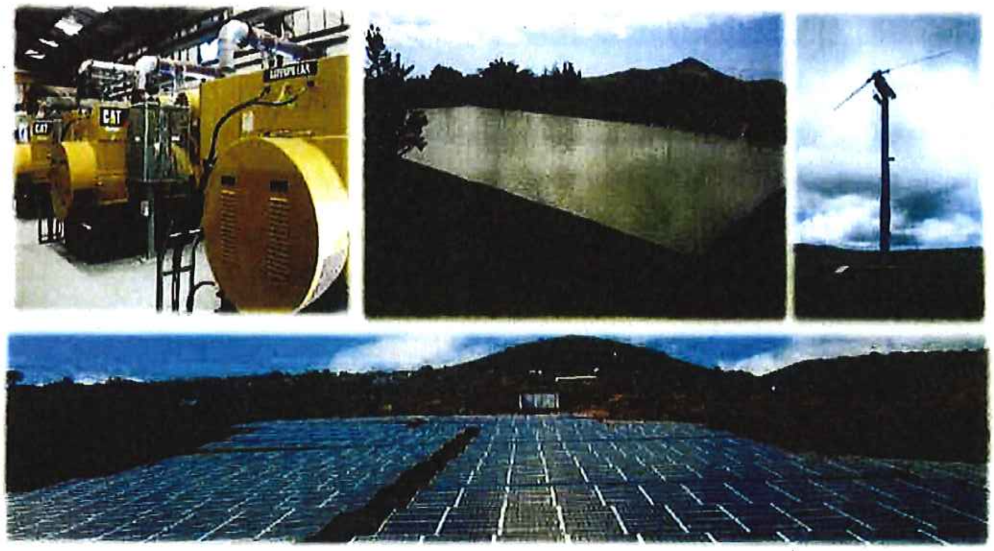
Connect
SAINT HELENA LTD

www.connect.co.sh

Report and Financial Statements
31 March 2018



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1. Corporate Information

Directors:

Non-executive	Geoff Dawson (resigned 31 January 2018) Dax Richards (resigned 2 March 2018) Mike Durnford (appointed 27 October 2017, chair February 2018) Tracey Stroud (resigned 31 May 2017) Josephine George
Executive	Barry Hubbard (Chief Executive Officer) Leon de Wet (Operations Director)
Company Secretary	Clare Harris
Auditors	Scott Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL
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 2018.

2.2 Review of the Business

The company's principal activities during the year continued to be the provision of utility services on St. Helena Island as mandated at its formation when St. Helena Government (SHG) privatised the service.

As the company entered its fifth year of trading the business processes further bedded in. The company received a clean financial audit and has completed all the recommendations made by both internal and external auditors.

There was no further investment in renewable energy this year although an impressive 25% of the island's electricity was generated from the wind and solar farms. Connect and SHG jointly undertook the procurement of additional renewable energy where Connect will purchase electricity through a 'Power Purchase Agreement' (PPA). The attraction of moving in this direction is that there will be no capital outlay which given the current funding constraints was a sensible approach to take. A preferred bidder and a fall back bidder has been identified and the PPA is being drafted. It is anticipated that during the coming financial year construction of additional solar generation and the battery storage required to optimise the system will commence with commissioning and additional wind becoming operational during the following year. This will have a massive impact particularly since the price of diesel is increasing, at worst it will help stabilise the price of electricity and once the full capacity is installed there will be less subsidy requirement and once the subsidy has disappeared there is the opportunity to reduce consumer costs.

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 was completed on a HV link between the main Feeder 2 and Blue Hill. The area to the West of Scotland had no alternative means of electricity supply which inconveniences consumers during fault conditions and during scheduled maintenance. With the link operational much needed maintenance on the HV network around Thompsons Hill and Rosemary Plain is being undertaken with only consumers local to the works being inconvenienced. This has made a massive difference to the consumers on the West of the island who can continue life as normal during the maintenance works deferred until the link was operational.

Harpers 3 reservoir having remained dry after construction due to lack of rain eventually filled and remained full for the whole year. With this additional capacity now available we were able to prepare Harpers 1 reservoir for relining. Harpers 1 reservoir has leaked for many years and also suffered with debris falling into it because it was constructed too close to the cliff which had no stabilisation to prevent material falling into the reservoir. Although much of the cleaning works needed to be done by hand a pragmatic approach has been taken to catch any further debris before it falls into the reservoir which will then need to be manually removed. The reservoir was prepared and awaiting the delivery of the new lining scheduled to be installed week commencing 7th May 2018.

Hutts Gate 2 reservoir construction was completed with HE Governor Phillips opening officially 'declaring the reservoir officially full' and turning off the supply tap on 24th August 2017. This increased storage capacity in the Hutts Gate area by over five times with the reservoir capacity increasing from 1,992 to 13,904 cubic metres. With this additional reservoir now in service the original reservoir is being prepared for a new lining that will be fitted at the same time as Harpers 1 is relined.

All reservoirs have been surveyed, gauge boards are being procured and the monitoring systems are being updated. We will need to adjust reporting to align the reported volumes to the surveys which will further improve the robustness of our water stock management.

The silt traps installed on the watercourse feeding Harpers 2 Earth Dam are working. 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.

The island as a whole suffered from the lack of capital funding normally provided from the UK. With no new capital works approved we simply completed works in progress and at the current time there is no news about any ongoing capital programme. Connect has supplied SHG with bids for capital should there be an approved programme.

A significant milestone was obtaining outline development permission for a combined sewage system for Half Tree Hollow (HTH) and Jamestown. In anticipation of capital funding being approved we have submitted a bid for funding to work this up into and submit to the Land Development Control Authority (LDCA) and Executive Council for full development permission. Rupert's sewers have already been laid and the plant can be installed when funds become available to purchase it, again a bid is with SHG awaiting approval.

Capital Works

Infrastructure development plays a significant part in improving service delivery. Capital comes from two sources, capital grants from SHG and from money generated by Connect. The table below shows where capital funds were spent.

Asset Class	Grant Funded (£)	Connect Funded (£)	Total (£)
Electricity infrastructure	405,370	66,200	471,570
Equipment		133,396	133,396
Vehicles		144,979	144,979
Water Infrastructure	1,245,752	210,548	1,456,300
Total	**1,651,122**	**555,123**	**2,206,245**

The majority of electrical infrastructure spend was on the HV link to the Western area although in addition there was some refurbishment of Feeder 2 carried out. In order to facilitate the water network upgrades our new team dedicated to this task required dumper trucks and diggers amongst other things which are included in the equipment figure. There was one vehicle purchased this being a replacement for the fully depreciated sludge truck. It's specification is improved on the original with four wheel drive allowing greater access and a fresh water tank to supplement the basic sludge tank.

The water infrastructure received a £1.4 million capital injection with the Hutts Gate 2 reservoir being constructed, sewage piping and a new water main being laid in Ruperts, the raw water pipe link between Chubbs Spring and Scotts Mill being completed as well as some new sewers being laid in HTH in readiness for the outfall and pipe connecting HTH and Jamestown.

Operational Efficiency

Since divestment Connect has worked hard to identify inefficiencies and convert the savings made into cash to reinvest back into the business. Whilst Connect receives criticism about our vehicle fleet from the public it is obvious to the management that having a reliable fleet of vehicles to access our networks that are spread far and wide is absolutely essential, compounded by SHG's reluctance to invest in the former Energy and Water Divisions vehicles once divestment was on the cards; the fleet that was transferred from SHG was decrepit, unreliable and was not sustainable for the task in hand. Our new Landrovers are equipped with tools and parts; there are more vehicles with less workers per vehicle which increases the quantity of work done each day. Access equipment, crane truck, water bowser, diggers and dumpers as well as a replacement sludge truck significantly increases the efficiency of the workforce and reduces costs of hiring in equipment. The fleet of Pajero's represent excellent value for money since they are second hand with low purchase price and hence we paid minimal duty. They work well for technicians, project managers and surveyors where four wheel drive is necessary but without the requirement to enter terrain experienced by the maintenance teams. Although it is difficult to quantify the efficiency improvement the revised fleet is clearly contributing to getting more essential work done.

With less capital works we have been able to undertake more with the Connect workforce saving costs on contracting works examples being the halving of the costs to rectify the cliff abutting Harpers 1 and the use of our own people who are trained in reservoir repairs to carry out the relining of the Tobacco Plain agricultural reservoir without the need to bring in contractors. We would normally have used contracted labour to prepare for the relining of the two reservoirs due to be relined in May but by completing these works using our own staff we have made cost savings. The lines workers have also contributed in making savings by completing work that would have normally gone to contract.

Reservoir grounds maintenance is now carried out by our own staff as well as some infrastructure design to make savings. We have taken the opportunity to purchase topsoil which is stockpiled and will be used as bedding material for pipes which is a significant cost saving compared to the more traditional use of dust.

Because of high costs associated with the procurement of the sludge gulper we directly sourced from the manufacturer realising significant cost savings. In total this year the savings mentioned have improved the bottom line by £140k.

Connect was established as a private sector business and operates with efficiency and service as high priorities. The report to the Utilities Regulatory Authority highlights the massive improvements made since divestment in respect of reliability, quality and customer service. At the time of divestment the business plan required SHG to replace depreciated assets but against the backdrop of reducing subsidy by £0.4 million Connect now funds for worn out asset replacement with over £0.5 million invested last year.

We are proud of the significant improvements we have made since divestment in improving reliability, quality and customer service, removing £0.4 million from the subsidy whilst investing £1.8 million capital generated by the business in replacing fully depreciated assets inherited from SHG at the time of divestment.

Resilience

Previously we have reported the improved resilience against low rainfall situations. On the energy side of the business we had protected ourselves by introducing some backup diesel generators at the water treatment works and our offices. This year we undertook further work to provide a written plan of how to deal with significant disruption to the electricity distribution network or power station. The report has been provided to SHG who have included it in their resilience planning. The report was created by a third party in conjunction with our own management staff and identifies minimum levels of stock holding for key components and suppliers of hired in equipment that we could call on in the event of gross failure of the power station. When we have renewable energy supplied through the PPA the system will provide for grid stability and it will then be possible to provide electricity without the need for diesel generators to be running.

2.3 Financial Performance

2.3.1 Highlights

I am pleased to report that in-spite of the higher fuel prices that saw the fuel bill up by 20% on last year and the lower than expected growth in consumption the company's financial performance during the year remained relatively stable in comparison to the preceding year.

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

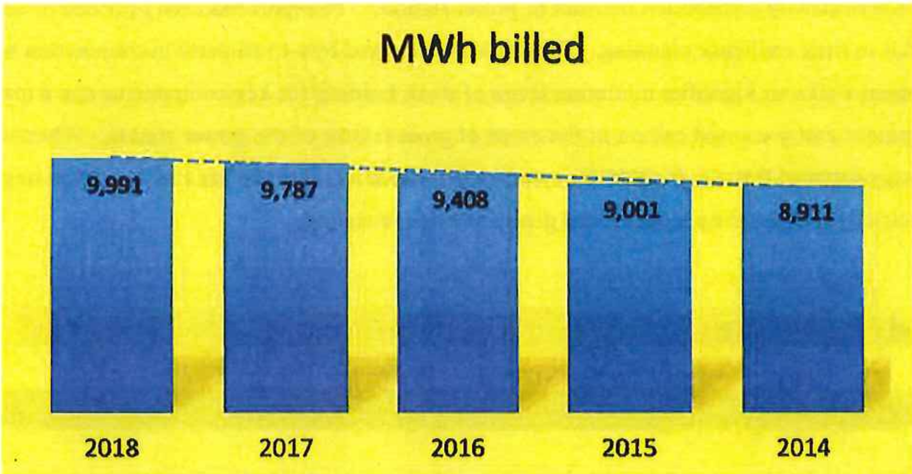
	2018 £000	2017 £000	Change
Turnover	4,454	4,367	2%
Gross profit/(loss)	82	(83)	198%
Loss on ordinary activities before taxation	(159)	(177)	10%
Net loss after tax	(284)	(201)	41%
Trade debtors	688	390	76%
Cash and bank balances	2,014	1,420	42%
Shareholders funds	15,407	15,188	1%
Current assets as % of current liabilities	10.8	11.4	-5%
Average number of employees	73	67	9%

2.3.2 Turnover

Electricity

Electricity tariff income at £3.717 million recorded a 4% growth compared to last year's £3.575 million against the backdrop of growth in usage. Consumption picked up after the increased passenger arrivals on the commencement of commercial flights coupled with the opening of new properties in the tourism sector.

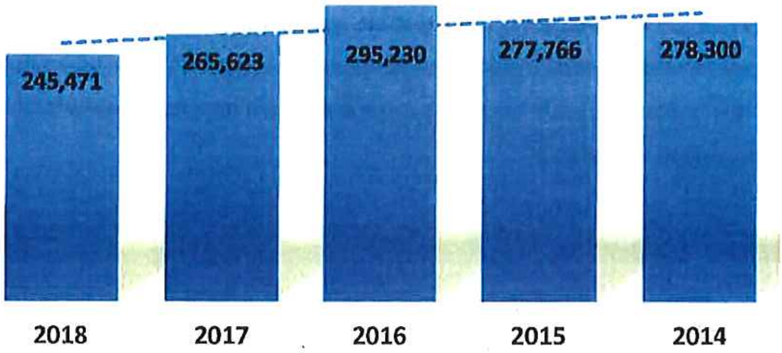
During the first three quarters and prior to developments referred to above consumption was trailing behind both budget and last year's figures. We billed 9,991,000 kWh during the financial year under review representing 2% growth on last year's 9,787,000 kWh. While growth in electricity consumption during the year was at its lowest in three years, the upward growth trend was maintained as shown by the graph below:



Water

Water on the other hand did not recover from the drought induced low consumption recorded last year with this year's 245,471m^3 billed being 8% lower than the 265,623m^3 billed last year when we had drought and water restrictions. Total unit tariff income at £355,265 was only 3% higher than £344,654 recorded last year in spite of the 20% tariff increase. In addition to the drought induced water saving habits consumers could have become more cautious after the 20% increase which although inflationary when taking all utilities into account, psychologically people tend to remember the 20% when turning on their taps on. The reduced water consumption is better depicted by the graph below which shows financial ending 2018 recorded the lowest cubic meters of water billed since divestment.

M³ billed



However as with electricity the last quarter of the year has recorded growths on water usage on last year figures which are mostly a combination of the increased population and the Bulk Fuel Installation (BFI) commissioning works where sufficient quantities of water was required.

2.3.3 Cost of sales

Cost of sales totalling £4.372 million that was incurred during the year and compared favourably to the £4.450 million incurred last year mainly comprise of electricity generation fuel (35%), maintenance (22%) and depreciation (24%). While total cost of sales during the year did not include drought mitigation costs incurred last year, the 2% decline was achieved against the backdrop of rising fuel prices and more efficient maintenance regimes. The cost of fuel during the year was £1.548 million and was 20% higher than the £1.287 million recorded last year mainly as a result of higher fuel prices as the international oil prices soured upwards. The actual increase in volumes of diesel used at the power station was 5% higher than last year leaving the remainder of 15% being directly attributable to fuel price escalation.

	2018 SHP	2017 SHP	Change
Electricity Generation Fuel	1,547,571	1,286,642	20%
Maintenance Materials and Parts	972,988	1,294,419	-25%
Depreciation	1,036,548	853,364	21%
Contracted out services	112,076	116,309	-4%
Employees	703,033	666,625	5%
Drought mitigation costs	-	232,776	-100%
Total	**4,372,216**	**4,450,135**	**-2%**

Maintenance recorded a 25% reduction to £0.973 million from last year's £1.294 million a reduction that helped counter the increased expenditure on fuel. This was achieved through a combination of efficiencies together with the ongoing capital expenditure on the refurbishment of the HV network and artillery water distribution networks. The very nature of maintaining infrastructure means in most cases the infrastructure asset has to be renewed or replaced in order to reduce reactive maintenance and repairs. This in turn results in the new assets incurring depreciation charges. This is the reason in the above table maintenance expenditure declined by 25% while depreciation charges increased 21%.

2.3.4 Divisional Performance

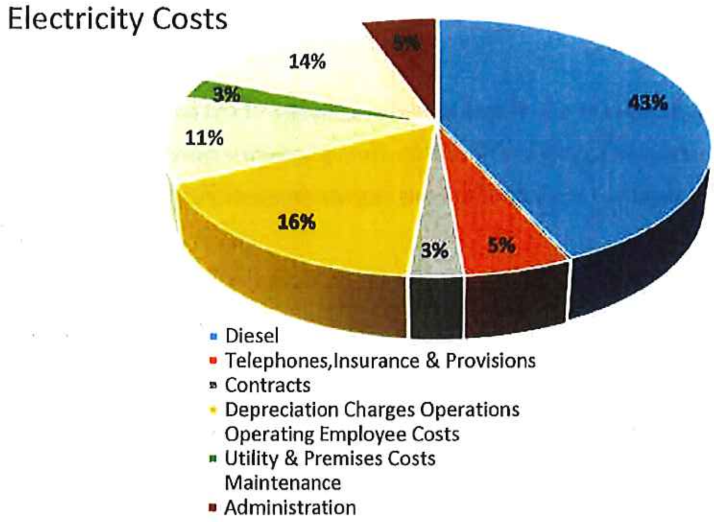
The table below reports the company's income statement broken down in operating segments as follows:

	Water	Sewage	Electricity	Internal Charges	Corporate	Consolidated
Unit Charges tariff	355,974	-	3,885,756	(169,486)	-	4,072,244
Service charges	112,864	69,298	48,730	(711)	-	230,182
Other service income	16,002	43,303	77,109	-	14,983	151,398
Turnover	**484,840**	**112,601**	**4,011,595**	**(170,197)**	**14,983**	**4,453,823**
Cost of sales	(1,235,297)	(82,940)	(3,224,176)	170,197	-	(4,372,216)
Gross profit	**(750,457)**	**29,661**	**787,419**	**-**	**14,983**	**81,607**
Administrative expenses	(551,055)	(51,353)	(559,629)	-	-	(1,162,036)
Gain on disposal of assets	-	-	-	-	(19,880)	(19,880)
Revenue grant-Subsidy	668,000	-	-	-	-	668,000
Amortized grants	-	-	-	-	346,010	346,010
Operating profit/(loss)	**(633,512)**	**(21,692)**	**227,790**	**-**	**341,114**	**(86,300)**
Revaluation loss	**-**	**-**	**-**	**-**	**(89,942)**	**(89,942)**
Interest receivable	-	-	-	-	22,046	22,046
Finance costs	-	-	-	-	(4,693)	(4,693)
Net profit/(loss)	**(633,512)**	**(21,692)**	**227,790**	**-**	**268,524**	**(158,888)**

Electricity

While electricity is the only profit making segment with £227,790 recorded during the year under review, the fuel price escalations have reduced the profit in comparison to the £416,000 recorded last year. We spent £259k more in generation diesel than what was spent last year for a relatively same amount of energy generated. Hopefully this time next year this risk will be mitigated after PASH commissions the renewable energy infrastructure from which we will purchase electricity through a power purchase agreement.

Average tariff per kWh was 39 pence and cost 37 pence resulting in a net positive margin per kWh of 2 pence compared to last year's 3 pence. The chart below shows an analysis of the 37 pence cost.

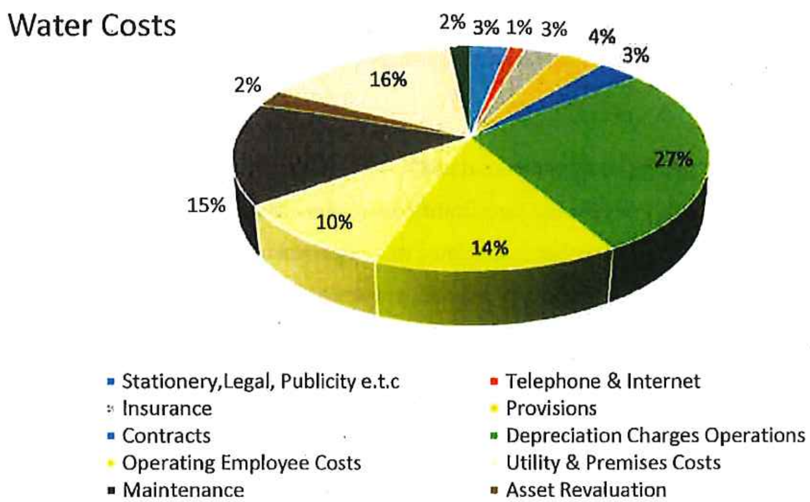


Water

While water remained deep in a loss making situation it is however pleasing to report that the £1.301 million loss recorded during the year is £158k lower than the loss recorded last financial year due to the 20% water tariff increase. If consumption had been reduced we could have seen a larger decline in the loss as the increase in tariff was aided by more efficiency in the water operations where savings have been made in collection and treatment maintenance.

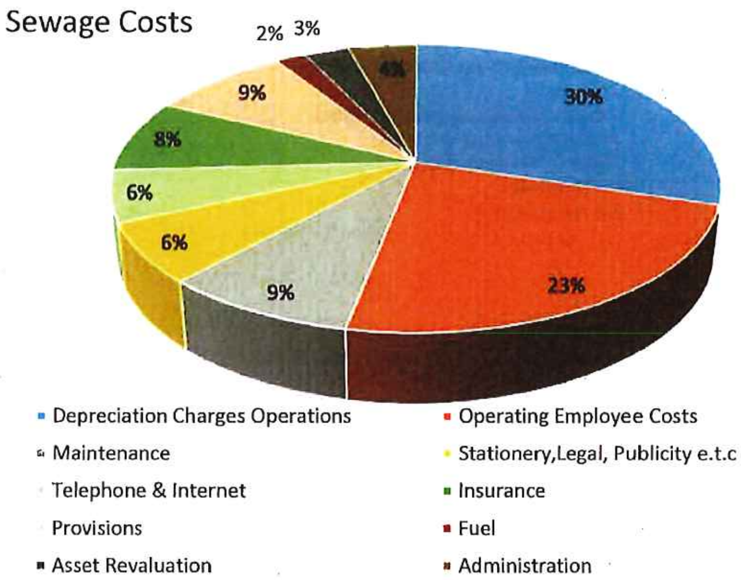
A cubic meter of water costs £7.18 to collect, treat, distribute and bill. This is nearly four times the £1.88 average tariff per cubic meter and shows that we have to continue being resolute in aligning the tariff to costs while doing all possible to reduce costs.

In comparison to last year, cost per cubic meter declined 10% from the £7.98 cost per cubic meter recorded last year to the £7.18 recorded in the financial year under review. Loss per cubic meter also declined 16% or £1 per m^3 from £6.30 loss to £5.30 loss. The chart below shows an analysis at the £7.18 cost.



Sewerage

The sewerage operation made a loss of £21,692 as the service charges of £112,601 were not sufficient to cover the costs of providing the service of £134,923. The major cost in sewage is depreciation accounting for 30% of total costs. The chart below shows an analysis of the cost to provide the service.



2.4 Financial Position

The financial position remained strong with the company in a position to settle its liabilities comfortably without impacting on service delivery. While current assets declined £763,269 to £5.542 million in comparison to last year's £6.306 million the current ratio or the number of times the current assets cover current liabilities remained very healthy at 11 times.

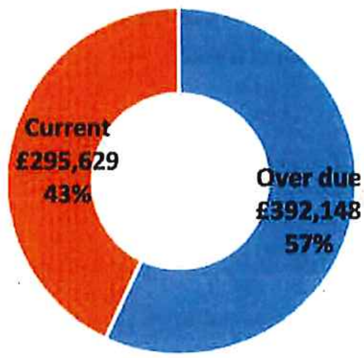
Liquidity improved significantly with cash balances increasing by £593k to £2.01 million up from last year's £1.42 million.

Trade debtors increased by £297,384 to close the year at £687,777 compared to last year's £390,168. Half of this growth was in the current category where some significant consumers accidentally delayed payment by a few days but they have since paid in full. The other half relates to a government owned and important industrial player whose overdue debt is fully provided for while the current bills are secured through a government guarantee while they seek solutions to become more energy efficient in their operations. The impact of the growth in debtors is manifest in total amount of cash collected which declined 8% to £4.156 million in comparison to £4.480 million collected the previous year.

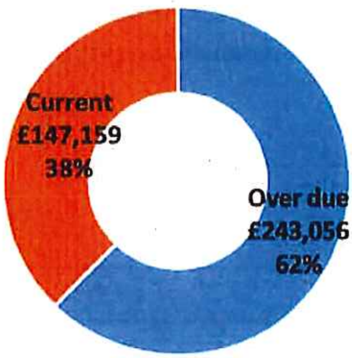
DEBTORS AND INCOME COLLECTION	2018 £000	2017 £000
Opening Debtors Balance	390	503
Turnover	4,454	4,367
Total Turnover and Debtors for Collection	**4,844**	**4,870**
Closing Debtors	**688**	**390**
Collected Cash	**4,156**	**4,480**
Collected Cash as percent of total Turnover & Debtors	86%	92%
Collected Cash as percent of Turnover	93%	103%

It is however pleasing to report that the percentage of overdue debtors compared to total debtors actually declined from last year's 62% to 57%.

2018 Trade Debtors



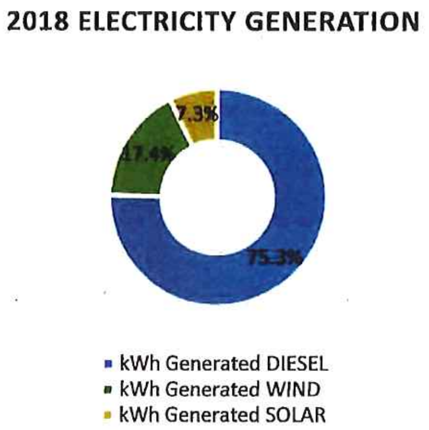
2017 Trade Debtors

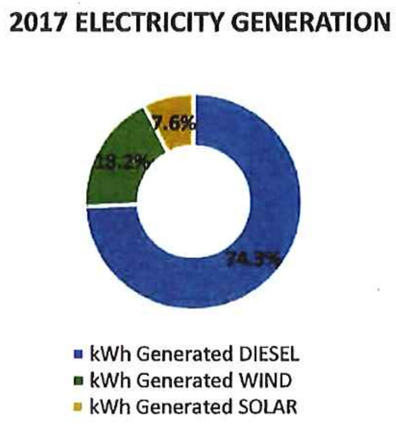


Efforts to reduce and minimise inventory holdings continued to be hampered by the long lead times which necessitate the company to maintain stocks necessary for critical maintenance and repairs to ensure continuous service delivery.

2.5 Operating Performance, Consumption and Efficiency

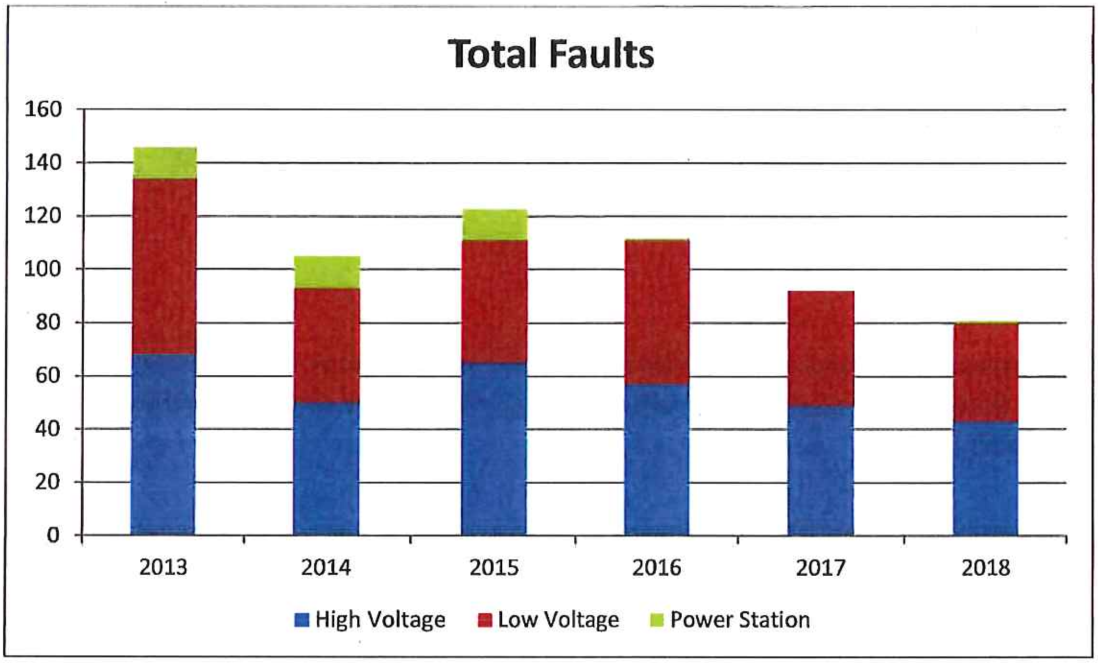
The 2% growth in electricity units billed was not matched with any further investment in renewable generation capacity and was therefore met by more contribution from the diesel generators which had an impact in reducing power generation efficiencies. During the year under review 75% of electricity was generated from diesel generation in comparison to 74% last year with the remainder generated from solar and wind.





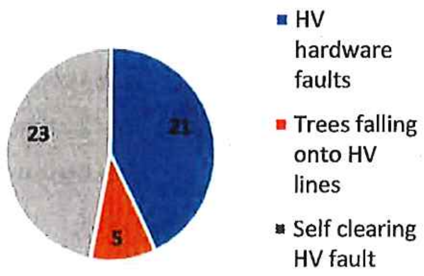
2.5.1 Reliability, Quality and Customer Service

There were a total of eighty one unplanned interruptions to the electricity supply; the target of one hundred was achieved. Against the pre-divestment benchmark this is an improvement of 45% and a 12% improvement on the previous year. The graph below shows the improvement trend.

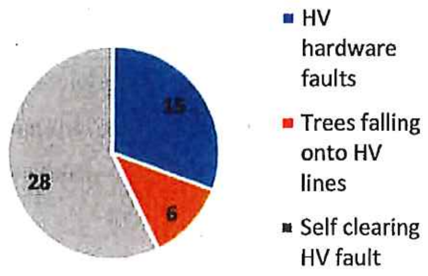


The number of HV faults was similar to the previous year but with a slight increase in the number of hardware failures and slight reduction in the number of spurious trips. The intensive line clearing programme could be the reason for this improvement but it is impossible to verify this.

HV Faults 2018



HV Faults 2017

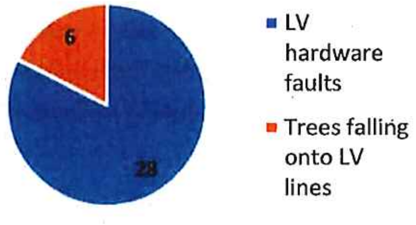


The unplanned outage KPI is key to the public perception of Connect's performance. We continue to focus our lines team and local contractors on preventing failure and we are making progress against this enormous task.

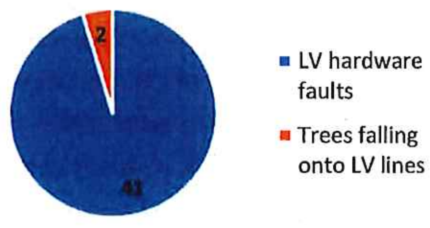
We have improved the specification of HV insulators to silicone (rather than ceramic) and as lines get maintained they will become more reliable since silicone is technically superior.

Low voltage faults reduced with the majority being hardware related, hardware includes the cut out fuses located in consumers premises. LV faults tend to be less disruptive with many affecting a single consumer.

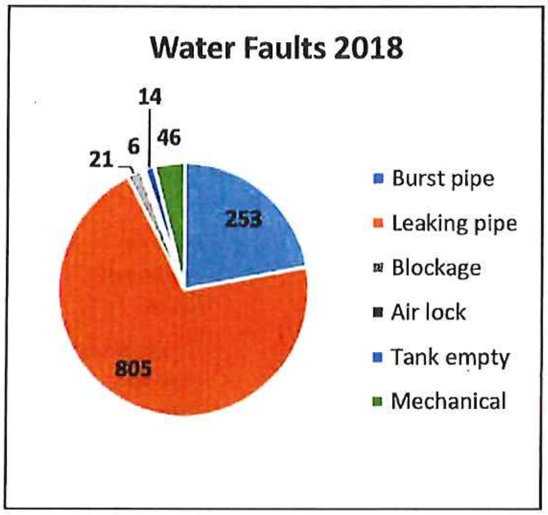
LV Faults 2018

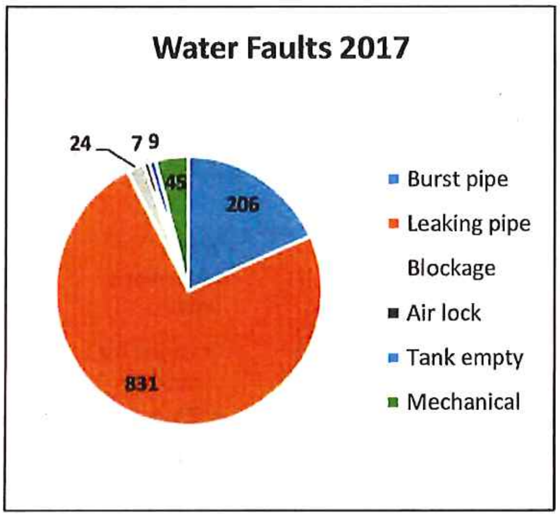


LV Faults 2017



Although the reliability of the water network has improved by 27% since divestment the last couple of years have been difficult with marginal deterioration in performance. A dedicated team is renewing mains, survey work informs the location of pressure reducing valves which reduce the incidence of over pressure which is a cause of bursts and one can only conclude that the age and condition of the system are preventing actual improvement in system performance despite the enormous efforts being made to deal with the known issues.





Burst pipe	Leaking pipe	Blockage	Air lock	Tank empty	Mechanical
253	805	21	6	14	46

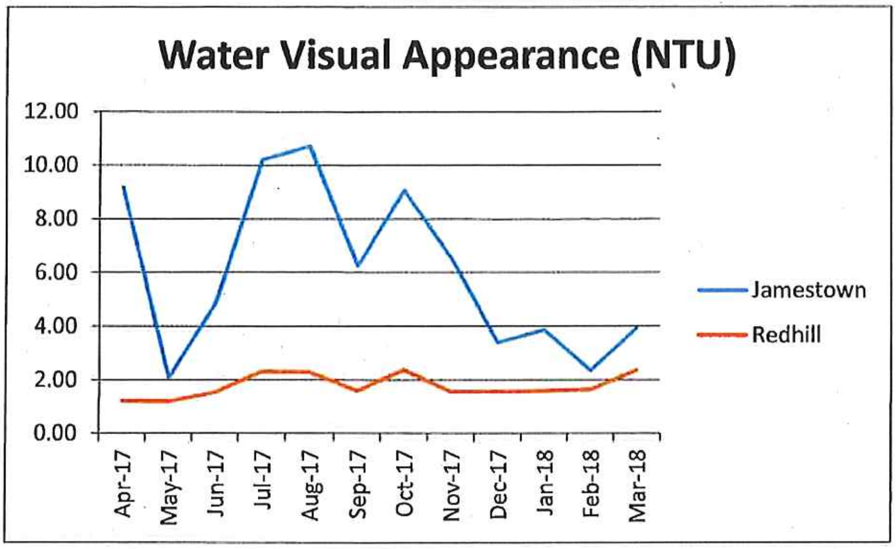
The trend is similar to last year and of the 1,145 faults 92% were attributable to bursts and leaks.

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. We budget £100k annually from the depreciation fund to replace priority areas however the enormity of the task must however not be under estimated.

2.5.2 Quality

We were 99.2% compliant in water visual appearance and 100% compliant with microbiological integrity both favourable against targets of 99.5%. The Environmental Health Department continue to 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.

Last year we reported a more robust system of water visual appearance analysis was introduced and reported on against the internationally recognised NTU scale rather than relying on the subjective visual measurement. The pre-divestment benchmark was 4-5 NTU with the target for this year 2 NTU. We had success at Redhill (1.77 NTU), Hutts Gate (1.81 NTU) and Levelwood (1.83 NTU). Jamestown failed with an overall average of 6.03 NTU.



Jamestown has no reservoir for any suspended solids to settle prior to treatment. This creates challenges during high rainfall events. The graph shows the variation depending on the weather with Redhill used as a comparator. Capital funding has been applied for to replace piping from Chubbs Spring and to install floculators which will encourage further settling and present the rapid sand filters with higher quality raw water to filter. At the present time it is not certain if capital funds will be made available however we are already in the process of obtaining development permission and undertaking as much pre-work as possible to address this issue.

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, for ease of measurement non-working days are included. Electricity connections were favourable against the target, the 2012/13 benchmark was fifty days, the 2017/18 target was seventeen days and the actual was an achievement of twelve days. Electricity connections show a 30% improvement compared to last year and an impressive 76% improvement against the pre-divestment benchmark.

Water connections were also favourably below the target of twelve with the average time reduced to an impressive eleven days, the result was the same as the previous year. The 2012/13 benchmark was ninety days. Again a significant improvement was made with a massive 88% improvement being recorded against the 2012/13 benchmark.

The complaints handling system has 100% compliance. A total of eleven complaints were resolved at the first level with no complaints being escalated to the second or third levels.

Codes of Practice

There was full compliance with the codes of practice with the exception of new service connections where there were minor administrative issues that prevented the 100% targets being met. A commentary follows:-

1. Access to Premises

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 material has been provided and information is now printed on the reverse side of the bills directing customers in relation to advice. We are 100% compliant with this Code of Practice.

2. Payment of Bills / Customers in Default

The code of practice was introduced and included in our process with input from Social Services 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 actively 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. Last year we provided funds to help thirty nine debtors and since divestment we have helped a total of one hundred and eighty two customers who were struggling to pay their bills.

3. Connections & Disconnections

The Code of Practice requires a site visit within five working days. Sixty two electricity applications were made and fifty three for water. One electricity and one water site visit missed the five day target. Despite this area of non-compliance the overall time taken for the end to end connection process were favourable against the KPI targets.

4. Complaints

A total of eleven complaints were received. Complaints are reviewed by the management team on a weekly basis. All complaints were resolved at the first level. 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 whereas pre-divestment there was not. We are 100% compliant with this Code of Practice.

5. Meter Readings

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.

In March 2016 100% of electricity meters were inspected and photographed as evidence to use as a baseline for meter replacement and re-sealing.

6. Efficient Use of Electricity

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 on an ad-hoc basis articles 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 the public, inform and change 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. A number of the low risks were removed 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 have been 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

Barry Hubbard
Chief Executive Officer

3. Director's Report

The Directors present their report for the year ended 31 March 2018.

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.

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 Geographic Information System (GIS) with a data sharing agreement now in existence with SHG.

Future Developments

Currently outline development permission has been granted for a combined Jamestown & Half Tree Hollow sewage solution and full development permission has been granted for Rupert's Sewage Treatment. Further progress is reliant upon capital grants which have been applied for but not yet materialised. Progress is currently underway for the full application planning for Jamestown and Half Tree Hollow and also as a lower priority, Bottom Woods, and this is likely to continue into the next two financial years. Investment in renewables will continue to be priority. Connect working with SHG has identified the preferred bidder to provide a renewable energy solution where Connect will buy electricity by way of a Power Purchase Agreement (PPA). At the present time the PPA is being negotiated. 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

The only material event since the balance sheet date is the viability of Basil Read who has entered a business rescue situation. Basil Read is a major customer which creates a risk of non-payment. However, SHG continued to make payments of the Basil Read utility bills and has now terminated the contract with Basil Read. All accounts have been formally transferred to either SHG or St Helena Airport Ltd (SHAL).

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 19. 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. At the present time we have no disabled employees.

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 Scott Moncrieff 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 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 St 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.

Barry Hubbard
Chief Executive Officer

Mike Durnford
Chair

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

Opinion

We have audited the financial statements of Connect Saint Helena Limited (the company) for the year ended 31 March 2018 which comprise the Comprehensive Income Statement, the Statement of Financial Position, the Statement of cash flows, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Ordinance 2004.

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 UK, including the FRC's Ethical Standard, and we have fulfilled our 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 audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 22, 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 for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with the terms of our 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.

Nick Bennett

Nick Bennett, Senior Statutory Auditor
For and on behalf of Scott-Moncrieff, Statutory Auditor
Exchange Place
Semple Street
Edinburgh
EH3 8BL

Date: 8 November 2018.

Connect Saint Helena Ltd

6. Financial Statements for the year ended 31 March 2018

6.1 Comprehensive Income Statement for the year ended 31 March 2018

	2018 SHP	2017 SHP	Notes
Turnover	4,453,823	4,366,926	3
Cost of Sales	(4,372,216)	(4,450,135)	4
Gross (Loss)/Profit	**81,607**	**(83,209)**	
Administrative expenses	(1,162,036)	(1,244,963)	5
Gain/(loss) on disposal of tangible fixed assets	(19,880)	15,166	9.2
Other Operating Income	1,014,010	1,124,279	7
Operating Loss	**(86,300)**	**(188,727)**	
Revaluation loss	(89,942)		
Interest receivable	22,046	18,415	
Finance Costs	(4,693)	(6,795)	
Loss on Ordinary Activities Before Taxation	**(158,888)**	**(177,107)**	
Tax charge for the year	-	-	14
Deferred tax movements	(124,996)	(23,890)	15
Loss for the Financial Year	**(283,884)**	**(200,997)**	

The notes on pages 31 to 46 form an integral part of these financial statements.

Connect Saint Helena Ltd

6.2 Statement of Financial Position

	31-Mar-18 SHP	31-Mar-17 SHP	Notes
Fixed Assets			
Assets Under construction	1,269,661	1,500,678	8
Tangible fixed assets	18,675,363	17,176,826	9.1
	19,945,025	**18,677,504**	
Current Assets			
Inventories	1,848,363	2,045,680	10
Debtors			
Amounts falling due within one year	1,475,099	2,686,103	11
Amounts falling due after one year	205,934	154,232	11
	1,681,041	2,840,335	
Cash and bank balances	2,013,541	1,420,200	
	5,542,945	6,306,215	
Creditors: amounts falling due within one year	511,592	550,979	12
Net current assets	**5,031,353**	**5,755,236**	
Total assets less current liabilities	**24,976,378**	**24,432,740**	
Provisions for other payables and charges	498,850	273,355	18
Retention Funds	99,370	47,827	12
Deferred Government Grants	8,971,593	8,924,035	19
Net assets	**15,406,565**	**15,187,523**	
Capital and reserves			
Share Capital	14,585,598	14,585,598	20
Retained profits	318,040	601,925	
Revaluation Reserve	502,927		
Total Shareholders' Equity	**15,406,565**	**15,187,523**	

The notes on pages 31 to 46 form an integral part of these financial statements

These financial statements on pages 27 to 46 were approved and authorised for issue on 5 November 2018 by the board of directors.

Signed on behalf of the board of directors

Barry Hubbard - Chief Executive Officer

Mike Durnford – Chair

Connect Saint Helena Ltd

6.3 Statement of cash flows

	2018 SHP	2017 SHP	Notes
Net cash flows from operating activities	2,174,783	(768,275)	16
Cash flows from investing activities			
Payments to acquire and construct tangible assets	(1,975,229)	(2,322,776)	
Proceeds from disposal of tangible fixed assets	220	15,166	
Net cash used in investing activities	**(1,975,009)**	**(2,307,610)**	
Cash flows from financing activities			
Government Grants received	393,569	1,986,462	
Net cash used in financing activities	**393,569**	**1,986,462**	
Net increase/(decrease) in cash and cash equivalents	593,342	(1,089,423)	
Cash and cash equivalents at the beginning of year	1,420,200	2,509,623	
Cash and cash equivalents at end of year	2,013,542	1,420,200	

The notes on pages 31 to 46 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	
At 1 April 2016	**15,287,175**	**137,060**	**15,424,235**	
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)	
At 31 March 2017	**14,585,598**	**601,925**	**15,187,523**	

	Share Capital	Revaluation Reserve	Retained Income	Total Equity
	SHP	SHP	SHP	SHP
At 1 April 2017	**14,585,598**	-	**601,925**	**15,187,523**
Revaluation Gain	-	**502,927**	-	**502,927**
Retained Profits for the year	-	-	(283,884)	**(283,884)**
At 31 March 2018	**14,585,598**	**502,927**	**318,040**	**15,406,565**

The notes on pages 31 to 46 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 St Helena Island and the ultimate controlling party is St Helena Government. The address of its registered office and principal place of business is Seales Corner, Jamestown, St. Helena Island, South Atlantic Ocean, STHL 1ZZ. The Company's principal activities are the provision of electricity, water and sewerage services on the island.

2. Accounting Policies

a) Basis of preparation and accounting policies

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

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

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

- **Useful lives of tangible fixed assets.** These are based on Management's experience of the lifespan of similar assets both at Connect and similar other companies in the utilities sector and are reconsidered each year. Due to the long life of many assets and the uncertainty of the future there is no guarantee that Management estimates will turn out to be correct.
Up to 31 March 2017 the company's buildings had been valued at the cost at which they were acquired from SHG. On 1 April 2016 DM Hall Chartered Surveyors were engaged to revalue all buildings SHG owns including buildings owned by the company and other SHG owned companies. The values relating to the company's buildings had not been adopted in the relevant financial year as there was some dispute regarding the valuation of the Power Station building

- **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) Change in accounting policy

Up to 31 March 2017 the company's buildings had been valued at the cost at which they were acquired from SHG. On 1 April 2016 valuers were engaged to revalue all buildings owned by SHG, including buildings owned by the company and other SHG owned companies. The values relating to the company's buildings had not been adopted in the relevant financial year as there was some dispute regarding the valuation of the Power Station building. Investigations were carried out and it was found out that the some of the most recent refurbishment works at the power station included £187,289 expenditure on the fibre optic cabling that linked the SCADA system at the Power Station to the grid. Following this discovery the valuers issued a new report during the financial year and the buildings were revalued and the misallocated infrastructure asset reclassified from buildings to electricity infrastructure. The change in accounting policy is that the buildings are now carried at revalued fair amount and their remaining useful lives changed in line with the recommendations of the professional valuers.

e) 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

f) Revaluations

Revaluations apply to the Lands & Buildings class of assets. The revaluation was done for office buildings, buildings for energy and water infrastructure the valuation was carried out by DM Hall Chartered Surveyors.

The frequency of valuation of assets carried at revalued amounts will be five years.

Revaluation increases are credited directly to the Revaluation Reserve while revaluation decreases are charged to the profit and loss account. However a revaluation increase is recognised in the profit and loss account to the extent it reverses decreases previously charged to the profit and loss account for the same asset. Revaluation decreases are charged to the Revaluation reserve to the extent they reverse increases previously credited to the Revaluation Reserve for that particular asset.

g) 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.

h) 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.

i) Inventories

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

j) 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.

k) 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.

l) 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.

m) 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.

n) 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.

o) Basic Financial Instruments

Financial instruments are recognised where a contract gives rise to a financial asset or financial liability to the entity. The company records basic financial instruments which include cash and bank balances as well as accounts receivables and payables.

The Basic Financial Instruments are recorded at transaction cost less repayments of the principal amounts

p) 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:	2018 SHP	2017 SHP
Unit Charges – Water	355,265	344,654
Unit Charges – Electricity	3,716,977	3,574,550
Service Charges	230,182	248,697
Other Service Income	151,398	199,025
	4,453,823	**4,366,926**

4. Cost of Sales

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

	2018 SHP	2017 SHP
Electricity Generation Fuel	1,547,571	1,286,642
Maintenance Materials and Parts	972,988	1,294,419
Depreciation	1,036,547	853,364
Contracted Out Services	112,076	116,309
Employees	703,033	666,625
Drought mitigation costs	-	232,776
	4,372,216	**4,450,135**

5. Administrative Expenses

Administrative expenses during the year included:	2018 SHP	2017 SHP
Directors and employees	605,952	594,903
Office and other administrative costs	293,490	341,018
Audit fees	25,000	28,308
Premises Related Costs	48,829	64,793
Depreciation	64,046	125,269
Provisions for Doubtful Debts	124,719	90,672
	1,162,036	**1,244,963**

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

	2018	2017
Electricity	25	22
Water	24	23
Administration	24	22
	73	67

6. Key Management Compensation

A total of £592,111(2017: £493,017) included in staff costs was paid to key management and directors as compensation for their services to the company.

7. Other Operating Income

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

	2018	2017
	SHP	SHP
Government Revenue Grants	668,000	605,000
Amortization of Government Grants	346,010	286,503
Drought mitigation grant	-	232,776
Total Other Income	**1,014,010**	**1,124,279**

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 2017	-	-	**21,511**	**1,479,167**	**1,500,678**
Reclassified					
Additions	-	-	403,664	1,246,840	1,650,843
Transferred to Tangible Assets	-	-	(425,200)	(1,456,300)	(1,881,500)
31 March 2018	-	-	(45)	1,269,706	1,269,661

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.

Revaluations apply to the Lands & Buildings class of assets. On 1 April 2016 DM Hall Chartered Surveyors where engaged by SHG to revalue all buildings it owns including buildings owned by the company and other SHG owned companies. The values relating to the company's buildings had not been adopted in the relevant financial year as there was some dispute regarding the valuation of the Power Station building. The revaluation was done for office buildings, buildings for energy and water infrastructure.

	Land & Buildings	Equipment & Vehicles	Electricity Infrastructure	Water & Sewage Infrastructure	Total
Cost	**SHP**	**SHP**	**SHP**	**SHP**	**SHP**
01 April 2017	**1,297,268**	**1,208,495**	**18,025,087**	**14,633,023**	**35,163,873**
Revaluation	279,002	-	-	-	279,002
Transfers from assets under construction	-	-	425,200	1,456,300	1,881,500
Additions		278,375	46,371	-	324,746
Reclassified	(187,289)	-	187,289	-	-
Disposals	-	-	-	(133,000)	(133,000)
31 March 2018	**1,388,981**	**1,486,871**	**18,683,946**	**15,956,324**	**37,516,121**
Accumulated Depreciation					
01 April 2017	176,061	456,351	9,142,678	8,211,957	17,987,047
Revaluation	(133,983)	-	-	-	(133,983)
Reclassified	(14,047)	-	14,047	-	-
Disposals	-	-	-	(112,900)	(112,900)
Charge for the year	30,961	145,127	499,366	425,140	1,100,594
31 March 2018	**58,992**	**601,478**	**9,656,091**	**8,524,197**	**18,840,758**
Carrying Amounts					
At 31 March 2018	**1,329,989**	**885,393**	**9,027,854**	**7,432,127**	**18,675,363**
At 31 March 2017	**1,121,207**	**752,144**	**8,882,408**	**6,421,067**	**17,176,826**

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
Scrapped/Disposed assets				
Cost	-	-	133,000	133,000
Accumulated depreciation	-	-	112,900	112,900
Proceeds from disposal	-	-	220	220
Recognised in Income Statement	-	-	**19,880**	**19,880**
Total disposed assets				
Cost	-	-	133,000	133,000
Accumulated depreciation	-	-	112,900	112,900

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.

	2018	2017
	SHP	SHP
Electricity Generation Inventories	310,954	329,338
Electricity Distribution Inventories	741,185	910,024
Water Treatment, and Distribution Inventories	484,645	487,738
Inventories held for assets under construction	251,299	219,730
Fuel	37,762	65,055
Other Inventories	22,518	33,796
Total Inventories	**1,848,363**	**2,045,680**

11. Debtors

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

	2018	2017
	SHP	SHP
Trade Debtors	687,777	390,168
Accrued tariffs receivable	455,139	387,938
Fuel duty refunds due from Saint Helena Government	154,608	141,907
Other Receivables and Prepayments	470,331	1,934,124
	1,767,854	2,854,138
Less: Provision for credit losses	(292,755)	(168,036)
Amounts falling due within one year	**1,475,099**	**2,686,102**
Amounts falling due after more than one year:		
Deferred tax assets	205,942	154,232
Total Debtors	**1,681,041**	**2,840,334**
Provision for credit losses		
Balance at 1 April	168,036	77,365
Charged during the year	124,719	90,672
Closing balance at 31 March	**292,755**	**168,036**

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.

	2018 SHP	2017 SHP
Trade Payables	345,785	407,041
Corporate tax payable	-	-
Deferred Income and Other payables	67,615	67,391
Accruals	98,192	76,546
Amounts falling due within one year	**511,592**	**550,979**
Amounts falling due after more than one year:		
Retention Funds	99,370	47,827
Total Creditors	**610,692**	**598,805**

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

	2018	2017
a. Tax expense included in profit or loss	**SHP**	**SHP**
Current Tax		
Saint Helena corporate tax on profit for the year	-	-
Deferred Tax		
Origination and reversal of timing differences	124,996	23,890
Total tax on profit on ordinary activities	124,996	23,890

b. Reconciliation of Tax Charge

Profit multiplied by the standard rate of Saint Helena corporate tax	-	-
Effects of:		
Expenses not deductible for tax purposes	-	-
Prior year tax charges	-	-
Depreciation allowances	-	-
Re-measurement of deferred tax-timing differences	124,996	23,890
Capital expenditure allowances	-	-
Income tax charge for the year	**124,996**	**23,890**

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
Balances at 31 March 2017	(65,140)	53,325	(19,667)	43,835	14,247	26,600
Net movement during the year	(33,377)	19,060	7,485	31,111	100,717	124,966
Balances at 31 March 2018	(98,517)	72,386	(12,182)	74,946	114,964	151,566

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

	2018	2017
	SHP	SHP
(Loss)/Profit for the year	(283,884)	(200,997)
Adjustments to reconcile profit for the year to net cash flow from operating activities		
Depreciation of tangible fixed assets	1,100,594	978,633
Gain on disposal of fixed assets	19,880	(15,166)
Amortization of Government Grants	(346,010)	(286,503)
Revaluation decrease	89,942	-
Provision for doubtful debts	124,719	90,672
Increase/(decrease) in corporate tax payable		(170,429)
Increase in provisions	48,789	20,689
Increase in trade and other receivables	1,086,284	(991,008)
Increase in trade and other payables	12,157	(83,744)
Decrease (increase) in inventories	197,317	(134,310)
Movements in deferred tax balances	124,996	23,890
Net cash flows from operating activities	2,174,783	(768,275)

17. Retirement Benefit Scheme

A total of £186,907 (2017: £100,262) 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 with £15,575 capitalised to relevant projects . 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.

18. Provisions for Payables and Other Charges	**Leave Pay**	**Other Provisions**	**Deferred Tax (note 15)**	**Total**
	SHP	**SHP**	**SHP**	**SHP**
At 1 April 2017	76,022	16,500	180,833	273,355
Additions less utilized	8,789	40,000		48,789
Origination and reversal of timing differences			176,705	176,705
At 31 March 2018	**84,812**	**56,500**	**357,538**	**498,850**

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

19. Deferred Government Grants	**2018**	**2017**
	SHP	**SHP**
Balance at 1 April 2017	8,924,035	7,224,076
Received during the year	393,569	1,986,462
Amortized during the year	(346,010)	(286,503)
Balance at 31 March 2018	**8,971,593**	**8,924,035**

20. Basic Financial Instruments

	2018 SHP	2017 SHP
Bank and Cash	2,013,541	1,420,200
Trade debtors	1,500,087	1,789,280
Total Assets	**3,513,628**	**3,209,480**
Trade creditors	345,785	407,041
Accruals	98,192	76,546
Retentions	99,370	47,827
Total liabilities	**543,347**	**531,414**
Total assets minus liabilities:	**2,970,282**	**2,678,066**

Financial instruments are measured at transaction price less any repayment of the principal.

21. Related Party

Related party activities consist of transactions between Connect Saint Helena Ltd, its Shareholder Saint Helena Government, key management personnel and other parties which meet the definition of related party. The details of transactions with related parties are disclosed below:

Saint Helena Government-Parent

	2018 SHP	2017 SHP
Revenue		
Water and Sewerage	53,409	28,701
Electricity	547,818	465,313

Key Management Remuneration is disclosed in Note 6

22. 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 2018 and 1st April 2017 of £14,585,598 and £14,585,598 respectively comprise of 14,585,598 ordinary shares.

23. Capital commitments

The company had capital commitments for electricity and water infrastructure of £276,652 (2017: £1,062,427). 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.

24. Approval of Financial Statements

These financial statements were approved by the board of directors and authorised for issue on 5 November 2018.