



# **FALKLAND ISLANDS GOVERNMENT**

## **FINANCIAL STATEMENTS**

**for the year ended 30<sup>th</sup> June 2018**

The Treasury  
Stanley  
Falkland Islands

**FALKLAND ISLANDS GOVERNMENT  
FINANCIAL STATEMENTS  
for the year ended 30<sup>th</sup> June 2018**

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**Introduction**

Section 55(1) of the Finance and Audit Ordinance 1988 requires that within a period of six months after the end of each financial year, the Treasurer shall prepare financial statements showing fully the financial position of the Falkland Islands Government at the end of the year. Section 55 also specifies the financial schedules and statements that are required to be prepared. These schedules and statements form an integral part of the annual financial statements.

The Independent Auditors are required by Section 56(1) of the Finance and Audit Ordinance 1988 to report to the Financial Secretary on the examination and audit of the financial statements.

Section 57(1) of the Finance and Audit Ordinance 1988 requires that the document be laid before the Legislative Assembly at the next meeting of the Legislative Assembly following the receipt of the audit reports by the Financial Secretary.

The Independent Auditors also produce a non-statutory Management Report, which is an internal management document.

The Consolidated Fund established under the provisions of Section 68 of the Constitution is the general fund into which all revenues are paid and from which all expenditure is met.

A Contingencies Fund of £1.0m has been established in accordance with Section 26 of the Finance and Audit Ordinance 1988 to meet, immediately, urgent and unforeseen expenditure which has not been appropriated. The fund is maintained by Supplementary Appropriation Ordinances throughout the year as required.

The Finance and Audit Ordinance 1988 also makes provision for the financial statements and audit of any special funds, currently the Insurance Fund, the Capital Equalisation Fund and the Pensions (Old Scheme) Fund. These are published separately. The Currency Ordinance 1987 and the Retirement Pensions Ordinance 1996 provide for the accounting and audit of the Currency Fund and the Retirement Pensions Fund respectively. Again, the financial statements and audit reports are published separately for these Special Funds.

The Falkland Islands Development Corporation (FIDC), and Falklands Landholdings Corporation (FLH), are statutory corporations and publish their own financial statements and are audited under the provisions of Section 60 of the Finance and Audit Ordinance 1988.

Various other comprehensive statements and reconciliations are completed at the end of each financial year, however it is considered inappropriate to publish all of these in this document. Information regarding these statements and reconciliations can be provided by the Treasury.

One of the principal aims of these statements is to demonstrate the stewardship of public funds. For ease of reference in achieving this, statements have, in the main, been published with figures rounded to the nearest thousand pounds and it should be noted that some arithmetic accuracy will be lost as a result of this. Precise figures are shown in accounting documents held in the Treasury.

For the purpose of legislation and the Constitution, the Financial Secretary is referred to as Director of Finance. The Head of Finance exercises the functions of the Treasurer.

**Basis of Accounting**

The basis of accounting is fully disclosed in note 1 to the financial statements.

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**Entities Included Within the Financial Statements**

The Falkland Islands Government is included within these financial statements, along with the Fund account balances for which it is responsible: Currency Fund, Retirement Pensions Fund, Pensions (Old Scheme) Fund, Insurance Fund, Capital Equalisation Fund and Contingencies Fund.

**Entities Excluded From the Financial Statements**

The financial statements have been prepared on a single entity basis. Consolidated financial statements have not been prepared. There are separate entity financial statements for Falkland Islands Development Corporation and Falklands Landholdings Corporation.

**Members of Legislative Assembly**

The Members who had responsibility for the Government during the year ended 30<sup>th</sup> June 2018 were:

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<b>Camp Constituency</b>
The Honourable Teslyn Siobhan Barkman
The Honourable Roger Anthony Edwards
The Honourable Ian Hansen
<b>Stanley Constituency</b>
The Honourable Stacy John Bragger
The Honourable Dr Barry Elsby
The Honourable Mark John Pollard
The Honourable Lucilla Leona Vidal Roberts (Leona Roberts)
The Honourable Roger Kenneth Spink

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**Corporate Management Team**

The members of the Corporate Management Team during the year ended 30<sup>th</sup> June 2018 were:

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Chief Executive	Barry Rowlands
Financial Secretary	James Wilson
Attorney General	Simon Young (from 1 <sup>st</sup> December 2017)
Attorney General	David Brown (until 30 <sup>th</sup> November 2017)
Director of Public Works	Colin Summers
Director of Minerals	Stephen Luxton
Director of Natural Resources	John Barton MBE
Director of Health and Social Services	Mandy Whittingham
Director of Education	Tom Hill (until 5 <sup>th</sup> July 2017)
Director of Education	Karen Steen (Interim)
Director of Education	Rachel Seddon (from 15 <sup>th</sup> January 2018)
Director of Emergency Services	Andrew Almond Bell (until 19 <sup>th</sup> August 2017)
Director of Emergency Services	Gardner Fiddes (from 20 <sup>th</sup> August 2018)
Director of Central Services	Iain Robertson (from 4 <sup>th</sup> December 2017)
Director of Policy & Economic Development	Diane Simsovic
Director of Human Resources	Stuart Hampson

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**Estimates**

The 2017/2018 Estimates were approved by Legislative Council on 22<sup>nd</sup> June 2017.

**Appropriation Ordinances**

The Appropriation Ordinance 2017 was assented to by His Excellency The Governor on 22<sup>nd</sup> June 2017.

Two Supplementary Appropriation Ordinances were submitted to the Legislature during the year. Details are set out below.

Date Assented to	Description	Value £000
24/10/17	Supplementary Appropriation (2017-2018) Ordinance 2017 (No 15 of 2017)	4,275
12/06/18	Supplementary Appropriation (2017-2018) Ordinance (No 1 of 2018)	60,346
	<b>TOTAL</b>	<b>64,621</b>

In the Supplementary Appropriation (2017-2018) Ordinance (No 1 of 2018) a transfer of £57.915m was made to the Capital Equalisation Fund from the Consolidated fund to enable there to be a sufficient Fund balance to meet the capital investment programme planned for 18/19. The fund was increased to reflect the commitment of FIG to fund the capital projects that it has approved.

**Warrants**

A General Warrant was not necessary because authority for 2017/18 expenditure had been sanctioned by the issue of the Appropriation Ordinance 2017 before the commencement of the financial year.

No Supplementary Warrants were issued, these were not required as authority has been sanctioned under the issuance of the Supplementary Appropriation (2017-2018) Ordinance 2017 (No 15 of 2017), Supplementary Appropriation (2017-2018) Ordinance (No 1 of 2018).

The following Contingency Warrants were issued at various times throughout the year, the Contingencies Fund being replenished through the Supplementary Appropriation Ordinances.

Warrant No	£000
Contingencies Warrant No 1	3,843
Contingencies Warrant No 2	432
Contingencies Warrant No 3	309
Contingencies Warrant No 4	213
Contingencies Warrant No 5	230
Contingencies Warrant No 6	447
Contingencies Warrant No 7	510
Contingencies Warrant No 8	723
<b>TOTAL</b>	<b>6,707</b>

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**Out-turn**

Revenue was £40.930m (including special fund transfers) more than the total estimated, and expenditure (including special fund transfers) was £58.763m more than the total estimated, resulting in a net negative variance of £17.833m against budget. Therefore the overall decrease in the Consolidated Fund of £26.354m was £17.883m more than projected.

The increase on estimate in revenue of £40.930m is attributable to the following:

Revenue Increases	£'000	£'000
Treasury	32,642	
Natural Resources	5,466	
Executive Management	3,955	
Mineral Resources	335	
Public Works	299	
SAERI	122	
Island Plan Investments	33	42,852

**Offset by Revenue Decreases**

Law & Regulation	(24)	
Development & Commercial Services	(26)	
Emergency Services	(27)	
Education	(37)	
Health and Social Services	(343)	
Oil Development	(1,464)	(1,922)

<b>Net Revenue Increases</b>	<b>40,930</b>
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The increase on estimate in expenditure of £58.763m is attributable to the following:

Expenditure Increases	£'000	£'000
Island Plan Investments	(55,756)	
Executive Management	(4,507)	
Treasury	(501)	
Health and Social Services	(117)	
SAERI	(114)	
Mineral Resources	(93)	(61,088)

**Offset by Expenditure Decreases**

Natural Resources	44	
Human Resources	86	
Law & Regulation	128	
Emergency Services	229	
Development & Commercial Services	301	
Education	352	
Public Works	411	
Oil Development	774	2,325

<b>Net Expenditure Increases</b>	<b>(58,763)</b>
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**STATEMENT OF TREASURER'S RESPONSIBILITIES**

The Treasurer is responsible for:

- the preparation of the financial statements in accordance with:
  - the Finance and Audit Ordinance 1988;
  - the Public Funds Ordinance 1990;
  - the Special Funds Ordinance 1993;
  - the Currency Ordinance 1987;
  - the Pensions (Old Scheme) Fund Ordinance 1999;
  - the Retirement Pensions Ordinance 1996; and
  - the Finance Ordinance 2004, reflecting the provisions of the Capital Equalisation Fund Order 2005
- ensuring the regularity of financial transactions;
- ensuring that all monies received and paid by Government are brought promptly and properly to account;
- reporting to the Financial Secretary in writing any apparent defect in controls of revenue, expenditure, cash, stores and other property of the Government;
- reporting to the Financial Secretary in writing any breach or non-observance of Financial Instructions; and
- ensuring that adequate provisions exist for the safe custody of public monies and securities.

Approved by:



**A Francis  
Treasurer**

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**OPERATING COST STATEMENT FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2018**

2017 £000s	2017 (restated) £000s		Notes	2018 £000s
<b>Operating Revenue</b>				
83,887	87,836	Departmental Revenue	2	101,233
161	161	Island Plan Investments Revenue	2	73
84,048	87,997	Total Operating Revenue		101,306
<b>Operating Costs</b>				
(25,111)	(25,111)	Staff Costs		(26,697)
(22,764)	(26,713)	Other Departmental Costs		(31,136)
(5,138)	(5,138)	Island Plan Investment Costs		(3,695)
(53,013)	(56,962)	Total Operating Costs	3	(61,528)
<b>Discontinued Operations</b>				
829	829	SAERI Revenue		122
(429)	(429)	SAERI Staff costs		(3)
(944)	(944)	SAERI Other Departmental costs		(110)
(544)	(544)			8
<b>30,491</b>	<b>30,491</b>	<b>Net Operating Surplus before transfers &amp; capital charges</b>		<b>39,786</b>
<b>Social &amp; Oil Investments</b>				
(2,929)	(2,929)	Transfers to Special Funds	3	(2,929)
-	-	- Transfers from Special Funds	2	-
<b>Island Plan Investments</b>				
(4,000)	(4,000)	Transfers to Special Funds	3	(57,915)
-	-	- Transfers from Special Funds	2	-
<b>23,562</b>	<b>23,562</b>	<b>Increase/(Decrease) in Net Liquid Assets for Operating purposes</b>	<b>23</b>	<b>(21,057)</b>
(5,353)	(5,353)	Depreciation	3	(5,297)
<b>18,210</b>	<b>18,210</b>	<b>NET OPERATING SURPLUS/(DEFICIT)</b>		<b>(26,354)</b>

*A Francis*

A Francis  
Treasurer

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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2018**

	Note	2017 £000s	2018 £000s
<b>Net Cash Inflow from Operating Activities</b>	25	5,305	23,972
<b>Returns on Investment and Servicing of Finance</b>			
Interest Paid		3	-
Interest Received on Investments Held Locally		167	196
<b>Net Cash Inflow from Returns on Investment and Servicing of Finance</b>		170	196
<b>Capital Expenditure</b>			
Payments for Tangible Fixed Assets		(10,110)	(15,103)
Receipts/(Payments) for Other Financial Assets		4,000	(15,500)
Proceeds from Disposal of Tangible Fixed Assets		0	0
<b>Net Cash Outflow from Capital Expenditure</b>		(6,110)	(30,603)
<b>Financing</b>			
Mortgage Receipts		178	153
Other Loans Repaid		(46)	(47)
Capital Grants		1,801	72
<b>Net Cash Inflow from Financing</b>		1,933	178
<b>Net (Decrease)/Increase in Cash</b>		1,298	(6,257)
<b>Cash at Beginning of Period</b>		13,454	14,746
<b>Net (Decrease)/Increase in Cash</b>		1,292	(6,257)
<b>Cash at End of Period</b>		14,746	8,489

The above cash flows do not include financial transactions processed by financial institutions on behalf of FIG, for example those processed by Investment Fund Managers, the proceeds of which are retained within the individual funds.



**A Francis  
Treasurer**



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**BALANCE SHEET AS AT 30<sup>th</sup> JUNE 2018**

2017	2017			2018	2018
All Funds	General Fund		Notes	All Funds	General Fund
£000s	£000s			£000s	£000s
Fixed Assets					
120,606	120,606	Tangible Fixed Assets	7	130,357	130,357
162,644	0	Investments – Special Funds	8	166,397	
176,244	176,244	Investments – Consolidated Fund	9	203,952	203,952
459,494	296,850	Total Fixed Assets and Investments		500,706	334,309
705	705	Debtors falling due after more than 1 year	10	552	552
Current Assets					
9,941	9,941	Stocks	11	9,735	9,735
13,168	41,520	Debtors falling due within 1 year	12	9,412	12,506
14,746	14,746	Cash at bank and in hand	13	8,489	8,489
37,855	66,207	Total Current Assets		27,637	30,731
(9,934)	(19,416)	Creditors due within 1 year	14	(8,481)	(34,823)
27,921	46,791	Net Current Assets		19,155	(4,093)
488,120	344,346	Total Assets Less Current Liabilities		520,413	330,768
(50)	(50)	Creditors falling due after more than 1 year	14	(3)	(3)
(529)	(529)	Provisions for liabilities	16	(7)	(7)
487,541	343,766	Net Assets		520,403	330,758
Financed by Taxpayers' Equity:					
143,775		Special Funds	17	189,645	
343,766	343,766	General Fund	18	330,758	330,758
487,541	343,766	Total Reserves		520,403	330,758

**RECONCILIATION TO NET LIQUID ASSETS**

487,541	343,766	Total Reserves		520,403	330,758
(120,606)	(120,606)	Less Tangible Fixed Assets		(130,357)	(130,357)
<b>366,935</b>	<b>223,160</b>	<b>Net Liquid Assets</b>	<b>23</b>	<b>390,047</b>	<b>200,402</b>

  
A Francis  
Treasurer

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**NOTES TO THE FINANCIAL STATEMENTS**

**1. STATEMENT OF ACCOUNTING POLICIES**

**1.1 Basis of Accounting**

These financial statements are prepared and published in accordance with the provisions of the Finance and Audit Ordinance 1988. The financial statements generally follow UK Generally Accepted Accounting Practice (UK GAAP) to the extent it is meaningful and appropriate to the Falkland Islands Government. Where there is a choice of accounting policies available, the accounting policy judged to be the most appropriate to the particular circumstances of the Falkland Islands Government has been selected. The Government's accounting policies have been applied consistently in dealing with items considered material in relation to the financial statements. Where relevant, principles outlined in the Resource Accounting Manual issued by HM Treasury have been followed. The financial statements are not required to comply fully with statements issued by the financial reporting and accounting standards setting bodies in the United Kingdom.

As at 30 June 2017 the Government has net current assets of £19m (2017 - £28m) of which £8m (2017 - £15m) is held in cash. In addition, as at the year end the Government has a further £369m (2017 - £338m) held with external investment managers accounting for more than five years' worth of operating costs.

The Treasurer believes that the Government is in a financially strong position and will continue to be so, and accordingly the financial statements have been prepared on a going concern basis.

**1.2 Accounting Convention**

These financial statements have been prepared under the accruals concept of accounting and the historical cost convention for the measurement of fixed assets, as modified for the revaluation of listed fixed asset investments. Differences to the historical cost method of valuation for tangible fixed assets and stocks have been referred to in notes 1.10 and 1.17d.

**1.3 Basis of consolidation**

These financial statements comprise of a consolidation of all departments within the Falkland Islands Government, including the balances on Special Funds managed by the Government. Separate financial statements further detailing the activity on Special Funds are also produced. These financial statements do not consolidate the Falkland Islands Development Corporation, Falklands Landholdings Corporation or any other subsidiaries of the Falkland Islands Government.

**1.4 Recognition of Income**

Income is recognised on an accruals basis, accruing into the financial statements where late invoicing has occurred, and deferring income not relating to the period of account. Operating income relates directly to the operating activities of the department. It principally comprises fees and charges for services provided on a full-cost basis to external customers. Fees cross-charged internally across departments are also included, as explained in note 1.8.

With regards to taxation income, income from personal tax is recognised when an assessment is issued by the Taxation Department for tax which is due and payable. Income from corporation tax and payments on account of tax (POAT) are recognised at the time payments are due and payable according to taxation legislation.

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**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**1.4 Recognition of Income (continued)**

The exception to this is in relation to those cases of corporation tax that are covered by Extra Statutory Concession 16. In such cases the tax due on any part of the consideration is deferred to a period the earliest of:

- Receipt of the cash amount;
- First oil production from the licence interest disposed of; or
- Five years from the date of the disposal contract.

The date the Taxation Office will instigate collection of tax in respect of such considerations, and the associated point of income recognition, will be eight months and one day after the end of the relevant company's accounting period.

All penalties accruing for late payment of tax as at 30 June form part of revenue.

Road Fund licenses are recognised in the year of receipt. Capital revenue has been recognised through the Capital Equalisation Fund, disclosed in separate financial statements.

**1.5 Notional and Other Non-Cash Charges**

The Operating Cost Statement includes depreciation charged to the various Government departments.

**1.6 Recognition of Expenditure**

Expenditure is recognised on an accruals basis, matching costs incurred to the period of account. Costs relating to a future accounting period are recognised as prepayments. Costs cross-charged internally between departments are also included, as explained in note 1.8. Other expenditure is incurred by Fund Transfers and Transfer Payments. Capital expenditure has been recognised through the Capital Equalisation Fund, the details of this fund are disclosed in separate financial statements.

**1.7 Foreign Currency Transactions**

The financial statements are maintained and reported in Falkland Islands pounds, which are on par with the pound sterling, in accordance with the provisions of Section 4 of the Currency Ordinance 1987. Expenditure and revenue in other currencies are converted to Falkland Islands pounds at the foreign exchange rate on the date the transactions take place. Balances and investments held are converted at the closing mid-point foreign exchange rate at the 30<sup>th</sup> of June.

**1.8 Interdepartmental Transactions**

Certain transactions are included in these financial statements as expenditure by one department and revenue in another in order to reflect more fully the true cost of services to Government. These include electricity, postal charges, rent rebates, photocopier contract, FIGAS flights & aerial surveillance costs, plant hire, asphalt and quarry products.

**1.9 Intangible Fixed Assets**

Mineral, oil and fishing rights are not capitalised. It is not possible to ascertain their value without incurring considerable cost. Purchased software licences are put through the Operating Cost Statement as the majority of licences are renewed annually, and values of longer term licences are considered immaterial. As such, there are no intangible fixed assets accounted for within FIG.

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**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**1.10 Tangible Fixed Assets**

With the exceptions stated below concerning non-operational heritage assets, tangible fixed assets are stated at historical cost including any costs such as delivery and installation directly attributable to bringing them into working condition. There are some fixed assets for which it has not been possible to identify historic cost. In these cases, an estimate of replacement cost has been made. As at 30 June 2018, the split of assets (excluding biological assets) disclosed in this way was:

	<b>Cost</b>	<b>% of cost</b>	<b>Net Book Value</b>	<b>% of NBV</b>
	<b>£000s</b>		<b>£000s</b>	
Historical Cost	176,423	83%	119,777	92%
Estimated Values	35,241	17%	9,851	100%
<b>Total Fixed Assets</b>	<b>211,664</b>		<b>129,628</b>	

All fixed assets with a cost or estimated value over £5,000 are capitalised, with the exception of IT, which is capitalised at a level of £200. Non-operational heritage assets have not been capitalised, either because it is impossible to obtain a reliable valuation, or because the cost of obtaining a reliable valuation would be greater than the benefit arising.

**1.11 Assets Under the Course of Construction**

Assets under the course of construction are included in the fixed assets figure in the Balance Sheet and detailed in note 7 to the financial statements. Capital retentions are accrued into the Capital Equalisation Fund, in a consistent manner to all other capital payments.

As a project is completed and the asset is brought into use, the asset is transferred out of the Assets Under Construction asset category and into the relevant asset category.

**1.12 Donated Assets**

Donated tangible fixed assets are capitalised at their current value on receipt, this value being credited to the Donated Asset Reserve. Each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Operating Cost Statement.

**1.13 Depreciation Policy**

Tangible Fixed Assets are depreciated at rates calculated to write them down to their estimated residual value on a straight-line basis over their estimated useful economic lives. Assets under the course of construction are not depreciated until the asset is brought into use and transferred out of that category. Leased assets are depreciated over the shorter of the lease term and their estimated useful economic lives. No depreciation is provided on freehold land since it has an unlimited useful life.

The initial cost of capital infrastructure is depreciated over 100 years, being management's current estimated useful life. All repairs expenditure in relation to such infrastructure is charged to the Operating Cost Statement. In addition, annual condition reviews are performed by management in order to consider any further material consumption or deterioration of the infrastructure network during the year which is required to be charged to the Operating Cost Statement as excess depreciation.



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**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**1.13 Depreciation Policy (continued)**

The asset categories and their normal useful economic lives are as determined by a suitably qualified officer, but are generally:

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Buildings	50 years
Leasehold Land and Buildings	remaining life of lease
Infrastructure (roads, etc.)	100 years
Furniture & Fittings	10 years
Equipment	5 years
Plant & Machinery	10 years
Information Technology	3 years
Vehicles	10 years
Air and Sea Craft	20 years

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**1.14 Biological Assets**

Biological assets relate to the National Beef Herd, Reindeer Herd and Sheep Flock and are valued on the basis of the average price of a live bullock in the local market. It is the intention of FIG to maintain these assets as breeding stock and they are therefore classified as fixed assets.

**1.15 Investments**

Listed investments are valued at mid-market value, including accrued interest.

For investments in support of the Consolidated Fund, realised gains or losses arising from in-year trading activities of listed investments are recorded within the Operating Cost Statement. Unrealised gains and losses arising from the year-end revaluation of listed investments are recorded in the Balance Sheet through the Investments Revaluation Reserve.

For investments in support of the Special Funds, all transactions are recorded through the Balance Sheet. Separate statements are produced to provide support for each of the Special Funds.

Within the Insurance Fund, some transactions, which are denominated in a foreign currency, are covered by open forward exchange contracts. The value of these contracts is included in the closing market valuation, offset by the cost of the transactions, leaving the resulting unrealised gain / loss within the valuation.

Unlisted investments are valued based on the historic cost of the shares held less any provision for impairment.

**1.16 Debtors**

The sum of debtors shown in the Balance Sheet is made up of accrued income, advances, prepayments, trade debtors and loans advanced by FIG. Long-term debtors disclosed refer to mortgages. More details of the sums advanced can be found in the Statement of Outstanding Loans.

Provision has also been made for debtors which are considered to be irrecoverable, or where the recovery of the debt is unlikely. This has been done by reference to each debt, on the advice of each Head of Department. All increases and decreases to this provision have been taken through the Operating Cost Statement.



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**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**1.17 Stock**

Government stock is included in the financial statements using the following policy guidelines.

- a. Total stock held by a department / section is excluded if less than £20,000 in value.
- b. Minor assets held, which are below the fixed asset threshold, and which are of an inventory nature rather than consumable items, are not included within the stock figure.
- c. The initial recognition of stock has been created and a corresponding entry in the General Fund represents the increase to the balance sheet value of Taxpayers' Equity.
- d. Stock is valued at the lower of cost or net realisable value with the exception of quarry stone stock which is always valued at net realisable value.
- e. Stock has been measured by way of an annual stock take, with the material departments being subject to verification testing.
- f. Stock recognised for the first time is accounted for as described in note 1.17(c). All other movements in stock are accounted for under stock consumption in the Operating Cost Statement. Negative stock consumption arises when in-year purchases exceed usage.
- g. The production costs and materials of unissued currency held in FIG vaults have been specifically excluded from the stock valuation.

**1.18 Leases**

Where substantially all the risks and rewards of ownership of a leased asset are borne by the department, leased assets are recorded as a tangible fixed asset and a liability is recorded to the lesser of the minimum lease payments discounted by the rate implicit in the lease. Currently FIG does not have any finance leases (2017 – nil). Those leases not meeting the above definition are treated as operating leases and as such are charged to the Operating Cost Statement on a straight-line basis over the lease term. In the Falkland Islands Government Office (FIGO), London, one operating lease is held for items of office equipment (2017 – one).

**1.19 Provisions for Liabilities**

The Falkland Islands Government provides for legal and constructive obligations, which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Further details of the sums provided for can be found in note 16.

**1.20 Reserves**

Reserves have been reclassified into the categories of Special Funds and General Fund. The General Fund consists of the Contingencies Fund, the Investments Revaluation Reserve, the Fixed Assets Revaluation Reserve, the Donated Assets Reserve and the Consolidated Fund, which is the historic accumulation of cash resources, as adjusted for resource accounting. As a result of these adjustments, the fund has decreased and represents the change in value of Taxpayers' Equity following the introduction of Balance Sheet assets and liabilities and other operational adjustments. Notes 18 to 22 disclose this in more detail.

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**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**1.21 Pensions**

Pensions (Old Scheme) Fund

The Pensions (Old Scheme) Fund was established to underwrite the liability to pay Government service pensions to pensioners and officers who remain subject to the old defined benefit scheme arrangements. However, the scope of the Fund has been extended to include payments due under the Falkland Landholdings (FLH) pension scheme, Overseas Service Aid Scheme (OSAS) pensions, the Voluntary Severance Scheme/redundancy uplifts, ill-health and disability benefits, the No Worse Off Guarantee and death-in-service benefit provisions of the Falkland Islands Pension Scheme (FIPS), and as annuity provider of last resort. In FIG's financial statements, three types of contributions are paid into this scheme.

- (1) Over the 7 year period 1999/00 to 2005/06, annual transfer payments were made into the fund to "top-up" a previously reported imbalance in respect of past service.
- (2) With effect from 2004/05 onwards, an additional sum is paid into the scheme from FIG to cover Death-In-Service benefits which may become payable to FIG employee members of the FIPS.
- (3) In addition, amounts have been paid as necessary as contributions towards future pension benefits in respect of the employees who opted to remain on the "old" defined benefits pension conditions.

Non-compliance with the UK Financial Reporting Standard 17 'Retirement Benefits' (FRS17)

The provisions of FRS17 have not been adopted. Note 26 provides an explanation of the latest triennial review on the old scheme balance as provided by Punter Southall Consulting Actuaries. A full actuarial valuation is undertaken once every 3 years.

Retirement Pensions Fund

The Retirement Pensions Fund supports the state pension scheme. A full actuarial valuation by independent actuaries is undertaken once every 5 years. The last actuarial review was undertaken, as at 31 December 2017, by Callund Consulting Ltd.

In the FIG financial statements, three types of contributions are paid into this scheme.

- (1) FIG makes employer pension contributions, in the same manner as all other employers in the Falkland Islands.
- (2) In special circumstances, FIG makes contributions on behalf of contributors who meet the criteria for assisted contributions.
- (3) A further annual payment is made to subsidise the difference between contribution rates charged across all active contributors and the rates that would need to be charged to meet all liabilities.

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**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**1.22 Grants**

Grants payable are recorded as expenditure in the period that the entitlement to the grant occurs. The financial statements do not include deemed repayments of conditional grants of £0 (2017: £37,401) for the Workboat Services Modification grant of £350,000.

**1.23 Research and development**

Expenditure on research and development is charged through the operating cost statement when it is incurred.

**1.24 Related Party Transactions**

The Government is required to disclose material transactions with related parties. In this context parties are considered to be related if they have the potential to influence or control the Government or be influenced and controlled by Government. For accounting purposes these parties include Members of the Legislative Assembly, the Chief Executive, the Financial Secretary, the Attorney General and Departmental Directors.

**1.25 Restatement of Operating Cost Statement in regards to flights**

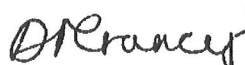
Previously both the income and expenditure relating to the provision of passages on the MOD Airbridge flight were accounted for as a net subsidy in FIGs financial statements. These items are now being shown gross in order to increase transparency of FIGs accounts. Financial Year 2016/17 has been restated to that effect.

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**2. COMPARATIVE STATEMENT OF REVENUE**

The Finance and Audit Ordinance 1988 requires a comparative statement of estimated and actual revenue by subhead; the following Annual Abstract Account satisfies that requirement. A detailed comparative statement of estimated and actual revenue by subhead is not published in these financial statements; however it can be made available by the Treasury.

Actual 2017 £000s	Departmental Ledger Codes		Estimate 2018 Unaudited £000s	Actual 2018 £000s
2,150	110	Central Services	1,745	1,719
-	120	Human Resources	-	-
2,764	200	Health and Social Services	2,181	1,838
141	250	Education	136	100
8,888	350	Public Works	9,751	10,051
22,022	410	Natural Resources	18,338	23,803
207	450	Law & Regulation	208	184
3,935	550	Emergency Services	4,028	4,001
54	600	Executive Management	18	3,973
870	620	Mineral Resources	775	1,111
42,488	700	Treasury	21,856	54,498
83,519		<b>TOTAL DEPT REVENUE (exc. Oil development)</b>	59,036	101,278
829		<b>Discontinuing Operations (SAERI)</b>		122
161	999	Island Plan Investments	40	73
84,509		<b>TOTAL OPERATING REVENUE</b>	59,076	101,472
-	998	Social Investments	-	-
368	997	Oil Development	1,418	-46
84,877		<b>TOTAL REVENUE RECEIVED</b>	60,494	101,428



A Francis  
Treasurer

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**3. COMPARATIVE STATEMENT OF EXPENDITURE**

The Finance and Audit Ordinance 1988 requires a comparative statement of estimated and actual expenditure by subhead. The following Annual Abstract Account satisfies that requirement. A detailed comparative statement of estimated and actual expenditure by subhead is not published in these financial statements; however, it can be made available by the Treasury.

Actual 2017 Operating £000s	Actual 2017 Depreciation £000s	Actual 2017 Total £000s	Estimate 2018 Unaudited £000s	Actual 2018 Operating £000s	Actual 2018 Depreciation £000s	Actual 2018 Total £000s
5,142	316	5,458				
504	1	505	6,309	5,652	356	6,009
11,020	594	11,614	589	503	1	504
6,179	414	6,593	12,099	11,607	609	12,216
7,683	3,545	11,228	7,447	6,680	415	7,095
6,557	142	6,699	14,135	10,283	3,441	13,724
1,315	4	1,319	7,171	6,998	129	7,127
2,792	266	3,058	1,732	1,599	5	1,605
2,523	57	2,580	3,007	2,509	269	2,777
614	3	617	3,265	7,824	62	7,772
3,546	6	3,552	573	663	3	666
1,373	5	1,378	2,530	3,025	6	3,031
9,138	-	9,138	-	-	-	114
61,709	5,353	63,739	5,854	61,609	-	61,609
			64,712	118,953	5,297	124,249
			<b>TOTAL EXPENDITURE</b>			
2051	-	2,051	1,468	2,929	-	2,929
-	-	-	2,234	604	-	604
63,760	5,353	65,790	68,414	122,485	5,297	127,782
			<b>TOTAL FUNDS EXPENDED</b>			

*A Francis*

A Francis  
Treasurer



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**4. DIRECTORS REMUNERATION**

**2017-2018**

	Gross Salary (bands of £5,000) £000s	Gratuity Accrued in Year (bands of £5,000) £000s	Benefits in Kind and other contractual payments (rounded to the nearest £000) £000s	Employer's OPC (bands of £5,000) £000s	Employer's RPC (rounded to the nearest £000) £000s	Employer's MST (rounded to the nearest £000) £000s
Barry Rowlands - Chief Executive	125-130	35-40		5	-	1
James Wilson - Financial Secretary	90-95	20-25		-	-	-
Simon Young - Attorney General	45-50	10-15		-	-	-
David Brown - Attorney General	15-20	0-5		-	-	-
Colin Summers - Director of Public Works	95-100	-		10-15	-	1
Stephen Luxton - Director of Mineral Resources	75-80	-		05-10	-	-
John Barton MBE - Director of Natural Resources	95-100	-		25-30	-	-
Mandy Whittingham- Director of Health and Social Services	70-75	15-20		1	-	1
Tom Hill - Director of Education	0-5	0-5		-	-	-
Rachel Seddon - Director of Education	35-40	5-10		3	-	-
Andrew Almond-Bell -Director of Emergency Services	10-12	0-5		-	-	-
Diane Simsovic - Head of Policy	85-90	20-25		1	-	-
Stuart Hampson - Director Of Human Resources	80-85	20-25		-	-	-
Ian Robertson - Director of Central Services	Consent to disclose withheld					

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**4. DIRECTORS REMUNERATION (continued)**

2016-2017

	Gross Salary (bands of £5,000) £000s	Gratuity Accrued in Year (bands of £5,000) £000s	Benefits in Kind and other contractual payments (rounded to the nearest £000) £000s	Employer's OPC (bands of £5,000) £000s	Employer's RPC (rounded to the nearest £000) £000s	Employer's NST (rounded to the nearest £000) £000s
Keith Padgett - Chief Executive	50-55	-	7	5-10	-	1
Barry Rowlands - Chief Executive	50-55	15-20	1	-	1	1
Nicola Granger - Financial Secretary	40-45	-	-	0-5	-	1
Lydia Morrison - Financial Secretary	40-45	10-15	-	-	-	1
James Wilson - Financial Secretary	5-10	0-5	-	0-5	-	-
Peter Judge - Attorney General	80-85	25-30	-	-	1	2
David Brown - Attorney General	35-40	10-15	-	-	-	1
Colin Summers - Director of Public Works	90-95	-	-	5-10	1	1
Stephen Luxton - Director of Mineral Resources	70-75	-	-	5-10	1	1
John Barton MBE - Director of Natural Resources	85-90	-	-	20-25	1	1
Iain Bainbridge - Director of Health and Social Services	45-50	10-15	-	-	-	1
Tom Hill - Director of Education	50-55	15-20	-	-	1	1
Andrew Almond-Bell Director of Emergency Services	70-75	15-20	-	-	1	1
Matthew Bassford - Director of Central Services	105-110	45-50	-	-	1	2
Diane Simovic - Head of Policy	35-40	10-15	-	-	1	1
Stuart Hampson - Director Of Human Resources	55-60	15-20	-	-	1	1

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**4. DIRECTORS REMUNERATION (continued)**

Posts vacated in year included Attorney General – David Brown, Andrew Almond Bell,

Posts filled during the year include Attorney General – Simon Young, Director of Development & Commercial Services, Director of Education - Rachel Seddon

**5. EMPLOYEE REMUNERATION**

	Number of Employees	
	2016/17	2017/18
£50,000 - £54,999	15	25
£55,000 - £59,999	8	8
£60,000 - £64,999	10	5
£65,000 - £69,999	8	10
£70,000 - £74,999	5	8
£75,000 - £79,999	3	3
£80,000 - £84,999	4	5
£85,000 - £89,999	2	3
£90,000 - £94,999	-	1
£95,000 - £99,999	1	1
£100,000 - £104,999	-	1
£105,000 - £109,999	-	3
£110,000 - £114,999	1	-
£115,000 - £119,999	1	-
£120,000 - £124,999	-	1
£125,000 +	2	2
<b>Total</b>	<b>60</b>	<b>76</b>

This note shows the number of employees whose remuneration was greater than £50,000 set out in bands of £5,000. Remuneration is defined as amounts paid to or receivable by an employee, including gross salary plus gratuity. The Directors disclosed in note 4 are excluded from this note.

**6. MEMBERS ALLOWANCES**

During the year the Government incurred expenditure of £401,834 in relation to Members' Salaries and Allowances (2017: £325,698).

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**7. TANGIBLE FIXED ASSETS**

	Land	Buildings	Infrastructure	Furniture & Fittings	Equipment	Plant & Machinery	IT	Vehicles	Air and Seacraft	Under Construction	Biological Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or valuation</b>												
At 1 July 2017	275	81,800	62,333	766	6,150	22,206	1,193	12,507	2,866	8,755	84	198,934
Additions	-	95	3,949	24	1,075	1,791	248	881	1,061	5,968	-	15,092
Disposals	-	-	(7)	(38)	(286)	(348)	(71)	(868)	-	-	(15)	(1,633)
Transfers	-	383	576	1	300	-	-	52	-	(1,312)	-	-
At 30 June 2018	275	82,278	66,851	753	7,239	23,648	1,370	12,572	3,927	13,411	69	212,393
<b>Depreciation</b>												
At 1 July 2017	-	34,302	13,547	486	4,847	13,479	1,110	8,052	2,506	-	-	78,328
Charged in year	-	1,620	1,371	45	482	853	63	815	48	-	-	5,297
Disposals	-	-	-	(38)	(282)	(348)	(68)	(851)	-	-	-	(1,588)
At 30 June 2018	-	35,922	14,918	492	5,047	13,984	1,105	8,016	2,554	-	-	82,037
<b>Net Book value at 30 June 2018</b>	275	46,355	51,933	261	2,192	9,665	265	4,556	1,373	13,411	69	130,356
<b>Net Book value at 30 June 2017</b>	275	47,691	48,807	280	1,302	8,726	83	4,715	359	8,284	85	120,606

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**8. INVESTMENT PORTFOLIOS SUPPORTING SPECIAL FUNDS MANAGED BY THE TREASURY**

2017	2018	2018
£000s	£000s	£000s
Market Value	Book Cost	Market Value
5,158 Currency Fund	5,158	5,169
61,136 Retirement Pensions Fund	55,144	64,269
28,983 Pensions (Old Scheme) Fund	13,131	29,667
31,323 Insurance Fund	31,249	31,280
36,043 Capital Equalisation Fund	36,342	36,011
<b>162,644</b>	<b>141,023</b>	<b>166,397</b>

**9. INVESTMENT PORTFOLIOS SUPPORTING THE CONSOLIDATED FUND**

2017	2018
£000s	£000s
Market Value	Book Cost
175,277 Growth Fund	170,407
742 Income Fund	1,251
225 Share Capital Investments (unlisted) *	225
<b>176,244</b>	<b>171,883</b>

\*Unlisted investments are shares in Stanley Services Ltd, of which FIG has a 44.9% shareholding

**10. DEBTORS FALLING DUE AFTER MORE THAN 1 YEAR**

2017	2018
£000s	£000s
705	552

**10.1 Analysis of loan maturity profile**

2017	2018
£000s	£000s
370	308
277	216
58	28
0	-
-	-
<b>705</b>	<b>552</b>



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**11. ANALYSIS OF STOCKS HELD BY DEPARTMENT**

2017 £000s	Note	2018 £000s
1,057	100 Central Services	1,132
572	200 Health and Social Services	516
8,071	350 Public Works	7,812
76	410 Natural Resources	110
165	550 Emergency Services	166
<b>9,941</b>		<b>9,735</b>

**12. ANALYSIS OF DEBTORS FALLING DUE WITHIN 1 YEAR**

2017 All Funds £000s	2017 General Fund £000s		2018 All Funds £000s	2018 General Fund £000s
1,583	1,583	Accrued Income	1,509	1,509
(7)	(7)	Advances	(5)	(5)
1,020	1,020	Prepayments	1,530	1,530
10,446	10,446	Trade Debtors	6,233	6,233
113	113	Loans made by FIG	146	146
	28,352	Owed by Special Funds		3,094
<b>13,155</b>	<b>41,507</b>		<b>9,411</b>	<b>12,505</b>

**13. CASH IN HAND, AT BANK AND IN TRANSIT**

2017 £000s		2018 £000s
414	Cash in Hand	426
14,314	Cash at Banks	8,028
-	Cash in Transit	-
18	Remittances in Transit	34
<b>14,746</b>	<b>TOTAL</b>	<b>8,489</b>

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**14. ANALYSIS OF CREDITORS**

2017	2017		2018	2018
All Funds	General Funds	Note	All Funds	General Funds
£000s	£000s		£000s	£000s
<b>AMOUNTS FALLING DUE WITHIN 1 YEAR</b>				
538	538		228	228
2,429	2,429		1,608	1,608
6,916	6,916		6,601	6,601
45	45	15	45	45
-	9,483			26,342
9,928	19,411		8,481	34,822
<b>AMOUNTS FALLING DUE AFTER MORE THAN 1 YEAR</b>				
50	50	15	3	3
9,978	19,461		8,484	34,826

**15. LOANS TO FIG**

2017		2018
£000s		£000s
<b>Loans to FIG</b>		
46	Payable within 1 year	47
49	Payable within 2 to 5 years	2
1	Payable after more than 5 years	0
96		50

**16. PROVISIONS FOR LIABILITIES**

2017		2018
£000s		£000s
<b>Holiday Credit Scheme</b>		
8	Opening Provision	8
0	Less: Amounts paid during year	-
0	Less: Amounts forfeit due to closure of scheme	(1)
0	Less: Amount released to Consolidated Fund	-
8	Closing Provision	7

The holiday credit scheme was a benefit given by FIG to residents in order to subsidise the cost of holidays. This provision relates to the obligation FIG has to pay amounts already accrued. The scheme ceased on the 30th June 2011 with the exception of credits held for children under 16 which will be available on the individual's 16th birthday for one year after which time the credits will be forfeit.

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**16. PROVISIONS FOR LIABILITIES (cont.)**

**SAERI**

The South Atlantic Environmental Research Institute (SAERI), separated from FIG at the 1<sup>st</sup> of July 2017 to become an independent charity. As part of this separation, amounts relating to remaining unspent grant income as well were transferred to the new charity in the 2017/18 financial year. Also transferred was ownership of fixed assets in use by SAERI at the time of separation (with the exception of Stanley Cottage and Car park). The provision made in 2016/17 of £521,912k was reversed into 2017/18.

**17. BALANCE OF INDIVIDUAL SPECIAL FUNDS MANAGED BY THE TREASURY AS PROVIDED FOR BY THE FINANCE AND AUDIT ORDINANCE 1988**

2017 £000s	2018 £000s
6,151 Currency Fund	6,376
64,249 Retirement Pensions Fund	67,962
28,810 Insurance Fund	28,185
34,360 Pensions (Old Scheme) Fund	36,028
10,204 Capital Equalisation Fund	51,093
<b>143,774</b>	<b>189,645</b>

**18. GENERAL FUND**

2017 £000s	Note	2018 £000s
3,536 Contingencies Fund		3,289
32,382 Investments Revaluation Reserve	19	32,070
49,859 Fixed Assets Revaluation Reserve	20	48,006
1 Donated Asset Reserve	21	1
257,987 Consolidated Fund	22	247,392
<b>343,765</b>		<b>330,758</b>

**19. INVESTMENTS REVALUATION RESERVE**

2017 £000s	Note	2018 £000s
21,113 Opening brought forward		32,382
11,359 Revaluation of investments above market value		(286)
(90) Realised Element of the Investments Revaluation Reserve		(27)
<b>32,382</b>	<b>19.1</b>	<b>32,069</b>

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**19. INVESTMENTS REVALUATION RESERVE (Cont.)**

**19.1 Reconciliation of Investments Revaluation Reserve Balance**

2017		2018
£000s		£000s
143,637	Book Value of Consolidated Fund investments	171,658
176,019	Market Value of Consolidated Fund investments	203,728
<b>32,382</b>		<b>32,069</b>

**20. FIXED ASSETS REVALUATION RESERVE**

2017		2018
£000s	Note	£000s
51,702	Opening brought forward	49,859
0	Assets added from prior years (not previously recognised)	10
(23)	Movement in Livestock	(15)
(1,820)	Realised Element of the Fixed Assets Revaluation Reserve	(1,848)
<b>49,859</b>		<b>48,006</b>

20.1 The realised element relates to the depreciation and disposal of revalued assets

**21. DONATED ASSETS RESERVE**

2017		2018
£000s		£000s
1	Balance 1 July, brought forward	1
-	- Depreciation	-
-	- Additions in year	-
<b>1</b>	<b>Balance 30 June, carried forward</b>	<b>1</b>

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**22. CONSOLIDATED FUND**

2017			2018	
£000s	£000s	Note	£000s	£000s
Cash and Operating Cost Statement Resource				
Accounting Adjustments				
	116,286	Balance 1 July		134,496
	18,210	Surplus/(Deficit) for the year		(26,354)
	134,496	Balance 30 June		108,142
Other Realisations and Transfers				
(Balance Sheet Resource Accounting Adjustments)				
	111,685	Balance 1 July		123,492
-		Release of over provision		
387		Increase to contingencies fund		247
1,820		Realised Element of Fixed Assets Revaluation Reserve	20	1,848
90		Realised Element of Investments Revaluation Reserve	19	27
-		Introduction of new stock		
9,509		Fixed Assets purchased from Capital Equalisation Fund		13,637
	11,807			15,759
	257,987			247,392



**A Francis—  
Treasurer**



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**23. RECONCILIATION OF NET LIQUID ASSETS**

2017		Note	2018	
£000s	£000s		£000s	£000s
	188,088			223,161
	Net Liquid Assets as at 1 July			
23,562	Increase for operating purposes		(21,057)	
11,359	Movement in Investment value	19	(286)	
	Release of over provision			
	New stocks introduced			
151	Other fixed asset movements		(1,415)	
	35,073			(22,758)
	Total Increase in Net Liquid Assets			
	223,161			200,402
	Net Liquid Assets as at 30 June			

**24. OPERATING LEASES**

2017	2018
£000s	£000s
10	10
Operating lease rentals charged as an expense	
Operating lease payments due	
9 Payable within 1 year	9
28 Payable within 2 to 5 years	19
- Payable over 5 years	-
37	28

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**25. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES**

	2017	2018
Note	£000s	£000s
<b>Net Operating Surplus Before Interest</b>	<b>13,354</b>	<b>(31,542)</b>
Depreciation and Amortisation	5,353	5,246
Transfers to Special Funds	6,929	60,844
Net Cash (Outflow)/Inflow to the Pension Old Scheme Fund	200	412
Net Cash (Outflow)/Inflow from the Retirement Pension Fund	(780)	(1,073)
Net Cash (Outflow)/Inflow from the Insurance Fund	(517)	(562)
Net Cash (Outflow)/Inflow to the Currency Fund	84	220
Investment Manager Accrual Adjustment	65	(8)
Consolidated Fund Investment Manager Fees	56	122
(Profit)/Loss on sale of Consolidated Fund Investments	(7,059)	(7,632)
(Profit)/Loss on Sale of Tangible Fixed Assets	409	(66)
Capital Payments Transferred to the Capital Equalisation Fund	(6,883)	(3,925)
Interest Paid	3	0
(Increase)/Decrease in Stock	(1,923)	152
(Increase)/Decrease in Trade and Other Receivables	(4,435)	3,622
Increase/(Decrease) in Trade and Other Payables	(72)	(1,318)
(Decrease)/Increase in Provisions	521	(522)
Other Non-cash Movements	0	4
<b>Net Cash Inflow from Operating Activities</b>	<b>5,304</b>	<b>23,972</b>

The special fund cash movement adjustments relate to the Pensions (Old Scheme) Fund, Retirement Pension Fund, Insurance Fund and the Currency Fund. The net figure includes actual receipts and payments with external individuals, for example payments to pensioners, receipts from pensioners, payment of insurance premiums and the issue and destruction of currency. However these do not include the financial transactions processed by Financial Institutions on behalf of FIG, for example those processed by Investment Fund Managers, the proceeds of which are retained within the individual funds.

**FALKLAND ISLANDS GOVERNMENT  
FINANCIAL STATEMENTS  
for the year ended 30<sup>th</sup> June 2018**

**26. PENSIONS (OLD SCHEME)**

The balance of the Fund at 30 June 2018 is £36,027,000 (2017 - £34,360,000), an increase of £1,667,000 (2017 - £3,670,000) from the closing balance for the previous financial year.

Under the provisions of section 5 of the Ordinance, the adequacy of the Fund is required to be reviewed by an independent actuary once every 3 years.

The last full valuation undertaken by Punter Southall Consulting Actuaries reported a deficit of £866,000 as at 30 June 2015 (fair value of assets £26,945,000 less present value of scheme liabilities of £27,811,000). This deficit is mainly due to a £1,800,000 increase in liabilities relating to guaranteed benefits under the No Worse Off Guarantee or Pre-1997 protected rights.

As a result of the actuarial review the Standing Finance Committee, in association with Executive Council, has approved that transfers into the fund of £1,395,000 per annum for 2017/18 and the next two years in order to clear the deficit. In addition, approval has been given for a further £1,095,000 per annum to be transferred into the fund from 2019/20 on an on-going basis to cover the future funding of the pension fund guarantees.

Due to limited value against cost, the provisions of FRS 17 have not been adopted.

**27. STATEMENT OF CONTINGENT LIABILITIES**

**Mortgages**

At 30 June 2018 FIG was guarantor for 158 (2016 - 134) personal (housing) mortgages with guaranteed balances totalling £3m (2017 - £2.4m) under the Joint General Mortgage Scheme with Standard Chartered Bank. Each mortgage has an individual repayment date within the period 2016-2034.

**28. STATEMENT OF CONTINGENT ASSETS**

**Corporation Tax**

It is not practicable to estimate the potential tax due to Government as at the 30<sup>th</sup> June for inclusion in the accounts in those cases where company accounts have not been filed.

**Other**

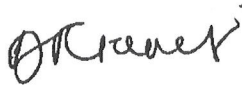
At 30 June 2016 FIG concluded discussions with a third party in relation to taxation charges due. The company has agreed binding documentation with the Falkland Island Government. The Tax Settlement Deed confirms the quantum and deferment of the outstanding tax liability and reflects the principles agreed between the company and FIG in December 2013 and is made under Falkland Islands Extra Statutory Concession 16. The highlights of this are:

- The outstanding tax liability was confirmed at approximately £64.4 million and payable on the first royalty payment date (or earlier subject to certain events);
- The first royalty payment date is anticipated to occur within six months of first oil production (it is currently estimated that first production will occur approximately four years from the point of commercial project sanction);
- The company provides certain "creditor protection" undertakings to FIG while the tax liability remains outstanding including (i) restriction on dividends or distributions; (ii) granting of first ranking security over the Company's assets; and (iii) while such security is in place, restrictions, subject to conventional carve outs, on granting further security.

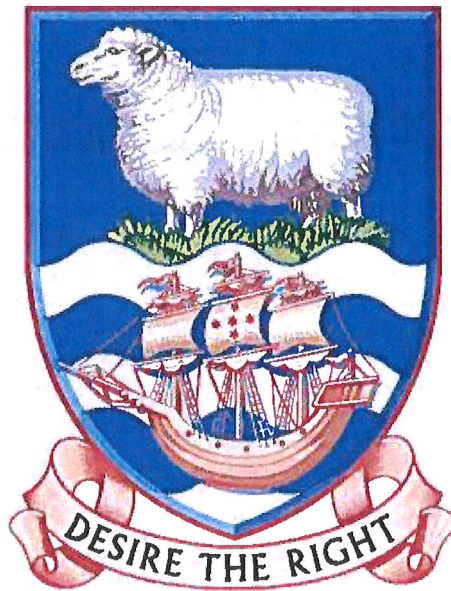
In light of the potential changes to the liability set out above, it has been decided not to include the potential asset in long term debtors as the amount owed is insufficiently certain.

**29. RELATED PARTIES**

With the exception of some company fishing licences, which were undertaken on an arms-length basis and in the normal course of business, there were no related party transactions that were individually material during the year. This is consistent with the prior year.

A handwritten signature in black ink, appearing to read 'A Francis', with a stylized flourish at the end.

**A Francis  
Treasurer**



# **FALKLAND ISLANDS GOVERNMENT**

**ADDITIONAL STATEMENTS REQUIRED**

**BY THE**

**FINANCE AND AUDIT ORDINANCE 1988**

**for the year ended 30<sup>th</sup> June 2018**



**FALKLAND ISLANDS GOVERNMENT  
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**STATEMENT OF EXPENDITURE IN EXCESS**

2017		2018
Nil	Expenditure in excess	Nil

This statement is required to ensure expenditure does not exceed the authorised appropriation and therefore is prepared on a cash basis.

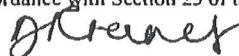


A Francis  
Treasurer

**STATEMENT OF ADVANCES**

	2017 £000s	2018 £000s
Departmental		
Other Administrations	3	3
Peter Symonds College	1,020	396
Other	11	8
	<u>1,034</u>	<u>408</u>

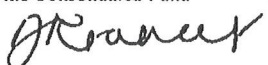
The Statement of Advances is analysed in accordance with Section 25 of the Finance and Audit Ordinance 1988.



A Francis  
Treasurer

**STATEMENT OF INVESTMENTS**

2017 £000s	2018 £000s
<b>GROWTH FUND</b>	
7,832 Cash	7,178
136,044 Other (including equity and property)	162,491
31,401 Fixed Interest	32,807
<u>175,277</u>	<u>202,476</u>
<b>INCOME FUND</b>	
- Cash	-
742 Fixed Interest	1,251
<u>742</u>	<u>1,251</u>
<b>225 UNLISTED INVESTMENTS</b>	<b>225</b>
<u>176,244</u>	<u>203,953</u>
Total Investments of the Consolidated Fund	



A Francis  
Treasurer

**FALKLAND ISLANDS GOVERNMENT  
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**STATEMENT OF OUTSTANDING LOANS**

2017 £000s	2018 £000s
1,056 Balance outstanding at 1 July	818
7 Additions during the year - Applied Interest	4
1,063	822
(245) Receipts during the year - Repayments	(171)
818 Balance outstanding at 30 June	652

**Notes:**

1. This statement agrees to the Balance Sheet, as shown in notes 10 and 12 to the financial statements.

Note 10 Debtors Falling Due after more than 1 year	£ 552
Note 12 Debtors Falling Due within 1 year	£ 99
	£ 652

2. Details of individual loans are set out in the Financial Statements.

3. The balance outstanding at 30 June can be analysed as below: -

Number of Advances	Balance Outstanding 2017 £000s	Type of Advance	Number of Advances	Balance Outstanding 2018 £000s
2017			2018	
133	797	Dwellings	133	640
-	-	Other	-	-
2	21	Farms	2	12
135	818	TOTAL	135	652

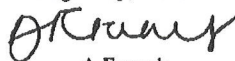


A Francis—  
Treasurer

**STATEMENT OF LOSSES**

2017	2018
Nil	50-70
Material Losses	

As of 30 June 2018, an investigation into a cash irregularity, valued between £50k-70k, remains on going.



A Francis—  
Treasurer

**FALKLAND ISLANDS GOVERNMENT  
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**STATEMENT OF ARREARS OF REVENUE BY SUBHEAD AS AT 30 JUNE**

Arrears	Total Due		Arrears	Total Due
-	-		£0	£0
22	71	Central Services	71	95
1,665	1,789	Health and Social Services	111	223
48	74	Education and Training	33	40
777	1,023	Public Works	600	1,000
29	396	Natural Resources	3,158	3,243
0	7	Law & Regulation	10	72
790	1,041	Emergency Services	166	333
51	2,251	Executive Management	-	-
0	0	Minerals	-	-
34	4,327	The Treasury	175	2,055
<b>3,416</b>	<b>10,979</b>	<b>TOTAL</b>	<b>4,323</b>	<b>7,063</b>

Arrears are defined as amounts unpaid after the 30 day credit period except for Fishing Licences, which are treated as those licences remaining unpaid from fishing seasons up to and including the 1<sup>st</sup> fishing season of 2008, for which entitlement to fish ended before 30 June 2018. Education loans are repayable over a longer period, and are therefore not treated as arrears. Also, for Taxation debtors, these are payable as follows:

- POAT – amounts due 14<sup>th</sup> day of following month.
- Personal Tax – for assessments to 31 December 2017, tax payable is due by 30 September 2018.
- Corporation tax – payable 8 months and 1 day following end of accounting period.



A Francis—  
Treasurer

**STATEMENT OF FUND BALANCES**

The Balance Sheet includes the Special Fund Balances and note 17 to the financial statements analyses the balances between the Funds. Separate financial statements are published for each of the Special Funds.



A Francis—  
Treasurer

**FALKLAND ISLANDS GOVERNMENT  
FINANCIAL STATEMENTS  
for the year ended 30<sup>th</sup> June 2018**

**STATEMENT OF EX-GRATIA PAYMENTS**

2017			2018	
No of Pensioners	Amount £000s		No of Pensioners	Amount £000s
5	12	Retirement Pensions	5	12

Ex-gratia retirement pensions under the Retirement Pensions Ordinance 1996 are a charge on the Consolidated Fund. Funding for these pensions was provided in the Approved Estimates and appropriated accordingly.



A Francis—  
Treasurer

**STATEMENT OF UNRETIRED IMPRESTS**

2017		2018
Nil	Unretired Imprests	Nil

Petty cash imprests continue to be issued on a trial basis.



A Francis—  
Treasurer

**STATEMENT OF UNALLOTTED STORES**

2017		2017
Nil	Unallotted Stores	Nil

*Note: Unallotted stores are defined as those not allocated to Departments.*



A Francis—  
Treasurer

**OTHER STATEMENTS**

There are no other statements required by Legislative Assembly.



A Francis—  
Treasurer

# **Independent auditor's report to those charged with governance of the Falkland Islands Government**

## **Opinion**

We have audited the financial statements of the Falkland Islands Government (the 'government') for the year ended 30 June 2018 which comprise the Operating Cost Statement, the Statement of Cashflows, Balance Sheet and the related notes, including a summary of principal accounting policies. The financial reporting framework that has been applied in their preparation is the Finance and Audit Ordinance 1988, the Public Funds Ordinance 1990, the Special Funds Ordinance 1993, the Currency Ordinance 1987, the Pensions (Old Scheme) Fund Ordinance 1999, the Retirement Pensions Ordinance 1996 and the Finance Ordinance 2004, reflecting the provisions of the Capital Equalisation Fund Order 2005.

In our opinion, the financial statements:

- give a true and fair view of the state of the corporation's affairs as at 30 June 2018 and of its surplus for the year then ended and;
- have been prepared in accordance with the requirements of the Finance and Audit Ordinance 1988, the Public Funds Ordinance 1990, the Special Funds Ordinance 1993, the Currency Ordinance 1987, the Pensions (Old Scheme) Fund Ordinance 1999, the Retirement Pensions Ordinance 1996 and the Finance Ordinance 2004, reflecting the provisions of the Capital Equalisation Fund Order 2005

## **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 corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our 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 use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- where those charged with governance have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the corporation's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

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

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

We have nothing to report in this regard.

## **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the government and its environment obtained in the course of the audit, we have not identified material misstatements in the financial statements.



## **Responsibilities of Treasurer**

As explained more fully in the Statement of Treasurer's responsibilities statement set out on page 6, the Treasurer is responsible for the preparation of the financial statements in accordance with applicable law, managing the financial statements of the Government, ensuring the regularity of financial transactions, ensuring that all monies received and paid by Government are brought promptly and properly to account, reporting to the Financial Secretary in writing any apparent defect in departmental controls of revenue, expenditure, cash, stamps, stores and other property of the Government and any breach or non-observance of Financial instructions and ensuring that adequate provisions exist for safe custody of public monies and securities and for being satisfied that they give a true and fair view, and for such internal control as they determine 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 Treasurer is responsible for assessing the government'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 they intend to liquidate the government or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Use of our report**

Our audit work has been undertaken so that we might state to the corporation'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 corporation and the corporation's members as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP  
Chartered Accountants and Statutory Auditor  
90 Victoria Street, Bristol, BS1 6DP

21/1/19