SAINT HELENA LTD

www.connect.co.sh

Annual Report and Financial Statements
31 March 2021

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1. Corporate Information

Directors:

Non-executive	Elizabeth Clingham (Chair) Carolyn Thomas Nicole Shamier Brian Deadman Mike Durnford (resigned 2/10/2021) Russell Yon (appointed 01/01/2022)
Executive	Barry Hubbard, Chief Executive Officer (departed 4/8/2021) Clare Harris, Ag Chief Executive Officer (up to 13/02/2022) Janet Lawrence, Chief Executive Officer (appointed 14/02/2022) Clare Harris, Business Support Director
Company Secretary	Clare Harris
Auditors	Azets 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 United Kingdom SM1 1EL
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 2021.

2.1 Review of the Business

During the year, the principal activities of Connect Saint Helena Limited (the Company) 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 eighth year of trading, the business processes further bedded in. Key highlights are as follows:

- impact of the Covid-19 global pandemic on supply chains and the business in general;
- reservoir levels back to full after low rainfalls in the previous year placed tremendous strain on the business;
- a further 3% decline in turnover, due mainly to a 6% decline in electricity tariff income.

Previously, we reported that Pan African Soleil Holdings (PASH) had been identified as the preferred bidder in the process to procure electricity through the Power Purchase Agreement (PPA). The Power Purchase Agreement which was signed on 29 May 2020, between Connect Saint Helena Limited and Sustainable Energy 1 Limited, a subsidiary of PASH, has now been terminated. However, Connect remains committed to achieving its objective of generating 100% of its electricity from renewables and other options are being considered.

The integration of additional renewable energy, will: reduce Connect's operating costs; allow for a reduced subsidy; present a 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.

Electricity Distribution managed to meet the network reliability target despite increased incidents of unplanned outages due to bad weather during the year. The trend for high voltage (HV) failures shifted with fewer network hardware faults but more HV touch and tree fall faults during the year. The most significant change was the replacement of silicone insulators and associated line accessories. Compared to the ageing ceramic insulators, the silicone insulator is maintenance free, has high resistance to vandalism, is highly resistant to breakages, has a self-cleaning quality, longer life and is more than 50% cheaper.

During the year we received high rainfall, which resulted in improved reservoir storage, compared to low rainfall in the previous year that placed tremendous strain on the business. However, the heavy rains caused high turbidity in Chubbs Spring where there is limited opportunity for the water to settle before being treated. To reduce turbidity and improve the quality of raw water, the filter at Harpers 2 was raised by three metres to allow the transfer of water with low turbidity to Scott's Mill and the Chubbs Spring water treatment works. Furthermore, the Grapevine Gut reservoir, which is an essential part of the island's water system, was drained and cleaned. Once cleaned, the lining was inspected for damage, repaired, surveyed and refilled to improve the quality of the stored raw water. To improve the quality of treated water, the water tanks at Red Hill, Chubbs Spring, Hutts Gate and Levelwood were cleaned, as part of the maintenance programme, to keep turbidity within acceptable levels.

Capital Works

Infrastructure development plays a significant part in improving service delivery. Capital comes from two sources: SHG capital grants and money generated by Connect. The capital contribution this year was from both Connect and SHG capital grants. The following table shows where capital funds were spent.

Asset Class	Grant Funded (£)	Connect Funded (£)	Total (£)
Electricity infrastructure	-	115,183	115,183
Equipment	-	9,737	9,737
Land and buildings	-	175,021	175,021
Water infrastructure	68,177	496,479	564,656
Total	**68,177**	**796,420**	**864,597**

The Water Infrastructure Upgrade team completed Phase 1 of both the Bottom Woods and the Half Tree Hollow network upgrade. The work involved the replacement of the aboveground, old networks with large underground pipes to increase the flow of water and improve the network reliability. The use of in-house staff to implement the upgrades has proved to be cost-effective. Investment in water infrastructure also includes the replacement of the raw water pipelines from Osbornes Springs to the Gumwoods and the pipeline from Willowbank to the Hutts Gate 1 reservoir. The existing pipeline from Osbornes to the Gumwoods was small in diameter, old and subject to leaks. The new buried pipeline allows more raw water to be conveyed to the Red Hill water treatment works and, since the pipeline is buried, its lifespan is increased. This further improves on the supply challenges at Red Hill. The old raw water pipeline from Willowbank to Hutts Gate 1 reservoir was galvanised, small in diameter and had corroded internally causing flow restrictions. The new pipeline is now able to convey more water to the Hutts Gate storage reservoirs thereby reducing pumping costs.

Electricity infrastructure investment included the replacement, due to oil leaks and deterioration, of an 80KVA transformer at New Ground and a 50KVA transformer for Borehole No.5. The new transformers have galvanized and painted casings making them more durable.

To further improve the quality of water and reliability of the water network, materials have been purchased for the replacement of the New Ground water tank and the Lower Cleughs Plain water main. The New Ground water tank has passed its operational lifespan and has deteriorated. A temporary tank has been set up to maintain supply. The old galvanised steel sectional tank will be replaced with a new glass-coated steel tank (GCS). The glass-coated steel tank material is high strength and has high resistance to corrosion with low maintenance. The Lower Cleughs Plain water main is over 30 years old and has deteriorated making it more susceptible to leaks and bursts. Its replacement will improve water flow and a pressure-reducing valve incorporated in the system will reduce pressure, thus minimising damage to the mains as well as subsequent bursts and leaks within the network.

The Ruperts Sewerage Treatment Plant, which was part of the projects submitted for funding under the Economic Development Investment Programme (EDIP), was approved in August 2020 and the first tranche of funding was released in March 2021. The preparatory works and procurement of the treatment plant have commenced and will be completed within the current financial year.

Operational Efficiency

Tactical implementation plans continue to 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.

The electricity side of the business closely adhered to its plans. Electricity Generation planned maintenance, on either a time or hours run basis, achieved what was set out at the beginning of the year. However, the 27,000 hours service to generator 1, which was scheduled for the year, was deferred to the next financial year due to supply chain delays caused by the Covid-19 pandemic. Electricity Distribution continued replacing and upgrading the distribution network, further reducing unplanned interruptions. The modern silicone line hardware is more robust and less liable to failure.

The Water Infrastructure Upgrade team has completed the Bottom Woods water mains replacement as well as Phase 1 of the Half Tree Hollow network upgrade. Phase 2 of the Half Tree Hollow project has now commenced and will involve refurbishing and upgrading the network as well as burying all pipelines. The Water Maintenance teams are committed to the planned preventative maintenance process, but the results are masked by the significant number of legacy issues that will take many years to address.

The Unaccounted for Water Programme has yielded some positive results with one of the target areas, Levelwood, recording a reduction from 75% to 33.3%. Other areas assessed at the same time as Levelwood included Burnt Rock and Barren Ground (2 Zones). As with Levelwood, meter errors were the major contributor to the water loss figures reported. The work done to date in replacing these meters and sizing them has yielded a reduction in water loss. Although the figures in Levelwood show a tremendous improvement, the losses identified are largely apparent rather than physical losses and hence no water was ever lost, but water is now better accounted for. The four key factors which influence real water losses in distribution systems are: the speed and quality of repairs; pipeline and asset management - renewal of the water network; active leakage control and pressure management. Operations teams and the out-of-hours contractor have been attending to leaks as quickly as they can. Ladder Hill (HTH Phase 1), the removal and replacement of old assets with new underground pipework, is complete and is yielding a reduction in the need for attention to these areas. Part of the improvement in the new installation is the detailed hydraulic analysis, making sure that water pressure is managed.

This marks the second year that meter reading has been carried out in-house. Some cost savings have been made but importantly, by controlling this activity from within, Connect has ensured a higher degree of resilience. As controllers of the billing data, it is far simpler for Connect to integrate unaccounted for water analysis into routine business operations and the Billing team has been using Access Dimensions to create additional reports that will provide increased visibility for planning and analysis.

Organisation

During the year the business continued with two Executive Directors - the Chief Executive Officer and Business Support Director, who also undertakes the Company Secretary duties.

There was an increase in total employee costs from £1.271 million in 2020 to £1.287 million in 2021.

As we commenced the new financial year, electricity charges remained the same, which follows the trend since 2016; however, there is a 10% tariff increase on the water and sewerage services and the level of subsidy has been reduced to £353k. As in the previous year, there is a risk sharing agreement with SHG which means that, at the end of the year, the subsidy claimed might be higher or lower depending on the actual cost of diesel fuel throughout the year.

During the drought, it was evident that, despite placing water restrictions, some domestic consumers continued to use a disproportionately high volume of water. There were also those running businesses from home who enjoyed the domestic tariff. Therefore a third water tariff band for 'units over 25' consumed each quarter was introduced to manage demand. It is expected that some of the high consumption will reduce over time as a result of introducing these charges.

Connect was established as a private sector business and accords high priority to delivering efficient and effective services. 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 a reducing subsidy, Connect now funds the replacement of worn-out assets, with over £0.796 million invested last year.

Connect Saint Helena Limited is proud of the significant improvements made since divestment in improving reliability, quality and customer service, whilst significantly reducing the subsidy. During this time we have invested £3.1 million of capital, generated by the business, in replacing fully depreciated assets inherited from SHG at the time of divestment.

The company has commenced its strategic planning process to create a new plan for the next 5 years of business. To date, the company has held some workshops engaging a range of stakeholders both internally and externally which has provided an insightful range of options for business planning progression.

Employees living with disabilities

The Company policy focuses on the person's abilities rather than their disability and advocates that they are entitled not to be discriminated against or to be denied opportunities. This includes making reasonable adjustments to the working environment for persons living with disabilities, accommodating variations to working arrangements, or taking some other positive action that would enable them to be effective in the job. At present we have no employees living with disabilities, although we do have one employee who has taken an alternative position to match their changing abilities.

Research and Development

The company will continue to pursue the implementation of more renewable energy, which will result in a significant proportion of electricity being generated by wind and solar technologies with Lithium-ion batteries being utilised for storage. Although, such projects will be technically and financially challenging any delays in producing the required quantity of electricity will continue to impact the business.

The Company is working with SHG on the Saint Helena Climate Change and Drought Warning Network project funded by Darwin Plus. The project will assist with drought planning and improve water sustainability. Once completed, the project outputs will be used to support water infrastructure planning and the development of a new island water resources management plan.

During the year, an off-island laboratory was engaged to provide further testing of water samples. The laboratory reports on the quality of our water have helped us to improve our water standards. This arrangement is interim until we get a water treatment specialist on-island to assist with calibrating and benchmarking our equipment.

Future Developments

In the future, the renewable energy situation should be very different and, we appreciate that the island waits with eager anticipation for this to happen. The European Union commissioned a study into the status of renewable energy across island nations; St Helena is already described as a "Renewable Energy Champion". Despite the cancellation of the PPA, Connect remains committed to achieving the goals of the Island's Energy strategy and other options are being pursued to increase generation from renewable energy.

As a stakeholder, Connect worked with SHG in developing the island's water strategy which seeks to increase water sustainability. The Company will now take the lead in the development of the Water Resources Management Plan, which will set out how Connect will manage water supplies on the island to meet current and future needs.

The release of capital from SHG's EDIP is beyond our immediate control; however, we continue to work closely with SHG's Programme Management Unit to secure funding for future developments.

2.2 Operating Performance

The Utilities Regulatory Authority assesses us against the agreed Public Utilities Development Plan 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.

Mar-21		**WHERE DO WE WANT TO BE?**	**WHERE ARE WE NOW?**
Performance Measure	**Benchmark 2012/13**	**Target 2020/21**	**YTD**
1. Reliability			
Overall reliability of electricity network	146	95	72
Overall reliability of water network	1,582	1,150	1243
2. Quality			
Appearance of treated water in CSH network Redhill (NTU)*	4 - 5	1.75	2.23
Appearance of treated water in CSH network Hutts Gate (NTU)*	4 - 5	1.75	2.83
Appearance of treated water in CSH network Levelwood (NTU)*	4 - 5	1.75	1.17
Appearance of treated water in CSH network Jamestown (NTU)*	4 - 5	6.00	5.12
Microbiological integrity of treated water in CSH Network	96.5%	95.5%	100%
Microbiological integrity of treated water at Consumer Meter	87%	95.5%	100%
3. Customer Service			
Time taken to perform Electricity Connection	50 days	16 Days	14 days
Time taken to perform Water Connection	90 days	10 Days	2 days
Total Customer Complaints handled within COP parameters	No Benchmark	100%	100%

The electricity network reliability targets continue to be met due to the continued planned preventative maintenance programme.

Water network reliability continues to be a major source of concern. As stated, following decades of neglect of the island's water systems, a great deal of effort will be needed to reduce failures to acceptable levels. The team formed to replace priority mains and bury the new pipes has proven to be effective, with Half Tree Hollow Phase 1 now complete and work now started on Half Tree Hollow Phase 2. In other problem areas with old water mains, such as Scotland to Sunnyside and Lower Cleughs Plain, the mains will be replaced in the next financial year. This will help to improve the network reliability. The unaccounted for water programme requires our staff to actively look for leakage, whereas the historical figures consisted mainly of leaks and bursts reported to us. This could well account for what appears to be a stagnant figure.

During the year we had visual quality issues with the Red Hill and Hutts Gate water as the water supply to the treatment works comes from natural sources and there is limited opportunity for the water to settle before treatment - hence the high turbidity readings. In Hutts Gate over 50% of our raw water supply came from natural supplies in the Peaks via gravity, saving on pumping costs as opposed to borehole supply. 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. This year electricity connections took on average fourteen days and water connections just two days.

All customer complaints were handled by following the Code of Practice.

2.3 Principal Risks and Uncertainties

The Company manages its risks through quarterly 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 the Board considers they do not warrant featuring on the Risk Register. The primary risks to the business fall into several categories, these are discussed as follows:

Political	
What is the risk?	**What are we doing to manage the risk?**
As a 100% government-owned entity, political decisions, such as the setting of viable tariffs, may affect our business processes. Changes in ordinances may affect the future delivery of utilities on the island and the renewal of the operating licence.	Annual engagement with the government during the annual tariff review. General engagement with the government on issues that affect the provision of utilities on the island. Working with government on the development of island-wide water strategy which should create a common understanding and political support for any agreed way forward.
What does this mean for us?	
Sub-economical tariffs affect service delivery, especially for water, such that the Company will not meet its objective of being self-sufficient and therefore continue to be subsidy dependent. The provision of utilities could be handed back to the government.	

Reputational/ Customer Perception	
What is the risk?	**What are we doing to manage the risk?**
We may be unable to improve and maintain the level of customer service sufficient to deliver what our customers demand.	Prompt handling of customer queries through a dedicated Business Support department. Customer engagement through open days with customers visiting our treatment plants and power station to appreciate and understand our operations.
What does this mean for us?	
We are a regulated utility company providing essential services to our customers. We recognise that our customers increasingly expect more from us and demand an improved and more consistent experience. Failure to deliver the service that customers expect will lead to customer dissatisfaction and negative perception. This may damage the Company's reputation or result in penalties from the regulator and even litigation.	

<table>
<tr><td colspan="2">Technological</td></tr>
<tr><td>What is the risk?</td><td>What are we doing to manage the risk?</td></tr>
<tr><td>We may experience data loss or interruptions to our key business processes due to hardware and software failures, viruses, spam or even cyber-attacks.</td><td rowspan="3">A service contract with a private sector organisation is in place. The organisation is tasked with improving the Company's IT business continuity and control from third-party access to our systems.</td></tr>
<tr><td>What does this mean for us?</td></tr>
<tr><td>The risk arising from loss of one or more of our systems or corruption of the data held in the systems may affect key business processes such as billing and other IT dependent systems.</td></tr>
<tr><td colspan="2">Legislative/ Regulatory</td></tr>
<tr><td>What is the risk?</td><td>What are we doing to manage the risk?</td></tr>
<tr><td>The provision of utilities on the island is regulated and monitored by the Utilities Regulatory Authority. The Company has also to adhere to various ordinances which may change from time to time.

There is a risk that our processes may fail or that our processes may not keep pace with changes in ordinances leading to a risk of non-compliance.</td><td rowspan="3">A service contract exists with Falklands Legal Services to provide guidance and help to interpret the Company's legal obligations in the various ordinances.

Establish a good working relationship with the Utilities Regulatory Authority.

Engagement with government officials, councillors and other stakeholders to anticipate any issues and address them at the earliest opportunity.</td></tr>
<tr><td>What does this mean for us?</td></tr>
<tr><td>Our policies and processes must reflect current ordinances and all relevant staff must be kept aware of the specific requirements. Non-compliance may result in penalties, withdrawal of licences.</td></tr>
<tr><td colspan="2">Environmental</td></tr>
<tr><td>What is the Risk?</td><td>What are we doing to manage the risk?</td></tr>
<tr><td>The Company's operations may cause harm to the island's natural environment, endangered plants and animal species, or cause pollution resulting in non-compliance with the local environmental ordinance.</td><td rowspan="3">The whole Company has been trained on environmental protection and this is offered as part of induction to new employees.

Specialist environment consultants have been engaged to ensure that the Company adopts environmentally friendly practices in waste and hazardous material handling and is in compliance with the ordinance.

Commitment to increase renewable energy generation will reduce fossil fuel dependence and reduce carbon emissions.</td></tr>
<tr><td>What does this mean for us?</td></tr>
<tr><td>Our process must adhere to the current environmental ordinance and all staff must be kept aware of the specific requirements. Non-compliance may result in penalties.</td></tr>
<tr><td colspan="2">Extreme Weather/ Climate Change</td></tr>
</table>

What is the risk?	What are we doing to manage the risk?
We are unable to deal with the impact of extreme and unpredictable weather events on our assets and infrastructure and/or unable to successfully plan for future water resource supply and demand due to climate change.	The Company's Drought Management Plan incorporates lessons learnt from the 2016 water shortage. Our plan is used as the basis for SHG's Drought Major Incident Plan which was last reviewed in March 2019. Working with the government to develop a water resources management strategy that aims to increase the island's water stock and improve drought resilience. Now the Company will take a lead in the development of a water resources management plan.
What does this mean for us?	
Extreme weather could result in the inability to meet customer demand, lower reservoir levels, decrease the quality of raw water and increase raw water abstraction costs.	
Managerial/Professional/Board	
What is the risk?	**What are we doing to manage the risk?**
We may be unable to replace key staff members or recruit for key posts due to the limited range of skills available on the island.	Succession plans are being considered for key roles but, unfortunately, some positions continue to exist without an identified successor.
What does this mean for us?	
The departure of key staff will present the Company with a recruitment problem, with staff from overseas demanding a higher level of remuneration. Delays in implementing key projects or programmes due to lack of people with suitable skills.	
Financial	
What is the risk?	**What are we doing to manage the risk?**
About 75% of electricity is generated from fossil fuels therefore the volatility of global fuel prices may adversely impact the Company's finances.	Currently, a risk sharing arrangement for fuel is in place with SHG which limits the risk of fuel price volatility. Exploring ways of increasing generation from renewable energy to reduce the risk
What does this mean for us?	
An increase in global fuel prices will increase the cost of generating electricity and this could threaten the viability of the business.	
Physical	

What is the risk?	What are we doing to manage the risk?
Failure of key infrastructure or processes may result in the inability to provide a continuous supply of electricity and clean water.	Contingency plans are in place to deal with the failure of key infrastructure and have been integrated with the island's resilience plans. Inspection of key infrastructure and a well-developed preventative and capital maintenance programme is in place to reduce the incidence of infrastructure failure and improve resilience. Offline chlorine production was commissioned to mitigate against the possible simultaneous failure of the automatic systems.
What does this mean for us?	
The failure of key electricity and water infrastructure will result in major disruptions to our consumers.	

In addition to the principal risks, the Covid-19 pandemic continues to dominate the focus of the world. Although no cases have been reported on the island at the time of writing, staff have been trained on the procedures to be followed when attending to faults in residences with people in quarantine or isolation. The impact of the Covid-19 pandemic on the business has been the disruption of global supply chains. The global lockdowns adversely affected our ability to procure goods and services within the required timescale. This negatively affected scheduled maintenance and capital projects as well as increasing the potential for crucial items to be unavailable. To mitigate against the disruption of services, key stock items were procured in advance and all procurement is now being carried out with the increased lead time in mind. The pandemic also adversely affected revenue as limited numbers of flights affected consumption at the airport and tourism-related establishments. As the pandemic continues to evolve, the Company will continue to monitor global developments and follow government guidelines.

2.4 Financial Performance

2.4.1 Highlights

The Company recorded a net loss of £137,244 compared to a loss of £211,374 recorded in the previous year. This was mainly due to a reduction in consumption for electricity due to the closure of the St Helena Fisheries Corporation (SHFC) and the temporary closure of Mantis Hotel coupled with some merchants installing photo-voltaic (PV) systems to reduce their take from the grid.

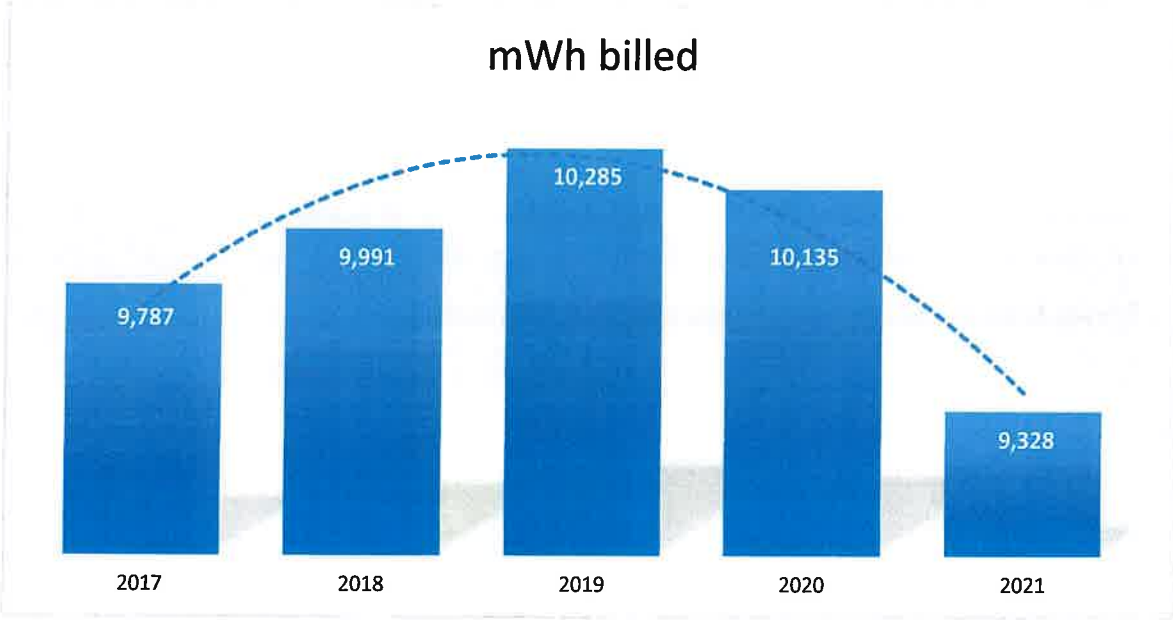
The key financial and other performance indicators were as follows:

	2021 £	2020 £	Change
Turnover	4,320,729	4,453,778	-3%
Gross profit/(loss)	130,325	(359,639)	136%
Loss on ordinary activities before taxation	(83,290)	(164,307)	49%
Net loss after tax	(137,244)	(211,374)	35%
Trade debtors	497,890	645,395	-23%
Cash and bank balances	2,170,284	1,920,258	13%
Shareholders' funds	15,683,575	15,820,819	-1%
Current assets as % of current liabilities	12.15	11.42	6%
Average number of employees	73	72	1%

2.4.2 Turnover

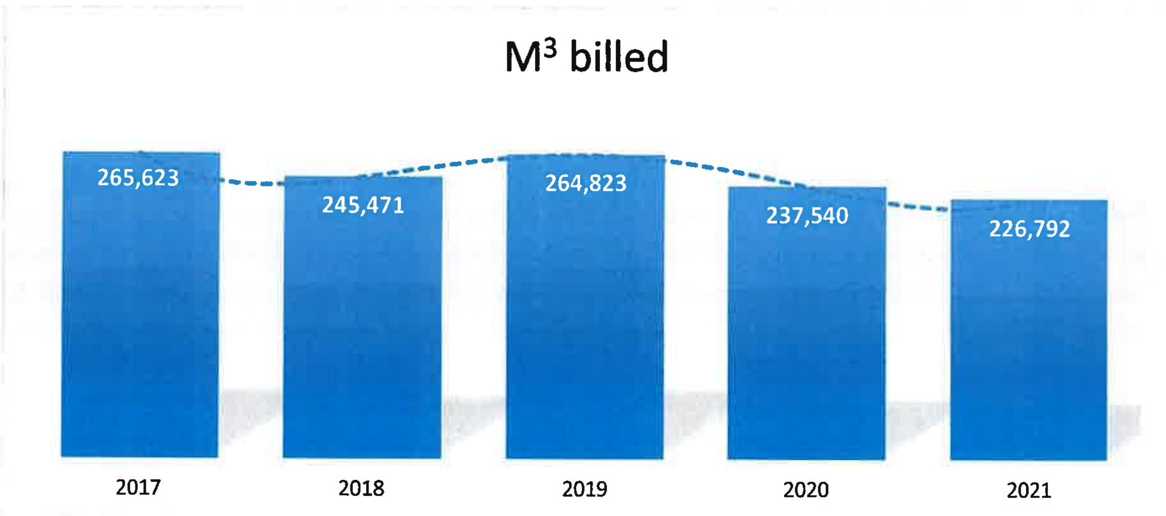
Electricity

The Electricity tariff income at £3.387 million recorded a 6% decline compared to last year's £3.606 million against the backdrop of a decline in consumption. Consumption declined due to the closure of St Helena Fisheries Corporation (SHFC) which used to contribute 5% to our revenue. Tariff income was also affected by the Covid-19 pandemic which resulted in limited numbers of flights, reduced consumption at most tourism-related facilities and the temporary closure of Mantis Hotel and Bertrand's Cottage. The reduction in consumption can also be partly attributed to some merchants installing PV solar systems to reduce their take from the grid. We billed 9,328 MWh during the financial year, representing an 8% decline from last year's 10,135 MWh. The electricity consumption during the year was below the budgeted units and was the lowest since 2017 as shown by the following graph:



Water

The total unit tariff income at £494,332 was 14% above the £434,975 recorded last year due to the new tariff structure and a 10% increase in water tariffs and standing charges. A third water tariff band for 'units over 25' consumed each quarter was introduced in April 2020 as part of effective demand management interventions to encourage water saving. Water units billed this year declined by 5% to 226,792m^3 in comparison to 237,540m^3 billed last year. This is mainly due to the drought-induced water usage restrictions in the first quarter of the year, closure of SHFC, temporary closure of Mantis and reduced consumption at most tourism-related businesses. The water consumption is depicted by the graph which shows that the financial year ending 2021 recorded the lowest cubic metres of water billed since divestment.



2.4.3 Cost of Sales

The total cost of sales decreased by 13% to £4.190 million in comparison to £4.813 million recorded last year, mainly due to favourable fuel prices for electricity generation and maintenance costs. Electricity generation fuel expenditure, which remains the key efficiency target, was 21% favourable at £1.457 million, compared to £1.813 million last year, due to the Covid-19 pandemic induced low global prices which prevailed during the year. Savings in diesel generation are expected once there is increased generation from renewable sources.

Maintenance costs decreased by 26% to £0.769 million from £1.035 million mainly due to supply chain delays caused by the Covid-19 pandemic. This resulted in some critical maintenance work, especially the major service to generator number 1, being deferred.

	2021 £	2020 £	
Electricity generation fuel	1,457,043	1,839,397	-21%
Maintenance, materials and parts	768,824	1,034,841	-26%
Depreciation	1,057,239	1,022,584	3%
Contracted out services	103,062	108,694	-5%
Employees	804,236	807,901	0%
	4,190,404	**4,813,417**	-13%

Operating employees costs decreased slightly to £0.804 million from £0.807million.

2.4.4 Divisional Performance

The Company's performance by segment is shown by the following segmental report:

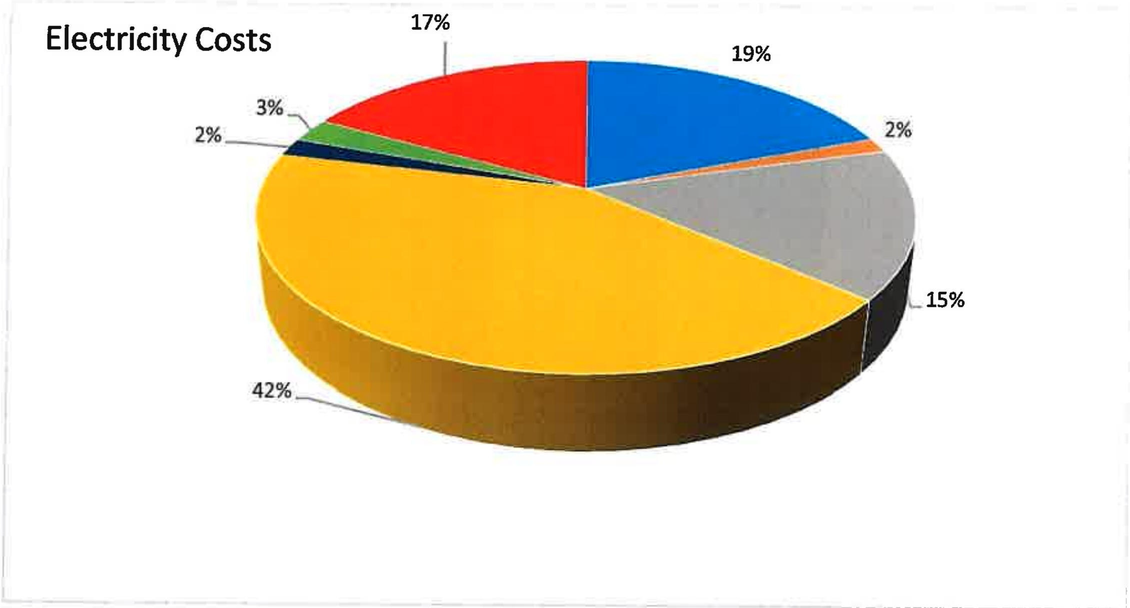
	Electricity	Water	Sewerage	Internal Charges	Corporate	Consolidated
Unit charges tariff	3,557,390	500,266	-	(175,952)	-	3,881,704
Service charges	19,916	166,727	107,660	(1,805)	-	292,498
Other service income	53,292	46,082	41,734	-	5,419	146,527
Turnover	**3,630,598**	**713,075**	**149,394**	**(177,757)**	**5,419**	**4,320,729**
Cost of sales	(2,967,983)	(1,293,572)	(106,606)	**177,757**	-	**(4,190,404)**
Gross profit/(loss)	**662,615**	**(580,497)**	**42,788**	-	**5,419**	**130,325**
Administrative expenses	(497,975)	(357,162)	(45,714)	-	-	(900,851)
Gain on disposal of assets	-	-	-	-	-	-
Revenue grant-subsidy	-	384,798	-	-	-	384,798
Amortized grants	139,021	208,984	-	-	-	348,005
Operating profit/(loss)	**303,661**	**(343,877)**	**(2,926)**	-	**5,419**	**(37,723)**
Revaluation loss	-	-	-	-	**(38,108)**	**(38,108)**
Interest receivable	-	-	-	-	5,714	5,714
Finance costs	-	-	-	-	(13,173)	(13,173)
Net profit/(loss) Before Tax	**303,661**	**(343,877)**	**(2,926)**	-	**(40,148)**	**(83,290)**

Electricity

Electricity is the only profit-making segment with £303,661 profit after amortised grants and subsidies. Although profitable, the electricity tariff income was affected by the closure of SHFC, limited numbers of flights due to the Covid-19 pandemic, resulting in low consumption at the airport and tourism-related businesses. Electricity tariff income was also partly affected by some merchants installing PV systems to reduce their take from the grid.

However, during the year under review, global fuel prices were low due to the Covid-19 pandemic resulting in a favourable variance of 21% when compared to the previous year. Due to the fuel risk sharing arrangement with SHG, the low fuel prices have resulted in a subsidy reduction of £296k.

The business risk posed by the installation of PV systems and fuel price risk will be mitigated after there is increased generation from renewable sources. The average tariff per kWh of £0.39 was favourable when compared to the cost of £0.38. The chart below shows an analysis of the £0.38 cost.



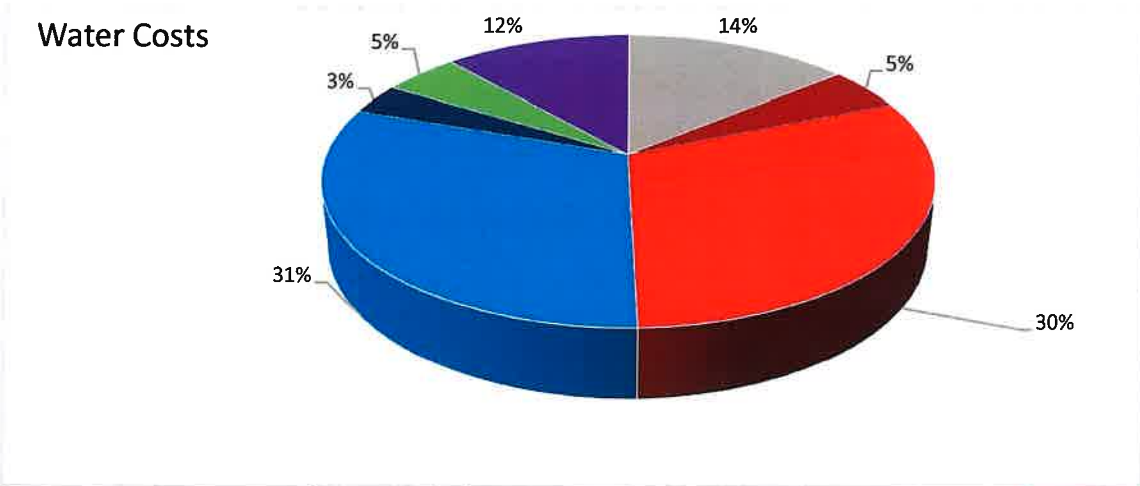
Maintenance		Employee Costs	
Contracts		Stationery, Legal, Publicity, etc.	
Depreciation Charges		Telephones, Insurance, Provisions & Internet	
		Power Station Diesel	

Water

Water continues to make a loss; the loss before grants and subsidies for water was £0.938 million. However, the loss was 39% favourable when compared to the previous year's loss of £1.538 million. This was due to favourable rains during the year which restored reservoirs to full capacity and reduced pumping costs. During the year there were no drought-related costs and a third tariff band was introduced to manage the water demand, resulting in improved performance. An adjustment was also made for the closing stock of raw water and treated water in storage.

A cubic metre of water costs £6.88 to collect, treat, distribute and bill. This is nearly three times the £2.94 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.

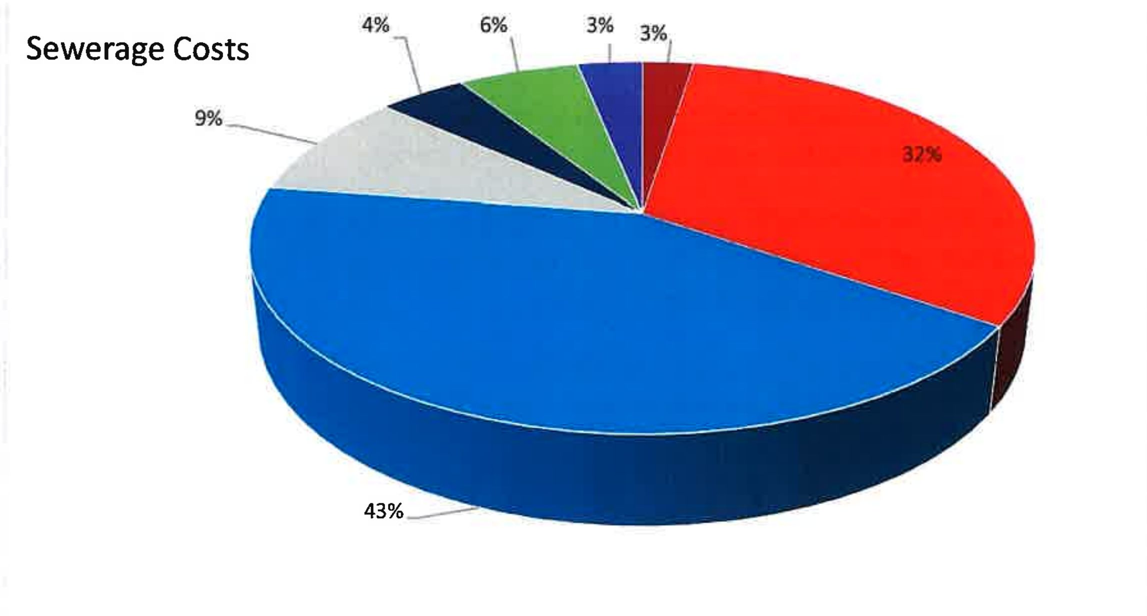
In comparison to last year, cost per cubic metre declined by 19% or £1.65 from the £8.53 recorded last year to the £6.88 recorded in the financial year. The chart below shows an analysis of the £6.88 cost.



Maintenance		Employee Costs	
Contracts		Stationery, Legal, Publicity, etc.	
Depreciation Charges		Telephones, Insurance, Provisions & Internet	
Utility & Premises Costs			

Sewerage

The sewerage operation made a loss of £2,926 as the service charges of £149,393 were unable to cover the costs of providing the service which was £152,319. The major cost in Sewerage is employee costs, accounting for 43% of total costs. The chart below shows an analysis of the cost to provide the service.



Maintenance		Employee Costs	
Contracts		Stationery, Legal, Publicity, etc.	
Depreciation Charges		Telephones, Insurance, Provisions & Internet	
Utility & Premises Costs			

2.5 Financial Position

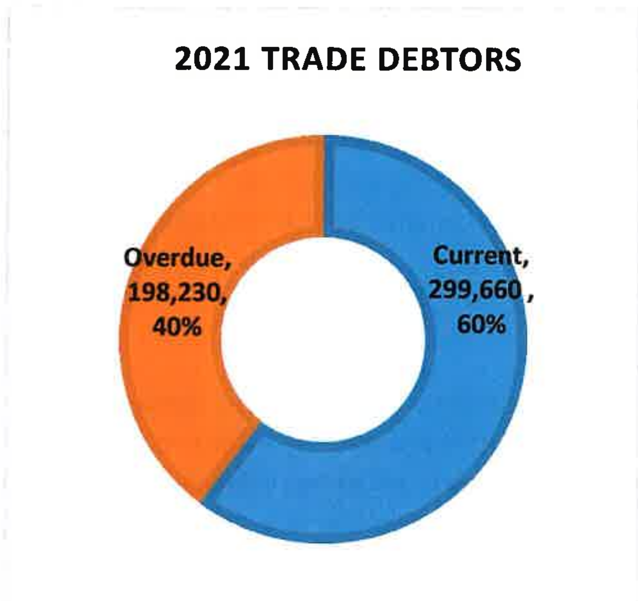
The financial position remained strong with the Company in a position to settle its liabilities comfortably without impacting on service delivery. Current assets increased by £555k to £6.312 million in comparison to last year's £5.757 million. The current ratio or the number of times the current assets cover current liabilities remains very healthy at 12 times.

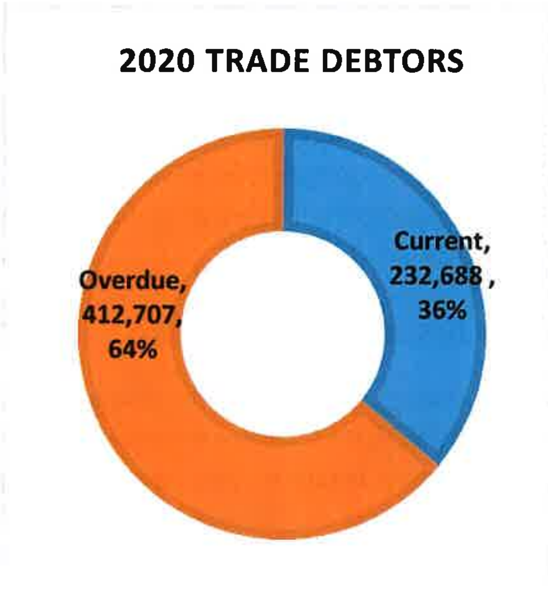
Liquidity increased by £250k to £2.170 million from last year's £1.920 million because we received a capital grant of £289k, to be used on the Ruperts sewer development, towards the end of the financial year.

Trade debtors declined by £147,505 to close the year at £497,890 compared to last year's £645,395. The decline is mainly due to the write-off of SHFC's outstanding debt. Cash collections declined by 2% to £ 4.468 million compared to £4.577 million collected last year.

DEBTORS AND INCOME COLLECTION	**2021 £000**	**2020 £000**
Opening debtors balance	645	769
Turnover	4,321	4,454
Total turnover and debtors for collection	**4,966**	**5,223**
Closing debtors	**(498)**	**(645)**
Collected cash	**4,468**	**4,578**
Collected cash as a percent of total turnover & debtors	90%	88%
Collection efficiency ratio	96%	92%

The overdue debtors have decreased from last year's 64% to 40%.





Stock

Efforts to reduce and minimise inventory holdings continued to be hampered by the long lead times thus requiring 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 Limited's financial position, however, reference should be made to note 24 for information on other events after the balance sheet

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 22. Despite the declining revenues, the Company has considerable financial resources and the Fibre Optic cable landing project is projected to attract new customers and result in increased consumption and revenue. 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 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 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 Azets as auditor of the Company.

By order of the Board

Elizabeth Clingham
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) assess 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.

Clare Harris
Company Secretary
25 February 2022

Elizabeth Clingham
Chair, Board of Directors
25 February 2022

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

Opinion

We have audited the financial statements of Connect Saint Helena Limited (the 'company') for the year ended 31 March 2021, which comprise the Comprehensive Income Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2021 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of the directors

As explained more fully in the directors' responsibilities statement set out on page 23, 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

The extent to which the audit was considered capable of detecting irregularities including fraud.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the construction sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Ordinance 2004, taxation legislation and data protection, anti-bribery, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the company's legal advisors.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;

- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the company's members, as a body, 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 Azets Audit Services, Statutory Auditor
Exchange Place
Semple Street
Edinburgh
EH3 8BL

Date: 25 February 2022

Connect Saint Helena Limited

5. Financial Statements for the year ended 31 March 2021

5.1 Statement of Comprehensive Income for the year ended 31 March 2021

	2021	2020	Notes
	£	£	
Turnover	4,320,729	4,453,778	3.
Cost of sales	(4,190,404)	(4,813,417)	4.
Gross Profit/(Loss)	**130,325**	**(359,639)**	
Administrative expenses	(900,851)	(970,128)	5.
Other Operating Income	732,803	1,099,086	7.
Operating Loss	**(37,723)**	**(230,681)**	
Revaluation (loss)/gain	(38,108)	50,999	
Interest receivable	5,714	20,110	
Finance costs	(13,173)	(4,735)	
Loss on Ordinary Activities Before Taxation	**(83,290)**	**(164,307)**	
Tax charge for the year	-	-	14.
Deferred tax movements	(53,954)	(47,067)	15.
Loss for the financial year	**(137,244)**	**(211,374)**	

The notes on pages 33 to 46 form an integral part of these financial statements.

Connect Saint Helena Limited

5.2 Statement of Financial Position as of 31 March 2021

	31-Mar-21	31-Mar-20	Notes
	£	£	-
Fixed Assets			
Assets under construction	1,471,785	1,846,899	8.
Tangible fixed assets	17,090,539	17,382,740	9.
	18,562,324	**19,229,639**	
Current Assets			
Inventories	2,811,880	2,278,595	10.
Debtors: amounts falling due within one year	1,329,460	1,557,891	11.
Cash and bank balances	2,170,284	1,920,258	
	6,311,624	**5,756,744**	
Creditors: amounts falling due within one year	(519,600)	(504,152)	12.
Net current assets	**5,792,024**	**5,252,592**	
Debtors: amounts falling due after one year	354,016	240,383	11.
Total assets less current liabilities	**24,708,364**	**24,722,614**	
Non-Current Liabilities			
Provisions for other payables and charges	(746,694)	(567,484)	18.
Retention funds	(27,663)	(24,821)	12.
Deferred government grants	(8,250,432)	(8,309,490)	19.
	(9,024,789)	**(8,901,975)**	
Net assets	**15,683,575**	**15,820,819**	
Capital and Reserves			
Share capital	14,585,598	14,585,598	22.
Revaluation reserve	955,646	955,646	
Retained profits	142,331	279,575	
Total Shareholders' Equity	**15,683,575**	**15,820,819**	

The notes on pages 33 to 46 form an integral part of these financial statements

These financial statements on pages 29 to 46 were approved and authorised for issue on the 25th February 2022 by the Board of Directors.

Signed on behalf of the Board of Directors

Clare Harris – Company Secretary

Elizabeth Clingham – Chair, Board of Directors

5.3 Statement of Cash Flows

	2021 £	2020 £	Notes
Net cash flows from operating activities	**450,561**	**192,718**	16.
Cash flows from investing activities			
Payments to acquire and construct tangible fixed assets	(489,483)	(300,638)	
Net cash used in investing activities	**(489,483)**	**(300,638)**	
Cash flows from financing activities			
Government grants received	288,947	-	
Net cash used in financing activities	**288,947**	**-**	
Net increase (decrease) in cash and cash equivalents	**250,025**	**(107,920)**	
Cash and cash equivalents at the beginning of year	1,920,259	2,028,179	
Cash and cash equivalents at end of year	**2,170,284**	**1,920,259**	

The notes on pages 33 to 46 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 1 April 2020	14,585,598	955,646	279,575	**15,820,819**	
Fixed assets revaluation gains	-	-	-	-	
Loss for the year	-	-	(137,244)	**(137,244)**	
At 31 March 2021	**14,585,598**	**955,646**	**142,331**	**15,683,575**	

The notes on pages 33 to 46 form an integral part of these 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 the 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:

- **Asset Valuation.** These are based on historical carrying amounts and fair value. In determining the carrying amounts of assets, Management makes assumptions on the effect of uncertain future events on the assets at the balance sheet date. The estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically.

- **Useful lives of tangible fixed assets.** These are based on Management's experience of the lifespan of similar assets both at Connect and similar 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 a 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. Following the last valuation on 1 April 2016, professional valuers were engaged for the year ending 31 March 2020 and on 31 May 2020 to carry out a desktop update revaluation of 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 a revalued fair amount and their useful remaining lives were revised.

e) Tangible Fixed Assets

These comprise of 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. Following the last valuation on 1 April 2016, professional valuers were engaged for the year ending 31 March 2020 and on 31 May 2020 to carry out a desktop update revaluation of 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 a 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)
Infrastructure electricity	25
Infrastructure water	10-50
Lands & buildings	40-60
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. A desktop update revaluation was carried out for office buildings, buildings for energy and water infrastructure. The valuation was carried out by DM Hall.

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 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.

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

i) Inventories

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

The Water inventory is classified as raw water (untreated) and treated water and is quantified within the production process. Raw water quantities are determined within the abstraction activity and related infrastructure (reservoirs) storage capacity. Treated water inventory quantities are determined with the storage network as per related storage capacity. All direct costs such as raw water, raw materials, direct labour and other direct costs will determine the valuation of water throughout the production process.

j) **Income Tax**

The 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, based on 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, based on 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 based on 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 based on 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, there will probably 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 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 Comprehensive Income Statement in the period in which they relate.

3. Turnover

Turnover, analysed by category was as follows:	2021	2020
	£	£
Unit charges-Water	494,332	434,975
Unit charges-Electricity	3,387,372	3,605,984
Service charges	292,498	279,237
Other service income	146,526	133,582
	4,320,729	**4,453,778**

4. Cost of Sales

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

	2021	2020
	£	£
Electricity generation fuel	1,457,043	1,839,397
Maintenance, materials and parts	768,824	1,034,841
Depreciation	1,057,239	1,022,584
Contracted out services	103,062	108,694
Employees	804,236	807,901
	4,190,404	**4,813,417**

5. Administrative Expenses

Administrative expenses during the year included:

	2021	2020
	£	£
Directors and employees	482,296	463,003
Office and other administrative costs	507,855	350,715
Audit fees	8,530	28,780
Premises related costs	42,682	63,760
Depreciation	61,451	71,706
Provisions for doubtful debts	(201,965)	(7,836)
	900,851	**970,128**

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

	2021	2020
Electricity	26	26
Water	23	22
Administration	24	23
	73	71

6. Key Management Compensation

A total of £337,020 (2020: £340,604) 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 includes subsidies from the 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.

	2021	2020
	£	£
Government revenue grants	384,798	788,034
Amortization of government grants	348,005	311,052
Drought mitigation grant	-	-
Total Other Income	**732,803**	**1,099,086**

8. Assets under Construction

Assets under construction include significant ongoing water, electricity and sewerage infrastructural projects valued at a 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.

	Lands & Buildings	Equipment and Vehicles	Electricity Infrastructure	Water & Sewerage Infrastructure	Total
Cost	£	£	£	£	£
01 April 2020	-	-	**111,291**	**1,735,608**	**1,846,899**
Reclassifications	152,662	-	37,386	(190,048)	-
Additions	26,202	-	10,436	467,517	**504,155**
Transferred to tangible assets	(171,728)	-	(95,205)	(556,549)	**(823,482)**
Transferred to Retentions	-	-	-	(8,558)	**(8,558)**
Charged to income statement	-	-	-	(47,229)	**(47,229)**
31 March 2021	**7,136**	-	**63,908**	**1,400,741**	**1,471,785**

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.

Revaluations apply to land and building class of assets. Following the valuation on 31 March 2020, DM Hall was further engaged on 31 May 2020 to carry out a desktop update revaluation of two buildings. The new buildings are now carried at revalued cost.

	Lands & Buildings	Equipment & Vehicles	Electricity Infrastructure	Water & Sewage Infrastructure	Total
Cost	**£**	**£**	**£**	**£**	**£**
01 April 2020	**1,921,130**	**1,560,025**	**18,690,814**	**16,100,258**	**38,272,227**
Assets under construction	171,728	-	95,205	556,549	823,482
Additions	3,293	9,737	19,977	8,108	41,115
Revaluation	(38,108)	-	-	-	(38,108)
Disposals	-	-	-	-	-
31 March 2021	**2,058,043**	**1,569,762**	**18,805,996**	**16,664,915**	**39,098,716**
Accumulated Depreciation			-	-	
01 April 2020	0	898,134	10,636,841	9,354,512	20,889,487
Revaluation	-	-	-	-	-
Disposals	-	-	-	-	-
Charge for the year	50,588	142,123	495,221	430,758	1,118,690
31 March 2021	**50,588**	**1,040,257**	**11,132,062**	**9,785,270**	**22,008,177**
Carrying Amounts					
At 31 March 2021	**2,007,454**	**529,505**	**7,673,936**	**6,879,644**	**17,090,539**
At 31 March 2020	**1,921,130**	**661,891**	**8,053,974**	**6,745,746**	**17,382,740**

10. Inventories

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

	2021	2020
	£	£
Electricity Generation inventories	794,231	565,853
Electricity Distribution inventories	745,794	689,666
Water Treatment, and Distribution inventories	958,951	658,200
Inventories held for assets under construction	96,024	267,125
Fuel	24,463	34,652
Other inventories	192,417	63,100
Total Inventories	**2,811,880**	**2,278,595**

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 SHG represent duty rebates for electricity generation diesel refundable to the Company under Saint Helena law.

	2021	2020
	£	£
Trade debtors	497,890	645,395
Accrued tariffs receivable	400,623	436,960
Fuel duty refunds due from Saint Helena Government	72,506	76,758
Other receivables and prepayments	465,385	707,686
	1,436,404	1,866,799
Less: provision for credit losses	(106,944)	(308,908)
Amounts falling due within one year	**1,329,460**	**1,557,891**
Amounts falling due after more than one year:		
Deferred tax assets	354,016	240,383
Total Debtors	**1,683,476**	**1,798,274**

Provision for credit losses		
Balance at 1 April	308,908	316,744
Charged during the year	(201,965)	(7,836)
Closing balance at 31 March	**106,944**	**308,908**

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.

	2021	2020
	£	£
Trade payables	408,194	394,387
Corporate tax payable	-	-
Deferred Income and other payables	81,492	73,277
Accruals	29,914	36,488
Amounts falling due within one year	**519,600**	**504,152**
Amounts falling due after more than one year:		
Retention funds	27,663	24,821
Total Creditors	**547,263**	**528,973**

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 are not considered a significant risk.

a) 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 a 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.

b) Foreign Exchange Risk

Foreign exchange risk is borne by the Company each time materials and supplies are ordered 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 the 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 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.

c) 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

	2021	2020
	£	£
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	53,954	47,067
Total tax on profit on ordinary activities	**53,954**	**47,067**

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	53,954	47,067
Capital expenditure allowances	-	-
Income tax charge for the year	**53,954**	**47,067**

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 2020	**(95,634)**	**107,841**	**(1,517)**	**110,603**	**122,698**	**243,991**
Net movement during the year	45,215	(129,017)	18,788	717	118,251	53,954
Balances at 31 March 2021	**(50,419)**	**(21,176)**	**17,271**	**111,320**	**240,949**	**297,945**

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

16. Cash from Operating Activities

	2021	2020
	£	£
Loss for the year	**(137,244)**	**(211,374)**
Adjustments to reconcile loss for the year to net cash flow from operating activities:		
Adjustment for non-cash items in the statement of comprehensive income:		
Depreciation of tangible fixed assets	1,118,690	1,094,291
Amortisation of government grants	(348,005)	(311,052)
Revaluation Loss/(gain)	38,108	(50,999)
Provision for doubtful debts	(201,965)	(7,836)
Movements in deferred tax balances	53,954	47,067
Cash generated from operations before working capital changes	**523,538**	**560,096**
Working capital changes :		
Increase in provisions	11,623	4,733
Decrease/(increase) in trade and other receivables	430,395	(7,944)
Increase in trade and other payables	18,290	17,737
(increase) in inventories	(533,285)	(381,904)
	(72,977)	**(367,378)**
Net cash flows from operating activities	**450,561**	**192,718**

17. Retirement Benefit Scheme

A total of £159,607 (2020: £138,978) 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 £16,164 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 14)	Total
	£	£	£	£
At 1 April 2020	75,009	8,101	484,374	**567,484**
Additions less utilized	18,224	(6,601)	-	**11,623**
Origination and reversal of timing differences	-	-	167,587	**167,587**
At 31 March 2021	**93,233**	**1,500**	**651,961**	**746,694**

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

	2021	2020
	£	£
Balance at 1 April 2020	8,309,490	8,620,542
Received during the year	288,947	-
Amortized during the year	(348,005)	(311,052)
Balance at 31 March 2021	**8,250,432**	**8,309,490**

20. Basic Financial Instruments

	2021	2020
	£	£
Bank and Cash	2,170,284	1,920,258
Trade Debtors	1,211,198	1,620,173
	3,381,482	**3,540,431**
Trade creditors	408,194	394,387
Accruals	29,914	36,488
Retentions	27,663	24,821
	465,771	**455,696**
Total assets minus liabilities:	**2,915,711**	**3,084,735**

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

21. Related party transactions

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

St Helena Government-Parent

	2021	2020
	£	£
Revenue from Water and Sewerage	100,028	85,672
Revenue from Electricity	674,731	637,569
Revenue-Direct Subsidy	384,798	788,034
Other Receivables from St. Helena Government	161,969	247,008

Remuneration of key management personnel

A total of £337,020 (2020: £340,604) was paid to key management and directors as compensation for their services to the Company.

22. Ownership and Share Capital

Wholly owned by Saint Helena Government, the Company's authorised share capital is 25 million ordinary shares. Balances as at 31 March 2021 and 1 April 2020 of £14,585,598 and £14,585,598 respectively comprise 14,585,598 ordinary shares.

23. Capital Commitments

The Company had capital commitments for electricity and water infrastructure of £183,479 (2020: £14,688). 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. Post Balance Sheet Events

The Board announced the departure of the Chief Executive Officer on 12 October 2021, no payments beyond contractual liabilities were made other than legal fees incurred of £1,500.

The PASH agreement has been terminated but the company remains committed to increasing the generation of electricity from renewables and other options will be considered to achieve this objective.