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**Annual Report and Financial
Statements
31 March 2022**



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1. Corporate Information

Directors:

Non-executive

Elizabeth Clingham (Chair)
Carolyn Thomas (resigned 31/08/2022)
Nicole Shamier
Brian Deadman (resigned 31/03/2022)
Mike Durnford (resigned 02/10/2021)
Russell Yon (appointed 01/01/2022)
Paul Cherrett (appointed 01/09/2022)

Executive

Barry Hubbard, Chief Executive Officer (departed 04/08/2021)
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 2022.

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 in 2013 when St Helena Government (SHG) divested the service.

The financial year marked the Company's ninth year of operation and proved to be a challenging year. It is almost two years since the onset of the COVID-19 global pandemic which presented challenges in supply chains, surging prices of raw materials and a declining Island population which in turn affected demand. The disruption of global supply chains resulted in longer lead times which adversely affected scheduled maintenance and capital projects. Revenue was also adversely impacted by a general decrease in the population, with SHG reporting that there had been a 2% decrease in the resident population during the period under review, which adversely impacted the Company's consumer base. This was further exacerbated by COVID-19 travel restrictions and the limited number of flights to St Helena which continued to affect the number of visitors to the Island, which in turn negatively impacted consumption at the airport and tourism-related establishments.

Revenue for the year witnessed a 1% growth which was mainly due to an increase in water unit charges and non-tariff income driven by major installations at the Cable Landing Station and the Bottom Woods Comprehensive Development Area (CDA). Electricity tariff income witnessed a 5% decline due to low economic activity and increased uptake of private Photovoltaic (PV) solar systems which resulted in reduced demand. In contrast, water tariff income grew by 21%, mainly due to a 10% increase in tariffs at the start of the year coupled with a 6% increase in consumption. Despite this increase, water revenues reflected only 62% of the cost of sales: it continued to be the case that the costs of the water service outweighed the revenue raised.

During the year, maintenance work on generation equipment which had been deferred due to COVID-19 was carried out as the Island began to gradually reopen. The catch-up maintenance resulted in the requirement to carry out major overhauls to two diesel generator engines at the Power Station in 2021/22, whereas normally such work would have been phased over two financial years. This, coupled with the rising price of raw materials, resulted in a 14% increase in the cost of sales when compared to the prior year.

Diesel generation continued to be the major source of electricity, contributing an average of 80% during the year with the balance coming from renewable sources (wind and solar). Generation from renewables was affected mainly by ageing wind turbines and supply chain challenges, leading to increased downtimes for wind turbines. The plan to increase renewables suffered a setback as the Power Purchase Agreement signed on 29 May 2020 between Connect Saint Helena Limited and Sustainable Energy 1 Limited, a subsidiary of PASH, was terminated on 15 November 2021.

The Company recognises that the integration of additional renewable energy will: support the Company's environmental objectives and help stabilise the cost of producing electricity as well as ultimately reducing electricity tariffs.

The Company, therefore, remains committed to delivering the priorities of the Island's Energy Strategy but recognises that the market has changed considerably since the initiation of the earlier Renewable Energy Project in 2017. Whilst there are constraints such as longer lead-in times for procurement and inflationary pressures, there are also opportunities such as technological advances. The Company is therefore giving priority to the development of an Energy Delivery Plan which will map out the next steps in the move towards significantly increasing renewable energy generation on St Helena.

Capital Works

Infrastructure development plays a significant part in improving service delivery. Currently capital comes from two sources: SHG capital grants and money generated by the Company. The capital contribution for fully completed assets this year was from internal sources only. The following table shows where capital funds were spent.

Asset Class	Grant Funded (£)	Company Funded (£)	Total (£)
Electricity infrastructure	-	9,930	9,930
Equipment	-	-	-
Lands and Buildings	-	24,737	24,737
Water infrastructure	-	375,318	375,318
Total	-	409,985	409,985

The improvement of infrastructure remains a key priority for the Company. At its inception, Connect Saint Helena Ltd inherited infrastructure that was near to or had exceeded its useful life. This presents a risk to the sustainability of national critical infrastructure and the ongoing delivery of services. It is recognised that in the absence of injections of grant or loan funding from external sources, the Company needs to continue its slow but steady approach to deliver on infrastructure requirements. Discussions are ongoing to prioritise available funds for capital investment in infrastructure.

A total of £410k was invested towards completed assets during the year under review. Investments were made in the following key assets to improve service delivery:

Water infrastructure investment went towards improving the reliability of the network and reducing water losses. Phases 2 and 3 of a programme to replace the old network in Half Tree Hollow were completed during the year. The water network in Half Tree Hollow had reached the end of its life and deteriorated significantly, causing considerable leaks and bursts over the years. Due to the high investment required to replace the entire network in Half Tree Hollow, a phased approach had to be adopted. The installation of a new water network in areas under both Phase 2 and 3 will provide higher flows, reduce water losses and meet future demand. The new network will also reduce the trend of leaks and bursts within the area. Although no benchmark data on water losses is available for the area, the number of call-outs has significantly reduced since the completion of the project. The water team will now move on to Phase 4 of the project.

The Lower Cleughs Plain network upgrade was also completed. In a similar fashion to the water network in Half Tree Hollow, the old system in Cleughs Plain had deteriorated making it more susceptible to leaks and bursts. Its replacement will improve water flow and with a pressure-reducing

valve incorporated in the system, this will minimise damage to the mains as well as subsequent bursts and leaks within the network. Again as with Half Tree Hollow, there was no benchmark data to measure the changes in water losses but the number of call-outs has significantly reduced after the replacement of the old network.

To improve the reliability of the water supply, the replacement of the New Ground Tank was completed during the year. The old galvanised steel sectional tank was replaced with a new glass-coated steel (GCS) tank. The GCS tank material is high strength and has high resistance to corrosion with low maintenance. Boreholes 4 and 5 were transferred to the Company from St Helena Government (SHG). The transfer of the two boreholes will help to improve drought resilience and increase water supply sources.

In the sewerage section, the actual construction of the Rupert's Sewage Treatment Plant, which was funded under the Economic Development Investment Programme (EDIP) was completed during the year. The cold commissioning of the plant was carried out and final (hot) commissioning is awaited. The hot commissioning is dependent on the connection of customers required to reach the required minimum flow.

The capital programme for the coming year again focuses on the water section as part of an ongoing plan to address the issues around ageing infrastructure and improve the security of supply. Planned projects include the replacement of the Field Road to Rupert's water main, with materials already acquired. This water distribution network has reached the end of its life and will be replaced by a network incorporating pressure-reducing valves to minimise the effects of excess pressure. The pressure-reducing valves will also reduce background leakage in the network, thereby reducing water losses. To improve the security of the water supply, the Company is working with SHG on the drilling of boreholes at Francis Plain, which will improve the Island's drought resilience.

Operational Efficiency

Tactical Implementation Plans (TIPs) within each of the sections continued to form the basis for organising planned works with monthly operational reviews performed by the Executive Directors. The adoption of a proactive approach has helped to reduce downtime and achieve most of the targets set by the Regulator.

The electricity side of the business closely adhered to its TIPs. Planned maintenance within the Electricity Generation Section, on either a time or hours run basis, was achieved. During the year overhauls to diesel generators, 1 and 3 were completed as part of catch-up maintenance.

The Electricity Distribution Section continued replacing defective distribution equipment as well as ceramic insulators with silicone insulators and upgrading the distribution network, further reducing unplanned interruptions. The modern silicone insulators are more durable and less prone to failure.

Within the water side of the business, Phases 2 and 3 of the Half Tree Hollow network upgrade and the Cleugh's Plain network upgrade were completed. The preventative maintenance process, continued in accordance with the TIP. As a result, network reliability improved by 2% from the previous year's figure.

The Unaccounted for Water Programme yielded positive results with the Island wide unaccounted for water declining by 2% (from 47% the previous year to the current year 45%). The Unaccounted for Water Programme includes works to target four key factors which influence real water losses in distribution systems. These 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. Part of the improvement in the new installation is the detailed hydraulic analysis, making sure that water pressure is managed through the installation of pressure-reducing valves in new networks. Some of the works during the year include the replacement and sizing of meters which contributed to the reduction of apparent losses. A 2% reduction in water losses translates to approximately 8,700 cubic meters of water saved. When interpreting the results of the Unaccounted for Water Programme, it is also important to note that the Company sustained the savings achieved in prior years and achieved a further 2% reduction in unaccounted for water.

Within the Finance Section the in-house meter reading continues to provide some cost savings but importantly controlling this activity from within ensures the Company has a higher degree of control. As controllers of the billing data, it has been simpler to integrate water loss analysis into routine business operations in support of the Unaccounted for Water Programme. 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. The former Chief Executive Officer, Mr Barry Hubbard, left the organisation and the Business Support Director stepped in an acting capacity. The new Chief Executive Officer, Miss Janet Lawrence, was appointed on 14 February 2022.

There was an increase in total employee costs from £1.287 million in 2021 to £1.349 million in 2022.

Tariff Reforms

Electricity charges remained unchanged in 2022/23 , which follows the trend since 2016.

The Company proposed a 10% tariff increase on the water and sewerage services but an agreement was reached with SHG that implementation would be delayed. The delay has enabled further analysis to be undertaken in 2022/23 to consider tariff structures for these services.

The subsidy increased to £688k mainly due to an increase in fuel prices and a delay in increasing tariffs for water and sewerage services. 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.

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.

Research and Development

The Company continues to pursue the objective of increased electricity generation from renewable energy sources. Options are being considered for alternative ways to deliver the Renewable Energy Project which will form the basis of an Energy Delivery Plan, scheduled for wider circulation and consultation in 2022/23.

Within the financial year 2022/23 the Company intends to conduct Grid Impact Assessment. The study will assess the impact of private PV systems that are connected to the grid and will be used to ensure that the grid is safe and reliable to operate. The Company does not plan to implement a Power System Study of the entire grid until 2023/24: this is in order that such a study can be informed by the Energy Delivery Plan and Grid Impact Assessment.

The Company continues to work 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.

Future Developments

Plans to open the Island in mid 2022/23 will change the context in which the Company operates. The risk to the Company that large numbers of staff are affected by community spread of COVID-19 is highlighted within the Company's principle risks. Business continuity planning has taken place to ensure that there is minimal disruption to critical services.

As discussed above, the Energy Delivery Plan aims to transform the electricity sector on St Helena. Whilst the drive for increased use of renewable energy sources has increased following recent fuel price increases, it is recognised that a staged approach will be required over the short-medium term.

The Company worked with SHG in developing the Island's Water Strategy which seeks to increase water sustainability. The Company is now in the early stages of the development of a Water Resources Management Plan. This will be a long-term plan to set out how the Company, together with relevant stakeholders, will manage water supplies on the island to meet current and future needs.

Work started towards the end of 2021/22 on a medium-term capital investment programme. Whilst some projects have been identified under EDIP and applications for funding made, the release of donor funding is beyond the Company's immediate control. The identification of funding sources and securing funding for future developments will be a priority as work progresses on the capital programme.

2.2 Operating Performance

The Utilities Regulatory Authority assesses the Company's performance 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 the Company has performed against these targets and our agreed Codes of Practice. The table below shows the period 12 (full year) position.

<u>Mar-22</u>		<u>WHERE DO WE WANT TO BE?</u>	<u>WHERE ARE WE NOW?</u>	
Performance Measure	Benchmark 2012/13	Target 2021/22	Actual 2021/22	
<u>1. Reliability</u>				
Overall reliability of electricity network	146	95	59	
Overall reliability of water network	1,582	1,150	1,214	

<u>2. Quality</u>				
Appearance of treated water in CSH network Redhill (NTU)*	4 - 5	1.75	1.45	
Appearance of treated water in CSH network Hutts Gate (NTU)*	4 - 5	1.75	2.66	
Appearance of treated water in CSH network Levelwood (NTU)*	4 - 5	1.75	1.13	
Appearance of treated water in CSH network Jamestown (NTU)*	4 - 5	5.00	4.81	
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%	

<u>3. Customer Service</u>				
Time taken to perform Electricity Connection	50 days	10 Days	1 day	
Time taken to perform Water Connection	90 days	5 Days	1 day	
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. This coupled with good weather which reduced the incidence of weather-related faults improved the network reliability by 18% from the previous year.

Although there was a 2% improvement from the previous year, the water network reliability continues to be a major source of concern due to the ageing infrastructure. The water mains in Half Tree Hollow Phase 2, Scotland to Sunnyside and Lower Cleughs Plain, were replaced during the financial year. This helped to improve the network reliability and reduced the number of callouts. The Unaccounted for Water Team has assisted to adopt a more proactive approach by conducting water audits and pressure tests to identify areas of the water network that need urgent attention.

During the year the Company experienced visual quality issues with the water at Hutts Gate, 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. At 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. Whilst there were visual quality issues at Hutts Gate, the Microbiology target was met with 100% of samples passing.

One of the most significant improvements made since divestment is the efficiency of the Company's response to people wishing to be connected to the water and electricity networks. In comparison to connection times being measured in weeks/months prior to divestment, the Company has reduced its response time to days. In 2021/22 both electricity and water connections took an average of just one day.

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

2.3 Principal Risks and Uncertainties

The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, and to identify risks that could:

- Adversely impact the safety or security of the Company's employees, customers and assets;
- have a material impact on the financial or operational performance of the company;
- impede achievement of the Company's strategic objectives and financial targets; and/or
- adversely impact the Company's reputation or stakeholder expectations.

The table does not comprise all the risks that the Company may face, and they are not presented in order of importance. The nature and profile of these risks are updated each quarter at Board meetings to reflect the changing risk landscape. This year sees eleven Principal Risks being reported. There may be additional risks that emerge in the future and management undertakes regular horizon scanning to identify and report these to the Board. The principle risks and measures in place to manage them 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 and changes in ordinances may affect our business processes.	Annual engagement with the government during the annual tariff review process. Continued engagement with the government on issues that affect the provision of utilities on the Island could 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. Changes in ordinances may affect the future delivery of utilities on the Island and the renewal of the operating licence.	
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 Water Treatment Plants and Power Station to appreciate and understand our operations. Delivery of service to meet target set in the Public Utilities Development Plan which distils down to a series of measures for Reliability, Quality and Customer Service.
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.	

Information Technology and Cyber Security	
What is the risk?	What are we doing to manage the risk?
Physical damage, failure of key hardware and software as well as inadequate protection of computer systems and networks from information disclosure resulting in data theft or disruption to service provision.	<p>A service contract with a private sector organisation is in place. The organisation is tasked with improving the Company's IT business continuity, resilience and security.</p> <p>Working closely with the government appointed consultant on the Cybersecurity and Data Protection Project.</p>
What does this mean for us?	
Technology failure and cyber threats cause damage to key infrastructure assets, interruptions to core systems or data loss resulting in a negative impact on our reputation, operations, regulatory compliance or finances.	
Legislative/ Regulatory	
What is the risk?	What are we doing to manage the risk?
<p>The provision of utilities on the Island is regulated and monitored by the Utilities Regulatory Authority. The Company also has to adhere to various ordinances which may change from time to time.</p> <p>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.</p>	<p>A service contract exists with Falklands Legal Services to provide guidance and help to interpret the Company's legal obligations in the various ordinances.</p> <p>Establish a good working relationship with the Utilities Regulatory Authority.</p> <p>Engagement with government officials, ministers, councillors and other stakeholders to anticipate any issues and address them at the earliest opportunity.</p>
What does this mean for us?	
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 and withdrawal of licences.	
Environmental	
What is the Risk?	What are we doing to manage the risk?
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.	<p>The whole Company has been trained on environmental protection and this is offered as part of induction to new employees.</p> <p>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.</p> <p>Commitment to increase renewable energy generation will reduce fossil fuel dependence and reduce carbon emissions.</p>
What does this mean for us?	
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.	

Extreme Weather/ Climate Change	
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.	<p>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.</p> <p>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.</p> <p>Currently 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.</p>
What does this mean for us?	
<p>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.</p> <p>Extreme weather conditions may also result in damage to critical infrastructure such as the electricity distribution network (extreme winds).</p>	
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.	<p>Succession plans are being considered for key roles but, unfortunately, some positions continue to exist without an identified successor.</p>
What does this mean for us?	
<p>The departure of key staff will present the Company with a recruitment problem, with staff from overseas demanding a higher level of remuneration.</p> <p>Delays in implementing key projects or programmes due to lack of people with suitable skills.</p>	
Financial	
What is the risk?	What are we doing to manage the risk?
Higher Inflation and volatility of global fuel prices may adversely impact the Company's finances.	<p>Efficiencies are being explored to minimise the impact of the current increases in prices.</p> <p>Currently, a risk-sharing arrangement for fuel is in place with SHG which limits the risk of fuel price volatility.</p> <p>The Energy Delivery Plan is being developed which will promote the increase of renewable energy generation to reduce the fuel price volatility risk.</p>
What does this mean for us?	
<p>The current general increase may put a strain on the Company's financial position. This will in future affect liquidity.</p> <p>The Company currently generates about 80% of electricity from fossil fuels. Increases in global fuel prices negatively impact electricity generation costs.</p>	

Failure of Physical Infrastructure	
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.
What does this mean for us?	
The failure of key electricity and water infrastructure will result in major disruptions to our operations and service delivery.	<p>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.</p> <p>Offline chlorine production was commissioned to mitigate against the possible simultaneous failure of the automatic systems.</p>
Supply Chain Management	
What is the risk?	What are we doing to manage the risk?
Current global supply chain challenges affecting operational and capital programmes.	Improved stock and procurement management practices are now in place to mitigate the effects of supply chain challenges.
What does this mean for us?	
We may be unable to effectively deliver day to day services, capital, operational or change programmes without a sustainable, resilient, cost-effective supply of goods, and services due to supply chain challenges caused by COVID-19 and other global disruptions.	Buffer stock for critical components was increased with managers working closely with the procurement team to increase stock holding.
COVID-19 in the community	
What is the risk?	What are we doing to manage the risk?
COVID-19 on the Island and in the Community could affect the delivery of key services.	Working guidelines are being developed which will ensure staff safety and minimise service disruptions.
What does this mean for us?	
We may be unable to effectively deliver day to day services if a large number of staff members are affected by COVID-19.	Non-operational staff have received training to provide cover for critical services in case of staff shortages.

In addition to the principal risks the Board and management are always monitoring the environment to identify any emerging risks which may adversely affect the Company's operations.

2.4 Financial Performance

2.4.1 Highlights

The Company recorded a net loss of £632,027 compared to a loss of £137,244 recorded in the previous year. This was mainly due to the 14% increase in cost sales caused by an increase in fuel costs and catch-up maintenance incurred during the year, especially for electricity generation assets.

The key financial and other performance indicators were as follows:

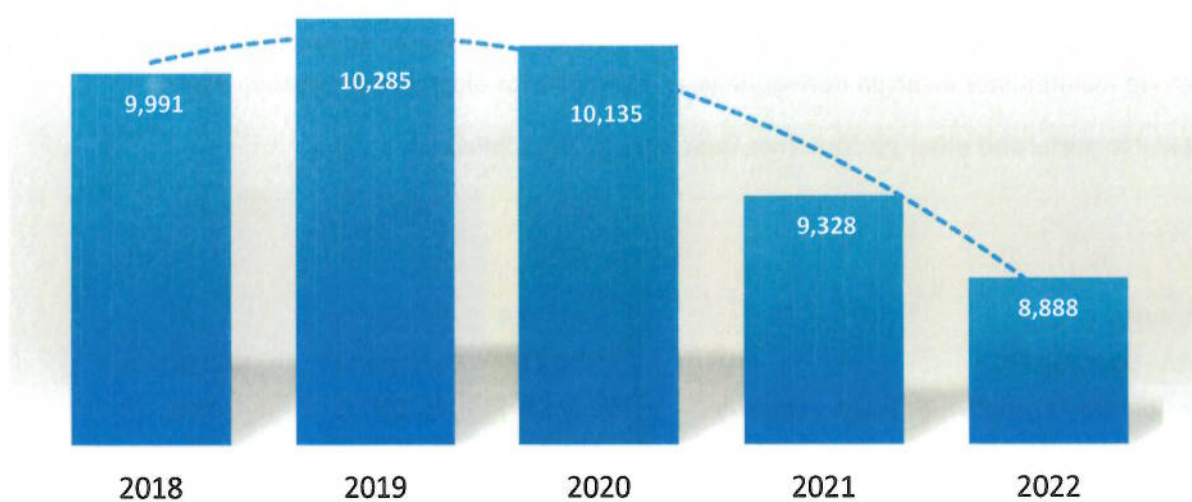
	2022 £	2021 £	Change
Turnover	4,383,984	4,320,729	1%
Gross (loss)/profit	(389,431)	130,325	-399%
Loss on ordinary activities before taxation	(574,417)	(83,290)	590%
Net loss after tax	(632,027)	(137,244)	361%
Trade debtors	366,949	497,890	-26%
Cash and bank balances	1,966,738	2,170,284	-9%
Shareholders' funds	15,051,548	15,683,575	-4%
Current assets as % of current liabilities	14	12	17%
Average number of employees	76	73	4%

2.4.2 Turnover

Electricity

The Electricity tariff income at £3.224 million recorded a 5% decline compared to last year's £3.387 million against the backdrop of a decline in consumption. Consumption declined due to low economic activity, the continued uptake of private PV panels and the general decline in the Island's population. The impact of the COVID-19 pandemic continued to affect the Island with the limited number of flights and tourist arrivals, affecting consumption at most tourism-based establishments. The Company billed 8,888 MWh during the financial year, representing a 5% decline from last year's 9,328 MWh. The electricity consumption during the year was below the budgeted units and was the lowest since divestment. Consumption for the past five years is shown by the following graph:

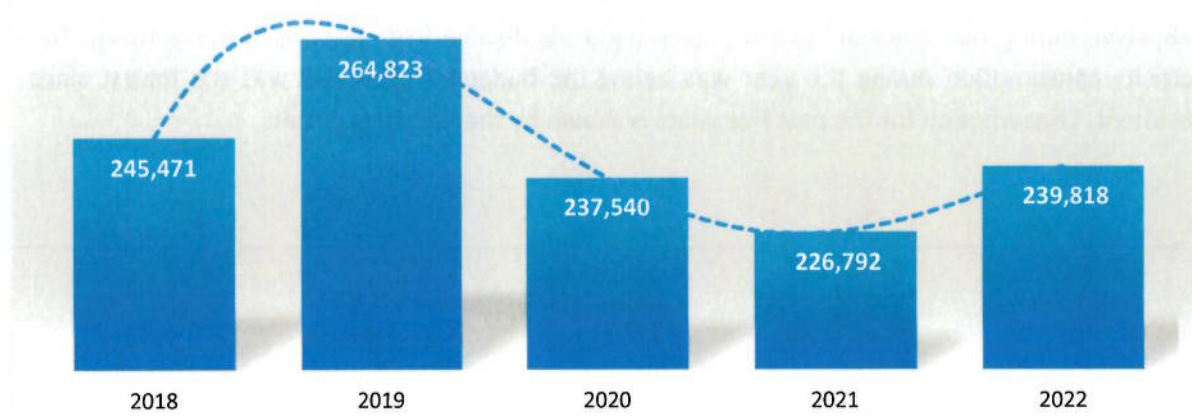
MWh billed



Water

The total unit tariff income at £597,019 was 21% above the £494,332 recorded last year due to a 6% increase in consumption and a 10% increase in water tariffs and standing charges. A third water tariff band for 'units over 25' consumed each quarter, remained in place as part of effective demand management interventions to encourage water saving. Water units billed this year increased by 6% to 239,818m³ in comparison to 226,792m³ billed last year. This is mainly due to a general increase in consumption as consumers are slowly going back to normal consumption patterns after the drought in 2020. The water consumption is depicted in the graph below:

M³ billed



2.4.3 Cost of Sales

The total cost of sales increased by 14% to £4.773 million in comparison to £4.190 million recorded last year, mainly due to adverse fuel prices for electricity generation and maintenance costs. Electricity generation fuel expenditure, which remains the key efficiency target, was 10% adverse at £1.605 million, compared to £1.457 million last year, due to an increase in fuel prices and unfavourable renewable yields. The impact of deferred generator maintenance due to COVID-19 also resulted in adverse generator fuel efficiency.

Maintenance costs increased by 50% to £1.152 million from £0.769 million mainly due to the need for catch-up maintenance after supply chain delays caused by the COVID-19 pandemic. Most of the critical maintenance work on generators and wind turbines, which had been deferred was completed within the year to improve efficiency.

	2022 £	2021 £	Change
Electricity Generation Fuel	1,605,079	1,457,043	10%
Maintenance, Materials and Parts	1,151,887	768,824	50%
Depreciation	1,031,033	1,057,239	-2%
Contracted out services	79,608	103,062	-23%
Employees	905,808	804,236	13%
	4,773,415	4,190,404	14%

Operating employee costs increased by 13% due to the write-off of employee costs which had been previously allocated to the PASH project and the recruitment of extra staff to strengthen the electricity team.

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	3,391,577	602,033	-	(172,183)	-	3,821,427
Service charges	16,961	181,751	116,666	(1,977)	-	313,401
Other service income	93,517	85,197	50,186	-	20,256	249,156
Turnover	3,502,055	868,981	166,852	(174,160)	20,256	4,383,984
Cost of sales	(3,432,131)	(1,398,809)	(116,635)	174,160	-	(4,773,415)
Gross profit	69,924	(529,828)	50,217	-	20,256	(389,431)
Administrative expenses	(531,652)	(410,999)	(40,888)	-	-	(983,539)
Gain on disposal of assets	-	-	-	-	2,500	2,500
Revenue grant-Subsidy	93,510	353,000	-	-	-	446,510
Amortized grants	139,021	208,984	-	-	-	348,005
Operating (Loss)/Profit	(229,197)	(378,843)	9,329	-	22,756	(575,955)
Revaluation loss	-	-	-	-	-	-
Interest receivable	-	-	-	-	5,246	5,246
Finance costs	-	-	-	-	(3,708)	(3,708)
Net (Loss)/Profit Before Tax	(229,197)	(378,843)	9,329	-	24,294	(574,417)

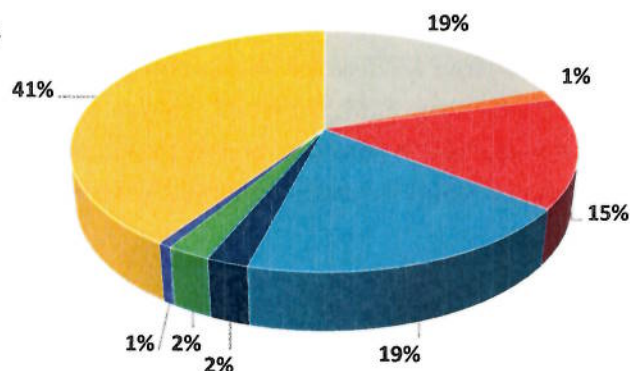
Electricity

The electricity segment made a loss of £229,197 after amortised grants and subsidies. The loss is a result of a continued decline in electricity tariff income due to a declining consumer base, low economic activity and 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.

During the year under review, maintenance costs increased by 42% due to the need for catch-up maintenance on generation assets. This resulted in two engine overhauls being carried out during the year, instead of one.

The business risk posed by the installation of private PV systems and increasing fuel prices will be mitigated after there is increased generation from renewable sources. The average tariff per kWh of £0.39 was adverse when compared to the cost of £0.45. The chart below shows an analysis of the £0.45 cost.

Electricity Costs



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

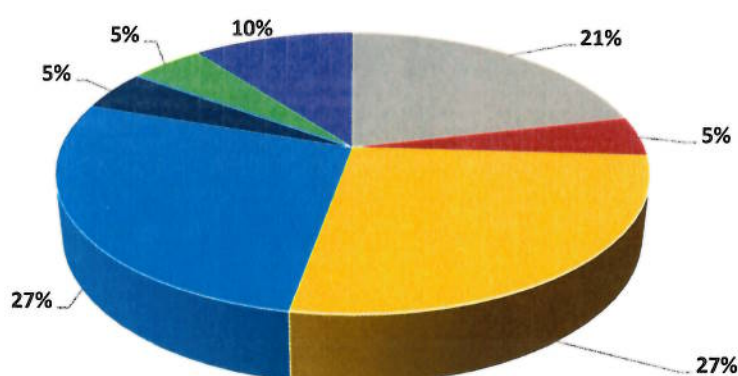
Water

Water continues to make a loss; the loss before grants and subsidies for water was £0.941 million. This was slightly above the previous year's loss of £0.938 million.

A cubic metre of water costs £7.22 to collect, treat, distribute and bill. This is more than double the £3.23 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, the cost per cubic metre increased by 5% or £0.34 from the £6.88 recorded last year to the £7.22 recorded in the financial year. The chart below shows an analysis of the £7.22 cost.

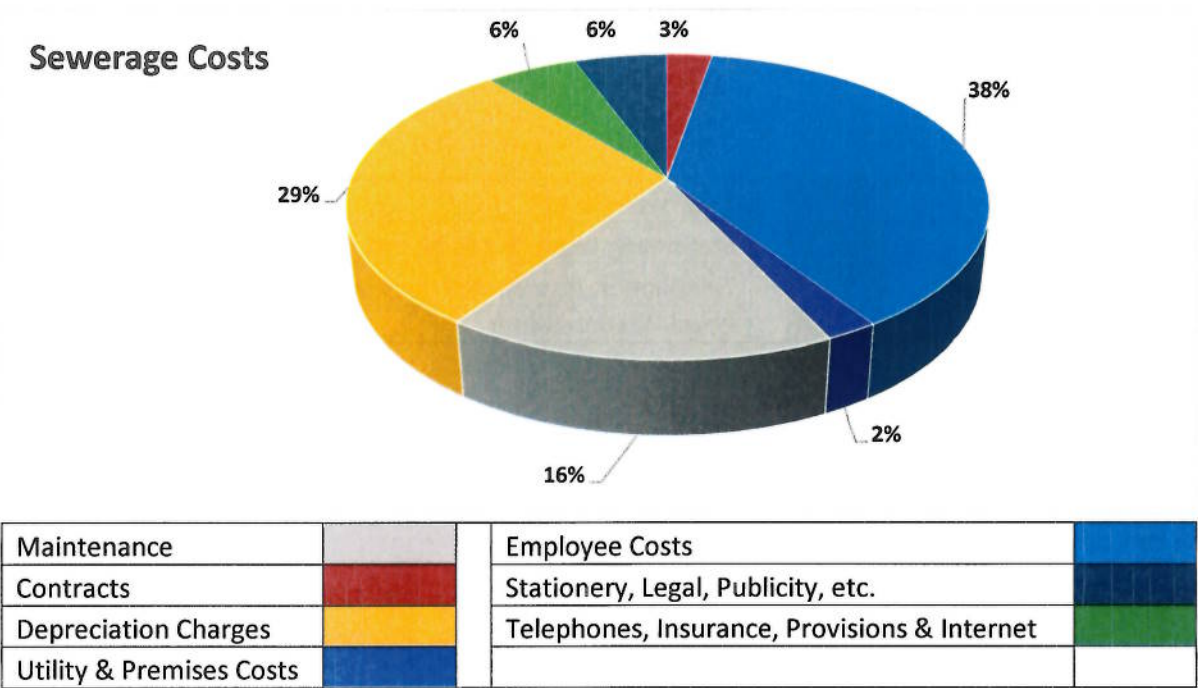
Water Costs



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

Sewerage

The sewerage operation made a profit of £9,329 as the service charges of £166,852 were able to cover the costs of providing the service which was £157,523 which is in line with the Company’s strategy to make the service profitable. The major cost in Sewerage is employee costs, accounting for 38% 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 declined by £512k to £5.800 million in comparison to the previous year's £6.312 million. The current ratio or the number of times the current assets cover current liabilities remains healthy at 14 times. However, the declining revenues and increasing cost of critical materials continue to be a threat to the Company's financial position.

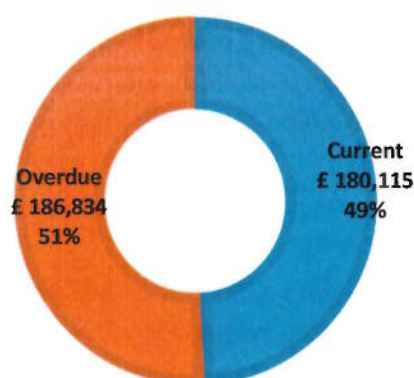
Liquidity declined by £203k to £1.967 million from the previous year's £2.170 million.

Trade debtors declined by £130,940 to close the year at £366,950 compared to the previous year's £497,890 mainly due to improved cash collections. Cash collections increased by 2% to £4.548 million compared to £4.468 million collected last year.

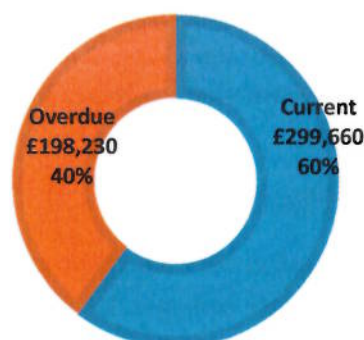
DEBTORS AND INCOME COLLECTION	2022 £000	2021 £000
Opening debtors balance	498	645
Turnover	4,384	4,321
Total turnover and debtors for collection	4,882	4,966
Closing debtors	(367)	(498)
Collected cash	4,515	4,468
Collected cash as a percent of total turnover & debtors	92%	90%
Collection efficiency ratio	96%	96%

The overdue debtors have increased from the previous year's 40% to 51%.

2022 TRADE DEBTORS



2021 TRADE DEBTORS



Stock

Efforts to reduce and minimise inventory holdings continued to be hampered by supply chain challenges as a result of COVID-19, in turn resulting in longer 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 in line with 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.

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

A handwritten signature in black ink, appearing to be 'Elizabeth Clingham', written in a cursive style.

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.

The Companies 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 (FRS 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



Elizabeth Clingham
Chair, Board of Directors

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 2022, 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 2022 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, Senior Statutory Auditor

For and on behalf of Azets Audit Services, Statutory Auditor

Exchange Place

Seiple Street

Edinburgh

EH3 8BL

Date: 11 November 2022

Connect Saint Helena Limited

5. Financial Statements for the year ended 31 March 2022

5.1 Statement of Comprehensive Income for the year ended 31 March 2022

	2022	2021	Notes
	£	£	
Turnover	4,383,984	4,320,729	3.
Cost of sales	(4,773,415)	(4,190,404)	4.
Gross (Loss)/Profit	(389,431)	130,325	
Administrative expenses	(983,539)	(900,851)	5.
Gain on disposal of assets	2,500	-	9.2
Other Operating Income	794,515	732,803	7.
Operating Loss	(575,955)	(37,723)	
Revaluation loss	-	(38,108)	
Interest receivable	5,246	5,714	
Finance costs	(3,708)	(13,173)	
Loss on Ordinary Activities Before Taxation	(574,417)	(83,290)	
Tax charge for the year	-	-	14.
Deferred tax movements	(57,610)	(53,954)	15.
Loss for the financial year	(632,027)	(137,244)	

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

5.2 Statement of Financial Position as of 31 March 2022

	31-Mar-22	31-Mar-21	Notes
	£	£	
Non-Current Assets			
Assets under construction	1,701,236	1,471,785	8.
Tangible fixed assets	16,408,039	17,090,539	9.
Intangible Assets	15,347	-	9.3
	18,124,622	18,562,324	
Current Assets			
Inventories	2,648,905	2,811,880	10.
Receivables: amounts falling due within one year	1,184,416	1,329,460	11.
Cash and Bank Balances	1,966,738	2,170,284	
	5,800,059	6,311,624	
Payables: amounts falling due within one year	(409,868)	(519,600)	12.
Net current assets	5,390,191	5,792,024	
Receivables: amounts falling due after one year	345,731	354,016	11.
Total assets less current liabilities	23,860,544	24,708,364	
Non Current Liabilities			
Provisions for other payables and charges	(784,842)	(746,694)	18.
Retention funds	(24,970)	(27,663)	12.
Deferred Government Grants	(7,999,184)	(8,250,432)	19.
Total Non Current Liabilities	(8,808,996)	(9,024,789)	
Net assets	15,051,548	15,683,575	
Capital and Reserves			
Share Capital	14,585,598	14,585,598	22.
Revaluation Reserve	955,646	955,646	
(Accumulated Deficit)/ Retained Earnings	(489,696)	142,331	
Total Shareholders Equity	15,051,548	15,683,575	

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 11th November 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

	2022 £	2021 £	Notes
Net cash flows from operating activities	358,733	450,561	16.
Cash flows from investing activities			
Acquisition and construction of non-current assets	(661,536)	(489,483)	
Proceeds from disposal of tangible fixed assets	2,500	-	
Net cash used in investing activities	(659,036)	(489,483)	
Cash flows from financing activities			
Government Grants received	96,757	288,947	
Net cash used in financing activities	96,757	288,947	
Net increase (decrease) in cash and cash equivalents	(203,546)	250,025	
Cash and cash equivalents at the beginning of year	2,170,284	1,920,259	
Cash and cash equivalents at end of year	1,966,738	2,170,284	

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 Earnings	Total Equity	Notes
	£	£	£	£	
At 1 April 2021	14,585,598	955,646	142,331	15,683,575	
Loss for the financial year	-	-	(632,027)	(632,027)	
At 31 March 2022	14,585,598	955,646	(489,696)	15,051,548	

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 the St Helena Government (SHG). 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 St Helena Pounds (SHP) the currency of St 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 Saint Helena Ltd 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) 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. 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

e) Revaluations

Revaluations apply to the Lands & Buildings class of assets. A desktop update revaluation was carried out for office buildings and 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 that 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 that 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 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.

i) 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.

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 and Other Payables

Trade and other 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) 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 the 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.

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 to which they relate.

p) Intangible Assets

Intangible assets acquired separately are initially measured and recognised at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged to profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives and are assessed for impairment whenever there is an indication that the intangible assets are impaired. The amortisation expense and

impairment losses on intangible assets are recognised in profit or loss in the period in which they occur. The company intangible assets relate mainly to IT system and software which meet the capitalisation threshold.

3. Turnover

Turnover, analysed by category was as follows:

	2022 £	2021 £
Unit Charges - Water	597,019	494,332
Unit Charges - Electricity	3,224,408	3,387,372
Service Charges	313,401	292,498
Other Service Income	249,156	146,527
	4,383,984	4,320,729

4. Cost of Sales

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

	2022 £	2021 £
Electricity generation fuel	1,605,079	1,457,043
Maintenance, materials and parts	1,151,887	768,824
Depreciation	1,031,033	1,057,239
Contracted out services	79,608	103,062
Employees	905,808	804,236
	4,773,415	4,190,404

5. Administrative Expenses

Administrative expenses during the year included:

	2022 £	2021 £
Directors and employees	443,274	482,296
Office and other administrative costs	412,742	507,856
Audit fees	28,000	8,530
Premises related costs	38,261	42,683
Depreciation	61,451	61,451
Provisions for doubtful debts	(189)	(201,965)
	983,539	900,851

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

	2022	2021
Electricity	28	26
Water	23	23
Administration	25	24
	<u>76</u>	<u>73</u>

6. Key Management Compensation

A total of £341,425 (2021: £337,020) 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.

	2022	2021
	£	£
Government Revenue Grants	446,510	384,798
Amortization of Government Grants	348,005	348,005
Total Other Income	<u>794,515</u>	<u>732,803</u>

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.

	Land and Buildings	Electricity Infrastructure	Water and Sewage Infrastructure	Total
Cost	£	£	£	£
01 April 2021	7,136	63,908	1,400,741	1,471,785
Additions	84,888	1,268	552,526	638,682
Completed Assets Transferred	(24,737)	-	(330,557)	(355,294)
Charged to income statement	-	(53,937)	-	(53,937)
31 March 2022	<u>67,287</u>	<u>11,239</u>	<u>1,622,710</u>	<u>1,701,236</u>

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 and Buildings	Equipment and Vehicles	Electricity Infrastructure	Water and Sewage Infrastructure	Total
	£	£	£	£	£
Cost					
01 April 2021	2,058,043	1,569,762	18,805,996	16,664,915	39,098,716
Assets Under Construction	24,736	-	-	330,557	355,293
Additions	-	-	9,930	44,761	54,691
Disposals	-	(17,000)	-	-	(17,000)
31 March 2022	2,082,779	1,552,762	18,815,926	17,040,233	39,491,700
Accumulated Depreciation					
01 April 2021	50,588	1,040,257	11,132,062	9,785,270	22,008,177
Disposals	-	(17,000)	-	-	(17,000)
Charge for the year	52,439	117,713	496,217	426,115	1,092,484
31 March 2022	103,027	1,140,970	11,628,279	10,211,385	23,083,661
Carrying Amounts					
At 31 March 2022	1,979,752	411,792	7,187,647	6,828,848	16,408,039
At 31 March 2021	2,007,455	529,505	7,673,934	6,879,645	17,090,539

9.2 Disposal and de-recognition of tangible fixed assets

	Land and Buildings	Equipment and Vehicles	Water Infrastructure	Total
	£	£	£	£
Scrapped/Disposed assets				
Cost	-	17,000	-	17,000
Accumulated depreciation	-	17,000	-	17,000
Proceeds from disposal	-	2,500	-	2,500
Recognised in Income Statement	-	(2,500)		(2,500)
Total de-recognised and disposed assets				
Cost	-	17,000	-	17,000
Accumulated depreciation	-	17,000	-	17,000

9.3 Intangible Assets

Intangible assets pertain to the access dimensions software upgrades. The software upgrade has an estimated useful life of three years and at 31 March 2022 had an average remaining useful life of two years.

	Access Dimensions Software £
Carrying Amount	
1 April 2021	-
Additions	22,100
31 March 2022	22,100
Amortization	
1 April 2021	-
Charge for the year	6,753
	6,753
Carrying Amount	
At 31 March 2022	15,347

10. Inventories

Inventories represent assets, held at cost, that the Company intends 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.

	2022 £	2021 £
Electricity Generation Inventories	384,824	794,231
Electricity Distribution Inventories	895,072	745,794
Water Treatment, and Distribution Inventories	866,440	958,951
Inventories held for assets under construction	105,707	96,024
Fuel	30,061	24,463
Other Inventories	366,801	192,417
Total Inventories	2,648,905	2,811,880

11. Trade and Other Receivables

Trade and other receivables include accrued income and amounts owed by our customers for goods delivered or services provided by the Company. These balances are the 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.

	2022	2021
	£	£
Trade Receivables	366,949	497,890
Accrued tariffs receivable	368,448	400,623
Fuel duty refunds due from Saint Helena Government	72,778	72,506
Other Receivables and Prepayments	482,996	465,385
	1,291,171	1,436,404
Less: Provision for credit losses	(106,755)	(106,944)
Amounts falling due within one year	1,184,416	1,329,460
Amounts falling due after more than one year:		
Deferred tax assets	345,731	354,016
Total Receivables	1,530,147	1,683,476
Provision for credit losses		
Balance at 1 April	106,943	308,908
Charged during the year	(189)	(201,965)
Closing balance at 31 March	106,754	106,943

12. Trade and Other Payables

Trade and other payables include accruals and are principally amounts the Company owes to suppliers. Deferred income represents monies received from customers in advance of the delivery of goods or the performance of services by the Company.

	2022	2021
	£	£
Trade Payables	250,750	408,194
Deferred Income and Other payables	82,074	81,492
Accruals	77,044	29,914
Amounts falling due within one year	409,868	519,600
Amounts falling due after more than one year:		
Retention Funds	24,970	27,663
Total Payables	434,838	547,263

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 (UK). 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

	2022 £	2021 £
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	57,610	53,954
Total tax on profit on ordinary activities	57,610	53,954

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	57,610	53,954
Capital expenditure allowances	-	-
Income tax charge for the year	57,610	53,954

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 and Equipment	Land and Buildings	Total
	£	£	£	£	£	£
Balances at 1 April 2021	(50,419)	(21,176)	17,271	111,320	240,949	297,945
Net movement during the year	2,842	36,323	25,811	(11,415)	4,049	57,610
Balances at 31 March 2022	(47,577)	15,147	43,082	99,905	244,998	355,555

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

	2022 £	2021 £
Loss for the financial year	(632,027)	(137,244)
Reconciliation of 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 and intangible assets	1,099,237	1,118,690
Amortization of Government Grants	(348,005)	(348,005)
Profit on Disposal of Assets	(2,500)	-
Revaluation Loss	-	38,108
Provision for doubtful debts	(189)	(201,965)
Movements in deferred tax balances	57,610	53,954
Cash generated from Operations before working capital changes	174,126	523,538
Working Capital Changes:		
(Decrease)/Increase in provisions	(11,175)	11,623
Decrease in trade and other receivables	145,232	430,395
(Decrease)/Increase in trade and other payables	(112,425)	18,290
Decrease/(Increase) in inventories	162,975	(533,285)
	184,607	(72,977)
Net cash flows from operating activities	358,733	450,561

17. Retirement Benefit Scheme

A total of £145,882 (2021: £159,607) 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 £18,037 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 2021	93,233	1,500	651,961	746,694
Additions less utilized	(11,175)	-	-	(11,175)
Origination and reversal of timing differences	-	-	49,323	49,323
At 31 March 2022	82,058	1,500	701,284	784,842

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

	2022 £	2021 £
Balance at 1 April	8,250,432	8,309,490
Received during the year	96,757	288,947
Amortized during the year	(348,005)	(348,005)
Balance at 31 March	7,999,184	8,250,432

20. Basic Financial Instruments

	2022 £	2021 £
Bank and Cash	1,966,738	2,170,284
Trade and Other Receivables	1,134,217	1,211,198
	3,100,955	3,381,482
Trade and Other Payables	252,365	408,194
Accruals	77,044	29,914
Retentions	24,970	27,663
	354,379	465,771
Total assets minus liabilities:	2,746,576	2,915,711

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

	2022 £	2021 £
Revenue from Water and Sewerage	147,659	100,028
Revenue from Electricity	650,483	674,731
Revenue – Direct Subsidy	446,510	384,798
Other Receivables from St. Helena Government	201,677	161,969

Remuneration of key management personnel

A total of £341,425 (2021: £337,020) 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 2022 of £14,585,598 comprise 14,585,598 ordinary shares.

23. Capital Commitments

The Company had capital commitments for electricity and water infrastructure of £125,842 (2021: £183,479). This represents the total value of signed contracts and orders for the delivery of goods and services towards infrastructural development and is funded by confirmed government grants.

