

EXECUTIVE COUNCIL

RESTRICTED

Title of Report: FIMCO – Additional Funding Request

Paper No: 208/09

Date of Meeting: 17 September 2009

Report of: J Ferguson, GM FIMCo

1.0 Purpose

1.1 To request a further operating subsidy of £24,058 in order to defray the extra costs incurred by FIMCo in processing all of the remaining lambs and sheep at the end of the 2009 export season. This is in addition to the £57,000 requested in the SFC paper 13/09 which was granted to enable FIMCo to process all remaining livestock at the end of the 2009 export season.

2.0 Recommendation

2.1 Honourable Members are invited to approve a further £24,058 of operating subsidy in order to defray the extra costs for processing livestock at the end of the 2009 export season.

3.0 Summary of Financial Implications

3.1 FIMCo's financial position for the year ended 30 June 2009 can be summarised as follows:

	£
Operating subsidies received prior to further subsidy request in SFC paper 13/09	525,796
Additional operating subsidy received in respect of the 2009 Export Season as agreed to in SFC paper 13/09	57,000

Total subsidies received for the financial year 2008/9	582,796
Operating losses incurred by FIMCo for 2008/9	-606,854

Remaining operating loss for 2008/9	-24,058

3.2 Ordinarily FIMCo covers its operating losses by way of a subsidy from FIG and usually reports a £nil operating position in its financial statements. In order for the Company to breakeven in the financial year 2008/9, a further subsidy of

£24,058 is requested in order to defray additional operating costs incurred in closing the 2009 export season.

4.0 Background

4.1 SFC paper 13/09 indicated that FIMCo was expected to incur additional costs for processing livestock at the conclusion of the 2009 export season. It was noted that the principal reasons for these additional costs were firstly due to problems encountered with the operation of the new livestock transportation system and secondly rising freight costs for exporting FIMCo's products. As a consequence, it was found that FIMCo would have insufficient funds available to complete the export season.

4.2 Three options were presented to SFC for financing the costs for ending the 2009 export season and these are summarised as follows:

Option 1 – FIMCo was to remain as close as possible to its approved 2008/9 budget. Processing of livestock under this option was to cease on 15 April 2009 with the result that 5,000 sheep/lambs would remain unprocessed. FIMCo was likely to overspend its 2008/9 budget by £14,400.

Option 2 – FIMCo would continue processing livestock until the 22 April 2009, the scheduled date for the end of the 2009 export season. Approximately 2,350 would remain unprocessed at that date giving rise to a number of sales contracts being unfulfilled. The additional financial cost of this was identified as:

Scenario 1 – processing both sheep & lambs – cost £51,000.

Scenario 2 – only processing lambs - cost £57,000.

Option 3 - FIMCo would process all remaining sheep which would last until 29 April 2009. The cost of this was estimated to be £112,000.

4.3 In the event, option 2, scenario 2 was decided upon by SFC. However, SFC requested that FIMCo give serious consideration to processing any remaining sheep and lambs after the end of the export season using local labour. It was agreed, however, that only £57,000 would be provided by SFC to finance the additional costs associated with this.

4.4 FIMCo completed the main season on 24 April 2009 and then continued processing the majority of the remaining sheep and lambs as and when they could be transported to Sand Bay. The net effect of this was that FIMCo incurred additional processing and shipping costs of £24,058. Whilst SFC provided £57,000 by way of a further subsidy, this was insufficient to cover all of the season costs. FIMCo is now requesting that EXCo provide a further subsidy of £24,058 to cover this.

5.0 Key Risks and Drivers

The key risk is minimal in this request as the financial year 2008/9 has now closed and the final loss for the year has been determined.

6.0 Financial Implications

- 6.1 The granting of a further £24,058 of operating subsidy will enable FIMCo to achieve a breakeven position at 30 June 2009.

7.0 Legal Implications

There are no legal implications

8.0 Human Resource Implications

There are no human resource implications.