

S.P. 02/18



**St Helena  
Government**

**ST HELENA FISHERIES CORPORATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2017**

*Laid on the table 25th January 2018*





# SAINT HELENA AUDIT SERVICE

External Auditors

**St Helena Fisheries Corporation**  
**Financial Statements for the year ended 31 March 2017**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Management of the St Helena Fisheries Corporation

### **Qualified 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 2017, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* sector of our report, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 March 2017, 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 Qualified Opinion**

The income statement reports cost of sales of £778,317 for the financial year and inventory of £99,638 at 31 March 2017 as disclosed in note 4 to the statement of financial position.

We were unable to obtain sufficient appropriate audit evidence about the carrying value of the Corporation's inventory as at 31 March 2017 because no stock valuation reports were prepared or verified. We were unable to use alternative means to establish the quantity and value of inventory held at year end. 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.

In addition, there were insufficient records and weak controls over the fuel used by the generator during the year and included in cost of sales. We were unable to confirm or verify by alternative means the cost of fuel included in the income statement at an amount of £24,030 for the year.

As a result of these matters, I was unable to determine whether any adjustments might have been necessary in respect of inventories and cost of sales.

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 opinion.

### **Material Uncertainty Related to Going Concern**

In forming our opinion, we have considered the adequacy of the disclosures made in Note 17 to the financial statements concerning the Corporation's ability to continue as a going concern.

The Corporation incurred a net loss of £231,557 during the year ended 31 March 2017 and, at that date retained losses amount to £428,435 and current liabilities exceed total assets by £128,115. In the comparative period to 31 March 2016 the Corporation reported a net loss of £18,727, retained losses of £196,878, and total assets exceeding current liabilities by £73,262.

These trading conditions, along with the other matters explained in Note 17, indicate the existence of a material uncertainty which may cast significant doubt on the Corporation's ability to continue as a going concern. My opinion is not modified in respect of this matter.

### **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 CA CPFA  
Chief Auditor

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

14 December 2017

## ***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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



**ST HELENA FISHERIES CORPORATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**ST HELENA FISHERIES CORPORATION  
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FOR THE YEAR ENDED 31 MARCH 2017**

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**ST HELENA FISHERIES CORPORATION  
ENTITY INFORMATION  
FOR THE YEAR ENDED 31 MARCH 2017**

<b>COUNTRY OF INCORPORATION:</b>	St Helena Island
<b>REGISTERED OFFICE:</b>	Ruperts Valley St Helena Island STHL 1ZZ
<b>AUDITORS:</b>	St Helena Audit Service Jamestown

**ST HELENA FISHERIES CORPORATION  
DIRECTORS REPORT  
FOR THE YEAR ENDED 31 MARCH 2017**

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**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.

The past year has been a transitional one for the corporation as it was the first full year in which the Coldstore operations (previously Argos) and SHFC were amalgamated as one operation.

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.

In the year under review, fish landings totalling 432,236 kilograms were below the budget of 500,000 kilograms; representing a shortfall of 67,764 kilograms (13.6%). The total Turnover for the year was £718,692, with Cost of Sales of £778,317 resulting in a Gross loss of £59,626 - with Overheads totalling £361,950 (Distribution Costs £127,064, which is predominately export freight; Administrative Expenses £220,518, which is dominated by Salaries; and Other Operating Income of £193,565 consisting primarily of SHG subsidy and amortisation of deferred income). This led to an operating loss of £228,011.

A direct comparison of current year against the 2015/16 results cannot be made due to the amalgamation of the Coldstore operations with SHFC which took place in October 2015.

The significant increase in operating costs has adversely impacted the business's financial performance and highlights the need for significant injection of capital to enable the business to run more efficiently and relative to the scale of industry.

**Activities**

Following the adoption of the current business plan, the principal aims of the Corporation have been changed 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 fisherman and general public
- The storage, dispensing, sale and delivery of fuel to local commercial fisherman.
- The production, packaging, sale and delivery of chummed bait (Squeezing) to local commercial, sports and recreational fisherman.
- The procurement, storage and sale of fishing equipment to fisherman 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 fisherman for fish landed and proper allocation of fuel rebates.

**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,  
J Thomas, (SHCFA Rep)  
G F Sim, (Fisheries Industry veteran)  
D Thomas MLC,  
M Olsson MLC (temporary)  
G Benjamin, (SFO)  
N Yon, (SHG Rep)  
Daryl Harris (resigned)  
Robert Midwinter (resigned)

SHFC Management changes in year under review:

General Manager – Terry Richards (Retired 31st March 2017)  
Business Manager – Stephane Weston (Appointed 15th August 2016 and resigned 30th March 2017)  
Finance Manager – Jacqui Williams (resigned August 2016)

Finance manager – Graeme Beckett (commenced 15 September 2016)  
Operations Manager – Melvyn John O'Bey (Retired 27 January 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 directors and 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:

  
.....  
Chairman – Cllr Lawson Henry

Date: 14-12-17.....

**ST HELENA FISHERIES CORPORATION**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	NOTES	2016/17 £	Restated 2015/16 £
TURNOVER		718,692	378,994
COST OF SALES		<u>(778,317)</u>	<u>(358,204)</u>
<b>GROSS PROFIT/(LOSS)</b>		(59,626)	20,791
DISTRIBUTION COSTS		(127,064)	(31,780)
BAD DEBTS		(14,369)	(42,913)
ADMINISTRATIVE EXPENSES	13	(220,518)	(118,104)
OTHER OPERATING INCOME	11	<u>193,565</u>	<u>141,642</u>
<b>OPERATING PROFIT/(LOSS)</b>		(228,011)	(30,365)
INTEREST RECEIVABLE		585	3,162
VALUE ADJUSTMENTS ON INVESTMENTS		-	9,971
INTEREST PAYABLE AND SIMILAR CHARGES		(4,131)	(1,495)
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<u><u>(231,557)</u></u>	<u><u>(18,727)</u></u>

The accounting policies and notes on pages 6 to 14 form part of these financial statements.

**ST HELENA FISHERIES CORPORATION**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

	NOTES	2016/17 £	Restated 2015/16 £
<b>FIXED ASSETS</b>			
PROPERTY, PLANT AND EQUIPMENT	2	93,842	31,969
<b>CURRENT ASSETS</b>			
FINANCIAL ASSETS	3	-	65,000
INVENTORIES	4	99,638	75,479
DEBTORS	5	146,525	189,332
CASH AT BANK AND IN HAND		21,552	17,123
		<u>267,715</u>	<u>346,934</u>
CREDITORS ( <i>Amounts falling due within one year</i> )	6	489,672	305,641
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<u>(221,957)</u>	<u>41,293</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(128,115)</u>	<u>73,262</u>
CREDITORS ( <i>Amounts falling due after more than one year</i> )	6	39,939	9,757
<b>NET ASSETS/(LIABILITIES)</b>		<u><u>(168,054)</u></u>	<u><u>63,505</u></u>
<b>CAPITAL AND RESERVES</b>			
CAPITAL RESERVE		252,049	252,049
RETAINED PROFIT/(LOSS)	9	(428,435)	(196,878)
REVOLVING STAFF LOAN FUND		8,333	8,333
		<u><u>(168,054)</u></u>	<u><u>63,505</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:

  
 .....  
 Chairman – Cllr Lawson Henry

The accounting policies and notes on pages 6 to 14 form part of these financial statements.

**ST HELENA FISHERIES CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**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.

These financial statements for the year ended 31 March 2017 are the first financial statements that comply with FRS 102 Section 1A small entities. The date of transition is 1 April 2015.

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 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**

Stocks are valued at the lower of cost and estimated selling price less costs to sell.

**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.

**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**

**i) 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.

**ii) 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. Long term debtors and creditors are recognised at amortised cost

**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) Change in accounting policy**

The Corporation changed its accounting policy for recognising its investment in SMRL from the equity method of valuation to fair value. The change results in the financial statements providing reliable and more relevant information since an agreed price for the shares in the company is available.

The effect of the change in accounting policy is as follows

	2016/17 £	2015/16 £
<b>Value adjustments on investments</b>		
As previously stated	-	(34,218)
Effect of change in policy on expenses	-	44,189
Restated balance	-	9,971
<b>Other operating income</b>		
As previously stated	-	159,450
Effect of change in policy on income	-	(17,807)
Restated balance	-	141,642
<b>Financial assets</b>		
As previously stated	-	38,619
Effect of change in policy on assets	-	26,382
Restated balance	-	65,000
<b>Retained earnings</b>		
As previously stated	-	(223,260)
Effect of change in policy on retained earnings	-	26,382
Restated balance	-	(196,878)

**ST HELENA FISHERIES CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**2. PROPERTY, PLANT AND EQUIPMENT**

<b>COST</b>	<b>Buildings £</b>	<b>Motor Vehicles £</b>	<b>Furniture, Fixtures and Fittings £</b>	<b>Plant and Equipment £</b>	<b>Total £</b>
At 1 April 2016	64,747	106,599	8,060	42,169	221,575
Additions	-	35,500	-	56,258	91,758
Disposals/write off	-	-	-	(24,554)	(24,554)
At 31 March 2017	<u>64,747</u>	<u>142,099</u>	<u>8,060</u>	<u>73,874</u>	<u>288,780</u>
<b>DEPRECIATION</b>					
At 1 April 2016	64,745	98,614	2,319	23,929	189,607
Eliminated on disposal/write off	-	-	-	(18,951)	(18,951)
Charge for the year	-	10,477	2,319	11,487	24,283
At 31 March 2017	<u>64,745</u>	<u>109,091</u>	<u>4,638</u>	<u>16,465</u>	<u>194,939</u>
<b>NET BOOK VALUE 31 March 2017</b>	<u><b>2</b></u>	<u><b>33,008</b></u>	<u><b>3,422</b></u>	<u><b>57,408</b></u>	<u><b>93,842</b></u>
<b>NET BOOK VALUE 31 March 2016</b>	<u><b>2</b></u>	<u><b>7,985</b></u>	<u><b>5,741</b></u>	<u><b>18,240</b></u>	<u><b>31,968</b></u>

**3. FINANCIAL ASSETS**

	<b>Shares</b>	<b>Shares</b>
Ordinary Class A	-	73,700
Ordinary Class B	-	10,000
	-	<u><b>83,700</b></u>
	<b>£</b>	<b>£</b>
Valuation at start of financial period	65,000	105,029
Sale of shares	(65,000)	(50,000)
Profit on sale of investment	-	17,807
Fair value adjustment	-	(34,218)
Change in accounting policy	-	26,382
	<u><b>0</b></u>	<u><b>65,000</b></u>

The MFV Extractor was lifted and inspected by the buyer of SMRL shares on 31 March 2017 which crystallised the sale and consequent transfer of the SHFC remaining 31% shareholding in July 2017.



**ST HELENA FISHERIES CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**4. INVENTORIES**

	2016/17	2015/16
	£	£
Fuel	-	4,345
Stores	90,790	68,360
Fish	17,018	10,944
	<u>107,808</u>	<u>83,649</u>
Less Provision for Obsolescence	(8,170)	(8,170)
<b>Total</b>	<b><u>99,638</u></b>	<b><u>75,479</u></b>

**5. DEBTORS**

	2016/17	2015/16
	£	£
Trade debtors	152,731	240,566
Receivable from the sale of SMRL shares	55,000	-
Other debtors	3,260	-
	<u>210,991</u>	<u>240,566</u>
Less bad debts provision	(64,465)	(51,234)
<b>Total</b>	<b><u>146,525</u></b>	<b><u>189,332</u></b>

**6. CREDITORS**

	NOTES	2016/17	2015/16
		£	£
<b>Creditors - amounts falling due within one year</b>			
SHG working capital loan		174,000	74,000
Bank loan		18,100	-
Bank overdraft		-	8,573
Amounts owed to SHG and related parties.		148,922	67,041
Trade creditors		38,876	41,110
Other creditors and accruals	7	66,992	63,864
Deferred income	8	42,782	51,054
		<u>489,672</u>	<u>305,641</u>

**ST HELENA FISHERIES CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	2016/17	2016/17
	£	£
<b>Creditors - amounts falling due after more than one year</b>		
Bank loan	3,123	-
Deferred income	8 36,815	9,757
	<u>39,939</u>	<u>9,757</u>

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

**7. OTHER CREDITORS AND ACCRUALS**

	2016/17	2015/16
	£	£
Electricity accrual	45,414	36,217
Audit fee accrual	12,700	11,399
Other creditors and accruals	8,878	16,248
	<u>66,992</u>	<u>63,864</u>

**8. DEFERRED INCOME**

	2016/17	2015/16
	£	£
<u>To be recognised after more than a year</u>		
Opening balance	21,727	25,636
Capital grants received	40,428	8,060
Capital grant income amortised during the year	<u>(18,244)</u>	<u>(11,970)</u>
	43,911	21,727
Capital grant income to be amortised in the following year	<u>(7,096)</u>	<u>(11,970)</u>
	<b>36,815</b>	<b>9,757</b>
<u>To be recognised within one year</u>		
Opening balance	51,054	54,334
Grants received during the year	10,000	9,214
Capital grant to be amortised within a year	7,096	11,970
Current deferred income utilised during the year	(8,398)	(14,813)
Capital grant amortised during the year	(11,970)	(9,650)
Reclassified to creditors	(5,000)	-
	<u>42,782</u>	<u>51,054</u>

ST HELENA FISHERIES CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS - continued  
 FOR THE YEAR ENDED 31 MARCH 2017

9. RETAINED EARNINGS/ (LOSS)

	2016/17 £	2015/16 £
Balance brought forward at start of year	(196,878)	(178,152)
Profit/(Loss) for the year	(231,557)	(45,108)
Restatement for changes in accounting policy	-	26,382
Closing Balance	<u>(428,435)</u>	<u>(196,878)</u>

10. OPERATING LEASE COMMITMENTS

	2016/17 £	2015/16 £
Within 1 year	92	550
Within two to five years	-	92
	<u>92</u>	<u>642</u>

At 31 March 2017 the corporation had annual commitments under an operating lease for buildings leased from SHG as follows.

11. OTHER OPERATING INCOME

	2016/17 £	2015/16 £
SHG Grant	159,955	120,000
Sale of fixed assets	900	250
Deferred Income amortisation	31,879	18,721
Miscellaneous Income	832	2,671
	<u>193,565</u>	<u>141,642</u>

**ST HELENA FISHERIES CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**12. 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 £6911 (2015/16 £7728), there were no outstanding or prepaid contributions at 31 March 2017.

**13. ADMINISTRATIVE EXPENSES**

	2016/17	2015/16
	£	£
Audit fees	14,301	5,100
Cleaning expenses	4,290	2,822
Communication charges	12,855	7,870
Depreciation	24,284	17,429
Insurance	1,907	1,101
Motor Vehicle Costs	11,214	3,936
Professional Fees	3,006	2,348
Protective Clothing	2,326	432
Rents & Rates	1,150	13
Repairs & Maintenance	7,144	3,706
Salaries	113,732	64,483
Stationary, Printing & Postage	552	682
Subscriptions	1,839	-
Sundry Expenses	6,237	5,249
Assets written off	14,000	-
Transport Costs	608	2,932
Travel Expenses	1,075	-
	<u>220,518</u>	<u>118,104</u>

**ST HELENA FISHERIES CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR 31 MARCH ENDED 2017**

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**14. AVERAGE NUMBER OF EMPLOYEES**

During the year the average number of employees was 24.

**15. RELATED PARTY TRANSACTIONS**

**Saint Helena Government (SHG)**

The annual subsidy was received of £160,000 as well as £40,428 for the purchase and transportation of an Ice machine. SHFC also received a working capital loan to the value of £100,000 in July 2016. SHFC still has an additional loan outstanding from the previous financial year totalling £74,000. SHFC has not been a position to pay either of these loans. In addition SHFC owes SHG through a debtors account a total of £57,005, some of these debts extend as far back as 2014. The Cold store and other equipment in it used by SHFC during the year belong to SHG, no amounts were paid to SHG for their use. The SHFC administration office building is leased from SHG at an annual rate of £550.

**Enterprise Saint Helena (ESH)**

One board member was a member of the ESH team. During the year SHFC received a grant of £10,000 from ESH for factory improvements. The current deferred income balance from ESH grants is £20,487.

The directors of SMRL comprised of SHFC Board Members namely Mikael Olsson (Temporary Board Member) and Derek Thomas. SHFC Management - Terrence Richards, who also was contracted as Shore side Skipper to the Extractor owned by SMRL.

**Saint Marine Resources Limited (SMRL)**

At the beginning of the year SHFC held 31% of SMRL shareholding detailed in note 3. The sale of SMRL was facilitated through a sale purchase agreement dated 2 February 2016 and in this financial year SHFC received £10,000 from the buyer. The sale of SMRL shares was subsequently concluded after year end in July 2017 (see post balance sheet events).

It was agreed during the 15/16 financial year that the debt owed by SMRL to SHFC of £43,397 would not be borne by the buyer of the SHFC shares. The balance was fully provided for as a doubtful debt and is awaiting Board approval for write off.

**Key management**

The key management personnel of SHFC are the Board of Directors working together with the General Manager.

- a) One member of the board of directors was remunerated in the year under review a total amount of £661
- b) The aggregate remuneration for the General Manager during the year was £20,000

**16. POST BALANCE SHEET EVENTS**

- a. The transfer of the Corporation's shares in SMRL was effected when the final payment of £55,000 was received in July 2017.
- b. SHFC now has new management board and senior management staff.
- c. A Jones Crane currently recorded on the fixed asset register was sold in April 2017.
- d. In December 2017 SHG approved further financial support for 2017/18 increasing the operating subsidy to £353,000 and providing a guarantee in respect of electricity costs of £100,000

**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 as a result it may be unable to realize its assets and discharge its liabilities in the normal course of business. The principal conditions and events raising doubt on ability to continue as a going concern and an evaluation of their significance and managements plans to mitigate them are given below;

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

- i. Reoccurring and growing operating losses – this risk is a definite and will result in closure within the following financial year.
- ii. 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.
- iii. Negative cash flows from operating activities and inability to keep creditors current – will jeopardise our relationships with essential creditors, as a result of delayed payments and could result in having such essential services disconnected/not being available (Electricity & freight services) which would prevent us from operating as a business within the following financial year.
- iv. Default on loans – SHFC has not honoured any loans received from SHG in this financial year but was in the position to request additional funding, the terms of which it has not honoured which has placed SHFC in a difficult position when requesting additional investment from SHG to address the current situation. The balance outstanding stands at £174,000.
- v. Adverse key financial ratios – SHFC will continue to operate within current adverse financial ratios until a significant capital injection is received to purchase new/efficient assets and assist with the downsizing of our current cold storage facility, which is essential if we are to operate more effectively.
- vi. Asset degradation and oversized factory facility – All primary assets are beyond their useful working lives and where possible are being repaired on a regular basis, which is adding to operational costs. Normal scheduled maintenance is impossible and SHFC is continually reacting to breakdown demands. The cold storage facility has for years not been relative in size to industry throughput hence consuming a disproportional amount of energy.
- vii. Access limitation and freight costs – Currently SHFC's only avenue for export is via sea freight and in quantities that exceed a container or more. This has been the situation since SHFC took over management the factory in 2015.
- viii. Flexibility of Staffing – Currently there is a staff compliment of 24. The unpredictability of fishing makes it difficult to tailor staffing requirements to quantities of fish received. Population dynamics do not enable SHFC to have a robust labour policy that would enable SHFC to attract casual labour on an ad hoc basis and still meet the mandatory industry standards (Food Handling etc.)

**b) Management's plans to mitigate the above events and conditions.**

Mitigation on all of the above is dependent on the following primary mitigation objectives:

- i. Quality over quantity – to develop the strategic direction of the SHFC to promote quality over quantity management, to attract niche markets who are prepared to buy into the St Helena narrative (sustainable fishing) instead of projecting quantities which have not reached fruition and instead establishing a branding and marketing strategy.
- ii. Downsizing factory infrastructure – to investigate financial options to support infrastructure downsizing, to reduce energy consumption.
- iii. Exploration of new and improved markets – develop an outreach programme using international industry partners to facilitate networking/competition.
- iv. Introduction of new export options (air & sea) – explore new options to export fresh fish via air access with the view of attracting improved prices almost immediately. To continue to investigate market requirements to develop an improved product for the export market.
- v. Pricing reassessment for both export and domestic markets – this will be done to ensure that the price is reflective of our true cost of sales and the market demand.
- vi. Explore renewable energy sources to reduce utility costs.
- vii. Explore the casual employment interest, ensuring that all necessary industry standards (e.g. training) are met, with the view of employing labour as and when required to meet fish landings.
- viii. To explore funding options to assist with capital investment – compile an operational review that will determine the strategic direction of SHFC and highlight potential donors/partners for essential business development.



