Connect

SAINT HELENA LTD

www.connect.co.sh

Annual Report and Financial Statements
31 March 2019




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1. Corporate Information

Directors:

Non-executive	Mike Durnford (Chair) Josephine George (resigned 31/8/18) Carolyn Thomas (appointed 1/5/18) Nicole Shamier (appointed 25/6/18) Elizabeth Clingham (appointed 1/11/18) Brian Deadman (appointed 1/5/19)
Executive	Barry Hubbard (Chief Executive Officer) Clare Harris (appointed 23/5/18) Leon de Wet (resigned 25/5/18)
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 2019.

2.1 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 sixth year of trading the business processes further bedded in. Key highlights are:

- another clean financial audit.
- the Company continues to make progress with subsidy reduction, despite reluctance to increase tariffs.
- the Independent Review of Connect was completed and acknowledges the tremendous progress made since divestment.

Our last report stated that Pan-African Soleil Holding Inc. (PASH) had been identified as the preferred bidder in the process to procure electricity through a Power Purchase Agreement (PPA). During the year there have been extensive negotiations as a result of the deal being 'nonstandard'. This has resulted in a number of concerns being raised by PASH's financiers. By the end of the financial year all identified major obstacles had been removed as negotiations entered, what is hoped to be, the final stage; after this the PPA can be signed and physical works commenced.

Although the PPA is not yet signed, progress has been made in the following areas: design work has continued, the solar site already has development permission approved, the airport has approved wind turbine sites; and the development application for the wind turbines is due for submission within the next two months. All of this groundwork will speed up the process once the contract is signed.

As more renewable energy is integrated, Connect's operating costs will reduce. This will allow for reduced subsidy to be taken; the possibility to plough savings back into the business to address the many legacy issues that exist; and ultimately reduce the cost of electricity tariff for the customer.

Last year we reported the construction of silt traps on the watercourse feeding Harpers 2 Earth Dam. These reduce the quantity of silt washed from the Peaks that enters the Earth Dam. As the end of the financial year approached usable water in the Earth Dam was almost depleted. The significant quantity of accumulated silt was affecting the visual quality of water so we commenced the desilting process with the intention of removing the 6,000 tonnes of silt that had accumulated over the last 30 years. This was the result of the design deficiency in the omission of silt traps upstream of the dam. The Earth Dam is expected to be clean and ready to be taken back into service by the end of May 2019 but will require rain to fill it.

Capital Works

This year the island suffered from lack of capital funding, which normally originates from the UK. Connect has supplied SHG with business cases for priority projects that support the island's Sustainable Economic Development Plan for consideration when capital funds are made available.

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 only capital contribution this year was from Connect. The table below shows where capital funds were spent.

The water infrastructure received a £0.363 million capital injection, with reservoir lining at Hutt's Gate 1 and Harpers 1 completed during the year. In addition, work was completed to replace the Barren Ground communal septic tank that had reached the end of its economic life and was creating operational issues

Asset Class	Grant Funded (£)	Connect Funded (£)	Total (£)
Electricity Infrastructure		-	-
Equipment		64,962	64,962
Vehicles		-	-
Water Infrastructure		363,391	363,391
Total		**428,353**	**428,353**

Operational Efficiency

Tactical Implementation Plans now form the basis for organising planned works with monthly operational reviews performed by the executive directors. This moves us further away from the historic reactive maintenance practices and is more akin to how a private sector business should operate.

Connects electricity operations closely adhered to their plans. Electricity Generation has maintenance planned either on a time or hours run basis, and achieved what was set out at the beginning of the year. Electricity Distribution continued replacement and upgrading the distribution network which continues to reduce unplanned interruptions. The more modern silicone line hardware used is more robust and less liable to failure.

The Water Projects Team made significant progress in the replacement of the Half Tree Hollow water mains before moving to the next priority area in Bottom Woods. Their work is relatively easily scheduled because they work outside of normal operations. The Water Maintenance Teams are committed to the planned preventative maintenance process, but the results are masked by the significant quantity of legacy issues that will take many years to address.

The Unaccounted for Water Programme has yielded some results and is a key activity for the coming year. The lack of bulk meters when the water networks were originally installed was a major oversight as we have needed to cut into these large mains to install the bulk meters. These are used to compare the aggregate consumer meter readings against the total supply to those consumers fed through the bulk meter. Without bulk meters it is impossible to analyse the quantity of unaccounted for water and is an initiative introduced since divestment. Results so far are: -

- Ladder Hill area reduced from 26% to 6% following the replacement of existing pipework with the correct pressure rated pipe to prevent further bursts
- Barren Ground unaccounted for water is 6% which is an acceptable level
- Lower Deadwood reduced from 71% to 12%, the main was replaced when leakage became undetectable after Basil Read had significantly increased the finished ground level.

Baseline data has been gathered for Burnt Rock. Subsequent readings are required to assess any loss.

Attention has now moved to Levelwood where bulk meters are being installed and a baseline assessment will be conducted.

The initial assessments are made by the Projects Team. As areas come under control we are transferring the ongoing meter reading and comparison to the newly formed Meter Reading Operations Team. They will compile monthly reports of unaccounted for water for the Water Operations Team. The Water Operations Team will be able to react if losses increase to unacceptable levels.

Although the meter reading contract was a reliable method that had worked well before Connect was formed, we took the initiative to take a higher degree of control of this important area of the business with the 'go live' date for responsibility transfer on 1st April 2019. Some cost savings were made but importantly by controlling this activity from within Connect we have a higher degree of resilience. The meter readings are the start of the billing process. Had there been an unexpected issue with the contracted service there was a chance that this could have delayed the billing process adversely affecting our cash flow. It is a credit to all involved that the migration was carried out without any disruption to the billing process. With control of the billing data it is far simpler to integrate unaccounted for water analysis into the routine business operations.

Connect made a strategic land acquisition adjacent to the existing Levelwood Reservoir. There is already a design for a new reservoir on the site that will significantly increase raw water storage capacity in this area. An additional benefit of owning this land is that we have been able to grant access to SHG who are in the process of removing eucalyptus trees from the hillside adjacent to the existing reservoir. Leaves from these trees cause a nuisance because they end up in the reservoir which affects the water quality. Once the works are complete water quality will improve, the water treatment process will become less onerous and there will be a reduced requirement to clean the reservoir. This will further save costs. Unfortunately during these works a large log became detached from the machinery dragging it from the site and it rolled into our reservoir. As a consequence the water needed to be disposed of and the lining, which was already fully depreciated, replaced. This put our resilience measures to the test as, while normally we have many months of stock we now have only 12. Nevertheless we have continued to supply consumers without interruption and expect to be able to do so until the new lining is installed in July 2019.

Organisation

During the year there was some significant restructuring of the organisation with the Operations Director post disappearing and Technical Managers posts appearing. The two Technical Manager positions provide a higher degree of specialist technical input into the individual areas of the business with the Water Technical Manager being appointed from existing staff and the CEO absorbing the Electricity Technical Manager role. The second Executive Director position has been filled by the former Business Support Manager. The new role has the title Business Support Director with the previous Business Support Manager responsibilities being expanded, as well as providing the Company Secretary duties.

Total employee costs reduced from £1.309 million in 2018 to £1.222 million in 2019.

During the year SHG appointed a consultancy firm to undertake an independent review of the Connect business. The report has been published by SHG.

As we commence the new financial year there is no planned tariff increase and the level of subsidy has been reduced from £703k to £681k. One difference to previous years is that there is a risk sharing agreement with SHG which means that at the end of the year the actual subsidy claimed might be higher or lower depending on the actual cost of diesel fuel throughout the year.

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. Against the backdrop of reducing subsidy by £0.4 million, Connect now funds for worn out asset replacement with over £0.43million invested last year.

Connect Saint Helena Ltd are proud of the considerable improvements made since divestment in improving reliability, quality and customer service, significantly reducing the subsidy. During this time we have invested capital of £2.2 million generated by the business, in replacing fully depreciated assets inherited from SHG at the time of divestment.

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, although we do have one employee who has taken an alternative position to match their changing abilities.

Research and Development

During the year time has been invested in progressing the Unaccounted for Water Project. With bulk meters being added to the water distribution network, analysis has been undertaken and measures put in place to reduce unaccounted for water.

Future Developments

Currently, outline development permission has been granted for a combined Jamestown and Half Tree Hollow sewerage 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 have not yet materialised. Progress is currently underway for a full planning application for Jamestown and Half Tree Hollow and, as a lower priority, Bottom Woods. This is likely to continue into the next two financial years. Investment in renewables will continue to be priority. The Power Purchase Agreement being negotiated with PASH should bear fruit in the next financial year, although significant financial benefit will appear in the following year due to the procurement and construction timescales.

2.2 Operating Performance

The Utilities Regulatory Authority assesses us against an agreed Public Utilities Development Plan (PUDP) which distils down to a series of measures for reliability, quality and customer service. The Authority publishes a report annually detailing its assessment of how well Connect has performed against these targets and our agreed Codes of Practice. The table below shows the period 12 (full year) position.

PUDP March 2019	WHERE ARE WE NOW?	WHERE DO WE WANT TO BE?		
Performance Measure	Benchmark 2012/13	Target 2018/19	Actual 2018/19	
1. Reliability				
Overall reliability of electricity network	146	95	94	
Overall reliability of water network	1,582	1,150	1331	
2. Quality				
Appearance of treated water in CSH network Redhill (NTU)	4 - 5	1.75	2.25	
Appearance of treated water in CSH network Hutts Gate (NTU)	4 - 5	1.75	0.39	
Appearance of treated water in CSH network Levelwood (NTU)	4 - 5	1.75	1.74	
Appearance of treated water in CSH network Jamestown (NTU)	4 - 5	6.00	5.51	
Microbiological integrity of treated water in CSH network	96.5%	95.5%	100.0%	
Microbiological integrity of treated water at consumer meter	87%	95.5%	100.0%	
3. Customer Service				
Time taken to perform electricity connection	50 days	16 Days	3 days	
Time taken to perform water connection	90 days	10 Days	1 day	
Total customer complaints handled within COP parameters	No Benchmark	100%	100%	

The electricity network reliability continues to improve due to the continued planned preventative maintenance programme. This year there were a number of severe weather events, during which the majority of the failures occurred.

Water network reliability continues to be a major source of concern. As stated, because of previous decades of neglect of the island's water systems it will take a great deal of effort to reduce failures to acceptable levels. The team formed to replace priority mains and bury the new pipes has proven to be effective, and its members have been transferred from temporary employment status to full time. The Unaccounted for Water Programme requires our staff to actively look for leakage, whereas the historical data mainly consisted of leaks and bursts reported to us. This could well account for what appears to be a static value.

The visual quality of water in the Redhill fell short of the agreed target with the other areas compliant. The Earth Dam is a significant source of raw water supply for the Redhill area and as the reservoir level dropped through the summer months the water treatment works struggled to produce water of less than 1.75 NTU. With the desilting now in progress this major source of discolouration will be resolved and we can look forward to water with improved visual quality. The microbiology target was met with 100% of samples passing.

One of the most significant improvements made since divestment is the speed at which people wishing to be connected to the water and electricity networks are connected. We only measure the days in the process where the action is with us, with this year's electricity connections have taken on average three days and water connections just one day.

All customer complaints have been handled in accordance with the Code of Practice.

2.3 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 risks were removed since the Board considered them to be low that they did not warrant featuring on the Risk Register. The primary risks to the business fall into a number of categories, these are discussed as follows.

2.3.1 Political/Reputational

With the SHG commissioned review of the Connect business now complete, the report concludes that the existing governance structures are adequate. If the recommendations made in the report are accepted then this risk should reduce significantly.

2.3.2 Technological

Our technological risks are associated with the business IT system. A new service contract with a private sector organisation commenced on 1st April 2019. One of the requirements of that contract is to help the Company improve its business continuity planning.

2.3.3 Legislative/Regulatory

We have a contract with Falklands Legal Services and through close liaison, have a reasonable understanding of our legal obligation. The relationship with the Utilities Regulatory Authority remains professional.

2.3.4 Environmental

The emergence of environmental legislation with tough penalties and a lack of case law presents 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.

2.3.5 Managerial/Professional/Board

Any small community has a limited range of skills. The size of the expat community on St. Helena indicates we are no different from other small communities. This is of concern since the departure of key staff is likely to present the Company with a recruitment problem, where staff from overseas demand higher levels of remuneration. However, our retention rate is good indicating the mitigations in place are working. Succession plans are being created for key roles, and Remuneration Committee (REMCO) is conducting international benchmarking activities to ensure that the senior management team is rewarded fairly.

2.3.6 Financial

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. This risk will be significantly reduced when electricity is supplied to Connect by way of the Power Purchase Agreement that is currently being negotiated. During the year the termination of Basil Read's contract posed a significant risk, however this matter was resolved with SHG now responsible for payment of those bills.

2.3.7 Physical

Contingency plans exist to deal with failure of our assets. These plans have been integrated with the island's resilience plans. Offline chlorine production was commissioned to mitigate against the possible simultaneous failure of the automatic systems.

2.4 Financial Performance

2.4.1 Highlights

The Company recorded a net profit of £148,909 compared to a loss of £283,884 recorded in the previous year. This was driven by an increase in billed units by 3% for electricity and 8% water.

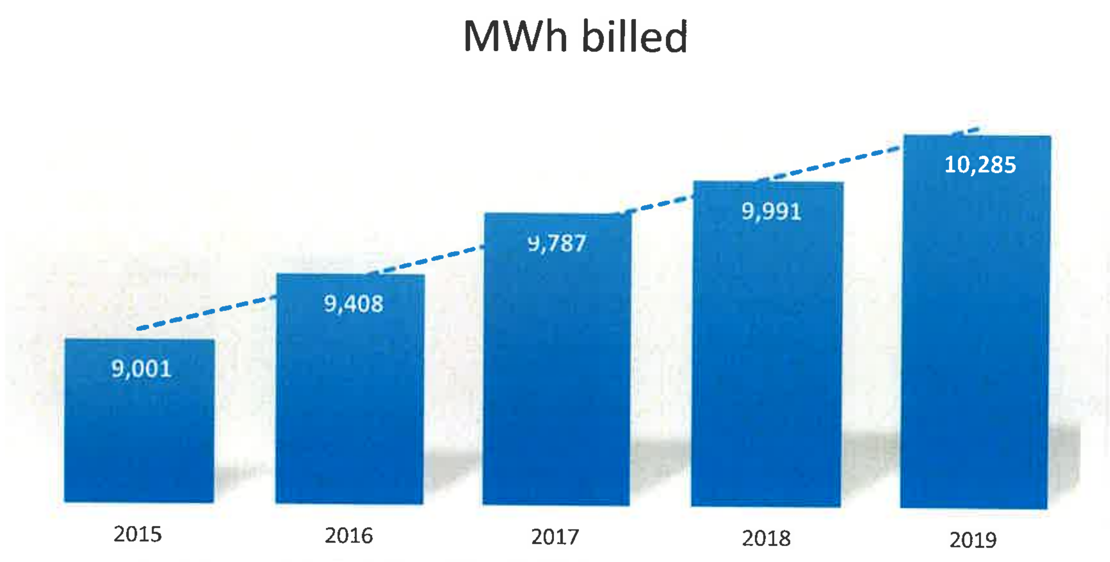
The key financial and other performance indicators were as follows:

	2019	2018	Change
	£	£	
Turnover	4,755,017	4,453,823	7%
Gross profit	76,642	81,607	-6%
Profit/loss on ordinary activities before taxation	194,237	(158,888)	-222%
Net profit/(loss) after tax	148,909	(283,884)	-152%
Trade debtors	768,971	687,777	12%
Cash and bank balances	2,028,178	2,013,541	1%
Shareholders' funds	15,555,475	15,406,565	1%
Current assets as % of current liabilities	12	11	9%
Average number of employees	72	73	-1%

2.4.2 Turnover

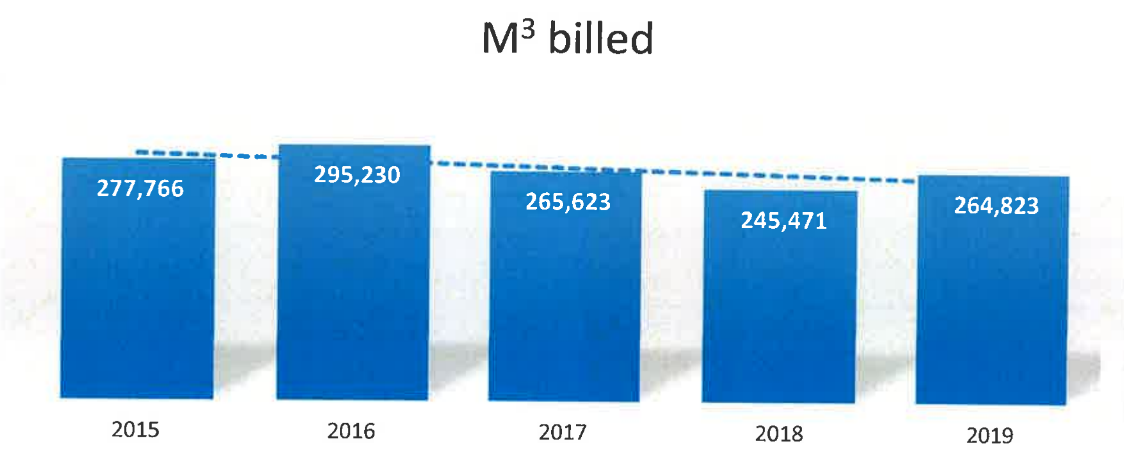
Electricity

Electricity tariff income at £3.841 million recorded a 3% growth compared to last year's £3.717 million against the backdrop of growth in usage. Following the commencement of commercial flights and the increase of passenger arrivals, consumption has continued to rise. We billed 10,285 MWh during the financial year, representing 3% growth on last year's 9,991 MWh. Whilst growth in electricity consumption during the year was below the budgeted units, the upward growth trend was maintained as shown by the graph below:



Water

Total unit tariff income at £466,614 was 31% higher than £355,265 recorded last year due to the 20% increase in tariff during the year, and the rise in consumption due to an increase in the number people arriving on the island. Water units billed this year increased by 8% to 264,823m³ in comparison to 245,741m³ billed last year. The water consumption is depicted by the graph which shows that the financial year ending 2018 recorded the lowest number of cubic metres of water billed since divestment. The reason for this trend cannot be stated for certain. 2018 saw the transition from Airport construction to the delayed start of commercial operations which could account for this trend. As the economy grows it is likely that water consumption will also grow.



2.4.3 Cost of Sales

Total cost of sales increased by 7% to £4.678 million in comparison to £4.372million recorded last year. This was due to an increase in electricity generation fuel, maintenance and operational employee costs. Electricity generation fuel expenditure remains the key efficiency target and increased by 10% to £1.703 million compared to £1.548 million last year. Savings in diesel generation are expected once the Power Purchase Agreement is implemented.

Contracted out services saw a massive 30% increase. Whilst the majority of contracted out services showed modest movement, SHG increased the laboratory charges for water testing from £8K to £50K.

	2019 £	2018 £	Change
Electricity generation fuel	1,703,487	1,547,571	10%
Maintenance, materials and parts	1,046,868	972,988	8%
Depreciation	1,030,476	1,036,547	-1%
Contracted out services	145,899	112,076	30%
Employees	751,644	703,033	7%
	4,678,375	4,372,216	7%

Maintenance expenditure increased by 7% to £1.047 million from £0.973 million, due to works carried out. These included the installation of quality recorders within the electricity grid, as well as the upgrading and refurbishment of both the water and electricity networks.

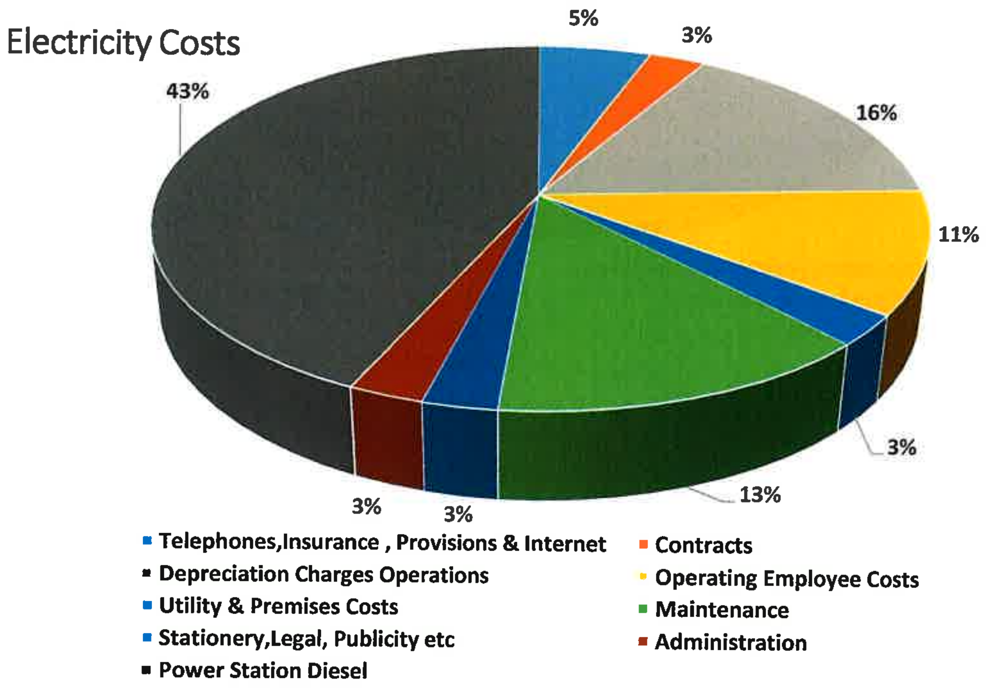
2.4.4 Divisional Performance

The table below reports the Company's income statement by operating segments:

	Water £	Sewerage £	Electricity £	Internal Charges £	Corporate £	Consolidated £
Unit charges tariff	467,302	-	4,001,124	(160,901)	-	4,307,525
Service charges	141,443	90,167	29,793	(812)	-	260,591
Other service income	15,323	36,315	70,361	-	64,902	186,901
Turnover	**624,068**	**126,483**	**4,101,278**	**(161,713)**	**64,902**	**4,755,017**
Cost of sales	(1,278,488)	(94,598)	(3,467,002)	161,713	-	(4,678,375)
Gross profit	**(654,420)**	**31,885**	**634,276**	**-**	**64,902**	**76,642**
Administrative expenses	(453,508)	(42,616)	(465,103)	-	-	(961,227)
Gain on disposal of assets	-	-	-	-	-	-
Revenue grant-subsidy	703,000	-	-	-	-	703,000
Amortized grants	212,047	-	139,004	-	-	351,051
Operating profit/(loss)	**(192,882)**	**(10,731)**	**308,177**	**-**	**64,902**	**169,466**
Revaluation loss	-	-	-	-	-	-
Interest receivable	-	-	-	-	29,912	29,912
Finance costs	-	-	-	-	(5,140)	(5,140)
Net profit/(loss)	**(192,882)**	**(10,731)**	**308,177**	**-**	**89,673**	**194,237**

Electricity

While electricity is the only profit making segment with £308,177 profit after amortised grants during the year under review, the fuel price escalations pose a major threat to the profits as we spent £156k more in generation. Hopefully this time next year this risk will be mitigated after PASH commissions the renewable energy infrastructure, from which we will purchase electricity through the Power Purchase Agreement. The average tariff per kWh was £0.39 and cost £0.37 resulting in a net positive margin per kWh of £0.02. The chart below shows an analysis of the £0.37 cost.



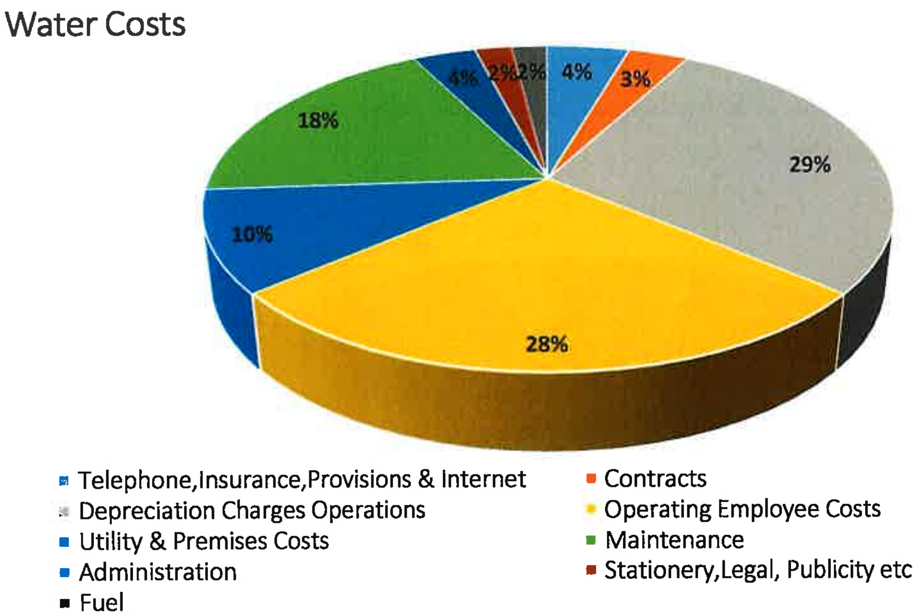
Water

Whilst water continues to make a loss, it is pleasing to report that the £1.108 million loss recorded during the year is £194k lower than the loss recorded last financial year due to the 20% water tariff increase. The increase in tariff was aided by an increase in consumption and more efficiency in the water operations where savings have been made in collection and treatment maintenance

A cubic metre of water costs £6.52 to collect, treat, distribute and bill. This is nearly three times the £2.30 average tariff per cubic metre and shows that we have to continue being resolute in aligning the tariff to costs while doing all possible to reduce costs.

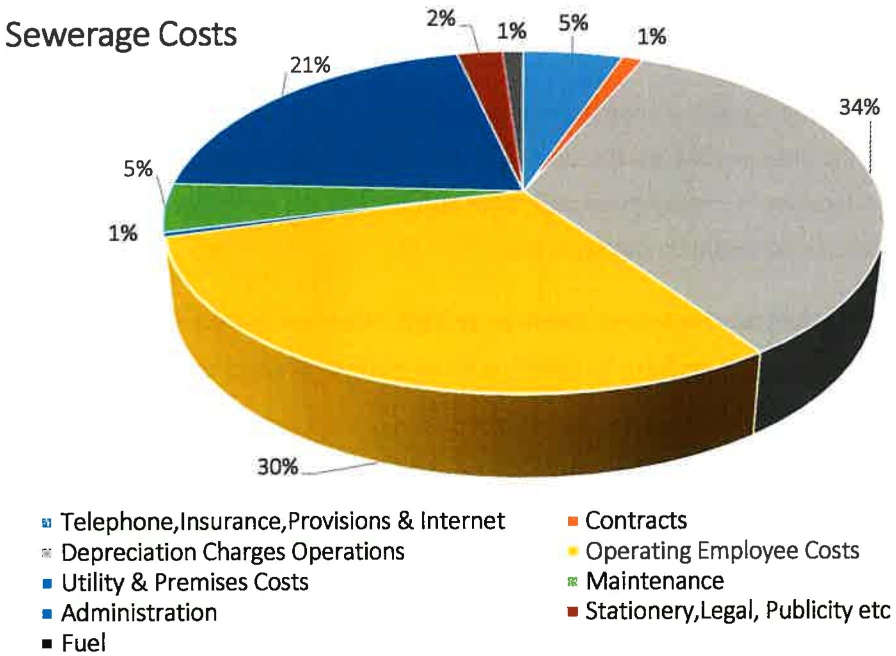
In comparison to last year, cost per cubic meter declined 9% or 66p from the £7.18 recorded last year to the £6.52 recorded in the financial year. The chart below shows an analysis at the £6.52 cost.

The loss declined 20% or £1.08 per m^3 from £5.30 to £4.22. Increased consumption allows a greater spread of overheads which is the reason why the reduction in the overall loss is more favourable than the reduction in costs.



Sewerage

The sewerage operation made a loss of £10,731 as the service charges of £126,483 were not sufficient to cover the costs of providing the service of £137,214. The major cost is depreciation which accounts for 34% of total costs. The chart below shows an analysis of the cost to provide the service.



2.5 Financial Position

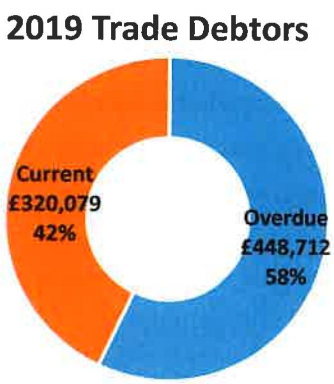
The financial position remained strong with the Company in a position to settle its liabilities comfortably without impacting on service delivery. Current assets increased by £153,260 to £5.696 million in comparison to last year's £5.543 million. The current ratio or the number of times the current assets cover current liabilities remained very healthy at 12:1.

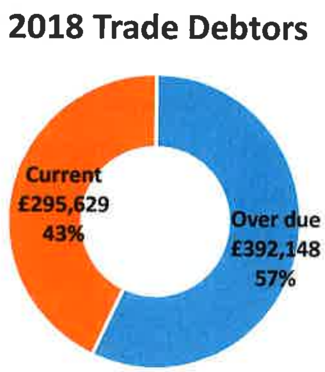
Liquidity remained steady throughout the year with cash balances increasing by £15k to £2.028 million up from last year's £2.013 million.

Trade debtors increased by £81,015 to close the year at £768,791 compared to last year's £687,777. Half of this growth was in the current category where some large consumers accidentally delayed payment by a few days but they have since paid in full. The other half pertains to the St. Helena Fisheries Corporation, whose overdue debt is fully provided for; current bills are secured through a government guarantee while they seek solutions to become more energy efficient in their operations. The increase in debtors has been matched by an increase in revenue. This has resulted in cash collections increasing by 12% to £ 4.674 million compared to £4.156million collected last year.

DEBTORS AND INCOME COLLECTION	2019 £000	2018 £000
Opening debtors balance	688	390
Turnover	4,755	4,454
Total turnover and debtors for collection	**5,443**	**4,844**
Closing debtors	**769**	**688**
Collected cash	**4,674**	**4,156**
Collected cash as percent of total turnover & debtors	86%	86%
Collection efficiency ratio	98%	93%

The overdue debtors have increased marginally from last year's 57% to 58%.





Stock

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.

Dividend

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

Events since the Balance Sheet Date

The Board of Directors are not aware of any subsequent matters that could be of material importance to Connect Saint Helena Ltd's financial position.

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 18. 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.

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.

Directors' Liability Insurance

During the year and at the time of this report the Company had in place liability insurance to indemnify directors' 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

Mike Durnford
Chair, Board of Directors

3. Directors' Responsibility Statement

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

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

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Ordinance. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation on 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 it faces.

Barry Hubbard
Chief Executive Officer

Mike Durnford
Chair

4. 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 2019 which comprise the Comprehensive Income Statement, the Statement of Financial Position, the Statement of Cash Flows, and 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 2019 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 19, 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 3
Semple Street
Edinburgh
EH3 8BL

Date: 1 November 2019

Connect Saint Helena Ltd
5. Financial Statements for the year ended 31 March 2019

5.1 Statement of Comprehensive Income for the year ended 31 March 2019

	2019	2018	Notes
	£	£	
Turnover	4,755,017	4,453,823	3
Cost of sales	(4,678,375)	(4,372,216)	4
Gross (Loss)/Profit	76,642	81,607	
Administrative expenses	(961,227)	(1,162,036)	5
Gain on disposal of assets	-	(19,880)	
Other operating income	1,054,051	1,014,010	7
Operating Profit	169,466	(86,300)	
Revaluation loss	-	(89,942)	
Interest receivable	29,912	22,046	
Finance costs	(5,140)	(4,693)	
Profit on Ordinary Activities Before Taxation	194,237	(158,888)	
Tax charge for the year	-	-	14
Deferred tax movements	(45,328)	(124,996)	15
Profit for the financial year	148,909	(283,884)	

The notes on pages 29 to 41 form an integral part of these financial statements.

Connect Saint Helena Ltd

5.2 Statement of Financial Position as at 31 March 2019

	2019	2018	Notes
	£	£	
Fixed Assets			
Assets under construction	1,502,612	1,269,661	8
Tangible fixed assets	17,992,961	18,675,363	9
	19,495,574	19,945,025	
Current Assets			
Inventories	1,896,691	1,848,363	10
Debtors			
amounts falling due within one year	1,542,111	1,475,099	11
amounts falling due after one year	229,224	205,942	11
	1,771,336	1,681,041	
Cash and Bank Balances	2,028,178	2,013,541	
	5,696,205	5,542,945	
Creditors: amounts falling due within one year	482,168	511,592	12
Net current assets	5,214,036	5,031,353	
Total assets less current liabilities	24,709,610	24,976,378	
Provisions for other payables and charges	504,525	498,850	18
Retention funds	29,068	99,370	12
Deferred Government Grants	8,620,542	8,971,593	19
Net assets	15,555,475	15,406,565	
Capital and Reserves			
Share Capital	14,585,598	14,585,598	22
Revaluation Reserve	502,927	502,927	
Retained profits/(losses)	466,950	318,040	
Total Shareholders Equity	15,555,475	15,406,565	

The notes on pages 29 to 41 form an integral part of these financial statements

These financial statements on pages 24 to 41 were approved and authorised for issue on 29th October 2019 by the Board of Directors.

Signed on behalf of the Board of Directors

Barry Hubbard - Chief Executive Officer

Mike Durnford – Chair

5.3 Statement of Cash Flows

	2019	2018	Notes
	£	£	
Net cash flows from operating activities	**666,550**	**2,174,783**	16
Cash flows from investing activities			
Payments to acquire and construct tangible assets	(651,913)	(1,975,229)	
Proceeds from disposal of tangible fixed assets	-	220	
Net cash used in investing activities	**(651,913)**	**(1,975,009)**	
Cash flows from financing activities			
Government grants received	-	393,569	
Ordinary share capital issued	-	-	
Net cash used in financing activities	-	**393,569**	
Net increase (decrease) in cash and cash equivalents	**14,637**	**593,342**	
Cash and cash equivalents at the beginning of year	2,013,542	1,420,200	
Cash and cash equivalents at end of year	**2,028,179**	**2,013,542**	

The notes on pages 29 to 41 form an integral part of these financial statements.

5.4 Statement of Changes in Equity

	Share Capital	Revaluation reserve	Retained Income	Total Equity	Notes
	£	£	£	£	
At 31 March 2018	14,585,598	502,927	318,040	15,406,565	
Fixed Assets revaluation gains	-	-	-	-	
Retained Profits for the year	-	-	148,909	148,909	
At 31 March 2019	14,585,598	502,927	466,950	15,555,475	

The notes on pages 29 to 41 form an integral part of these financial statements.

5.5 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. 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 directors' significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

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

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

b) Going concern

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

c) Revenue and expense recognition

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

d) Tangible Fixed Assets

These comprise those assets that are held by the Company for current and future use to deliver Company services and meet statutory obligations. The capitalisation threshold used during this financial year is £5,000 or above. Fixed Assets of the Company are disclosed on the Statement of Financial Position and depreciated over the estimated useful economic life of the asset. 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, Professional valuers were engaged to revalue all buildings owned by SHG, including buildings owned by the Company and other SHG owned companies. Following the Valuer's report, all buildings are carried at revalued fair amount and their useful remaining lives were revised.

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 Comprehensive Income Statement 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)
Electricity Infrastructure	25
Water Infrastructure	10-50
Buildings	40-60
Plant, Machinery and Equipment	10
Furniture and Fittings	10-50
IT Networks and Equipment	5
Motor Vehicles	10

e) Revaluations

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

f) 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 the 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.

g) 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. An impairment review is carried out to ensure assets are transferred at the correct values.

h) Inventories

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

i) 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 (or 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.

j) 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.

k) 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.

l) 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.

m) 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.

n) 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

o) 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 Comprehensive Income Statement in the period in which they relate.

3. Turnover

Turnover, analysed by category was as follows:	2019	2018
	£	£
Unit Charges-Water	466,614	355,265
Unit Charges-Electricity	3,840,911	3,716,977
Service Charges	260,591	230,182
Other Service Income	186,901	151,398
	4,755,017	**4,453,823**

4. Cost of Sales

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

	2019	2018
	£	£
Electricity Generation Fuel	1,703,487	1,547,571
Maintenance, Materials and Parts	1,046,868	972,988
Depreciation	1,030,476	1,036,547
Contracted out services	145,899	112,076
Employees	751,644	703,033
	4,678,375	**4,372,216**

5. Administrative Expenses

	2019	2018
Administrative expenses during the year included:	£	£
Directors and employees	469,985	605,952
Office and other administrative costs	345,578	93,490
Audit fees	21,000	25,000
Premises related costs	29,789	48,829
Depreciation	70,888	64,046
Provisions for Doubtful Debts	23,989	124,719
	961,227	**1,162,036**

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

	2019	2018
Electricity	27	25
Water	23	24
Administration	22	24
	72	73

6. Key Management Compensation

A total of £369,074 (2018: £592,111) included in staff costs was paid to key management and directors as compensation for their services to the Company.

7. Other Operating Income

Other Operating Income included 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.

	2019	2018
	£	£
Government Revenue Grants	703,000	668,000
Amortisation of Government Grants	351,051	346,010
Total Other Operating Income	**1,054,051**	**1,014,010**

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 and Buildings	Equipment and Vehicles	Electricity Infrastructure	Water & Sewage Infrastructure	Total
Cost	£	£	£	£	£
01 April 2018	-	-	(45)	1,269,706	1,269,661
Additions	-	-	40,268	545,469	585,737
Transferred to Tangible Assets	-	-	-	(324,450)	(324,450)
Transferred to inventories	-	-	-	(22,400)	(22,400)
Charged to income statement	-	-	-	(5,935)	(5,935)
31 March 2019	-	-	**40,223**	**1,462,389**	**1,502,612**

9. Tangible Fixed Assets

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

	Land & Buildings	Equipment & Vehicles	Electricity Infrastructure	Water & Sewage Infrastructure	Total
Cost	£	£	£	£	£
01 April 2018	1,388,981	1,486,871	18,683,946	15,956,324	37,516,121
Revaluation	-	-	-	-	-
Transfers from assets under construction	86,223	-	-	238,227	324,450
Additions	30,460	64,971	-	8,480	103,911
Reclassified	-	-	(9,400)	-	(9,400)
Disposals	-	-	-	-	-
31 March 2019	1,505,664	1,551,842	18,674,546	16,203,032	37,935,083
Accumulated Depreciation					
01 April 2018	58,992	601,478	9,656,091	8,524,197	18,840,758
Revaluation	-	-	-	-	-
Reclassified	-	-	-	-	-
Disposals	-	-	-	-	-
Charge for the year	33,118	149,811	490,186	428,248	1,101,364
31 March 2019	92,110	751,289	10,146,278	8,952,445	19,942,121
Carrying Amounts					
At 31 March 2019	1,413,554	800,553	8,528,268	7,250,586	17,992,961
At 31 March 2018	1,329,989	885,393	9,027,854	7,432,127	18,675,363

10. Inventories

Inventories represent assets, held at cost, that we intend to use in future electricity generation and water treatment or 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.

	2019	2018
	£	£
Electricity Generation Inventories	354,343	310,954
Electricity Distribution Inventories	709,400	741,185
Water Treatment, and Distribution Inventories	532,510	484,645
Inventories held for assets under construction	209,596	251,299
Fuel	36,779	37,762
Other Inventories	54,063	22,518
Total Inventories	**1,896,691**	**1,848,363**

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.

	2019	2018
	£	£
Trade Debtors	768,791	687,777
Accrued tariffs receivable	454,507	455,139
Fuel duty refunds due from Saint Helena Government	148,156	154,608
Other Receivables and Prepayments	487,401	470,331
	1,858,855	1,767,854
Less: Provision for credit losses	(316,744)	(292,755)
Amounts falling due within one year	**1,542,111**	**1,475,099**
Amounts falling due after more than one year:		
Deferred tax assets	229,224	205,942
Total Debtors	**1,771,336**	**1,681,041**
Provision for credit losses		
Balance at 1 April	292,755	168,036
Charged during the year	23,989	124,719
Closing balance at 31 March	**316,744**	**292,755**

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.

	2019	2018
	£	£
Trade Payables	360,348	345,785
Corporate tax payable	-	-
Deferred Income and Other payables	66,826	67,615
Accruals	54,994	98,192
Amounts falling due within one year	**482,168**	**511,592**
Amounts falling due after more than one year:		
Retention Funds	29,068	99,370

Total Creditors	511,237	610,962

13. <u>Financial Risk Management</u>

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 inarrears for services consumed. 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 timely billing, follow ups on outstanding balances, disconnection and legal debt recovery procedures.

Foreign Exchange Risk

Foreign exchange risk is borne by the Company each time materials and supplies are ordered from abroad. The majority 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 do. 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 manifested in price variability caused by both international oil prices and the strength or weakness of 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 invested in renewable energy infrastructure and will continue to do so.

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. The Company receives these in compensation for lower than otherwise economic tariffs which it would have to levy to fully recover costs, given the current subdued population-based consumption.

14. Income Tax on Profit on Ordinary Activities

	2019	2018
	£	£
a. Tax expense included in profit or loss		
Current Tax		
Saint Helena corporate tax on profit for the year	-	-
Deferred Tax		
Origination and reversal of timing differences	45,328	124,996
Total tax on profit on ordinary activities	45,328	124,996

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		
Carry forward losses multiplied by corporate tax rate		
Depreciation allowances		
Re-measurement of deferred tax-timing differences	45,328	124,996
Capital expenditure allowances		
Income tax charge for the year	45,328	124,996

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
	£	£	£	£	£	£
Balances at 1 April 2018	(98,517)	72,386	(12,182)	74,946	114,964	151,596
Net movement during the year	(217)	17,656	3,059	20,963	3,867	45,328
Balances at 31 March 2019	(98,734)	90,041	(9,124)	95,909	118,831	196,924

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

	2019	2018
	£	£
Profit for the year	148,909	(283,884)
Adjustments to reconcile profit for the year to net cash flow from operating activities:		
Depreciation of tangible fixed assets	1,101,364	1,100,594
Loss on disposal of fixed assets	-	19,880
Amortisation of government grants	(351,051)	(346,010)
Revaluation decrease	-	89,942
Provision for doubtful debts	23,989	124,719
Increase in corporate tax payable	-	-
Increase in provisions	(62,935)	48,789
Increase in trade and other receivables	(91,001)	1,086,284
Increase in trade and other payables	(99,725)	12,157
Decrease (increase) in inventories	(48,328)	197,317
Movements in deferred tax balances	45,328	124,996
Net cash flows from operating activities	**666,550**	**2,174,783**

17. Retirement Benefit Scheme

A total of £144,134 (2018: £186,907) 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 £16,812 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
	£	£	£	£
At 1 April 2018	84,812	56,500	357,538	498,850
Additions less utilised	(7,935)	(55,000)	-	(62,935)
Origination and reversal of timing differences	-	-	68,610	68,610
At 31 March 2019	**76,877**	**1,500**	**426,148**	**504,525**

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

	£	£
Balance at 1 April 2018	8,971,593	8,924,035
Received during the year	-	393,569
Amortised during the year	(351,051)	(346,010)
Balance at 31 March 2019	**8,620,542**	**8,971,593**

20. Basic Financial Instruments

	2019	2018
	£	£
Bank and Cash	2,028,178	2,013,541
Trade debtors	1,643,806	1,500,087
	3,671,984	**3,513,628**
Trade creditors	358,254	345,785
Accruals	54,994	98,192
Retentions	29,068	99,370
	442,316	543,347
Total assets minus liabilities:	3,229,669	2,970,282

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

	2019	2018
	£	£
Revenue		
Water and Sewerage	42,697	53,409
Electricity	653,467	547,818

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 2019 and 1st April 2018 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 £72,632 (2018: £276,652). 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 29th October 2019.