

Stanley Services Limited

Directors' Report and Financial Statements

Year Ended

30 June 2020

Company Number 8257

Stanley Services Limited

Company Information

Directors	M J Pollard B A Rowland R S Robertson F M Bain P R George S F J Fletcher B T Swales Managing Director G K Goodwin General Manager S R Fowmes Financial Director
Company secretary	Pinsent Masons Nominee Company (Falklands) Limited
Registered number	8257
Registered office	Stanley Services Limited Airport Road Stanley Falkland Islands FIQQ 1ZZ
Independent auditor	BDO LLP Thames Tower Station Road Reading Berkshire RG1 1LX

Stanley Services Limited

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Stanley Services Limited

Directors' Report For the Year Ended 30 June 2020

The directors present their report together with the audited financial statements for the year ended 30 June 2020.

Principal activities

In the period under review, the principal business of the company was the supply and distribution of fuel on and around the Falkland Islands, including supply and distribution of fuel for civilian aircraft on the Falkland Islands. Business has also been conducted in a number of other areas, notably as a hotelier, together with general retailing, agency for liner and air freight, travel and tourism, motor vehicles and rental income from both commercial and residential property letting.

Business review

The turnover for the year has decreased by a little in excess of 12% over the same period last year due, in the main to reducing world fuel prices and reduced special projects. Profitability on ordinary activities before taxation was down from last year by 12.8%. The profit for the year after taxation amounted to £901,898 (2019 - £983,297) from which dividends of £Nil (2019 - £450,045) were paid.

Implications of COVID-19 on the business

Like the rest of the world, the Falklands has been impacted by the restrictions imposed by Governments due to the outbreak of COVID-19 from mid-March 2020 until the end of the financial year. The Falkland Islands Government (FIG) made the decision early on, not to issue any tourist visas until further notice and to impose a 14 day quarantine period for business travellers and residents coming to the Falklands. The postponement of the two airlinks to South America has also made it more difficult to travel to the Falklands. These factors have impacted the hospitality and travel agency businesses from mid-March. However, as the tourism season was for the most part completed the impact on the financial performance of business in the financial year was minimal. The Malvina House Hotel and Darwin Lodge also felt the immediate impact of the travel restrictions with Q4 of the financial performance of the financial year being severely impacted. The rest of the business portfolio has proven to be resilient. Domestic fuel sales have remained strong as more of the local population has remained in the Falklands during the COVID-19 pandemic. Although bunker sales have been impacted by the lack of cruise vessel activity, to date there does not seem to have been any significant impact due COVID-19.

The company has taken action to reduce costs in those businesses most impacted by COVID-19. Fixed term contracts have not been renewed for several personnel at the hotel as well as making personnel redundant. The company did make use of the FIG furlough scheme from May to June 2020 as well as in the first quarter of the next financial year. The use of overtime and temporary staff has also been drastically reduced. In addition a review of operating costs was made and reductions were made that were not critical to the operation of the businesses. In addition the level of hospitality inventory has gradually been reduced.

With regards to the outlook for the next financial year the restrictions have continued into 2021 and FIG made an early announcement stating that the airlinks were unlikely to re-commence until March 2021 at the earliest. With approval of several COVID-19 vaccines in December 2020 restrictions are expected to be lifted as the population of the world gradually becomes vaccinated. The company has taken the view point that the current restrictions will remain in place until at least to the end of Q1 in the financial year 2021/22. Therefore, the hospitality and travel agency businesses will be impacted for the whole of the 2020/21 financial year.

The company has produced a stressed cash flow forecast going out to the end of June 2022 and is confident that it can continue to operate smoothly with the expected cash generated.

Disclosure of the directors assessment of going concern has been given in note 1 to the financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £901,898 (2019 - £983,297).

The directors proposed and paid dividends totalling Nil pence per share (2019 - 45 pence) during the year.

Stanley Services Limited

Directors' Report (continued) For the Year Ended 30 June 2020

Directors

The directors who served during the year were:

M J Pollard
B A Rowland
R S Robertson
F M Bain
P R George
S F J Fletcher
B T Swales
G K Goodwin
S R Fowmes

None of the directors had any direct beneficial interest in the shares of the company at either 1 July 2019 or 30 June 2020.

Charitable contributions

During the year the company made charitable donations totalling £4,965 (2019 - £10,450).

Financial risk management

The company is exposed to a variety of financial risks, including credit risk, effects of foreign currency exchange, interest rates, liquidity and price risk.

Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The company only operates on The Falkland Islands and is therefore in the main exposed to credit risk in a limited geographical area. Where the company does allow third parties that are outside of The Falkland Islands to trade on credit this is done after many years of trading and credit limits are in place.

Foreign exchange risk

The company is exposed to foreign currency risk due to customer and supplier relationships denominated in United States Dollars. The foreign currency risk is minimal as currency is purchased using forward exchange contracts for large purchases and smaller purchases are paid within suppliers' credit terms thus minimising any exchange risk.

Interest risk

Exposure to the effects of fluctuating interest rates on deposits and business cash flows arises and is subject to prevailing bank prime lending rates.

Liquidity risk

The company maintains on call access to cash and bank accounts and only puts any cash on fixed deposit up to a maximum of one month to ensure availability of funds for both operational and development needs.

Price risk

The company has no long term supply contracts on which a price risk could arise.

Stanley Services Limited

Directors' Report (continued) For the Year Ended 30 June 2020

Disclosure of information to auditor

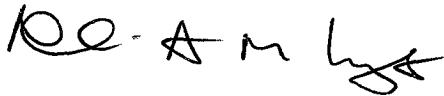
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

BDO LLP have expressed their willingness to continue in office. BDO LLP will be proposed for reappointment as auditors of the company in accordance with section 159 of the Companies Act 1948 as applied in the Falkland Islands and amended by the Companies Act (Amendment) Ordinance 2006.

This report was approved by the board on 18 February 2021 and signed on its behalf.



Pinsent Masons Nominee Company (Falklands) Limited

Stanley Services Limited

Directors' Responsibilities Statement For the Year Ended 30 June 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice as it applies in the Falkland Islands. The financial statements are required to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 Act 1985 as applied by the Companies (Amendment) Ordinance 2006. 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.

Stanley Services Limited

Independent Auditor's Report to the Members of Stanley Services Limited

Opinion

We have audited the financial statements of Stanley Services Limited (the "company") for the year ended 30 June 2020 which comprise the profit and loss account, the balance sheet, the cash flow statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards as applied in accordance with company law in the Falkland Islands.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards as applied in accordance with company law in the Falkland Islands; and
- have been prepared in accordance with the requirements of the Companies Act 1985 as it applies in the Falkland Islands by virtue of the Companies (Amendment) Ordinance 2006.

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, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to 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.

Stanley Services Limited

Independent Auditor's Report to the Members of Stanley Services Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Financial Statements, 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

We have nothing to report in respect of the following matters where company law in the Falkland Islands requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, 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.

Stanley Services Limited

Independent Auditor's Report to the Members of Stanley Services Limited (continued)

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 Council's 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 section 235 of the Companies Act 1985 as it applies in the Falkland Islands by virtue of the Companies (Amendment) Ordinance 2006. 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.



BDO LLP
Registered auditor
Reading
United Kingdom

Date: 18 February 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Stanley Services Limited

Profit and Loss Account For the Year Ended 30 June 2020

	Note	2020 £	2019 £
Turnover	1,2	21,210,753	24,115,828
Cost of sales		(14,627,186)	(17,864,181)
Gross profit		6,583,567	6,251,647
Administrative expenses		(5,510,796)	(5,021,476)
Operating profit	3	1,072,771	1,230,171
Interest receivable and similar income		11,588	12,656
Profit on ordinary activities before tax		1,084,359	1,242,827
Tax on profit on ordinary activities	7	(182,461)	(259,530)
Profit for the financial year		901,898	983,297

All amounts related to continuing activities.

There were no recognised gains and losses for 2020 or 2019 other than those included in the profit and loss account.

The notes on pages 11 to 27 form part of these financial statements.


Stanley Services Limited


Registered number:8257

Balance Sheet As at 30 June 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Intangible assets	8		17,501		22,500
Tangible assets	9		12,101,942		12,549,462
Investments	11		9,647		9,647
Investment property	10		1,151,013		1,151,013
			<u>13,280,103</u>		<u>13,732,622</u>
Current assets					
Stocks	12	3,098,146		3,545,619	
Debtors: amounts falling due after more than one year	13	63,834		62,373	
Debtors: amounts falling due within one year	13	2,096,140		2,229,686	
Cash at bank and in hand		3,194,080		2,011,387	
		<u>8,452,200</u>		<u>7,849,065</u>	
Creditors: amounts falling due within one year	14	(1,926,351)		(2,565,957)	
Net current assets			<u>6,525,849</u>		<u>5,283,108</u>
Total assets less current liabilities			<u>19,805,952</u>		<u>19,015,730</u>
Provisions for liabilities					
Deferred tax	15		(1,869,337)		(1,981,013)
Net assets			<u>17,936,615</u>		<u>17,034,717</u>
Capital and reserves					
Called up share capital	16		500,050		500,050
Profit and loss account	17		17,436,565		16,534,667
Shareholders' funds	18		<u>17,936,615</u>		<u>17,034,717</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 February 2021


.....
M J Pollard
Director


.....
G K Goodwin
Director

The notes on pages 11 to 27 form part of these financial statements.

Stanley Services Limited
Registered number:8257

Cash Flow Statement
As at 30 June 2020

	Note	2020 £	2019 £
Net cash flow from operating activities	20	2,036,386	1,591,227
Returns on investments and servicing of finance	21	11,588	12,656
Taxation	21	(280,412)	(273,216)
Capital expenditure and financial investment	21	(584,869)	(1,549,320)
Equity dividends paid		-	(450,045)
Increase/(decrease) in cash in the year		1,182,693	(668,698)

Reconciliation of Net Cash Flow to Movement in Net Funds/Debt
For the Year Ended 30 June 2020

	2020 £	2019 £
Increase/(decrease) in cash in the year	1,182,693	(668,698)
Movement in net debt in the year	1,182,693	(668,698)
Net funds at 1 July 2019	2,011,387	2,680,085
Net funds at 30 June 2020	3,194,080	2,011,387

The notes on pages 11 to 27 form part of these financial statements.

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties, which are stated at open market value, and in accordance with applicable accounting standards that apply in the Falkland islands

The following principal accounting policies have been applied:

1.2 Going concern

The directors have continued to prepare the financial statements on a going concern basis.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report.

The company made a profit for the year of £1,084,359 (2019 - £1,242,827) before tax and is in a strong financial position, with cash balances at the year end of £3,194,080 (2019 - £2,011,387). The company had net assets as at 30 June 2020 of £17,936,615 (2019 - £17,034,717) and net current assets of £6,525,849 (2019 - £5,283,108).

In preparing the financial statements, the directors have considered the ability of the company to continue as a going concern and have prepared cash flow forecasts covering a period including 12 months from the date of approval of these financial statements to inform their decisions. These forecasts show that in the opinion of the directors the company can continue to operate through the period of the cash flows without the need for any third party borrowing.

At the date of approval of these financial statements, the world is in the midst of the COVID-19 global pandemic and the government has introduced lockdown measures to contain the spread of the virus. The directors consider that COVID-19 will continue to significantly impact on the company's business in 2020/21 and beyond but that it does not have a material impact on the company's status as a going concern.

Following a detailed review of the 12 month cash flow forecasts, including sensitivity analysis and a reverse stress test, the directors have concluded that there are no material uncertainties that lead to significant doubt upon the company's ability to continue as a going concern.

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

1. Accounting policies (continued)

1.3 Turnover

Turnover includes sales of domestic fuel, bitumen, royalties received under a bunkering contract, retail sales, vehicle sales, vehicle hire sales, vehicle service revenue, revenue from hotel room sales, tourism sales and rental from domestic and commercial property, amongst other trading activities.

With effect from 1 July 1991, income on domestic fuel sales has been recognised in the profit and loss account on the basis of the domestic fuel pricing formula, as contained in the Agreement between the Falkland Islands Government and the Company dated 18 August 1987 and most recently revised on 31 March 2015 ("The Fuel Agreement"). Fuel sold through domestic deliveries is recognised upon delivery. All other fuel sales are recognised when the fuel is supplied.

Bunkering sales are recognised when bunkering services are provided.

Retail sales are recognised when the transaction takes place.

Vehicle sales are recognised when vehicles are delivered. Revenue from vehicle hire is recognised on a daily basis for which vehicles are rented. Vehicle service revenue is recognised at the point services are completed.

Hotel revenue is recognised on a nightly basis for which rooms are rented.

Tourism sales are recognised over the period to which trips relate.

Rental income from domestic and commercial property is recognised over the period to which the rentals relate.

Bitumen sales are recognised at the point at which bitumen is delivered.

1.4 Intangible fixed assets and amortisation

Goodwill arising on the acquisition of a business represents any excess of the fair value of the consideration given, over the fair value of the identifiable assets and liabilities acquired. This goodwill is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

1. Accounting policies (continued)

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives of the following bases:

Buildings	- 5 - 50 years
Motor vehicles	- 3 - 10 years
Fixtures, fitting and equipment	- 2 - 10 years
Land	- Not depreciated
Assets under construction	- Not depreciated

1.6 Investments

Fixed asset investments are shown at cost less provision for impairment.

1.7 Investment properties

Investment properties are included in the balance sheet at their open market value in accordance with Statement of Standard Accounting Practice No.19 and are not depreciated. This treatment is contrary to the Companies Act 1985 as applied by the Companies (Amendment) Ordinance 2006 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the company.

In the absence of an active local market, as long as there are no indicators of impairment or significant unrealised gains, the directors use original cost, or in the case of properties transferred from tangible fixed assets their depreciated historical cost at the date of transfer, as the basis for their valuation.

1.8 Group accounts

Group accounts are not prepared given that the results of the Company's subsidiary are insignificant as defined in section 229(2) of the Companies Act 1948 (amended by the Companies (Amendment) Ordinance 2006) as it applies in the Falkland Islands and as such group accounts are not required.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents material and freight costs. In the case of fuel stocks, net realisable value is assessed on an average cost basis. Net realisable value for all other stocks are assessed on a last in first out basis.

1.10 Hire purchase debtors

Amounts receivable under the hire purchase contracts are included under debtors and represent the total amount outstanding under the hire purchase agreements less unearned income. Hire purchase income is brought into turnover on an accruals basis in proportion to the reducing balance outstanding.

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

1. Accounting policies (continued)

1.11 Pensions

The company operates defined contribution pension schemes, and a compulsory Governmental pension scheme. The pension charge represents the amounts payable by the company to the funds in respect of the year. All company contributions to the defined contribution pension schemes are recognised in the profit and loss account as they are incurred.

1.12 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.13 Foreign currencies

Transactions denominated in foreign currencies are translated at the rate applicable at the time they take place. All assets and liabilities denominated in foreign currencies have been translated into sterling at the rate of exchange ruling at the balance sheet date. Translation differences are reflected within the operating profit.

1.14 Domestic fuel provision

In accordance with the accounting policy for income recognition, a provision for an amount receivable or payable has been calculated for the difference between the actual average sale price and the average sale price calculated in accordance with the domestic fuel pricing formula contained within the Fuel Agreement. Any future differences are assessed annually and charged/credited to the profit and loss account as appropriate.

2. Turnover

In accordance with paragraph 55(5) of Schedule 4 to the Companies Act 1985 (enacted by virtue of paragraph 2(c) of Companies (Amendment) Ordinance 2006) as it applies in the Falkland Islands, no segmental analysis of turnover is provided as, in the opinion of the directors, the provision of this information would be seriously prejudicial to the interests of the company.

All turnover arose in the Falkland Islands.

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

3. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Amortisation - intangible fixed assets	4,999	5,000
Depreciation of tangible fixed assets:		
- owned by the company	1,023,535	939,194
Exchange differences	(6,360)	7,686
	<u>1,022,174</u>	<u>951,880</u>

4. Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	27,000	20,500
Fees payable to the company's auditor and its associates in respect of:		
All other non-audit services not included above	14,718	9,296
	<u>41,718</u>	<u>29,796</u>

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	2,349,024	2,145,126
Social security costs	89,533	76,982
Cost of defined contribution scheme	118,776	105,111
	<u>2,557,333</u>	<u>2,327,219</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Average number of persons employed	79	75

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

6. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	385,121	374,081
Company contributions to defined contribution pension schemes	18,330	17,109
	<u>403,451</u>	<u>391,190</u>

During the year retirement benefits were accruing to 2 directors (2019 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £173,239 (2019 - £169,740).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2019 - £Nil).

7. Taxation

	2020 £	2019 £
Analysis of tax charge in the year		
Current tax (see note below)		
Falkland Islands corporation tax charge on profit for the year	294,137	280,412
Total current tax	<u>294,137</u>	<u>280,412</u>
Deferred tax (see note 15)		
Origination and reversal of timing differences	(111,676)	(20,882)
Taxation on profit on ordinary activities	<u>182,461</u>	<u>259,530</u>

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the FI of 26% (2019 - 26%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>1,084,359</u>	<u>1,242,827</u>
	2020 £	2019 £
Profit on ordinary activities multiplied by standard rate of corporation tax in the FI of 26% (2019 - 26%)	281,933	323,135
Effects of:		
Lower rate tax payable	(25,000)	(25,000)
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	719	1,364
Capital allowances for year in excess of depreciation	1,405	(42,993)
Movements in domestic fuel provision	35,875	27,038
Other differences leading to a decrease in the tax charge	(539)	(2,882)
Non taxable income	(256)	(250)
Current tax charge for the year (see note above)	<u>294,137</u>	<u>280,412</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

8. Intangible assets

	Goodwill £
Cost	
At 1 July 2019 and 30 June 2020	100,000
	<hr/>
Amortisation	
At 1 July 2019	77,500
Charge for the year	4,999
	<hr/>
At 30 June 2020	82,499
	<hr/>
Net book value	
At 30 June 2020	17,501
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At 30 June 2019	22,500
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Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

9. Tangible fixed assets

	Land and buildings £	Motor vehicles £	Fixtures, fittings and equipment £	Assets under construction £	Total £
Cost or valuation					
At 1 July 2019	19,239,213	1,032,429	2,642,054	373,602	23,287,298
Additions	18,034	285,533	87,050	209,755	600,372
Disposals	(16,985)	(55,311)	-	(4,839)	(77,135)
Transfers between classes	437,738	-	24,635	(462,373)	-
At 30 June 2020	<u>19,678,000</u>	<u>1,262,651</u>	<u>2,753,739</u>	<u>116,145</u>	<u>23,810,535</u>
Depreciation					
At 1 July 2019	8,215,893	709,741	1,812,202	-	10,737,836
Charge for the year	619,811	144,510	259,214	-	1,023,535
On disposals	(1,799)	(50,979)	-	-	(52,778)
At 30 June 2020	<u>8,833,905</u>	<u>803,272</u>	<u>2,071,416</u>	<u>-</u>	<u>11,708,593</u>
Net book value					
At 30 June 2020	<u>10,844,095</u>	<u>459,379</u>	<u>682,323</u>	<u>116,145</u>	<u>12,101,942</u>
At 30 June 2019	<u>11,023,320</u>	<u>322,688</u>	<u>829,852</u>	<u>373,602</u>	<u>12,549,462</u>

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

9. Tangible fixed assets (continued)

During the quarter ending 30 June 2020, the COVID global pandemic had a significant impact on the tourism trade and the number of visitors to the Falkland Islands. This resulted in a significant reduction in the occupancy rates of the Malvina Hotel compared to the historical seasonal average. At 30 June 2020 the length and severity of the COVID pandemic and its impact on the hotel's revenues was uncertain and the board considered this to be an indicator of impairment. The Malvina Hotel cash generating unit ("CGU") was therefore tested for impairment.

This impairment review did not result in an impairment to the carrying value of the hotel which remains stated at depreciated historical cost of £7,703,404. However, the assumptions used in the impairment review at 30 June 2020, carry a high level of estimation uncertainty and the resulting recoverable amount is subject to a high degree of sensitivity.

The recoverable amount of the CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount and therefore no impairment loss was recognised.

The key assumptions used in the estimation of value in use were as follows:

Discount rate - 8.7%

Growth rate in years 3 to 5 - 5%

Terminal growth rate - 2.5%

Residual value - equal to original cost of the land plus 50% of the buildings

Two years of detailed cash flow forecasts were included in the discounted cash flow model through to 30 June 2022. These included the directors best estimate of the length and severity of the impact of COVID at the balance sheet date and the assumption that the occupancy of the hotel would return to a normal level by the end of the year ended 30 June 2022.

As a result of the sensitivity of the key assumptions an increase in the discount rate or a reduction in the growth rate in years 3 to 5 or the terminal growth rate of 1% would lead to an impairment of the hotel.

The fair value less costs to dispose of the hotel is inherently difficult to value due to the unique location and nature of the hotel.

As a result of the above the directors consider there to be a significant estimation uncertainty over the recoverable amount and therefore the carrying value of the hotel in the financial statements.

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

10. Investment property

	Freehold investment properties £
Valuation	
At 1 July 2019	1,151,013
At 30 June 2020	<u>1,151,013</u>
Comprising	
Valuation	1,151,013
At 30 June 2020	<u>1,151,013</u>

The directors have reviewed the carrying value of the investment properties by reference to a market valuation performed by an Independent Valuer, which indicates that the open market values of the investment properties do not materially differ to their carrying value in the financial statements at the balance sheet date.

If investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2020 £	2019 £
Historic cost	1,151,013	1,151,013
Accumulated depreciation and impairments	(241,276)	(203,292)
	<u>909,737</u>	<u>947,721</u>

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

11. Fixed asset investments

	Investments in subsidiary undertakings £	Fixed asset investments £	Total £
Cost			
At 1 July 2019 and 30 June 2020	25,500	9,647	35,147
Impairment			
At 1 July 2019 and 30 June 2020	25,500	-	25,500
Net book value			
At 30 June 2020	-	9,647	9,647
At 30 June 2019	-	9,647	9,647

Fixed asset investments represent:

4,350 £1 ordinary shares being a 2% holding in Solomon 8 Company (St Helena) plc, a company registered in England and Wales;

£100 being a 0.14% holding in Falkland Farmers Limited at cost; and

50 £1 ordinary shares, being a 50% holding, in Falkland Islands Television Limited, a company registered and trading in the Falkland Islands in television production.

The company holds 50,000 ordinary £1 shares, being 100% of the issued share capital of Stanley Support Services Limited, a company registered in the Falkland Islands. Stanley Support Services Limited is dormant and has not traded during the year. The carrying value of these shares is £Nil. At 30 June 2020 the capital and reserves of the company were £50,000 (2019 - £50,000).

12. Stocks

	2020 £	2019 £
Consumables	21,115	27,916
Stock in transit	457,952	582,525
Goods for resale	2,619,079	2,935,178
	<u>3,098,146</u>	<u>3,545,619</u>

The difference between purchase price of stocks and their replacement cost is not material.

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

13. Debtors

	2020 £	2019 £
Due after more than one year		
Hire purchase debtors	63,834	62,373
Due within one year		
Trade debtors	969,144	1,240,313
Other debtors	283,949	209,217
Prepayments and accrued income	794,376	741,937
Hire purchase debtors	48,671	38,219
	<u>2,159,974</u>	<u>2,292,059</u>

Rentals receivable as lessor

	2020 £	2019 £
Rentals receivable under operating leases	203,922	208,144
Rentals receivable under finance leases	112,505	100,592
	<u>316,427</u>	<u>308,736</u>

14. Creditors: amounts falling due within one year

	2020 £	2019 £
Payments on account	212,378	-
Trade creditors	406,084	1,664,305
Corporation tax	294,137	280,412
Social security and other taxes	39,222	41,081
Other creditors	421,516	431,388
Accruals and deferred income	553,014	148,771
	<u>1,926,351</u>	<u>2,565,957</u>

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

15. Deferred taxation

	2020 £	2019 £
At beginning of year	1,981,013	2,001,895
Released during the year	(111,676)	(20,882)
At end of year	1,869,337	1,981,013

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	1,919,639	1,995,440
Other timing differences	(50,302)	(14,427)
	1,869,337	1,981,013

16. Share capital

	2020 £	2019 £
Authorised		
3,000,000 ordinary shares of £1 each	3,000,000	3,000,000
Allotted, called up and partly paid (50p)		
1,000,100 ordinary shares of £1 each	500,050	500,050

17. Reserves

	Profit and loss account £
At 1 July 2019	16,534,667
Profit for the year	901,898
At 30 June 2020	17,436,565

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

18. Reconciliation of movement in shareholders' funds

	2020 £	2019 £
Opening shareholders' funds	17,034,717	16,501,465
Profit for the year	901,898	983,297
Dividends (note 19)	-	(450,045)
Closing shareholders' funds	<u>17,936,615</u>	<u>17,034,717</u>

19. Dividends

	2020 £	2019 £
Dividends paid on equity capital	-	450,045

Dividends declared and paid during the year total Nil pence per share (2019 - 45 pence per share).

20. Net cash flow from operating activities

	2020 £	2019 £
Operating profit	1,072,771	1,230,171
Amortisation of intangible fixed assets	4,999	5,000
Depreciation of tangible fixed assets	1,023,535	939,194
Loss/(profit) on disposal of tangible fixed assets	8,854	(7,314)
Decrease/(Increase) in stocks	447,473	(276,422)
Decrease/(Increase) in debtors	132,085	(694,776)
(Decrease)/Increase in creditors	(653,331)	395,374
Net cash inflow from operating activities	<u>2,036,386</u>	<u>1,591,227</u>

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

21. Analysis of cash flows for headings netted in cash flow statement

	2020 £	2019 £
Returns on investments and servicing of finance		
Interest receivable	11,588	12,656
	<u>11,588</u>	<u>12,656</u>
	2020 £	2019 £
Taxation		
Corporation tax	(280,412)	(273,216)
	<u>(280,412)</u>	<u>(273,216)</u>
	2020 £	2019 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(600,372)	(1,587,033)
Sale of tangible fixed assets	15,503	37,713
	<u>(584,869)</u>	<u>(1,549,320)</u>
Net cash outflow from capital expenditure	(584,869)	(1,549,320)

22. Analysis of changes in net debt

	1 July 2019 £	Cash flow £	Other non- cash changes £	30 June 2020 £
Cash at bank and in hand	2,011,387	1,182,693	-	3,194,080
	<u>2,011,387</u>	<u>1,182,693</u>	<u>-</u>	<u>3,194,080</u>
Net funds	2,011,387	1,182,693	-	3,194,080

23. Pension commitments

The company participates in two defined contribution pension schemes which are open to certain of its employees. The pension cost charges represents contributions payable by the company to the fund and amounted to £118,776 (2019 - £105,111). Contributions totalling £255 (2019 - £256) were payable to the fund at the balance sheet date.

24. Other financial commitments

As at the year end the company was committed to purchase \$82,953 for a total of £67,829 on 2 July 2020.

Stanley Services Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

25. Related party transactions

	2020 £	2019 £
Turnover		
Falkland Islands Government	5,122,164	5,584,005
Lavinia Corporation	528,171	792,323
Falklands Islands Television Limited	19,992	20,197
Stanley Bunkering Limited	1,146,460	1,213,389
Costs		
Falkland Islands Government	768,669	739,686
Falkland Islands Television Limited	80,640	76,895
Stanley Bunkering Limited	8,152,720	10,911,331
Debtors: trade debtors		
The balances owed by related parties at 30 June were:		
Falkland Islands Government	222,617	258,412
Lavinia Corporation	223,777	277,491
Falkland Islands Television Limited	955	2,437
Stanley Bunkering Limited	12,877	43,840
Debtors: other debtors		
Falkland Islands Television Limited	59,135	41,795
Lavinia Corporation	18,677	22,226
Stanley Bunkering Limited	54,899	193,166
Creditors: amounts falling due within one year - trade creditors		
The balances owed to related parties at 30 June were:		
Falkland Islands Government	19,270	74,855
Falkland Islands Television Limited	5,750	7,150
Stanley Bunkering Limited	28,567	271,853

The beneficial ownership in Stanley Services Limited is held by Falkland Islands Government (44.9%), S & J D Robertson Group Limited (30.0%) and Lavinia Enterprises Limited (25.1%). Lavinia Enterprises Limited's interest in Stanley Services Limited is held, as nominee, by P R George, a director of the company. Stanley Bunkering Limited, Lavinia Enterprises Limited and Lavinia Corporation have common ultimate shareholders.

Dividends paid to the Falkland Islands Government were £Nil (2019 - £202,070).

Dividends paid to Lavinia Enterprises Limited were £Nil (2019 - £112,961).

Dividends paid to S & J D Robertson Group Limited were £Nil (2019 - £135,014).

During the year a motor vehicle was sold to a director, at its market value on standard commercial terms. There is a hire purchase loan outstanding on this sale at the year end totalling £14,500 (2019 - £Nil) included in hire purchase debtors. The maximum amount outstanding during the year was £14,500 (2019 - £Nil).

26. Controlling party

In the opinion of the directors, there is no controlling party.