Connect SAINT HELENA LTD

www.connect.co.sh

Annual Report and Financial Statements
31 March 2020

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1. Corporate Information

Directors:

Non-executive	Mike Durnford (Chair) Carolyn Thomas Nicole Shamier Elizabeth Clingham Brian Deadman (appointed 11/1/19)
Executive	Barry Hubbard (Chief Executive Officer) Clare Harris
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 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 2020.

2.1 Review of the Business

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

As the company entered its seventh year of trading the business processes further bedded in. Key highlights are:

- another clean financial audit;
- further improvements against targets set by the Utilities Regulatory Authority (URA);
- the Independent Review of Connect was completed and acknowledges the tremendous progress made since divestment;
- the island suffered from low rainfall which placed huge strain on the business. However, the mitigations put in place following water shortages in 2013 and 2016 worked well and made managing the situation less traumatic;
- the earth dam, also referred to as Harpers 2 Reservoir, once depleted of usable water, was drained and dredged. 4,000m^3 of silt was removed and the reservoir is back in service. Silt traps were installed upstream of the reservoir in 2017 which address the design deficiency dating from when the reservoir was originally constructed.

Our last report stated that Pan African Soleil Holdings (PASH) had been identified as the preferred bidder in the process to procure electricity through a Power Purchase Agreement (PPA). The agreement was finally signed on the 29 May 2020 and PASH is busy with their procurement process.

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

Electricity Distribution further reduced unplanned disruptions to the electricity supply as a result of continued planned maintenance and improved insulator materials. The new silicone insulators, in addition to being technically superior, are approximately half the cost of ceramic which has allowed accelerated progress to be made. The high voltage link from Sandy Bay Ridges to Blue Hill has proven invaluable in accelerating maintenance since there is now the ability to back-feed consumers. So for the majority of consumers in that area, maintenance is conducted with no interruption to the electricity supply. Historically the progress of maintenance needed to be balanced with the inconvenience of leaving consumers without power whilst the works were undertaken.

Sharks Valley infrastructure, although an expensive source of water, was overhauled and prepared as a further source for use if Borehole 5 yield declined. Although the system was yield tested, it was not necessary to bring it into service. Satisfyingly, the pumping systems we had engineered over the last few years performed well and we were able to increase the level of stored water during the drought such that there was no need to transfer water using expensive bowsering. In total the drought cost was approximately £200k in energy costs and £28k in labour costs. Unlike the water shortages in 2013 and 2016 we did not ask for, or receive, any further funding from SHG.

Capital Works

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

Asset Class	Grant Funded (£)	Connect Funded (£)	Total (£)
Electricity infrastructure		50,941	50,941
Equipment		8,183	8,183
Water infrastructure		47,228	47,228
Total		**106,352**	**106,352**

There is a new arrangement between SHG and the UK Government for capital funding, referred to as the 'Economic Development Investment Programme' or EDIP. Although projects had been submitted for consideration, no Connect project was prioritised for the initial tranche of funding.

Water infrastructure received investment in a new lining for the Levelwood Reservoir as the original had exceeded its useful life. There is only the Grapevine Gut Reservoir that still has its original lining. This will be inspected and the reservoir dredged during the coming financial year. Leaking reservoirs reduce the quantity of raw water available for treatment as well as reducing the structural integrity of any dam, so relining was an important aspect of our maintenance programme.

At the power station there was development of a secure weatherproof area to house stock that historically deteriorated when exposed to the elements. In addition further power quality recorders were installed to continue gathering baseline data to inform future electricity distribution infrastructure development. With the quantity of renewable energy that PASH will supply, it is important to be able to ascertain scientifically whether the quality of electricity supplied is reduced, since there are performance guarantees in this respect.

Materials have been purchased for replacing the raw water supply from the Osbornes catchment and agreement has been reached with the land owner about an improved route. We expect to improve the raw water supply volume from this important source into Red Hill, which is currently where the supply challenge exists. Materials have also been procured to replace and increase the capacity of the Willow Bank borehole supply. The increased pipe diameter will improve pumping efficiency and reduce pumping costs.

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 has maintenance planned either on a time or hours run basis, and achieved what was set out at the beginning of the year. Electricity Distribution continued replacing and upgrading the distribution network; this continues to reduce unplanned interruptions. The more modern silicone line hardware used is more robust and less liable to failure.

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

The Unaccounted for Water Programme has made slow progress and was delayed by the departure of our Civil Engineer, with the recruitment of his replacement being hindered by the Covid-19 travel restrictions. The intention is for the Civil Engineer to return, with the job description modified, to focus on this important issue.

Although the meter reading contract was a reliable method that had worked well before Connect was formed, we took the initiative to take a higher degree of control of this important area of the business with the 'go live' date for responsibility transfer of 1 April 2019. Some cost savings were made but, importantly, by controlling this activity from within Connect, we have a higher degree of resilience. The meter readings are the start of the billing process so if there had been an unexpected issue with the contracted service, there was a chance that this could have delayed the billing process and adversely affected our cash flow. It is a credit to all involved that the migration was carried out without any disruption to the billing process. As we are the controllers of the billing data, it is far simpler to integrate unaccounted for water analysis into the routine business operations and the Billing team has been working with Access Dimensions to create additional reports that will provide increased visibility for planning and analysis.

Organisation

During the year the second Executive Director position has been filled by the former Business Support Manager. The new role has the title Business Support Director with the previous Business Support Manager responsibilities being expanded, as well as providing the Company Secretary duties. With meter reading being transferred in-house we recruited for a new position of Billing Administrator. Our surveyor was successful in securing overseas employment so, with reduced capital available, the duties of the post were distributed across other staff.

Total employee costs increased from £1.222 million in 2019 to £1.271 million in 2020.

During the year SHG appointed a consultancy firm to undertake an independent review of the Connect business. In May 2019 the report was published by SHG. There were no major revelations, just recommendations aligned to our current plans.

As we commence the new financial year, electricity charges remain the same which follows the trend since 2016; however, there is a 10% tariff increase on water and sewage services and the level of subsidy has been maintained at £681k. Similar to the previous year, there is a risk-sharing agreement with SHG which means that, at the end of the year, the actual subsidy claimed might be higher or lower, depending on the actual cost of diesel fuel throughout the year.

During the drought it was evident that, despite Connect placing water restrictions, there were some domestic consumers who continued to use a disproportionately high quantity of water. There were also those running businesses from home that enjoyed the domestic tariff. The Utilities Regulatory Authority approved the introduction of a third water tariff band for units over 25 consumed each quarter. 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 operates with efficiency and service as high priorities. The report to the Utilities Regulatory Authority highlights the massive improvements made since divestment in respect of reliability, quality and customer service. At the time of divestment the business plan required SHG to replace depreciated assets. Against the backdrop of reducing subsidy, Connect now funds for worn out asset replacement, with over £0.106 million invested last year.

Connect Saint Helena Ltd is proud of the significant improvements made since divestment in improving reliability, quality and customer service, significantly reducing the subsidy. During this time we have invested £2.3 million of capital, generated by the business, in replacing fully depreciated assets inherited from SHG at the time of divestment.

Disabled Employees

The company policy focuses on the person's abilities rather than their disability and states that they are entitled not to be discriminated against nor to be denied opportunities. This may mean making reasonable adjustments to the working environment for a disabled person, accommodating variations to working arrangements or taking some other positive action which would enable them to be effective in the job. At the present time we have no disabled employees, although we do have one employee who has taken an alternative position to match their changing abilities.

Research and Development

The signing of the PPA with PASH will result in a significant proportion of electricity being generated by wind and solar technologies with Lithium-ion batteries being utilised to delink supply and demand. The project is technically challenging and although the financial risk remains with PASH, any delays in producing the required quantity of electricity will impact the business.

We have also engaged with the contractor who replaced the rapid sand filtration systems in the water treatment plants in 2012 to help us overcome knowledge gaps surrounding some of the instrumentation and to establish remote monitoring links for specialist assistance. We have exhausted island knowledge in understanding some of the turbidity readings and need to bring in assistance from overseas. The travel restrictions have prevented this visit from taking place so far.

A business case is being prepared for the introduction of telemetry for key water equipment monitoring and work has commenced to establish the technical and financial viability of introducing this technology.

Future Developments

In a year’s time the renewable energy situation should be very different and 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" and the PASH development is likely to move us beyond all other island nations.

At the present time we are developing a water strategy with SHG and this will result in us investing in a water resources management plan which will set the roadmap for the next phase of the island's water development.

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

2.2 Operating Performance

The Utilities Regulatory Authority assesses us against an 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 their 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.

Public Utilities Development Plan March 2019	WHERE ARE WE NOW?	WHERE DO WE WANT TO BE?		
Performance Measure	Benchmark 2012/13	Target 2019/20	Actual 2019/20	
1. Reliability				
Overall reliability of electricity network	146	**95**	**50**	
Overall reliability of water network	1,582	**1,150**	**1399**	
2. Quality				
Appearance of treated water in CSH network Red Hill (NTU)	4 - 5	**1.75**	**Measurement Problem**	
Appearance of treated water in CSH network Hutts Gate (NTU)	4 - 5	**1.75**	**1.17**	
Appearance of treated water in CSH network Levelwood (NTU)	4 - 5	**1.75**	**1.05**	
Appearance of treated water in CSH network Jamestown (NTU)	4 - 5	**6.00**	**0.93**	
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**	**6 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 continues to improve due to the continued planned preventative maintenance programme.

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

Last year we reported visual quality issues with the Red Hill water which was due to excessive levels of silt having accumulated in the earth dam since it was constructed. With silt traps now installed upstream of the reservoir and extensive removal of silt, this problem is now resolved. 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's electricity connections took on average three days and water connections just one day.

All customer complaints were handled in accordance with the code of practice.

2.3 Principal Risks and Uncertainties

The company manages its risks through monthly board meetings where key risks are discussed through management accounts and operational reports, with the company's Risk Register being reviewed and updated throughout the year. After mitigation the Risk Register identified no risks categorised as high. A number of the low risks were removed since the Board considered that they did not warrant featuring on the Risk Register. The primary risks to the business fall into a number of categories, these are discussed as follows:

2.3.1 Political / Reputational

With the SHG commissioned review of the Connect business now complete, the report concludes that the existing governance structures are adequate. If the recommendations made in the report are accepted then this risk should reduce significantly. We are also working with SHG on a new water strategy which should create a common understanding and political support for any agreed way forward.

2.3.2 Technological

Our technological risks are associated with the business IT system. A new service contract with a private sector organisation commenced on 1 April 2019 with one of the requirements of that contract being to help the company improve our business continuity planning. Some progress has been made and, as we developed Covid-19 resilience plans, our thoughts have moved towards home-working, accessing cloud based software as the solution if we are able to afford the increase in bandwidth to our offices.

2.3.3 Legislative/Regulatory

We have a contract with Falklands Legal Services and, through close liaison, have a reasonable understanding of our legal obligation. The relationship with the Utilities Regulatory Authority remains good; however, with a new Chief Magistrate in post, we will need to maintain the relationship.

2.3.4 Environmental

The emergence of environmental legislation with tough penalties and a lack of case law presents Connect with a medium risk. We have lawyers appointed who provide us with professional advice and a specialist environmental consultancy helping us to ensure we are compliant. The whole company has undergone training and we are creating documentation to support our compliance. However, after mitigation, the Board has identified this as a medium risk.

2.3.5 Managerial / Professional / Board

Any small community has a limited range of skills. The size of the expatriate community on St. Helena indicates we are no different from other small communities. This is of concern since the departure of key staff is likely to present the company with a recruitment problem, where staff from overseas demand higher levels of remuneration. However, our retention rate is good, indicating the mitigations in place are working. Succession plans are being considered for key roles but unfortunately some key positions continue to exist without an identified successor.

2.3.6 Financial

Although considerable progress has been made in reducing fuel consumption through the expansion of renewable energy initiatives, the size of the fuel bill dictates that this is a medium risk to the business. This risk will be significantly reduced when electricity is supplied to Connect by way of the Power Purchase Agreement. Our largest debtor no longer receives utility services, so the risk of that debt increasing has been addressed; however, there is a significant debt that has been fully provided for.

2.3.7 Physical

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

2.4 Financial Performance

2.4.1 Highlights

The company recorded a net loss of £211,374 compared to a profit of £148,910 recorded in the previous year.

This was mainly due to the drought which resulted in reduced consumption and increase in costs, coupled with a reduction in electricity consumption.

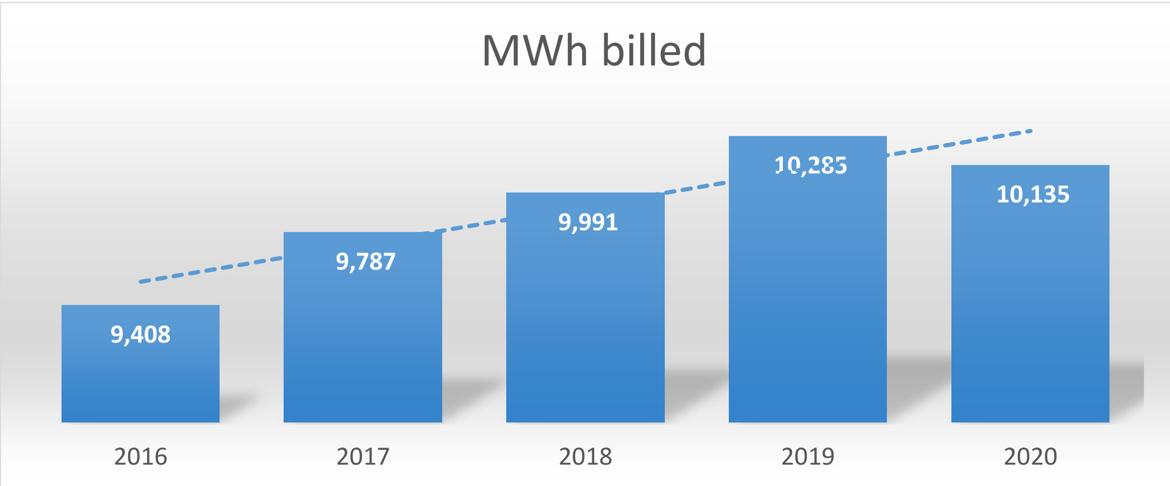
The key financial and other performance indicators were as follows:

	2020 £	2019 £	Change
Turnover	4,453,777	4,755,017	-6%
Gross profit/(loss)	(359,640)	76,642	-569%
Loss on ordinary activities before taxation	(164,308)	194,237	-185%
Net loss after tax	(211,374)	148,910	-242%
Trade debtors	645,395	768,791	-16%
Cash and bank balances	1,920,258	2,028,178	-5%
Shareholders' funds	15,820,820	15,555,475	2%
Current assets as % of current liabilities	11.90	11.81	1%
Average number of employees	72	73	-1%

2.4.2 Turnover

Electricity

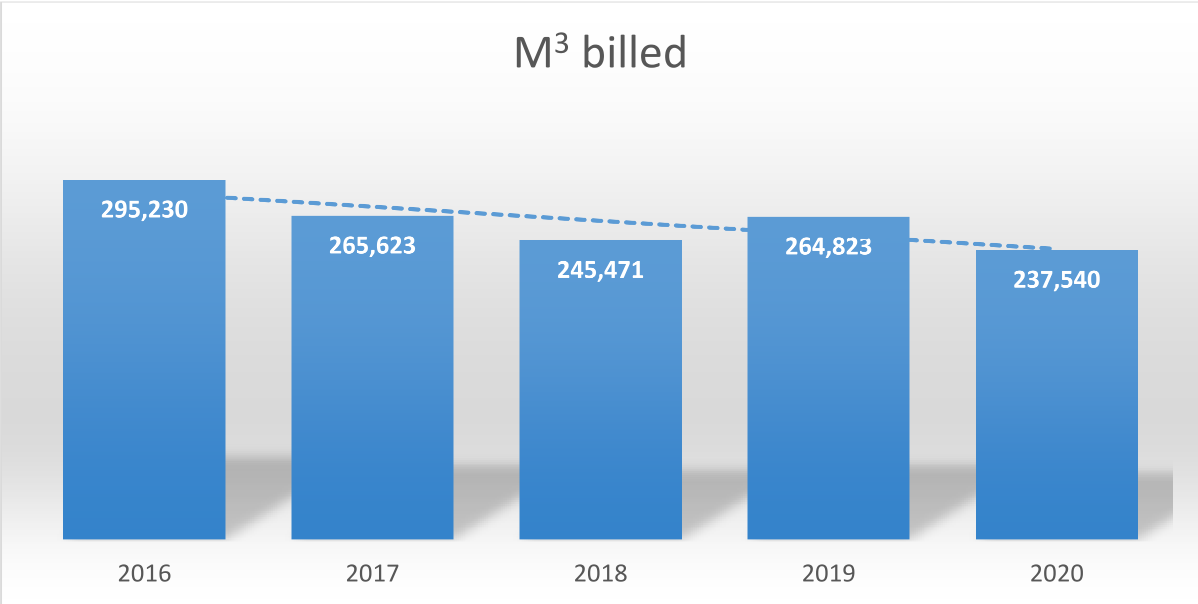
Electricity tariff income at £3.606 million recorded a 6% decline compared to last year's £3.841 million against the backdrop of decline in consumption. Consumption declined due to the cancellation of the Basil Read contract followed by a departure of their staff at Bradley's camp and reduced operations and subsequent closure, in the last quarter, of St Helena Fisheries Corporation. The year also witnessed reduced consumption by tourism dependent business due to the Covid-19 pandemic and the closure of Bertrand's cottage. We billed 10,135 MWh during the financial year, representing 1% decline on last year's 10,285 MWh. The electricity consumption during the year was below the budgeted units and the upward growth trend was not maintained, as shown by the following graph:



Water

Total unit tariff income at £434,975 was 7% below the £466,614 recorded last year due to the drought which reduced consumption through water restrictions. Water units billed this year declined by 10%

to 237,540m^3 in comparison to 264,823m^3 billed last year. The water consumption is depicted by the graph which shows that the financial year ending 2020 recorded the lowest number of cubic metres of water billed since divestment. This is mainly due to the drought which forced the company to enforce water usage restrictions. The restrictions were imposed to preserve water storage level, and were lifted at the beginning of April 2020 as water storage levels began to improve. Consumption is expected to increase for the year 2020/21.



2.4.3 Cost of Sales

Total cost of sales increased by 3% to £4.813 million in comparison to £4.678 million recorded last year, due to an increase in electricity generation fuel, maintenance and operational employee costs. Electricity generation fuel expenditure, which remains the key efficiency target, increased by 8% to £1.839 million compared to £1.703 million last year due to increase in global fuel prices. Savings in diesel generation are expected once the Power Purchase Agreement is implemented.

Operating employee costs increased by 7% to £0.808 million from £0.752 million partly due to drought related activities which included increased monitoring of underground systems (boreholes), surface flows and cleaning of catchments.

	2020	2019	
	£	£	
Electricity generation fuel	1,839,397	1,703,487	8%
Maintenance, materials and parts	1,034,841	1,046,868	-1%
Depreciation	1,022,584	1,030,476	-1%
Contracted out services	108,694	145,899	-26%
Employees	807,901	751,644	7%
	4,813,417	**4,678,375**	3%

Maintenance expenditure decreased by 1% to £1.034 million from £1.047 million.

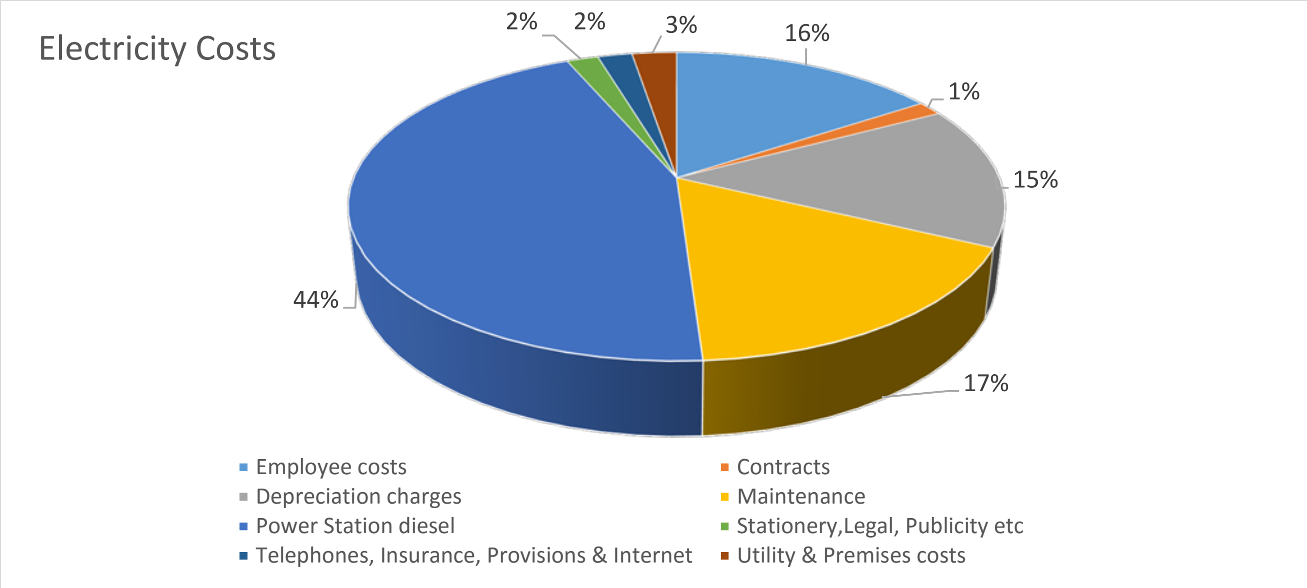
2.4.4 Divisional Performance

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

	Electricity	Water	Sewage	Internal Charges	Corporate	Consolidated
Unit charges tariff	3,959,608	436,546	-	(355,195)	-	4,040,959
Service charges	29,187	153,235	97,951	(1,136)	-	279,237
Other service income	65,729	14,006	38,608	-	15,239	133,582
Turnover	**4,054,524**	**603,787**	**136,559**	**(356,332)**	**15,239**	**4,453,777**
Cost of sales	(3,391,450)	(1,682,845)	(95,454)	356,332	-	(4,813,417)
Gross profit	**663,074**	**(1,079,058)**	**41,105**	**-**	**15,239**	**(359,640)**
Administrative expenses	(468,256)	(459,155)	(42,718)	**-**	-	(970,128)
Gain on disposal of assets	-	-	-	**-**	-	-
Revenue grant-subsidy	107,034	681,000	-	**-**	-	788,034
Amortized grants	139,004	172,048	-	**-**	-	311,052
Operating profit/(loss)	**440,856**	**(685,164)**	**(1,613)**	**-**	**15,239**	**(230,682)**
Revaluation loss	**-**	**-**	**-**	**-**	**50,999**	**50,999**
Interest receivable	-	-	-	-	20,110	20,110
Finance costs	-	-	-	-	(4,735)	(4,735)
Net profit/(loss) before tax	**440,856**	**(685,164)**	**(1,613)**	**-**	**81,613**	**(164,308)**

Electricity

Electricity is the only profit making segment with £440,856 profit after amortised grants and subsidies. During the year under review, the fuel price escalations were mitigated by a fuel risk-sharing arrangement with SHG resulting in subsidy increasing by 16% (£107k) to offset fuel price increase. It is hoped that this time next year, this risk will be mitigated after PASH commissions the renewable energy infrastructure, from which we will purchase electricity through a Power Purchase Agreement. The average tariff per kWh was £0.39 and cost £0.38 resulting in a net positive margin per kWh of £0.01. The following chart shows an analysis of the £0.38 cost;



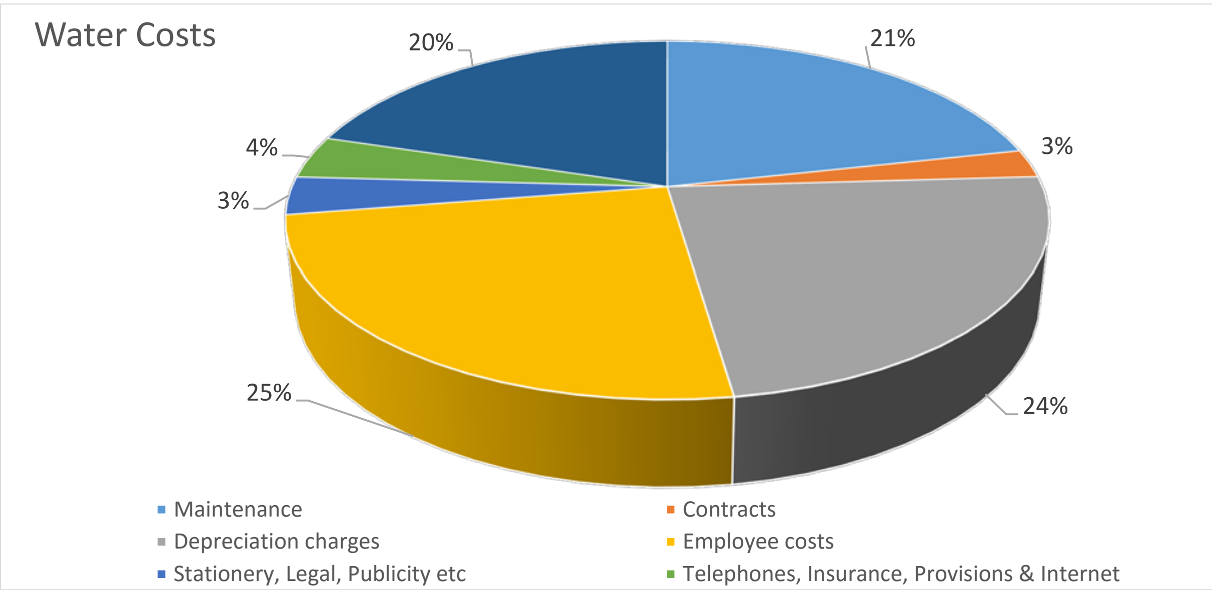
Water

Water continues to make a loss; the loss before grants and subsidies was £1.538 million. The loss was made worse by the drought which resulted in water usage restrictions as well as increased costs with regards to the pumping of water and maintenance. However, there was no increase in tariff to absorb some of the drought related expenses.

A cubic metre of water costs £8.53 to collect, treat, distribute and bill. This is nearly three times the £2.48 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.

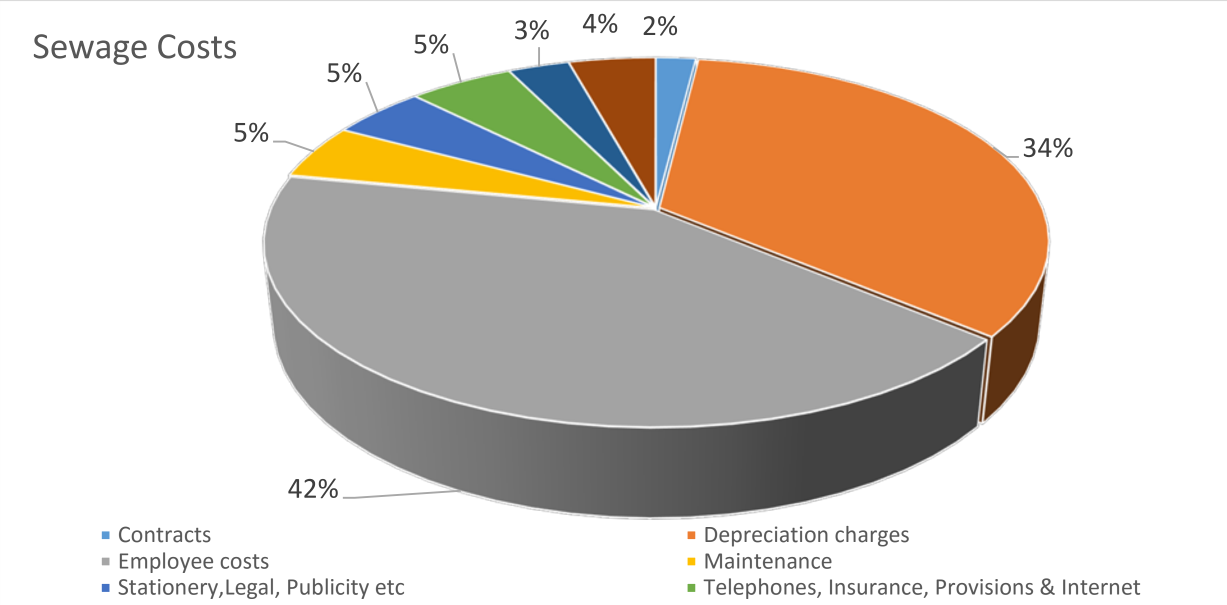
In comparison to last year, cost per cubic metre increased by 31% or £2.01 from the £6.52 to the £8.53 recorded in this financial year. The chart below shows an analysis at the £8.53 cost.

The loss also increased 43% or £1.83 per m^3 from £4.22 to £6.05. Increased consumption allows greater spread of overheads which is the reason why the restrictions in consumption resulted in a loss.



Sewage

The sewage operation made a loss of £1,613 as the service charges of £136,559 were unable to cover the costs of providing the service which was £138,172. The major cost in sewage is employee costs which amounted to 42% of total costs. The chart below shows an analysis of the cost to provide the service;



2.5 Financial Position

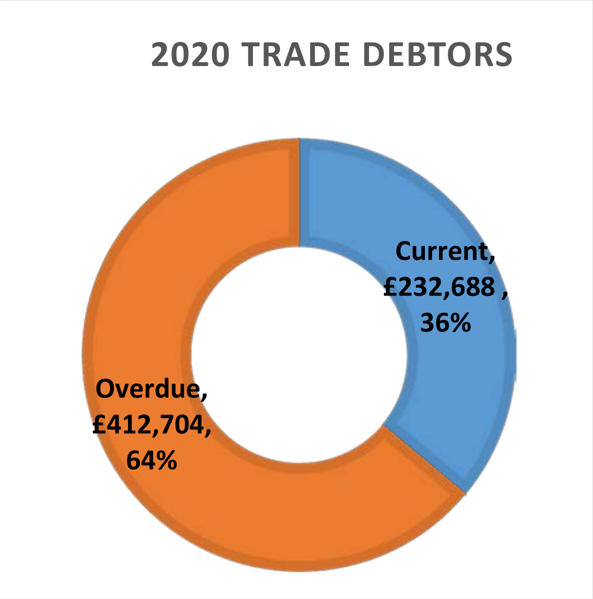
The financial position remained strong with the company in a position to settle its liabilities comfortably without impacting on service delivery. Current assets increased by £300,923 to £5.997 million in comparison to last year's £5.696 million. The current ratio, or the number of times the current assets cover current liabilities, remained very healthy at 12:1.

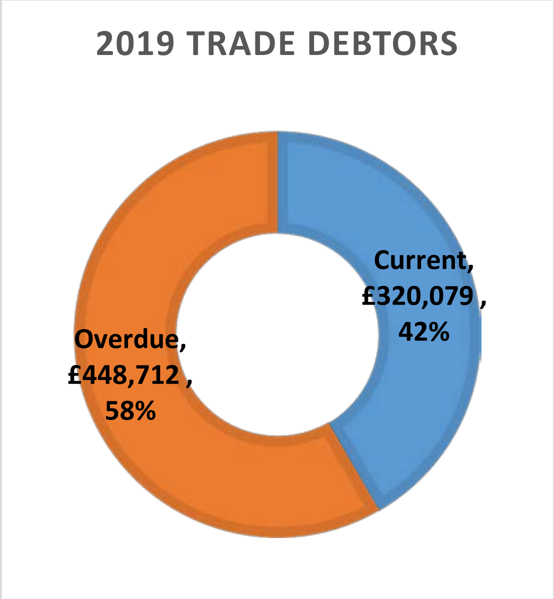
Liquidity declined during the year in line with falling revenues, with cash balances declining by £108k to £1.920 million from last year's £2.028 million.

Trade debtors declined by £123,397 to close the year at £645,539 compared to last year's £768,791. The decline in debtors has been matched by a decline in revenue. The major debtor is now under administration and a claim for the debt has been submitted to the administrator. This has resulted in cash collections declining by 2% to £4.577 million, compared to £4.674 million collected last year.

DEBTORS AND INCOME COLLECTION	2020	2019
	£000	£000
Opening debtors' balance	769	688
Turnover	4,454	4,755
Total Turnover and Debtors for Collection	**5,223**	**5,443**
Closing Debtors	**645**	**769**
Collected Cash	**4,577**	**4,674**
Collected cash as percent of total turnover & debtors	88%	86%
Collection efficiency ratio	92%	91%

The overdue debtors have increased from last year's 58% to 64%.





Stock

Efforts to reduce and minimise inventory holdings continued to be hampered by the long lead times. This necessitates the maintenance of 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 is not aware of any subsequent matters that could be of material importance to Connect Saint Helena Ltd's financial position.

Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to price, credit, and exchange risk are described in the Strategic Report on pages 3 to 19. The company has considerable financial resources, together with a secure and growing consumer base which will continue to require the utilities provided by the company. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the risks highlighted in the Strategic Report. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure of Information to the Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' Liability Insurance

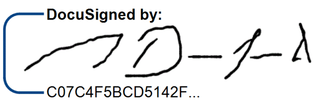
During the year and at the time of this report the company had in place a directors' liability insurance policy against possible damages, legal fees, and other civil costs and expenses in the event of a breach of duty, breach of trust, neglect, error, omission, misstatement, misleading statement, or 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.

On 7 September 2020 Group Audit Service Limited trading as Scott Moncrieff Audit Services changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name.

By order of the Board



Mike Durnford
Chair, Board of Directors

3. Directors’ Responsibility Statement

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

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

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

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation on St Helena Island governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and

- the strategic report includes a fair view of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties that they face.

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Barry Hubbard
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Barry Hubbard
Chief Executive Officer

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Mike Durnford
Chair, Board of Directors

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

Opinion

We have audited the financial statements of Connect Saint Helena Limited (the company) for the year ended 31 March 2020 which comprise the Comprehensive Income Statement, the Statement of Financial Position, the Statement of Cash Flows, and the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Ordinance 2004.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Nick Bennett
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Nick Bennett, Senior Statutory Auditor
For and on behalf of Azets Audit Services, Statutory Auditor
Exchange Place
Semple Street
Edinburgh
EH3 8BL

Date: 1 October 2020

Connect Saint Helena Ltd

5. Financial Statements for the year ended 31 March 2020

5.1 Statement of Comprehensive Income for the year ended 31 March 2020

	2020	2019	Notes
	£	£	
Turnover	4,453,777	4,755,017	3.
Cost of sales	(4,813,417)	(4,678,375)	4.
Gross (Loss)/Profit	**(359,640)**	**76,642**	
Administrative expenses	(970,128)	(961,227)	5.
Other operating income	1,099,086	1,054,051	7.
Operating (Loss)/Profit	**(230,682)**	**169,466**	
Revaluation loss	50,999	-	
Interest receivable	20,110	29,912	
Finance costs	(4,735)	(5,140)	
Profit on Ordinary Activities before Taxation	**(164,308)**	**194,237**	
Tax charge for the year	-	-	14.
Deferred tax movements	(47,067)	(45,328)	15.
(Loss)/Profit for the financial year	**(211,374)**	**148,910**	

The notes on pages 30 to 42 form an integral part of these financial statements.

Connect Saint Helena Ltd

5.2 Statement of Financial Position as at 31 March 2020

	31-Mar-20	31-Mar-19	Notes
	£	£	
Fixed Assets			
Assets under construction	1,846,899	1,502,612	8.
Tangible fixed assets	17,382,740	17,992,961	9.
	19,229,639	**19,495,574**	
Current Assets			
Inventories	2,278,595	1,896,691	10.
Debtors			
Amounts falling due within one year	1,557,891	1,542,111	11.
Amounts falling due after one year	240,383	229,224	11.
	1,798,274	1,771,336	
Cash and bank balances	1,920,258	2,028,178	
	5,997,127	5,696,205	
Creditors: amounts falling due within one year	504,152	482,168	12.
Net current assets	**5,492,975**	**5,214,036**	
Total assets less current liabilities	**24,722,614**	**24,709,610**	
Provisions for other payables and charges	567,483	504,525	18.
Retention funds	24,821	29,068	12.
Deferred government grants	8,309,490	8,620,542	19.
Net assets	**15,820,820**	**15,555,474**	
Capital and Reserves			
Share capital	14,585,598	14,585,598	22.
Revaluation reserve	955,646	502,927	
Retained profits/(losses)	279,575	466,950	
Total Shareholders’ Equity	**15,820,820**	**15,555,475**	

The notes on pages 30 to 42 form an integral part of these financial statements

These financial statements on pages 25 to 42 were approved and authorised for issue on the 29th September 2020 by the board of directors.

Signed on behalf of the Board of Directors

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Barry Hubbard
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Barry Hubbard - Chief Executive Officer

Mike Durnford – Chair, Board of Directors

Connect Saint Helena Ltd

5.3 Statement of Cash Flows

	2020 £	2019 £	Notes
Net cash flows from operating activities	**192,718**	**666,550**	17.
Cash flows from investing activities			
Payments to acquire and construct tangible assets	(300,638)	(651,913)	
Proceeds from disposal of tangible fixed assets	-	-	
Net cash used in investing activities	**(300,638)**	**(651,913)**	
Cash flows from financing activities			
Government grants received	()	()	
Ordinary share capital issued	-	-	
Net cash used in financing activities	**()**	**()**	
Net increase (decrease) in cash and cash equivalents	**(107,920)**	**14,637**	
Cash and cash equivalents at the beginning of year	2,028,179	2,013,542	
Cash and cash equivalents at end of year	**1,920,259**	**2,028,179**	

The notes on pages 30 to 42 form an integral part of these financial statements.

Connect Saint Helena Ltd

5.4 Statement of Changes in Equity

	Share Capital	Revaluation reserve	Retained Income	Total Equity	Notes
	£	£	£	£	
At 1 April 2019	14,585,598	502,927	466,950	**15,555,475**	
Asset disposal	-	-	24,000	**24,000**	
Fixed assets revaluation gains	-	452,719	-	**-**	
Retained profit/(loss) for the year	-	-	(211,374)	**(211,374)**	
At 31 March 2020	**14,585,598**	**955,646**	**279,575**	**15,820,820**	

The notes on pages 30 to 42 form an integral part of these financial statements

5.5 Notes to the Financial Statements

1. General Information

Connect Saint Helena Limited (the company) is a private company, limited by shares, which is incorporated on the British Overseas Territory of St Helena Island. The ultimate controlling party is St Helena Government. The address of its registered office and principal place of business is Seales Corner, Jamestown, St. Helena Island, South Atlantic Ocean, STHL 1ZZ. The company's principal activities are the provision of electricity, water and sewage services on the island.

2. Accounting Policies

a) Basis of preparation and accounting policies

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

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

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

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

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

b) Going concern

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

c) Revenue and expense recognition

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

d) 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 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 revalued fair amount and their useful remaining lives were revised.

e) Tangible Fixed Assets

These comprise those assets that are held by the company for current and future use to deliver company services and meet statutory obligations. The capitalisation threshold used during this financial year is £5,000 or above. Fixed assets of the company are disclosed on the Statement of Financial Position and depreciated over the estimated useful economic life of the asset. Up to 31 March 2019 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 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 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
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 done 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 average cost method.

j) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profits in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit/(tax loss) of the periods in which the company expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

k) Trade and Other Receivables

Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, the debt is recognised as a bad debt in the Income Statement.

l) Trade Payables

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into SHP using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

m) Provisions

Provisions are recognised where there is a present obligation as a result of a past event. It is probable that there will be an outflow of economic benefits to settle this obligation and a reliable estimate of this amount can be made.

n) Government Grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

o) Basic Financial Instruments

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

The basic financial instruments are recorded at transaction cost less repayments of the principal amounts.

p) Employee Benefits

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company.

The annual contributions payable are charged to the Comprehensive Income Statement in the period in which they relate.

3. Turnover

Turnover, analysed by category was as follows:	2020	2019
	£	£
Unit charges-water	434,975	466,614
Unit charges-electricity	3,605,984	3,840,911
Service charges	279,237	260,591
Other service income	133,582	186,901
	4,453,777	**4,755,017**

4. Cost of Sales

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

	2020	2019
	£	£
Electricity generation fuel	1,839,397	1,703,487
Maintenance, materials and parts	1,034,841	1,046,868
Depreciation	1,022,584	1,030,476
Contracted out services	108,694	145,899
Employees	807,901	751,644
	4,813,417	**4,678,375**

5. Administrative Expenses

Administrative expenses during the year included:

	2020	2019
	£	£
Directors and employees	463,003	469,985
Office and other administrative costs	350,715	345,578
Audit fees	28,780	21,000
Premises related costs	63,760	29,789
Depreciation	71,706	70,888
Provisions for doubtful debts	(7,836)	23,989
	970,128	**961,227**

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

	2020	2019
Electricity	26	27
Water	22	23
Administration	23	22
	71	72

6. Key Management Compensation

A total of £340,604 (2019: £369,074) included in staff costs was paid to key management and directors as compensation for their services to the company.

7. Other Operating Income

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

	2020	2019
	£	£
Government revenue grants	788,034	703,000
Amortization of government grants	311,052	351,051
Drought mitigation grant	-	-
Total Other Income	**1,099,086**	**1,054,051**

8. Assets Under Construction

Assets under construction include significant ongoing water, electricity and sewage infrastructural projects valued at cost that will result in long term assets the value of which will be transferred to tangible fixed assets and start being depreciated once they are commissioned and begin contributing economically.

	Land and Buildings	Equipment and Vehicles	Electricity Infrastructure	Water & Sewage Infrastructure	Total
Cost	£	£	£	£	£
01 April 2019	-	-	**40,223**	**1,462,389**	**1,502,612**
Additions	-	-	105,740	325,214	**430,954**
Transferred to tangible assets	-	-	(34,673)	(47,228)	**(81,900)**
Transferred to inventories	-	-	-	-	-
Charged to income statement	-	-	-	(4,767)	**(4,767)**
31 March 2020	-	-	**111,291**	**1,735,608**	**1,846,899**

9. Tangible Fixed Assets

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

	Land & Buildings	Equipment & Vehicles	Electricity Infrastructure	Water & Sewage Infrastructure	Total
Cost	**£**	**£**	**£**	**£**	**£**
01 April 2019	**1,505,664**	**1,551,842**	**18,674,546**	**16,203,031**	**37,935,083**
Transfers from assets under construction	34,673	-	-	47,228	81,900
Additions	-	8,183	16,268	-	24,451
Revaluation	380,793	-	-	-	380,793
Disposals	-	-	-	(150,000)	(150,000)
31 March 2020	**1,921,130**	**1,560,025**	**18,690,814**	**16,100,258**	**38,272,227**
Accumulated Depreciation					
01 April 2019	92,110	751,289	10,146,278	8,952,445	19,942,121
Revaluation	(122,925)	-	-	-	(122,925)
Disposals	-	-	-	(24,000)	(24,000)
Charge for the year	30,816	146,845	490,562	426,068	1,094,291
31 March 2020	**-**	**898,134**	**10,636,840**	**9,354,512**	**20,889,487**
Carrying Amounts					
At 31 March 2020	**1,921,130**	**661,891**	**8,053,974**	**6,745,746**	**17,382,740**
At 31 March 2019	**1,921,130**	**800,553**	**8,528,268**	**7,250,586**	**17,992,961**

10. Inventories

Inventories represent assets, held at cost that we intend to use in future electricity generation and water treatment or use to replace parts worn out on infrastructural assets. The bulk of these assets includes spares and parts, together with items such as electricity cables, poles and fittings and water pipework and fittings held for repairs and replacements.

	2020	2019
	£	**£**
Electricity generation inventories	565,853	354,343
Electricity distribution inventories	689,666	709,400
Water treatment and distribution inventories	658,200	532,510
Inventories held for assets under construction	267,125	209,596
Fuel	34,652	36,779
Other inventories	63,100	54,063
Total Inventories	**2,278,595**	**1,896,691**

11. Debtors

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

	2020	2019
	£	£
Trade debtors	645,395	768,791
Accrued tariffs receivable	436,960	454,507
Fuel duty refunds due from Saint Helena Government	76,758	148,156
Other receivables and prepayments	707,686	487,401
	1,866,799	1,858,855
Less: provision for credit losses	(308,908)	(316,744)
Amounts falling due within one year	**1,557,891**	**1,542,111**
Amounts falling due after more than one year:		
Deferred tax assets	240,383	229,224
Total Debtors	**1,798,274**	**1,771,336**
Provision for credit losses		
Balance at 1 April	316,744	292,755
Charged during the year	(7,836)	23,989
Closing balance at 31 March	**308,908**	**316,744**

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.

	2020	2019
	£	£
Trade payables	394,387	360,348
Corporate tax payable	-	-
Deferred income and other payables	73,277	66,826
Accruals	36,488	54,994
Amounts falling due within one year	**504,152**	**482,168**
Amounts falling due after more than one year:		
Retention funds	24,821	29,068
Total Creditors	**528,974**	**511,237**

13. Financial Risk Management

The company faces three main types of financial risk - credit risk exposure, foreign exchange currency exposure and liquidity risk. Having no debt, the company's interest rate risk is only limited to bank interest income on bank balances which is not considered a significant risk.

Credit Risk

Credit risk lies in the collection of debts incurred by the company's utilities consumers who are billed for services consumed in arrears. This risk is managed via the company's Debt Recovery-Utility Bills policy and summaries of outstanding debtors tabled at each board meeting as part of the key performance indicators. The Debt Recovery-Utility Bills policy guides management from initial risk assumption when customer's ability to pay is assessed before connection through to timeous billing, follow-ups on outstanding balances through to disconnection and legal debt recovery procedures.

Foreign Exchange Risk

Foreign exchange risk is borne by the company each time materials and supplies are ordered abroad. The majority of the materials and parts used in the operations of the company are imported from South Africa and the United Kingdom. While imports from UK do not present any exchange risk, those from South Africa 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.

Liquidity Risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. While the company expects to meet its financial obligations through operating cash flows, this ability is currently reliant upon government subsidies. The company receives these in compensation for lower than otherwise economic tariffs which it would have to levy to fully recover costs given the current subdued population-based consumption.

14. Income Tax on Profit on Ordinary Activities

	2020 £	2019 £
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	47,067	45,328
Total tax on profit on ordinary activities	**47,067**	**45,328**

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	47,067	45,328
Capital expenditure allowances		
Income tax charge for the year	**47,067**	**45,328**

15. Deferred Tax Assets and Liabilities

The following are the deferred tax liabilities and (assets) that have been recognised 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 2019	**(98,734)**	**90,041**	**(9,124)**	**95,909**	**118,831**	**196,924**
Net movement during the year	3,100	17,800	7,606	14,694	3,867	47,067
Balances at 31 March 2020	**(95,634)**	**107,841**	**(1,517)**	**110,603**	**122,698**	**243,991**

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

16. Cash from Operating Activities

	2020	2019
	£	£
Profit for the year	**(211,374)**	**148,909**
Adjustments to reconcile profit for the year to net cash flow from operating activities:		
Depreciation of tangible fixed assets	1,094,291	1,101,364
Loss on disposal of fixed assets	-	-
Amortization of government grants	(311,052)	(351,051)
Revaluation decrease	(50,999)	-
Provision for doubtful debts	(7,836)	23,989
Increase in corporate tax payable	-	-
Increase in provisions	4,733	(62,935)
Increase in trade and other receivables	(7,944)	(91,001)
Increase in trade and other payables	17,737	(99,725)
Decrease (increase) in inventories	(381,904)	(48,328)
Movements in deferred tax balances	47,067	45,328
Net cash flows from operating activities	**192,718**	**666,550**

17. Retirement Benefit Scheme

A total of £138,978 (2019: £144,134) 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 2019	76,877	1,500	426,148	**504,525**
Additions less utilized	(1,868)	6,601	-	**4,733**
Origination and reversal of timing differences	-	-	58,225	**58,225**
At 31 March 2020	**75,009**	**8,101**	**484,374**	**567,483**

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

	2020 £	2019 £
Balance at 1 April 2018	8,620,542	8,971,593
Received during the year	()	
Amortized during the year	(311,052)	(351,051)
Balance at 31 March 2019	**8,309,490**	**8,620,542**

20. Basic Financial Instruments

	2020 £	2019 £
Bank and cash	1,920,258	2,028,178
Trade debtors	1,620,173	1,645,735
	3,540,431	**3,673,914**
Trade creditors	394,387	360,348
Accruals	36,488	54,994
	24,821	
Retentions		29,068
	455,696	**444,410**
Total assets minus liabilities:	**3,084,735**	**3,229,503**

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

21. Related Party

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

Saint Helena Government-Parent

	2020 £	2019 £
Revenue		
Water and sewage	85,672	42,697
Electricity	637,569	653,467

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 2020 and 1 April 2019 of £14,585,598 and £14,585,598 respectively comprise of 14,585,598 ordinary shares.

23. Capital Commitments

The company had capital commitments for electricity and water infrastructure of £14,688 (2019: £72,632). This represents the total value of signed contracts and orders for delivery of goods and services towards infrastructural development and is funded by confirmed government grants.

24. Approval of Financial Statements

These financial statements were approved by the Board of Directors and authorised for issue on the 29th September 2020.