	1,239
Social security and other taxation	1,606	2,090
Other payables	342	352
	3,387	4,009

23 Deferred revenue

	2023 £'000	2022 £'000
Government grants	149	196
Contract liabilities	1,797	520
	1,946	716

23 Deferred revenue (Continued)

Deferred revenues are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2023 £'000	2022 £'000
Current liabilities	1,839	632
Non-current liabilities	107	84
	1,946	716

In previous years, the company received grants totalling £1,662,000 from the Falkland Islands Government towards Traffic Management QoS probes and the Rural Radio and Camp Power projects within the Camp Upgrade programme. The overall cost of these items of £3,135,000 has been capitalised within plant and equipment and was in use at the year end. At the balance sheet date, deferred income in respect of these grants of £42,000 was included in current liabilities and £107,000 within non-current liabilities and will be released over the useful economic life of the fixed assets.

24 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £'000
Liability at 1 January 2022	2,212
Deferred tax movements in prior year	
Credit to profit or loss	(196)
Liability at 1 January 2023	2,016
Deferred tax movements in current year	
Credit to profit or loss	(92)
Liability at 31 December 2023	1,924

25 Share capital

Ordinary share capital	2023 Number	2022 Number	2023 £'000	2022 £'000
Issued and fully paid				
Ordinary shares of £1 each	12,957,000	12,957,000	12,957	12,957

Each share is entitled equally to one vote and to any distributions, including a distribution arising from a winding up of the company.

26 Dividends

Amounts recognised as distributions:	2023 per share £	2022 per share £	2023 Total £'000	2022 Total £'000
Ordinary shares				
Final dividend paid	0.31	0.54	4,000	7,000
Interim dividend paid	0.39	0.12	5,000	1,500
	0.70	0.66	9,000	8,500

27 Commitments

Capital commitments
The company has capital commitments as at 31 December 2023 of £732,000 (2022: £1,192,000).

Contingent liabilities
The company does not have any contingent liabiltieis at at 31 December 2023 (2022: £80,000).

Guarantees
The company does not have any guarantees issued and outstanding as at 31 December 2023 (2022: £nil).

28 Related party transactions

During the year the company entered into the following transactions with related parties:

	Purchase of services 2023 £'000	Purchase of services 2022 £'000
Fellow group undertakings	153	136

	Management fees 2023 £'000	Management fees 2022 £'000	Reimbursable expenses 2023 £'000	Reimbursable expenses 2022 £'000
Fellow group undertakings	492	458	749	(36)

29 Controlling party

The immediate parent company is BTC Sure Group Limited, a holding company, incorporated in the United Kingdom.

The company's ultimate controlling party is Bahrain Telecommunications Company BSC ("Beyon"), an entity incorporated under the laws of the Kingdom of Bahrain and whose shares are listed on the Bahrain Bourse. The consolidated financial statements are available from P.O.Box 14, Manama, Kingdom of Bahrain.

30 Cash generated from operations

	2023 £'000	2022 £'000
Profit for the year before income tax	6,792	6,911
Adjustments for:		
Finance costs	1	1
Investment income	(5)	(5)
Gain on disposal of property, plant and equipment	(4)	(4)
Depreciation and impairment of property, plant and equipment	1,907	1,940
Movements in working capital:		
Decrease/(increase) in inventories	46	(209)
Decrease/(increase) in contract assets	173	(58)
Increase in trade and other receivables	(578)	(347)
(Decrease)/increase in trade and other payables	(138)	341
Increase in deferred revenue outstanding	1,230	328
Cash generated from operations	9,424	8,898