Falklands Landholdings Corporation

Board members' report and financial statements

For the year ended 30 June 2017

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BOARD MEMBERS' REPORT FOR THE YEAR ENDED 30 JUNE 2017

The board members present their report and the audited financial statements for the year ended 30 June 2017.

Statement of board members' responsibilities

The Falklands Landholdings Corporation board members are responsible for preparing the board members' report and the financial statements in accordance with applicable Falkland Islands law and regulations.

The Falkland Landholdings Ordinance 2000 (as amended) requires the Falklands Landholdings Corporation board members to prepare financial statements for each financial year. The board members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the corporation and of the profit or loss of the corporation for that period. In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the corporation will continue in business.

The Falklands Landholdings Corporation board members are responsible for keeping adequate accounting records that are sufficient to show and explain the corporation's transactions and disclose with reasonable accuracy at any time the financial position of the corporation and enable them to ensure that the financial statements comply with the Falklands Landholdings Corporation Ordinance 2000 (as amended) and the Finance and Audit Ordinance 1988. They are also responsible for safeguarding the assets of the corporation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activities of the business remain to be the export of wool to a wider world market with an increasing meat value to the abattoir. The change in the operation, mainly in the direct freight of wool in containers to processing destinations, continues to provide benefits. In comparison to the prior year overall trading shows a profit of £434,147 (after grants and subsidies), which is a increase on the prior year result by £315,268.

This Board records its thanks to the teams at Fitzroy, Goose Green, North Arm and Walker Creek for their hard work and commitment.

The profit for the year is stated after crediting grants and subsidies received totaling £10,500 (2016: £10,500), and charging a revaluation gain of £2,095 (2015: loss £50,343) in respect of livestock assets. The Corporation's Balance Sheet at the year end is shown on page 6.

BOARD MEMBERS' REPORT FOR THE YEAR ENDED 30 JUNE 2017

Dividends

There were no dividends paid in the year under review (2016 - £NIL).

Results

The Profit and Loss Account for the year is set out on page 6.

Board members

The board members who served during the year were:

MLA P Rendell Chairman

Mr A Pollard General Manager

Mr K Knight RBA Representative (resigned 15/08/16) MLA I Hansen Member of the Legislative Assembly

Mr K Padgett

FIG Chief Executive - Vice Chair (resigned 19/8/16) Mr T Miller

Member of the public (resigned 17/12/16, reappointed 02/04/17) Mr J Forster Member of the public (resigned 15/09/2017)

Mr B Rowland FIG Chief Executive - Vice Chair (appointed 18/11/2016)

Disclosure of information to auditors

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

- so far as that board member is aware, there is no relevant audit information of which the corporation's auditors are unaware, and
- that board member has taken all the steps that ought to have been taken as a board member in order to be aware of any relevant audit information and to establish that the corporation's auditors are aware of that information.

Auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with the applicable law.

This report was approved by the board on

6 /12/17

and signed on its behalf.

Board member

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FALKLANDS LANDHOLDINGS CORPORATION

Opinion

We have audited the financial statements of the Falklands Landholdings Corporation (the 'corporation') for the year ended 30 June 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of principal accounting policies. The financial reporting framework that has been applied in their preparation is Falkland Islands Landholdings Ordinance 2000 (as amended) and the Finance and Audit Ordinance..

In our opinion, the financial statements:

- give a true and fair view of the state of the corporation's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been prepared have been prepared in accordance with the requirements of the Falkland Islands
 Landholdings Ordinance 2000 (as amended) and the Finance and Audit Ordinance

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 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 board members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members 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.

Other information

The board members are responsible for the other information. The other information comprises the information the board members' Report, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FALKLANDS LANDHOLDINGS CORPORATION

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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Board members' Report.

We have nothing to report in respect of the following matters 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
- we have not received all the information and explanations we require for our audit.

Responsibilities of Board members

As explained more fully in the board members' responsibilities statement set out on page 1, the board members 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 board members 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 board memberss 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 board members either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FALKLANDS LANDHOLDINGS CORPORATION

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. 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.

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.

Mazars LLP

Chartered Accountants and Statutory Auditor

90 Victoria Street Bristol BS1 6DP

Date: 1/11/17

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 £	2016 £
Turnover	1	2,620,333	2,148,639
Cost of sales		(2,124,696)	(1,885,171)
Gross profit		495,637	263,468
Administrative expenses		(160,890)	(166,622)
Other operating income		92,779	54,832
Grants and subsidies		10,500	10,500
Operating profit	2	438,026	162,178
Exceptional items			
Net (loss)/profit on sale of tangible fixed assets		(9,317)	3,074
Other exceptional items		2,295	(50,343)
Profit on ordinary activities before interest		431,004	114,909
Interest receivable and similar income		3,143	3,970
Profit on ordinary activities before taxation		434,147	118,879
Tax on profit on ordinary activities		<u> </u>	
Profit on ordinary activities after taxation		434,147	118,879
Retained profit brought forward		5,431,510	5,312,631
Retained profit carried forward		5,865,657	5,431,510

All amounts relate to continuing operations.

There were no recognised gains and losses for 2017 or 2016 other than those included in the Profit and Loss Account.

The notes on pages 9 to 18 form part of these financial statements.

FALKLANDS LANDHOLDINGS CORPORATION

(A Company Limited by Guarantee)

BALANCE SHEET AS AT 30 JUNE 2017

	Note	£	2017 £	£	2016 £
Fixed assets					
Tangible assets	5		3,135,814		2,828,857
Investments	6		100		100
			3,135,914		2,828,957
Current assets					
Fixed assets held for sale		-		2,947	
Stocks	7	187,278		172,855	
Debtors	8	292,082		229,405	
Cash at bank		2,375,604		2,375,900	
		2,854,964		2,781,107	
Creditors: amounts falling due within one year	9	(125,221)		(178,554)	
Net current assets			2,729,743		2,602,553
Net assets			5,865,657		5,431,510
Capital and reserves					
Profit and loss account			5,865,657		5, 4 31,510
Funds	10		5,865,657		5,431,510

All amounts relate to continuing operations.

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

Board member

The notes on pages 9 to 18 form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 £	2016 £
Net cash flow from operating activities	11	556,284	332,110
Returns on investments and servicing of finance	12	3,143	3,970
Capital expenditure and financial investment	12	(559,723)	(438,132)
Decrease in cash in the year		(296)	(102,052)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT FOR THE YEAR ENDED 30 JUNE 2017

	2017 . £	2016 £
Decrease in cash in the year	(296)	(102,052)
Movement in net debt in the year	(296)	(102,052)
Net funds at 1 July 2016	2,375,900	2,477,952
Net funds at 30 June 2017	2,375,604	2,375,900

The notes on pages 9 to 18 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. Accounting Policies

1.1 Accounting Convention

The Financial Statements have been prepared under the historical cost convention.

1.2 Basis of preparation

The board members have prepared the financial statements on a going concern basis. The board members consider this to be appropriate as they have received assurances from the company's loan creditors to the effect that the loan creditors will continue to make funds available to the company for the foreseeable future and will continue to meet the company's obligations to the other creditors as and when they fall due.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less 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 on the following bases:

Freehold Buildings - 4% straight line
Plant & Equipment - 20% straight line
Motor vehicles - 25% straight line
Office equipment and fixtures - 20% straight line
Fencing - 5% straight line

Land is recorded at historic cost. Buildings and fencing have been recorded at depreciated historic cost. No further consideration of potential impairment in recoverable amount or value in use of land, buildings and fencing has been incorporated in these financial statements, as the board members consider that attempting to make a reliable assessment would be impractical.

FALKLANDS LANDHOLDINGS CORPORATION

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. Accounting Policies (continued)

1.5 Livestock

Investments are stated at the lower of cost and the board members' valuation. Where a valuation is undertaken consideration is given to the most recent information available. Realisable value in the short term could differ materially from the amount which these investments are included in the accounts.

UK GAAP requires that holdings in listed and unlisted investments be shown separately. These accounts diverge from this in so far as significance is given to the availability of market prices. In these accounts investments are disclosed as quoted where a market price is available and unquoted where a market price is not available.

Gains and losses arising on the disposal of Investments are calculated by reference to carrying value. Unrealised gains and losses are reported through the Statement of Total Recognised Gains and Losses (STRGL) and transferred to the unrealised capital reserve. Realised gains and losses are reported through the Profit and Loss Account only to the extent that any gain or loss has not already been reported through the STRGL and transferred to the capital reserve. A reserves transfer between the unrealised capital reserve and the capital reserve reflects the realisation on sale of gains or losses previously recognised through the STRGL.

1.6 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.7 Government grants and subsidies

Government grants relating to tangible fixed assets are treated as deferred income and released to the Profit and Loss Account over the expected useful lives of the assets concerned. Other grants are credited to the Profit and Loss Account as the related expenditure is incurred.

2. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets:		
- owned by the company	245,743	210,362
Auditors' remuneration	14,733	14,345
Board members expenses	65,627	83,995
Other wages and salaries	623,048	579,601
and after crediting the following grants and subsidies:		
Grants received in respect of Camp School	10,500	10,500

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

3. Staff costs

Staff costs, including board members' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	610,692	594,036
MST	8,996	8,811
Other pension costs	68,988	60,749
	688,676	663,596

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

	2017 No.	2016 No.
Farm workers Administration	40 1	35 1
	41	36

4. Board members' remuneration

During the year retirement benefits were accruing to 1 board member (2016 - 1) in respect of defined contribution pension schemes.

5. Tangible Fixed Assets

Cost or valuation

	At 1 July 2016 £	Additions £	Revaluation of livestock £	Disposals £	At 30 June 2017 £
Freehold land and buildings Goose Green Development Plant and equipment Motor vehicles Office equipment and fixtures Fencing Livestock	1,917,240 150,234 648,385 433,671 29,079 650,270 972,079	178,290 - 283,076 163,880 4,959 131,851	- - - - - 2,294	(7,156) - - (32,250) - - -	2,088,374 150,234 931,461 565,301 34,038 782,121 974,373
Assets under Construction Total	5,058,147	23,590 ————————————————————————————————————	2,294	(204,491)	76,288 ———————————————————————————————————

	At 1 July 2016	Charge for year	Disposals	At 30 June 2017
	£	£	£	£
Freehold land and buildings	702,486	35,288	(7,157)	730,617
Goose Green Development	150,234	-		150,234
Plant and equipment	498,365	98,804	-	597,169
Motor vehicles	331,773	95,070	(1,501)	425,342
Office equipment and fixtures	23,832	3,116	-	26,948
encing	522,600	13,466	-	536,066
_ivestock	-	-	-	-
Asset Under Construction	-	•	•	-
Total	2,229,290	245,744	(8,658)	2,466,376
Net Book Value				
			2017	2016
			£	£
Freehold land and buildings			1,357,757	1,214,754
Goose Green Development			-	-
Plant and equipment			334,292	150,020
Motor vehicles			139,959	101,898
Office equipment and fixtures			7,090	5,247
Fencing			246,055	127,670
Livestock Asset Under Construction			974,373 76,288	972,079 257,189
Asset Onder Construction		·	70,200	257,108
Total			3,135,814	2,828,857
				
	d and buildings was sp	olit as follows:	2017	201
The net book value of the freehold land				
The net book value of the freehold land			£	1
The net book value of the freehold land Land Buildings			£ 752,283 605,475	752,283 462,472

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Upon the dissolution of the former Falklands Landholdings Limited company, all fixed assets were transferred to the Falklands Landholdings Corporation. Opening fixed asset costs upon incorporation on 1 February 2001 were assigned as the book values of the fixed assets of the Falklands Landholdings Limited as at the date of dissolution of that company, 31 January 2001.

The analysis of livestock numbers at 30 June 2017 and 30 June 2016, and the comparative valuations at each respective balance sheet date, are as follows:

	Number 2017	Valuation 2017 £	Number 2016	Valuation 2016 £
Sheep Cattle	141,500 609	943,923 30,450	143,247 542	944,979 27,100
Total	142,109	974,373	143,789	972,079

6. Fixed asset investments

	Investments in subsidiary companies £	Total £
Cost		
At 1 July 2016 and 30 June 2017	100	100
Net book value		
At 30 June 2017	100	100
At 30 June 2016	100	100

Subsidiary undertakings

The shares are in respect of Falkland Farmers Limited which is incorporated in the Falkland Islands and this investment represents a 0.1% share of the ordinary share capital of that company. The board members estimate that the market value of this investment is not less than its original cost.

7.	Stocks				
				2017 £	2016 £
	Wool			10,743	4,502
	Farm Materials			167,745	154,993
	Farm Stores			8,790	13,360
			<u> </u>	187,278	172,855
8.	Debtors		2017		0040
			2017 £		2016 £
	Due within one year				
	Trade Debtors		275,097		189,460
	Other debtors Other debtors	3,000		_	
	Other debtors and prepayments	13,985		39,945	
			16,985		39,945
		_	292,082		229,405
9.	Creditors:				
	Amounts falling due within one year				
				2017 £	2016 £
	Trade creditors			44,003	43,209
	Other creditors			1,472	23,197
	Accruals and deferred income			79,746	112,148
				125,221	178,554

		Reconciliation of movement in members' funds
2016 £	2017 £	
5,312,631	5,431,510	Opening members' funds
118,879	434,147	Profit for the financial year
5,431,510	5,865,657 ————	Closing members' funds
		Net cash flow from operating activities
2016	2017	, ,
£	£	
162,178	438,026	Operating profit
210,362	245,743	Depreciation of tangible fixed assets
(29,708)	(14,422)	Increase in stocks
(00.054)	2,947	Decrease in held for sale assets
(26,051) 15,329	(62,677) (53,333)	Decrease in debtors (Decrease)/increase in creditors
332,110	556,284	Net cash inflow from operating activities
	tement	Analysis of cash flows for headings netted in cash flow s
2016	2017	
£	£	
		Returns on investments and servicing of finance
3,970	3,143	Interest received
2016 £	2017 £	
	L	Capital expenditure and financial investment
(445 422)	(504.457)	
(445,133) 7,001	(581,157) 45,026	Purchase of tangible fixed assets Sale of tangible fixed assets
7,001	(23,592)	Purchase of assets under construction
-		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

13. Analysis of changes in net funds

	1 July 2016	Cash flow	Other non-cash changes	30 June 2017
	£	£	£	£
Cash at bank and in hand	2,375,900	(296)	-	2,375,604
Net funds	2,375,900	(296)	-	2,375,604

14. Pension Scheme Arrangements

During 2001, the Falklands Landholdings Pension Scheme was incorporated into the Falkland Islands Government (Old Scheme) Pension Fund and the net assets of the scheme were transferred, with that scheme assuming the majority of the liabilities for current, deferred and future pensions.

Copies of the financial statements of the Falkland Islands Government (Old Scheme) Pension Fund are available from the Treasury, Falkland Islands Government, Stanley.

FOR THE YEAR ENDED 30 JUNE 2017 NOTES TO THE FINANCIAL STATEMENTS

15. Related Party Transactions

During the year ended 30 June 2017, the Corporation has undertaken a number of transactions with entities which are defined as a related party. The total income and expenditure attributable to those entities in the year ended 30 June 2017, as well as the balance due or receivable from the entities at 30 June 2017 is listed below, along with the comparison figures for the year ended 30 June 2016.

-	Income 2017 £	Income 2016 £	Expenditure 2017 £	Expenditure 2016 £	Debtors 2017 £	Debtors 2016 £	Creditors 2017 £	Creditors 2016 £
Falkland Islands Government - Grants and Subsidies Falkland Islands Government	10,500 491	10,500 2,481	21,418	21,140		24	223	103
Falkland Farmers Limited	452 002		1	5,769	E	. 00	•	•
raniand Islands Wool Company Falkland Islands Wool Company	2,041,040	1,614,344	1,109	1,438	275,777	9,091 174,734		1,438
South American Atlantic Service		•	r	1,212	•	•	•	•
Stanley Growers	•	•	242	374	•	•	•	
Stanley Nurseries & Garden Centre	•	•	182	176		•	ê	•
Total	2,505,934	2,019,972	30,039	36,975	275,777	184,449	223	1,541

These entities are connected to Falklands Landholdings Corporation through the following relationships with the Board Members.

Related Party Transactions (continued)	(pəni							
	Falkland Islands Government	Falkland Farmers Limited	Falkland Falkland Farmers Islands Meat Limited Company	Falkland Islands Wool Company	Rural Business Association	J Foster Tags	SAAS	SSL
K Padgett T Miller	>					>	>	
l Hansen	>							
S Rendell	>							
A Pollard			`	>				
Knight					>			
J Forster B Rowland	>					`` `	`	
	Stanley	Stanley						
	Growers	Nurseries & Garden						
K Padgett T Miller	>) 						
I Hansen								
r Kendell N Judd								
A Pollard								
K Knight								
J Forster B Rowland								