



SAINT HELENA AUDIT SERVICE

External Auditors

St Helena Fisheries Corporation **Financial Statements for the year ended 31 March 2018**

INDEPENDENT AUDITOR'S REPORT

To the Board of Management of the St Helena Fisheries Corporation

Adverse Opinion

We have audited the financial statements of the St Helena Fisheries Corporation (the Corporation), which comprise the statement of financial position as at 31 March 2018, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion* section of our report, the accompanying financial statements do not give a true and fair view of the financial position of the Corporation as at 31 March 2018, and its financial performance for the year then ended in accordance with the Financial Reporting Standard 102 (FRS 102) Section 1A Small Entities.

Basis for Adverse Opinion

The Corporation incurred a net loss of £142,723 during the year ended 31 March 2018 and, at that date retained losses amount to £534,085 and current liabilities exceed current assets by £30,353. In the comparative period to 31 March 2017 the Corporation reported a net loss of £231,557, retained losses of £428,435, and current liabilities exceeded current assets by £221,957. Moreover, the forward cash-flow forecasts prepared by management indicate that the Corporation may not have sufficient liquid funds to meet current liabilities as they fall due over the next 12 months.

These conditions, along with the other matters explained in Note 17, cast significant doubt on the Corporation's ability to continue as a going concern. In these circumstances management's use of the going concern basis of accounting in the financial statements is considered inappropriate. We are unable to quantify the adjustments which may be required to present the financial statements on a liquidation basis.

As reported in the prior year, we were unable to obtain sufficient appropriate audit evidence about the carrying value of the Corporation's inventory held at 1 April 2017 because no stock valuation reports were prepared or verified. The measurement of cost of sales, which is based on a margin applied on the cost of inventories, is also affected by the inadequate stock records. As a result of these matters, we were unable to determine whether any adjustments might have been necessary in respect of opening inventory, cost of sales, reported loss for the period, and associated prior year comparators.

We conducted the audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in St Helena and have fulfilled our other 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 adverse opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with FRS 102 and for such internal control as management determines 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, management is responsible for assessing the Corporation'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 management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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 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 the auditor's responsibilities for the audit of the financial statements is located in the Annex to this report. This description forms part of our auditor's report.



Phil Sharman CPFA CA
Chief Auditor

30 October 2018

St Helena Audit Service
Post Office Building, Jamestown, St Helena Island, South Atlantic Ocean, STHL 1ZZ

Annex A to the Independent Auditors Report

Further description of the auditor's responsibilities for the audit of the financial statements

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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. 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ST HELENA FISHERIES CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

**ST HELENA FISHERIES CORPORATION
CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

	Page
Entity Information	1
Board of Management Report	2
Statement of Financial Position	5
Income Statement	6
Notes to the Financial Statements	7 – 17

**ST HELENA FISHERIES CORPORATION
ENTITY INFORMATION**

COUNTRY OF INCORPORATION: St Helena Island

REGISTERED OFFICE: Ruperts Valley
St Helena Island
STHL 1ZZ

AUDITORS: St Helena Audit Service
Jamestown
St Helena

BANKERS: Bank of St Helena
Market Street
Jamestown
St Helena Island

BOARD MEMBERS: C Scipio (MLC), (Chairperson)
K Hercules (MLC)
J Thomas, (SHCFA Rep)
M Henry
G Benjamin, (SFO)

**ST HELENA FISHERIES CORPORATION
BOARD OF MANAGEMENT REPORT
FOR THE YEAR ENDED 31 MARCH 2018**

PRINCIPAL ACTIVITIES

The St Helena Fisheries Corporation (SHFC) was established (by the Fisheries Corporation Ordinance Cap. 90, as amended) in 1979. Since October 2015 SHFC has amalgamated with the Coldstore Operations.

Under the ordinance the role of the SHFC is to engage in fishing and fish marketing. SHFC is also the principal buyer and retailer of fish on St. Helena, with fishermen obliged to first offer their catch to the SHFC.

Activities

The principal aims of the Corporation are as follows:

“to facilitate the harnessing of all maritime resources in the island’s territorial waters in the most effective and sustainable way through the provision, on a commercial basis, of fish marketing to include the domestic and export markets; and to provide regulatory and support services to the local fishing sector and the island.”

Our activities comprise:

- The collection and purchasing of fish from local inshore and offshore commercial fishing vessels.
- The production, packaging, sale and delivery of ice to local commercial, sports and recreational fishermen and general public.
- The storage, dispensing, sale and delivery of fuel to local commercial fishermen.
- The production, packaging, sale and delivery of chummed bait (Squeezing) to local commercial, sports and recreational fishermen.
- The procurement, storage and sale of fishing equipment to fishermen and general public.
- The processing, storage, packaging and sale of various processed fish either fresh or frozen through export clients, local retailers or directly to the general public.
- The processing, storage, packaging, transporting and sale of frozen fish for export clients.
- The payment of all commercial fishermen for fish landed and proper allocation of fuel rebates.

Operational and Financial Review

Turnover for the year was £564,678, with Cost of Sales of £751,549 resulting in a Gross loss of £186,872 with Overheads totalling £291,786 (Distribution Costs £67,291, which was predominately export freight; Administrative Expenses £224,495, which is dominated by Salaries and repair costs; and Other Operating Income of £340,074 consisting primarily of SHG subsidy, a decrease in bad debts provision and amortisation of deferred income). This led to an operating loss of £129,153.

In 2016/17 the total landed catch was 432,236 kilograms at an average of £1.66 for every kilo sold in comparison to 2017/18 where the total landed catch was 305,145 kilograms at an average of £1.85 for every kilo sold which shows improvement in sale of fish prices.

However, the cost of sales for 2017/18 is almost the same as the previous year which attests to the number of fixed costs associated with running the operation regardless of fish landings, further validating the need for new operating infrastructure, increased sales value of products or additional fish landings.

BUSINESS IMPROVEMENT PLANS

Mitigation of the material uncertainties disclosed in Note 17 is dependent on the following primary mitigation objectives:

1. Planning & Forecasting:

SHFC improvement strategies: In December 2017, SHFC has utilised the extra financial support provided by SHG to initiate the development of an improvement group. The improvement group’s Terms of References’ has been designed to support current management in devising an improvement plan supported by people with relevant knowledge to business management. The improvement plan was completed in March 2018 and outlines a number of initiatives for implementation. Some of those initiatives have been detailed below.

- a) Financial Forecasting: The SHFC management Board approved SHFC’s financial forecasting for 2018 – 2023 in May 2018. The forecast projects a small net profit for year 2018/19 but still insolvent until year 5. The forecast indicates that increased landings of a premium quality product will generate better revenue more significantly by sea (see below). A buyer has advised that if SHFC can produce quality fish and frozen to -30 the Corporation could achieve a higher sea freight export price.
- b) Investment options: SHG fisheries investment group is in the process of preparing a “St. Helena fisheries investor prospectus”. With the current debt to Connect St Helena Ltd the inability to address large infrastructure issues, lack of premises security, increasing service costs etc, all SHFC can do is to reduce costs as much as possible until a

**ST HELENA FISHERIES CORPORATION
BOARD OF MANAGEMENT REPORT
FOR THE YEAR ENDED 31 MARCH 2018**

suitable alternative (investor) to develop a new economy for the fish resources is in place to ensure that the industry does not collapse.

2. Increase revenue:

- a) Local sales & sea freight export: In April 2018 SHFC introduced a new local pricing structure increasing the price of most tuna and increasing the product range. As a result there is already a positive effect on the Corporations local market sales. Since July 2017, both the operations and general manager have been proactive in negotiating better export prices.
- b) Transitioning from Frozen to fresh exports: as a result of airfreight export trials in January 2018, SHFC was able to apply for and has subsequently obtained grant funding to procure the first consignment of air freighting packaging materials thorough ESH. This will allow for fresh fish airfreight to be sent to SA and Ascension in the new financial year to both test market and increase SHFC revenue. In addition, plans are being devised to develop a local premium fish market.
- c) Supporting Fisheries Science: SHFC has been successful in securing a small contract to support the collection of scientific data. It is hoped that this work area will be expanded in 2018/19. In addition to this the International Pole & Line foundation (IPNLF) have agreed to fund some important key equipment items to (stainless steel benches, scales, and inventory software upgrade) to facilitate better data collection and quality management practices.

3. Quality over quantity:

In partnership with the IPNLF, SHFC has been successful in initiating a "St. Helena Tuna Brand" this is a strategic direction of the SHFC to promote quality over quantity management, and to attract niche markets who are prepared to buy into the St Helena narrative (sustainable fishing). IPNLF has been supportive in establishing important international links to new tuna buyers. They have also been instrumental in developing fishermen handling practices to land "premium" tuna. The Corporation have had buyers and industry experts visit the island to aid and develop local capacity to attain a higher quality product within the limits of the current infrastructure and the Corporations ability to assess quality via grading.

4. Introduction of a new product and pilot project:

In April 2018 SHFC has introduced a new product – "premium" Tuna. Premium tuna requires skilful handling and extra work to the Corporations current process. This type of fish is the only higher value export product that can be exported within the Corporations current infrastructure and is suitable for the Corporations new export customers. As a result a new pricing structure designed to incentivise the fishermen is being trialled. In addition SHFC will be undertaking a shelf life validation trial the purpose of which is to ensure that a robust exercise is undertaken to determine the extent of safe shelf life of SHFC fresh fish produce for both the local and export market ensuring that food safety, product quality and nutritional value is maintained through the collection of data integrity to ensure the final product is suitable and safe for human consumption. The result of this could mean that local fish will no longer be exported frozen reducing the need for freezer requirements and increasing revenue.

5. Cost saving initiatives:

- a) Downsizing factory infrastructure – SHFC wrote a proposal to ESH to provisionally secure funding to support infrastructure downsizing of one freezer, to reduce energy consumption. In March 2018 the work was tendered to a target audience. A successful tender has been selected and ESH approved the grant in June 2018. This project will be undertaken in the year 2018/19.
- b) Casual employment: The SHFC management board in May 2018 approved the exploration of casual labour requirements as a result of current staff wastage. SHFC is in the process of assessing potential candidates to create casual labour pool to call on as and when required. This will incur initial additional cost to ensure each casual employee is certified as a safe food handler via medical but will reduce the overall labour costs.

6. Infrastructure improvement plans:

- a) Replacement of key assets: As a result of the SHG granted funding SHFC has been able to outfit refrigeration circulation piping system, key small factory items have been replaced and enhanced, and a new vacuum machine has been received. Procurement of condenser and compressor services kits ongoing.

**ST HELENA FISHERIES CORPORATION
BOARD OF MANAGEMENT REPORT
FOR THE YEAR ENDED 31 MARCH 2018**

- b) A suitable Hiab Truck has been identified and SHFC management are making funding application to ensure procurement in 2018/19.
- c) SHFC Management is also making a funding application to ESH for smaller key assets (mincer etc.).

7. Reduction of Debt

Connect St. Helena: SHFC has committed to paying Connect St. Helena £5000/month.

BOARD MEMBERS

The board is appointed by the Governor of St Helena, Ascension and Tristan da Cunha in accordance with section 6(1) of the St Helena Fisheries Corporation Ordinance. There are currently two members of Legislative Council who are appointed to the Board. The other three members are appointed independently of SHG.

Board members during the year were as follows:

L A Henry MLC, (resigned June 2018)

J Thomas, (SHCFA Rep)

G F Sim, (Fisheries Industry veteran) (tenure concluded February 2018 and replaced by Martin Henry)

D Thomas MLC, (resigned August 2017)

G Benjamin, (SFO)

N Yon, (SHG Rep)

K Hercules MLC (appointed August 2017)

SHFC Management changes in year under review:

General Manager – Graeme Beckett (Acting 1 April to 30 June 2017)

General Manager - Elizabeth Clingham (from 1 July 2017)

Business Manager – Stephane Weston (resigned 30 March 2017, on leave until 7 May 2017)

Finance manager – Graeme Beckett

Operations Manager –Terri Clingham (acting June to 6 December 2017, appointed 7 December 2017)

RESPONSIBILITIES

Management are responsible for preparing the financial statements in accordance with FRS 102 Section 1A and to present the statements in such a way as to give a true and fair view of the state of affairs of the organisation for that year. All accounting policies and changes to the accounting policies used in the preparation of the financial statements are described in the accounting policies notes to the accounts.

INDEPENDENT AUDIT

There is no relevant audit information of which the auditors are unaware and the Board Members have taken all steps they ought to have taken to make themselves aware of all relevant audit information. The St Helena Audit Service will continue to Audit the accounts of the organisation in accordance with the organisation's governing legislation (St. Helena Fisheries Corporation Ordinance CAP 90).

Approved by the Board and signed on their behalf by:


.....
Chairperson – Christine Scipio MLC

Date: 30/10/18
.....

ST HELENA FISHERIES CORPORATION
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	NOTES	2017/18 £	2016/17 £
FIXED ASSETS			
PROPERTY, PLANT AND EQUIPMENT	2	65,187	93,842
CURRENT ASSETS			
NON – CURRENT ASSETS HELD FOR SALE		7,234	-
INVENTORIES	3	107,999	99,638
DEBTORS	4	95,677	146,525
CASH AT BANK AND IN HAND		17,453	21,552
		<u>228,363</u>	<u>267,715</u>
LIABILITIES (<i>Amounts falling due within one year</i>)	5	258,716	489,672
NET CURRENT LIABILITIES		<u>(30,353)</u>	<u>(221,957)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>34,834</u>	<u>(128,115)</u>
LIABILITIES (<i>Amounts falling due after more than one year</i>)	5	345,610	39,939
NET LIABILITIES		<u><u>(310,776)</u></u>	<u><u>(168,054)</u></u>
CAPITAL AND RESERVES			
CAPITAL RESERVE		223,309	252,049
RETAINED LOSS	8	(534,085)	(428,435)
REVOLVING STAFF LOAN FUND		-	8,333
		<u><u>(310,776)</u></u>	<u><u>(168,054)</u></u>

The accounting policies and notes on pages 7 to 17 form part of these financial statements.

ST HELENA FISHERIES CORPORATION
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	NOTES	2017/18 £	2016/17 £
TURNOVER		564,678	718,692
COST OF SALES	9	<u>(751,549)</u>	<u>(778,317)</u>
GROSS LOSS		(186,872)	(59,626)
DISTRIBUTION COSTS		(67,291)	(127,064)
ADMINISTRATIVE EXPENSES	10	(224,495)	(220,518)
DECREASE/(INCREASE) IN BAD DEBTS PROVISION		9,430	(14,369)
OTHER OPERATING INCOME	12	<u>340,074</u>	<u>193,565</u>
OPERATING LOSS		(129,153)	(228,011)
INTEREST RECEIVABLE		719	585
INTEREST PAYABLE AND SIMILAR CHARGES		(14,289)	(4,131)
LOSS FOR THE FINANCIAL YEAR		<u><u>(142,723)</u></u>	<u><u>(231,557)</u></u>

These accounts have been prepared in accordance with the Saint Helena Fisheries Corporation Ordinance in line with FRS 102 Section 1A reporting framework.

Approved by the Board and signed on their behalf by:



.....
Chairperson – Christine Scipio MLC

The accounting policies and notes on pages 7 to 17 form part of these financial statements.

**ST HELENA FISHERIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. NOTES TO THE FINANCIAL STATEMENTS

a) Statutory information

St Helena Fisheries Corporation is a body corporate established in November 1979 through the St Helena Fisheries Corporation Ordinance. It is domiciled on St Helena Island. The registered office is at Ruperts, Ruperts Valley. It is wholly owned by St Helena Government which is the ultimate parent of the Company. The address of its registered office and principal place of business is The Castle, Jamestown, St Helena Island, STHL 1ZZ.

b) Compliance with Accounting standards

The financial statements have been prepared in accordance with the provisions of FRS 102 Section 1A small entities. There were no material departures from that standard.

c) Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below (unless otherwise stated) have remained unchanged from the previous period, and have been consistently applied within the financial statements.

The financial statements have been prepared on a going concern basis which assumes that the organisation will continue in existence, and that the scale of its operations will not be significantly curtailed, for the foreseeable future.

d) Currency

The presentation currency is Saint Helena Pound (£)

e) Property, Plant and Equipment and depreciation

Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost of fixed assets over their expected useful lives as follows:

Buildings	10 to 25 years
Motor Vehicles	5 years
Plant and equipment	3 to 10 years
Furniture, Fixtures and Fittings	3 to 10 years

Property, Plant and Equipment costing less than £500 are charged directly to the income statement.

f) Inventories

Cost of fish is determined as the costs of purchase, costs of conversion and other costs incurred in bringing the fish to its present location and condition.

Cost of spares is the cost that was incurred upon purchase of the stock.

g) Revenue recognition

Income is recognised when goods have been delivered to customers such that risks and rewards of ownership have transferred to them.

h) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

Balances at the year-end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

ST HELENA FISHERIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018

i) Government grants

Government grants in relation to Property, Plant and Equipment are credited to the income statement over the useful lives of the related assets, whereas those in relation to expenditure are credited when the expenditure is charged to profit and loss.

j) Pension costs

The Corporation operates a defined contribution scheme for the benefit of employees. Contributions payable are recognised in the income statement when due.

k) Financial instruments

Financial assets

Financial assets are recognised initially at fair value which is normally the transaction price. Subsequently, they are measured at fair value through profit or loss except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available. If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

l) Leasing

Property, plant and equipment acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

m) Restatement

An asset count and verification was carried out during the year which resulted in changes to the fixed asset register. The changes had an overall nil effect on both the statement of income and the statement of financial position.

ST HELENA FISHERIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018

2. PROPERTY, PLANT AND EQUIPMENT

COST	Buildings	Motor Vehicles	Furniture, Fixtures and Fittings	Plant and Equipment	Total
	£	£	£	£	£
At 1 April 2017	64,747	142,099	8,060	69,264	288,780
Additions	-	-	5,135	-	525
Disposals/write off	(23,158)	(1,001)	-	-	(24,159)
At 31 March 2018	<u>41,589</u>	<u>141,098</u>	<u>13,195</u>	<u>69,264</u>	<u>265,146</u>
DEPRECIATION					
At 1 April 2017	64,745	109,091	4,638	16,465	194,939
Eliminated on disposal/write off	(23,158)	(1,000)	-	-	(1,000)
Charge for the year	-	11,519	4,014	13,645	6,020
At 31 March 2018	<u>41,587</u>	<u>119,610</u>	<u>8,652</u>	<u>30,110</u>	<u>199,959</u>
NET BOOK VALUE 31 March 2018	<u><u>2</u></u>	<u><u>21,488</u></u>	<u><u>4,543</u></u>	<u><u>39,154</u></u>	<u><u>65,187</u></u>
NET BOOK VALUE 31 March 2017	<u>2</u>	<u>33,008</u>	<u>3,422</u>	<u>57,409</u>	<u>93,842</u>

ST HELENA FISHERIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018

3. INVENTORIES

	2017/18 £	2016/17 £
Fuel	4,581	-
Stores	36,339	90,790
Fish	67,079	17,018
	107,999	107,808
Less Provision for Obsolescence	-	(8,170)
Total	107,999	99,638

4. DEBTORS

	2017/18 £	2016/17 £
Trade debtors	146,590	152,731
Receivable from the sale of SMRL shares	-	55,000
Other debtors	4,117	3,260
Total Debtors	150,707	210,991
Less bad debts provision	(55,030)	(64,465)
Total	95,677	146,525

ST HELENA FISHERIES CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS - continued
 FOR THE YEAR ENDED 31 MARCH 2018

5. LIABILITIES

	NOTES	2017/18 £	2016/17 £
Liabilities - amounts falling due after more than one year			
Trade Creditors: Connect		139,940	-
SHG loan		174,000	-
Bank loan		-	3,123
Deferred income	7	<u>31,670</u>	<u>36,815</u>
		<u>345,610</u>	<u>39,939</u>

		2017/18 £	2016/17 £
Liabilities - amounts falling due within one year			
SHG working capital loan		-	174,000
Bank loan		3,123	18,100
Trade Creditors: SHG and related parties		149,838	148,922
Trade creditors: Other		58,733	38,876
Other creditors and accruals	6	14,918	66,992
Deferred income	7	<u>32,104</u>	<u>42,782</u>
		<u>258,716</u>	<u>489,672</u>

The bank loan is secured by a Ford Transit Bus, Reg No.4566 and Ford Ranger, Reg No. 2827

ST HELENA FISHERIES CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS - continued
 FOR THE YEAR ENDED 31 MARCH 2018

6. OTHER CREDITORS AND ACCRUALS

	2017/18 £	2016/17 £
Electricity accrual	-	45,414
Audit fee accrual	15,200	12,700
Other creditors and accruals	(282)	8,878
	14,918	66,992

7. DEFERRED INCOME

	2017/18 £	2016/17 £
<u>To be recognised after more than a year</u>		
Opening balance	43,911	21,727
Capital grants added	-	40,428
Capital grant income amortised during the year	(8,199)	(18,244)
Capital grant income to be amortised in the following year	35,712	43,911
	(4,043)	(7,096)
	31,669	36,815
<u>To be recognised within one year</u>		
FAD Fabrication grant	6,286	6,286
Longline Equipment grant	9,214	9,214
ESH development grant	12,561	20,187
Capital grant amortised during the year	4,043	7,096
	32,104	42,782

ST HELENA FISHERIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018

8. RETAINED EARNINGS/ (LOSS)

	2017/18 £	2016/17 £
Balance brought forward at start of year	(428,435)	(196,878)
Transfers to retained earnings	37,073	-
Profit/(Loss) for the year	(142,723)	(231,557)
Closing Balance	<u>(534,085)</u>	<u>(428,435)</u>

9. COST OF SALES

Included in cost of sales is an amount of £88,385 relating to stock write off. The reasons for this are:

- a) The original stock valuation was based on the take over from AACS (Oct 2015) which included many items, particularly spares and electrical components, which were considered either obsolete or in a deteriorated condition
- b) The monthly issues to the coldstore floor from storage were understated since the value was based on 2015 costing (described in point a).
- c) There have been cases where stock received for repairs and maintenance was incorrectly allocated to stock and not expensed.

The impact on prior years is unknown, the total amount has thus been written off in the current year.

ST HELENA FISHERIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018

10. ADMINISTRATIVE EXPENSES

	2017/18	2016/17
	£	£
Audit fees	16,005	14,301
Cleaning expenses	1,590	4,290
Communication charges	10,855	12,855
Depreciation	29,178	24,284
Insurance	5,224	1,907
Motor Vehicle Costs	4,107	11,214
Professional Fees	12,272	3,006
Protective Clothing	1,762	2,326
Rents & Rates	6,879	1,150
Repairs & Maintenance	38,399	7,144
Salaries	86,382	113,732
Stationary, Printing & Postage	1,317	552
Subscriptions	-	1,839
Sundry Expenses	8,525	6,237
(Profit)/Loss on disposal of Fixed Assets	(49)	14,000
Transport Costs	1,750	608
Travel Expenses	299	1,075
	<u>224,495</u>	<u>220,518</u>

11. PENSION COSTS

The Corporation operates a defined contribution pension scheme through Solomon & Co. (St. Helena) PLC on behalf of its employees. Pension costs during the year amounted to £7,828 (2016/17 £6,911), there were no outstanding or prepaid contributions at 31 March 2018.

ST HELENA FISHERIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR 31 MARCH ENDED 2018

Key management

The key management personnel of SHFC are the Board of Management working together with the General Manager and the Fisheries Improvement Group.

The aggregate remuneration for the General Manager during the year was £16,085.

The aggregate remuneration for the Business Manager during the year was £10,552

16. POST BALANCE SHEET EVENTS

- a. The remaining claim of £66,306 was made in May & June 2018 on the £100,000 Connect St. Helena creditor guarantee provided by SHG.
- b. Capital items (vacuum machine, pallet jacks, spares etc) worth £27,921 were purchased.
- c. A grant of £16,000 was received from ENRD for procurement of fish tubs
- d. £52,979 was received as part of the £73,000 grant funding for urgent capital investment
- e. £100,000 additional subsidy for working capital was approved by SHG on the 18th September 2018.
- f. Capital grant funding for Compressor Service Kit of £10,000 was approved by SHG on the 18 September 2018.

17. DISCLOSURES IN RESPECT OF GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes that the Corporation will continue as a going concern. However there is substantial doubt about the entity's ability to continue as a going concern and as a result it may be unable to realise its assets and discharge its liabilities in the normal course of business. The principal conditions and events raising doubt on the ability of the Corporation to continue as a going concern, an evaluation of their significance and managements plans to mitigate these are given below;

Principal conditions and events raising substantial doubt about the entity's ability to continue as a going concern.

- i. It is reasonable to note that all risks are interlinked and without addressing all at a practicable level, SHFC is unlikely to recover from its current financial position and will thus be forced to close. Major costs are outside of SHFC's control (e.g. utility and freight)
- ii. Reoccurring and growing operating losses – this risk is a definite and will result in closure within the following financial year without significant investment into infrastructure.
- iii. Working capital deficiencies – this risk is imminent and due to lack of funds the resultant liabilities of the business will escalate, assets will depreciate, making it impossible for the operation to recover.
- iv. Negative cash flows from operating activities – will jeopardise the Corporations relationships with essential creditors, as a result of delayed payments and could result in having such essential services disconnected/not being available (Connect St Helena) which would prevent the Corporation from operating as a business within the following financial year.
- v. Default on loans (SHG) – SHFC has not honoured any loans received from SHG in this financial year but was in the position to request additional funding. The loan terms has not been honoured which has placed SHFC in a difficult position when requesting additional investment from SHG to address the Corporations current situation. These outstanding commitments stand at £174,000.
- vi. Adverse key financial ratios – SHFC will continue to operate within current adverse financial ratios until new/efficient assets including the downsizing of their current cold storage facility is in place, which is essential if the Corporation are to operate more effectively.
- vii. Inability to keep creditors current – SHFC is in juggling position, whereby the Corporation are continuously expected to prioritise payments, which will result in key services being discontinued, therefore making it impossible for the business to continue operations.
- viii. Asset and building degradation and oversized factory facility –all primary assets are beyond their useful working lives, the facility is not relative to industry throughput, has failing structural flaws which incurs added operational (specifically inefficient energy consumption) and reactive repairs cost.
- ix. Access limitation and freight costs – For most of the year SHFC's only avenue for export was via sea

ST HELENA FISHERIES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR 31 MARCH ENDED 2018

- freight a cost that from February 2018 has increased from £3,900 to £5,100 per container. Since January 2018 SHFC has been able to send small quantities of fresh fish via airfreight.
- x. Product shelf life limitations – currently fresh fish incurs a shelf life of 7 days from date of landing. Industry standards under ideal conditions shelf life can be extended from up to 21days.
 - xi. Flexibility of Staffing – Currently the Corporation have a staff compliment of 23. The unpredictability of fishing makes it difficult to tailor staffing requirements to quantities of fish received.
 - xii. Limited ability to change product type due to building layout and current infrastructure – The current factory was designed to receive and freeze fish only. The current processing area is incorrectly laid out to accommodate multiple fish processing creating processing inefficiencies. Major changes required to handle support quality over quantity processing.
 - xiii. Lack of long-term premises security – The SHFC cold-store building is not leased. The current location has been earmarked for removal pending approval of the Ruperts Development Plan. SHFC has been informally advised that the option of remaining in its current location may not exist beyond the next 3 years. With this considered Management is unsure as to what level of work should be carried out to undertake cost saving initiatives as they might be short lived and there will be no return on investment and would most likely not be transferrable.
 - xiv. Lack of commercial management direction – SHFC is 100% owned by SHG, the current Board of Management composition is dictated by the local legislation which does not allow for the flexibility to appoint a Board of Management who are commercially experienced and have knowledge of tuna trading.
 - xv. Lack of technical in-house innovation: The current engineering capacity are competent in the care and maintenance of the current refrigeration system and are innovative in developing small cost saving initiatives however, SHFC lacks technical innovative problem-solving solutions
 - xvi. Lack of sufficient in-house senior management: The current Senior Management Team of SHFC consists of three people; the general, finance and operations managers. Current business status required additional support.