Falklands Landholdings Corporation

Board members' report and financial statements

For the year ended 30 June 2018

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BOARD MEMBERS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

The board members present their report and the audited financial statements for the year ended 30 June 2018.

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; and
- 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 improvement in operations, is mainly due to the reduction in micron and the subsequent improvement in quality of product, in conjunction with an increase in the world wool price. In comparison to the prior year overall trading shows a profit of £894,946 (after grants and subsidies), which is a increase on the prior year result by £460,799.

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 (2017: £10,500), and charging a revaluation loss of £22,517 (2016: gain £2,295) in respect of livestock assets. The Corporation's Balance Sheet at the year end is shown on page 7.

BOARD MEMBERS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

Dividends

There were no dividends paid in the year under review (2017 - £NIL).

Results

The Profit and Loss Account for the year is set out on page 5.

Board members

The board members who served during the year were:

Mr R Lee Member of the Public, appointed 24/11/2017

MLA T Barkman Member of the Legislative Assembly, appointed 24/11/2017

MLA P Rendell Chairman, resigned 29/9/2017

Mr A Pollard General Manager

Cllr I Hansen Member of the Legislative Assembly, resigned 29/9/2017 reappointed 24/11/2017, Chair

Mr J Forster Member of the Public, resigned 15/9/2017

Mr K Knight Member of the public, resigned 15/09/17, re-appointed 24/11/2017

Mr T Miller Member of the public

Mr B Rowland FIG Chief Executive - Vice Chair

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.

Board member

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 2018 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 2018 and of its profit for the year then ended;
- 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 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 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 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

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.

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 corporation 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report

Use of the audit report

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

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

Date: [9(1~(, 8

(A Company Limited by Guarantee)

BALANCE SHEET AS AT 30 JUNE 2018

	Note	£	2018 £	£	2017 £
Fixed assets					
Tangible assets	5		3,672,776		3,135,814
Investments	6		100		100
			3,672,876		3,135,914
Current assets					
Stocks	7	138,674		187,278	
Debtors	8	1,018,796		292,082	
Cash at bank		2,144,178		2,375,604	
		3,301,648		2,854,964	
Creditors: amounts falling due within one year	9	(213,921)		(125,221)	
Net current assets			3,087,727	The second second second second	2,729,743
Net assets			6,760,603		5,865,657
Capital and reserves					
Profit and loss account			6,760,603		5,865,657
Funds	10		6,760,603		5,865,657

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 8 to 17 form part of these financial statements.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 £	2017 £
Turnover	Year	3,318,689	2,620,333
Cost of sales		(2,364,365)	(2,124,696)
Gross profit		954,324	495,637
Administrative expenses		(158,158)	(160,890)
Other operating income		105,336	92,779
Grants and subsidies		10,500	10,500
Operating profit	2	912,002	438,026
Exceptional items			
Net profit/(loss) on sale of tangible fixed assets		3,200	(9,317)
Other exceptional items		(22,517)	2,295
Profit on ordinary activities before interest		892,685	431,004
Interest receivable and similar income		2,261	3,143
Profit on ordinary activities before taxation		894,946	434,147
Tax on profit on ordinary activities			
Profit on ordinary activities after taxation		894,946	434,147
Retained profit brought forward		5,865,657	5,431,510
Retained profit carried forward		6,760,603	5,865,657

All amounts relate to continuing operations.

There were no recognised gains and losses for 2018 or 2017 other than those included in the Profit and Loss Account.

The notes on pages 8 to 17 form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 £	2017 £
Net cash flow from operating activities	11	654,631	556,283
Returns on investments and servicing of finance	12	2,261	3,143
Capital expenditure and financial investment	12	(888,318)	(559,722)
Decrease in cash in the year		(231,426)	(296)
			The state of the s

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT FOR THE YEAR ENDED 30 JUNE 2018

	2018 £	2017 £
Decrease in cash in the year	(231,426)	(296)
Movement in net debt in the year	(231,426)	(296)
Net funds at 1 July 2017	2,375,604	2,375,900
Net funds at 30 June 2018	2,144,178	2,375,604

The notes on pages 8 to 17 form part of these financial statements.

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

1.5 Livestock

Investments are stated at market value. Market value is the closing mid-market price on the last day of trading before the Balance Sheet date. Where market values are not available 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. Accounting Policies (continued)

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:

Depreciation of tangible fixed assets: - owned by the company Auditors' remuneration Board members expenses	2018 £ 332,611 15,262 67,750	2017 £ 245,743 14,733 65,627
Other wages and salaries	673,586	623,048
and after crediting the following grants and subsidies: Grants received in respect of Camp School	10,500	10,500
 Staff costs Staff costs, including board members' remuneration, were as follows: 		
	2018	2017
Wages and salaries MST Other pension costs	£ 662,257 5,171 73,908	£ 610,692 8,996 68,988
	741,336	688,676
The average monthly number of employees, including the board memb	ers, during the yea	r was as follows:
	2018 No.	2017 No.
Farm workers Administration	41 2	40 1
	43	41

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

4. Board members' remuneration

During the year retirement benefits were accruing to 1 board member (2017 - 1) in respect of defined contribution pension schemes.

5. Tangible Fixed Assets

Cost or valuation

	At 1 July 2017 £	Additions £	Revaluation of livestock £	Disposals £	At 30 June 2018 £
Freehold land and buildings Goose Green Development Plant and equipment Motor vehicles Office equipment and fixtures Fencing Livestock Assets under Construction	2,088,374 150,234 931,460 565,301 34,038 782,120 974,373 76,288	334,362 158,556 228,884 42,715 127,001 - 76,858	(22,517)	(12,044) (79,965) (4,079) - (76,288)	2,422,736 150,234 1,077,972 714,220 72,674 909,121 951,856 76,858
Total	5,602,188	968,376	(22,517)	(172,376)	6,375,671
Depreciation		At 1 July 2017 £	Charge for year £	Disposals £	At 30 June 2018 £
Freehold land and buildings Goose Green Development Plant and equipment Motor vehicles Office equipment and fixtures Fencing Livestock Asset Under Construction		730,617 150,234 597,167 425,342 26,948 536,065	41,874 - 143,486 116,867 10,570 19,814	(12,044) (79,965) (4,079) - -	772,491 150,234 728,609 462,244 33,439 555,879
Total		2,466,373	332,611	(96,088)	2,702,896

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	£	£
Freehold land and buildings	1,650,245	1,357,757
Goose Green Development	MR.	-
Plant and equipment	349,362	334,292
Motor vehicles	251,976	139,959
Office equipment and fixtures	39,235	7,090
Fencing	353,243	246,055
Livestock	951,856	972,079
Asset Under Construction	76,858	76,288
Total	3,672,775	3,133,520
The net book value of the freehold land and buildings	was split as follows: 2018 £	2017 £
The net book value of the freehold land and buildings	2018 £	£
·	2018	

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 2018 and 30 June 2017, and the comparative valuations at each respective balance sheet date, are as follows:

	Number 2018	Valuation 2018 £	Number 2017	Valuation 2017 £
Sheep Cattle	141,990 426	930,556 21,300	141,500 609	943,923 30,450
Total	142,416	951,856	142,109	974,373

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

6.	Fixed asset investments				
				Investments in subsidiary companies £	Total £
	Cost or valuation				
	At 1 July 2017 and 30 June 2018			100	100
	Net book value At 30 June 2018			100	100
	At 30 June 2017			100	100
	Subsidiary undertakings				
	The shares are in respect of Falkland Fathis investment represents a 0.1% shamembers estimate that the market value	are of the ordina	ary share capita	I of that compar	nd Islands and ny. The board
7.	Stocks				
				2018 £	2017 £
	Wool Farm Materials			14,878	10,743
	Farm Stores			112,942 10,854	167,745 8,790
			and the same of th	138,674	187,278
8.	Debtors				
			2018 £		2017 £
	Due within one year		\$000		<i>₹</i>
	Trade Debtors Other debtors	5,159	977,050	3,000	275,097
	Other debtors Other debtors and prepayments	36,587		13,985	
			41,746		16,985
			1,018,796	•	292,082
				-	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

9.	Creditors: Amounts falling due within one year		
		2018 £	2017 £
	Trade creditors Other creditors Accruals and deferred income	124,417 1,972 87,532	44,003 1,472 79,746
		213,921	125,221

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

10.	Reconciliation of movement in members' funds		
		2018	2017
		£	£
	Opening members' funds	5,865,657	5,431,510
	Profit for the financial year	894,946	434,147
	Closing members' funds	6,760,603	5,865,657
11.	Net cash flow from operating activities		
		2018 €	2017 £
	Operating profit	912,002	438,026
	Depreciation of tangible fixed assets	332,611	245,743
	Decrease/(increase) in stocks	48,031	(14,422)
	Decrease in held for sale assets	500 Mb (00 MB) (4 2)	2,947
	Increase in debtors Increase/(decrease) in creditors	(726,714) 88,701	(62,677) (53,334)
	Net cash inflow from operating activities	654,631	556,283
12.	Analysis of cash flows for headings netted in cash flow statement		
		2018	2017
		£	£
	Returns on investments and servicing of finance		
	Interest received	2,261	3,143
		2018	2017
		£	2017 £
	Capital expenditure and financial investment	CDays.	(Peac
	Purchase of tangible fixed assets	(891,518)	(581,156)
	Sale of tangible fixed assets	80,058	45,026
	Purchase of assets under construction	(76,858)	(23,592)
	Net cash (outflow) from capital expenditure	(888,318)	(559,722)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

13. Analysis of changes in net funds

	1 July 2017 £	Cash flow £	Other non-cash changes £	30 June 2018 £	
Cash at bank and in hand	2,375,604	(231,426)	Set.	2,144,178	
Net funds	2,375,604	(231,426)	100 CONTRACTOR CONTRAC	2,144,178	

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

15. Related Party Transactions

During the year ended 30 June 2018, 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 2018, as well as the balance due or receivable from the entities at 30 June 2018 is listed below, along with the comparison figures for the year ended 30 June 2017.

	Income 2018 £	Income 2017 £	Expenditure 2018 £	Expenditure 2017 £	Debtors 2018 £	Debtors 2017 £	Creditors 2018 £	Creditors 2017 £
Falkland Islands Government - Grants and Subsidies	s 10.500	10,500	44			_	_	_
Falkland Islands Government	3,002	491	56,743	21,418			18.963	223
Falkland Islands Meat Company	562,519	453,903	6,484	7,088	51,243		395	-
Falkland Islands Wool Company	2,623,823	2,041,040	1,301	1,109	911,357	275,777	1.301	1.301
J Forster		-	14,344	14,523		,	.,	.,
South American Atlantic Service	-	-	6,520			-	-	
Stanley Growers	-	-	208	242	•	-	_	-
Stanley Nurseries & Garden Centre	-	•	16,932	182	-	•	•	•
Total	3,199,844	2,505,934	102,532	44,562	962,600	275,777	20,659	1,524

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Falkland Islands Government	J Foster Tags	Falkland Islands Meat Company	Falkland Islands Wool Company	Stanley Nurseries & Garden Centre	Stanley Growers	SAAS
J Forster		<i>√</i>					
T Miller					1	√	*
A Pollard			/	7	*	v	
P Rendell	✓			•			/
R Lee				✓			¥
l Hansen	✓						
B Rowland	✓						· ·
T Barkman	✓						· /
K Knight				1			v

