

EXECUTIVE COUNCIL

PUBLIC

Title:	FIDC Audited Accounts and Annual Report
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Report Author:	Managing Director, FIDC
Portfolio Holder:	MLA Mark Pollard
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List of Documents:	Appendix A: FIDC Annual Report & Governance Statement for 2017/2018 Appendix B: Audited Financial Statements for 2017/2018 Appendix C: FIDC Audit Completion Report 2017/2018

1. Recommendations

1.1 Honourable Members are recommended to:

- (a) Note the Annual Report.
- (b) Make this paper and Appendices A, B and C available to the public.

2. Additional Budgetary Implications

2.1 None

3. Executive Summary

- 3.1 This report has been drafted to provide Honourable Members with a copy of FIDC's Financial Statements for the 2017/18 financial year, and Annual Report for the same period, as required by Section 23 of the FIDC Ordinance.

4. Background and Links to Islands Plan and Directorate Business Plan/s

- 4.1 The 2017/2018 Annual Report, included at Appendix A, covers the Corporation's third year of operation under the 2013 Ordinance and provides details of activity carried out under FIDC's independent operating status.
- 4.2 This included information from the Chair and Managing Director, a timeline of key events during the year and key statistics as well as case studies of businesses successfully helped by FIDC.
- 4.3 Under FIDC's Ordinance, the Corporation is required to produce a report on the corporate governance of FIDC during the financial year. Honourable Members will note that this requirement has been met with a comprehensive section on governance included within the Annual Report.
- 4.4 The Financial Schedules for the 2017/2018 year were sent to the external auditors in 21.08.18. The audit was conducted from 5th – 7th Sept 2018, and the Senior Partner and Business Advisory Senior Manager attended a meeting with FIDC Board Members on 27th of September 2018 to directly report to them on their audit findings. No significant issues were identified by the auditors, and the final accounts were presented to the 6th of December Board meeting and were signed by FIDC's Chair on 06.12.18 and by Mazars LLP on the 20.12.18

5. Options and Reasons for Recommending Relevant Option

- 5.1 This report addresses requirements contained within section 23 of the Corporation's Ordinance (paragraph 7.1), which include a duty to make both the Annual Report and Financial Statements available to the public.
- 5.2 The Annual Report and Governance Statement have already been published and are available on the Corporation's website, www.fidc.co.fk. It is proposed the Financial Statements and Audit Completion report are made available through the publication of this paper.

6. Resource Implications

6.1 Financial Implications

None

6.2 Human Resource Implications

None

6.3 Other Resource Implications

None

7. Legal Implications

7.1 Part 7 Section 23 of the FIDC Ordinance 2013 states:

- (1) Following the end of each financial year, FIDC must prepare an annual report and financial statement, consisting of –
 - (a) A report on –
 - (i) Its activities during the financial year; and
 - (ii) The corporate governance of FIDC during the financial year.
 - (b) Its financial statements for the financial year, which must be audited in accordance with the arrangements made under section 22.
- (2) The Secretary must –
 - (a) Send copies of the annual report and financial statements to –
 - (i) The Governor; and
 - (ii) The Clerk of the Legislative Assembly; and
 - (b) Arrange for copies of them to be made available to the public.
- (3) The Chief Executive must lay copies of the annual report and financial statements on the Table of the Legislative Assembly at its next meeting after they have been sent to the Governor and the Clerk of the Legislative Assembly.

8. Environmental & Sustainability Implications

None.

9. Significant Risks

None for the purposes of this paper.

10. Consultation

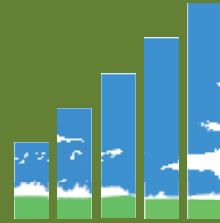
- 10.1 A draft copy of the 2017/2018 Annual Report & Governance Statement was presented at the FIDC Board meeting held on the 23rd of August 2018 (paper number 157/18)
- 10.2 FIDC's 2017/2018 Draft Financial Statements and External Audit Completion Report were provided to the Board at a meeting held on the 6th of December 2018 (paper number 745/18).

11. Communication

- 11.1 As detailed at Paragraph 7.1.

2017/18

Annual Report



FALKLAND ISLANDS
DEVELOPMENT CORPORATION



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Mission

In order to achieve FIDC's **Vision** of developing a highly successful, diverse and sustainable economy for the Falkland Islands, the Corporation's Mission is as follows;

1. To advise on and implement the economic strategies of the Falkland Islands Government;
2. To play a key role in enabling the private sector to successfully secure and maximise new and existing business opportunities;
3. To encourage a dynamic private sector and promote joint public and private sector initiatives;
4. Add value across all sectors of the economy, both in existing and traditional businesses, as well as emerging ones;
5. Coordinate the engagement between the public sector and private sector.

Vision

FIDC wants the Falkland Islands to have a highly successful, diverse and sustainable economy, which is based on a dynamic private sector and reflects the Islands' culture, identity and environment.

FALKLAND ISLANDS
DEVELOPMENT CORPORATION.



Foreword by the Chair



Prior to drafting my foreword for each annual report, I naturally review our achievements during the year and consider where the Corporation is in terms of its own development. Each year I take increasing pride in being able to report on an organisation that has gained a clear understanding of its purpose and a determination to achieve its goals.

We have moved from a very small team of individuals - much of whose time was spent "keeping the lights on" - to one that is fully staffed by a capable and motivated group, working to a common purpose. Notably, the majority of our staff are now Falkland Islanders - who not only possess an extensive range of knowledge, skills, and experience but, most importantly, they understand what makes the Falklands tick.

Much of the strength and resilience of any organisation or economy is in its structure. With this in mind, our focus - subsequent to recent governance changes - has been on ensuring our own structures are fit for purpose. I would compare this approach to putting your own oxygen mask on before helping others with theirs.

Having got our oxygen mask on, the Corporation has worked on delivering targeted financial assistance, sound commercial advice, and ongoing professional support to our customers. The client reports within demonstrate the impact that the corporation has at an individual level. We can ensure that every small business coming to us for assistance sets off on a journey that will see them confidently grow their businesses in a structured manner - and our commitment to responsible lending is now firmly asserted.

All these small businesses, whether in Stanley or Camp, operate in particular sectors and within the wider Islands economy. At a sectorial level, delivery of the second phase of the Rural Development Strategy should foster further growth in the Camp economy. As capacity in the agricultural sector increases and the enterprises mature, growth in non-agricultural businesses will follow - delivering a sustainable and worthwhile livelihood for increasing numbers of people in Camp.

A critical component in the RDS is development of a commercially-focused meat business, free from the patronage of government subsidy - and the Corporation is striving for this, with results. FIDC's innovation program is a key tool to provide sectorial support to a number of our other industries. In wool, we are already seeing positive effects from the work pioneered by Michael Betts, and the Corporation will be increasing its effort on innovations in the coming year.

I hope that in reading this report, you will come to the same conclusion as me; that the Corporation is coming of age. The professionalism and leadership of our managers and staff have brought to the organisation a maturity, capability and capacity - now showing in a significant contribution towards our continuing national economic development.

Hamish Wylie

CHAIR OF THE FIDC BOARD

"We can ensure
that every small
business coming
to us for assistance
sets off on a journey
that will see them
confidently grow
their businesses in a
structured manner."

Board members



Hamish Wylie

*Chair
July 2015 to present*

Hamish Wylie has been active in most sectors of the Islands' economy during the past 30 plus years. He has been a committed member of the Islands' Chamber of Commerce for over 20 years, and sat on the FIDC Board during the 90s and again more recently before taking up the position of Chair. Hamish has always been a strong advocate for the need to have an effective Falkland Islands Development Corporation to facilitate and support private sector growth, and to identify and remove barriers to that growth.



Andrew Newman

*Vice Chair
April 2018 to present
Co-opted member since July 2015*

The majority of Andrew's career to date has been with the Falkland Islands Government, with 23 years in a number of aviation roles and finally as Director of Civil Aviation and Head of Regulatory Services. Andrew is now a Director in the private sector for Argos Ltd and Argos Developments Ltd, carrying out various functions ranging from vessel management and logistics to oil and gas support and private property development. Andrew looks forward to seeing certain initiatives through to fruition, such as alternative air access which he

assisted with in his Government role. In 2018 he took up the post of FIDC vice Chair, taking over from Steve Dent.



Steve Dent

*Vice Chair
July 2015 to March 2018*

Steve Dent made the move to the private sector following a long stint at various levels within the Falkland Islands Government. He has been an active member of the Falkland Islands Chamber of Commerce, serving on the Chamber Board for a number of years. He has involvement at Director level with a number of small businesses both locally and overseas. Steve has been an advocate for small businesses in the Falklands and is known for his enthusiasm for getting these to grow, develop and actively participate in new markets. A strong supporter of FIDC for many years he served as Vice Chair, working alongside others in striving to keep FIDC at the forefront of economic development in the Falkland Islands.



Rodney Lee

*Appointed Member
July 2017 to present*

Rodney Lee was in farming for 45 years before selling the farm to his nephews. He then took over the management of the Falkland Islands Wool Company. This company was set up in 2007 to allow local wool producers to sell their greasy wool direct from the Falklands to

markets all over the world. Rodney has been semi-retired for over a year and is now following other business interests, and now brings his experience to the FIDC board.



Andrew Pollard

*Co-opted Member since July 2017,
previously Appointed Member since 2016*

Andrew Pollard has over 20 years' experience within the primary industries of agriculture and fisheries. Formerly with FIG, then Executive Secretary for the Falkland Island Fishing Companies Association, Andrew is now General Manager for Falkland Landholdings (FLH). Andrew is also a Director of the Falkland Islands Meat Company and the Falkland Islands Wool Company.



Andrea Clausen

*Co-opted Member
July 2015 to present*

Andrea Clausen entered the private sector in 2010 and now runs a Government out sourced service - the Post Office - as well as her company Falkland Islands Tours & Travel. Andrea is also Chair of the Chamber of Commerce. During her term as a Member of the Legislative Assembly (2005-09) Andrea served as Chair of the Development Board for two years. She advocates a competent Development Corporation that will promote and support both new and not so new businesses in order that they reach their full potential.



Eugene Hurley

*Co-opted Member
July 2015 to present*

Eugene Hurley has been involved in shipping for many years, on both the financial and commercial management sides of the business. As a member of the FIDC board, Eugene has pledged to see the Corporation work - as he asserts, at "a different level, one that embraces all in the community, that is approachable, transparent, and that can encourage and lead where possible in the development of exciting new ideas". During his time on the board, he says the Corporation has "under the present management structure, transformed itself into one that is at the core of the work to deliver The Islands Plan up to 2022".



Barry Rowland

*FIG Chief Executive
October 2016 to present*

Barry has over 30 years' experience in the public sector in the north of England, with 15 years in a number of corporate roles with senior leadership responsibilities. Barry has previously been Chief Executive of Newcastle City Council, one of the UK's nine core cities and the Regional Capital of the North of England. He has significant economic development and corporate experience. Barry took over the role of FIG Chief Executive in October 2016.



Martin Slater

*Managing Director
Non-voting member of the Board
January 2014 to present*

See FIDC staff profile page 8.



James Wilson

*FIG Financial Secretary
Non-voting Member. June 2017 to present*

Financial Secretary of Falkland Islands Government since June 2017, James has been a member of the FIDC Board in an ex-officio capacity for the past year. Attending the Board meetings has given James an appreciation of the economic development opportunities that FIDC can help create, in partnership with the private sector and Falkland Islands Government.



Jan Cheek

*Portfolio Holder MLA
November 2013 to September 2017*

A Member of Legislative Assembly for nearly sixteen years, Jan's background in education and more recently as a director of several boards in fishing, tourism and retail business brought a breadth of useful experience and knowledge to the Board. As the Assembly trade and industry portfolio holder, Jan Cheek chaired the Development Board

through its transition to a more autonomous role. Jan's place on the board was taken up by Mark Pollard following the 2017 elections.



Mark Pollard

*Portfolio Holder MLA
November 2017 to present*

Mark Pollard acquired over 15 years of experience in telecommunications engineering before putting himself forward for election to the Falkland Islands Government in 2017. Once elected Mark took on both the Trade and Industry as well as the Employment, Training and Immigration portfolios. He is the deputy on the Development and Commercial Services portfolio as well as being a member of the Public Accounts Committee.



Jo Muncaster

*Interim Financial Controller
Non-voting Member. June 2017 to present*

Jo is a Chartered Accountant who arrived in the Falkland Islands in 2016; prior to this she had nine years' experience as an auditor with both Mazars and BDO LLP in the UK. In the Falkland Islands she works for both the Tourist Board and FIDC as a Financial Controller, with her responsibilities at FIDC being predominantly a governance role for the Board and support for the Finance Team who manage the daily and monthly operations of the entity.

Key figures

2017 / 2018

Number of
approved loans

9

Total value
of approved loans
£274,150

Average
loan value

£30,461

Average
grant value
£1,522

Total value of
approved grants
£31,960

Total value of
RDS grants
£48,447

Average of
RDS grant value
£4,037

Number of
FIDC grants
approved
21

Number of
Rural Development
Scheme (RDS) grants
12

Review of the year

**Martin Slater – FIDC
managing director**

"Rural development
work has continued
in strength – with
our grant and loan
support assisting many
businesses - with
renewable power,
water systems, waste
management, and
capital needs."

The preparation of our Annual Report is something that everyone at FIDC is involved in, and because of this it provides a good opportunity for our team to reflect on recent events and achievements, and to plan for the year ahead.

2017-2018 has been good for the Falkland Islands, with strong performance in wool, fish and squid, and tourism. As the new Business Climate Survey demonstrates, the Falklands' economy is growing and there is increasing confidence amongst the business community - 73% of businesses rated their performance excellent in 2017, up by 10% from the year before.

The Development Corporation has been supporting that growth, in partnership with other agencies in the Islands and in concord with the government's Economic Development Strategy. Within the pages of this Annual Report you will find details of this activity.

Sheep are a vital part of the economy and Falkland Islands life. Working to ensure this remains so, we have been very active with the Wool Innovation Programme. At our subsidiary FIMCo – the meat processing plant - we are also striving for a viable business, through business change guided by FIDC and led by our Business Improvement Manager.

Rural development work has continued in strength – with our grant and loan support assisting many businesses - with renewable power, water systems, waste management, and capital needs. This year we produced a new RDS strategy, now approved by the Government. Thus enabled, we will be planning actions to support forward-looking Camp enterprises.

Equipping the private sector with skills and knowledge also continued apace with the FIDC Enterprise Essentials training courses, and the next generation of entrepreneurs are being addressed with renewed vigour in the YES! Scheme.

Many rewarding client projects came to fruition through the activity of our Business Development team; notably a number of these sought FIDC's help to encourage and secure new workers for their businesses, and this theme was

reflected in our own organisation – with arrivals and departures on the team. Still, the Business Survey noted increased satisfaction with the Corporation's work - 60% rating us 'good' or 'excellent' up from 43% in 2016; and so I'd like to thank all the staff for their drive and commitment again this year.

Lastly, to report on activity to achieve a second midweek flight between the Falkland Islands and South America: A great deal of political and commercial work by FIG and FIDC has progressed, to the point where the FIG Executive Council agreed to appoint a preferred airline operator; detailed negotiations are ongoing as the writing of this Annual Report concludes, and we look forward to a successful outcome.



Martin Slater
MANAGING DIRECTOR

Staff profiles



Martin Slater

Managing Director

Martin started his career with the Royal Air Force, serving for 12 years - including five years in Northern Germany and a short but memorable time at Lookout Camp in the Falkland Islands in the mid-1980s.

Prior to his arrival in the Falkland Islands in October 2013, Martin worked as Programme Manager for the Borough Council of King's Lynn and West Norfolk, developing the area's Local Strategic Partnership and working with colleagues to deliver quality of life improvements for people living in the area.

Martin was appointed interim FIDC General Manager in December 2013 and became the substantive post holder in July 2014. With the introduction of the Corporation's new Ordinance on 1st July 2015, he became the Managing Director and reports directly to the Chair of the FIDC Board.

Having been in the Islands for nearly five years, Martin considers himself very fortunate to have seen a good deal of the Falklands and has been able to visit settlements on both East and West Falkland and a number of the outer Islands. Considering this his home, Martin has applied for permanent residence in the Falkland Islands.



Stacey Steen

Administration Assistant

Stacey joined FIDC in May 2018 and is providing office support to the FIDC staff and tenants at Shackleton House. She also brings a much-needed "front-of-house" reception to the Corporation's visitors.

With a strong background in administration, Stacey looks forward to building on this in the new and diverse role. In her free time she enjoys travel around the Islands, and war films.



Susana Faria

Personal Assistant to the Managing Director

Susana Faria (Sue) is the Personal Assistant to the Managing Director at FIDC. She brings over 10 years administrative experience to the table with scheduling, correspondence, recruitment and minute taking.

Outside of work Sue spends the majority of her time with her family enjoying the Falklands outdoors, and is looking forward to the challenges of accompanying her husband Paul during his walks over the mountains and may even camp overnight again.



Kelly-Marie Stevens

Finance Officer

Kelly has worked at FIDC for over five years and in 2015 - confident she had set out on a clear career path - began studying for qualification as a Certified Accounting Technician (CAT). Now, with 50% of the exams passed, Kelly is heading for completion of the CAT qualification, and is already preparing to build on this - moving up to ACCA exams with the world's most recognised accountancy body. This confidence is turning to ambition - with Kelly setting sights on the FIDC Financial Controller role for the future.

"Since January 2017, with the support of colleagues, I have taken on a lot more responsibility in the finance department. This has been key to developing my knowledge and experience and I am enjoying the challenges and rewards it brings".



Anne Wagner-Gras

Development Manager

Anne reached her fourth year as the Corporation's Development Manager, a fundamental role supporting the local business community and launching & coordinating economic development activity across the Islands' key industrial sectors.

In 2017/2018, she is particularly proud to have organised the drafting of the new Rural Development

Strategy for the period 2018-2023; a crucial project giving FIDC a renewed mandate to carry-on working with partners and stakeholders to promote economic and business development in Camp. FIDC's business advice, mentoring and training, designed and delivered by Anne's team in partnership with local and overseas associates, has proven to be very relevant to the local business community.

"After an amazing time in the Falklands, our family have decided to move to Ireland where my husband Michael is taking up new professional challenges. I'm sad to leave, but I know the work is in the very capable hands of the Development Team."



Gordon Ackroyd

Strategic Projects Manager

The opportunity to utilise his first-class politics degree, plus a number of adult education and project management qualifications, and knowledge from over 30-years in enterprise development, attracted Gordon to bring his family to the Falkland Islands in 2016.

Working initially as an FIDC Business Development Officer, he has endeavoured to bring a down-to-earth approach to the needs of individual start-up and growth clients which has paid dividends, with many of these being nurtured to success.

Now, in the new strategy role, Gordon will strive for rigorous analysis and identification of needs for all sectors of the enterprise economy - and his management of the Corporation's 'public face' will continue in publications, events and industry consultations.



Louise Ellis

Business Development Officer

Louise returned to the Falklands in 2011, after studying and working in the UK. Her background is in education and management and she's enjoyed a varied career so far. She has worked in the private sector in the UK and the Islands and in the public sector for the Falkland Islands Government, providing high-level support to the Corporate Management Team, where she developed her knowledge and understanding of economic development in the Islands and the Economic and Rural Development Strategies.

Louise has provided additional capacity to the Business Development Team at FIDC and is particularly proud of her work with the Youth Entrepreneurship Scheme.



Alex McShane

Development Assistant

Alex joined the Corporation in February 2016 in the two-year training and development post. He has a degree in Business Studies from Huddersfield University, which he completed in late 2013. Upon finishing university, he spent a time in IT recruitment and the hospitality industry before deciding that he wanted his work to focus on economics. Moving on from FIDC, Alex is now with the Falkland Islands Government.



Michael Betts

Business Relations Manager

Michael Betts is an Islander who accomplished eight years with FIDC before moving to the Falkland Islands Government Office in London in 2017.

As Business Relations Manager, Michael was involved in an eclectic mix of project management, public and industry relations and strategy work.

Michael has specifically enjoyed delivering the wool aspect of the Innovation Pilot Project, now going forward via the Wool Innovation Group, and he played a key role in the Sea Lion Island and Lodge lease sale.

Milestones

2017

JULY

- 04 FIMCo Livestock Working Group
- 12 *Understanding Finance and Improving Business Performance* workshop held at SURE
- Hamish Wylie – Chair of the FIDC Board – re-appointed by HE the Governor
- Rodney William Lee – was appointed to the FIDC Board by HE the Governor

AUGUST

- 24 FIMCo Board
- 24 Wool Innovation Working Group meets
- 31 Michael Betts, Business Relations Manager - left the Corporation
- FIDC meet with new FI Tourism Association & cruise ship operators to help facilitate local content on board expedition ships

SEPTEMBER

- 01 Sea Lion Island start the Tourist Season under the new ownership of Wild Falklands
- 01 Bank of England base rate change applied to FIDC Variable Rate loans
- 19 RDS Steering Group
- 21 FIDC Innovation Projects; Martin Emmett, Horticulture specialist arrived in the Falklands to work with prospective growers
- 26 Falkland Island Development Board Meeting
- 26 Innovation Projects; Proposals for the creation of a new post titled Director of Wool Innovation discussed at FIDC Board meeting
- Amendments approved to FIDC Policies
- Road works carried out for access to FIDC's Becksides Farm
- FIDC Development Team and Director of Health & Social Services discuss ways of working together promoting a "Health of the nation" agenda via Horticulture Innovation

OCTOBER

- 03 Credit Committee Meeting
- 12 FIMCo Board
- 26 *Employing and Managing People* Enterprise Workshop held at SURE

NOVEMBER

- 09 General Elections for the new MLAs – Mark Pollard replaces Jan Cheek as FIDC's MLA board member
- 14 Credit Committee Meeting
- 23 Falkland Island Development Board Meeting
- 28 Wool Innovation Working Group meets

DECEMBER

- 04-06 Meeting at Port Howard, Fox Bay and Hill Cove to consult West Falkland residents on priorities for the future of Rural Development Strategy (RDS)
- 11 Credit Committee Meeting
- 12 FIMCo Board
- 12 FIMCo Livestock Working Group

2018

JANUARY

- 19 Alexander McShane, Development Assistant – left the Corporation
- 23 *Strategic Marketing and Branding for your Business* Enterprise Workshop held at the Chamber of Commerce
- 25 Falkland Island Development Board Meeting
- 25 Implementation and communication plan prior to introduction of the recommendations on the Remuneration & Reward Policy review prepared by Sally Hart discussed at FIDC Board
- Daniel Eugene Hurley Co-opted Member – renewed membership of the FIDC Board

FEBRUARY

- 01 Michael Ledwith starts at FIMCo in the newly created Business Improvement Manager post
- 01 Louise Ellis starts at FIDC as a second Business Development Officer
- 01 Edward Dugan starts at FIDC as the new Director of Wool Innovation
- 01 & 12 Meeting at Goose Green and Elephant Beach to consult East Falkland residents on priorities for the future on the Rural Development Strategy
- 20 *Profit from Great Customer Care* Enterprise Workshop held at SURE
- 21 FIMCo Board

MARCH

- 14 Wool Innovation Working Group meets
- 14 FIDC met with FICOC Board to discuss the sustainability of the child care sector
- 22 First edition of FIDC's Youth Entrepreneurship Scheme, the *Tenner Challenge* launched at the Careers Fair
- 22 Falkland Island Development Board Meeting
- 22 Review of FIMCo and next steps noted at the Board meeting
- Steve Dent, Vice Chair of FIDC resigned from Board
- Andrew Newman, Co-opted Member of FIDC Board moves up to vice Chair of the Board
- FIDC Board agree recruitment and retention plan – implementation timeline and presentation to FIDC Staff

APRIL

- 02 The Business Climate Survey 2018 launched
- 17 Sea Lion Island Lodge/ Wild Falklands Limited win the 'Camp Accommodation Offering Best Overall Experience' Tourism Award
- 17-19 *From Farm, to Farm Business* Finance Workshop sessions at Port Howard, Fox Bay and Hill Cove
- 25 FIMCo Board
- 30 Stacey Steen starts at FIDC in the newly created Administrative Assistant post
- 30 RDS Steering Group
- 30 A summary of the key points from the rural community consultation and a draft RDS for the period 2018-2023 is presented to the RDS Steering Group
- FIMCo signs a 5 Year contract with Ecolog to supply mutton and beef to MPC
- Vice Chair – Andrew Newman, was appointed by HE the Governor as vice Chair

MAY

- 03 Wool Innovation Working Group meets
- Director of Wool Innovation, Edward Dugan – left the Corporation
- 14 & 28 *From Farm, to Farm Business* Finance Workshop sessions at Estancia and Port Sussex
- 22 Credit Committee meeting
- 24 The RDS Steering Group approves the RDS for the period 2018-2023
- 26 FIDC's Shackleton House HQ reaches 20 years anniversary of opening for business
- 31 YES! (Youth Entrepreneurship Scheme) *Tenner Challenge* Award Ceremony at Government House
- 31 Anne Wagner-Gras, Development Manager - left the Corporation
- Recruitment for the Development Assistant post begins

JUNE

- 04 Wool Innovation Group meets
- 07 Falkland Island Development Board Meeting
- 07 Paul Phillips, new Co-opted Member of the Board
- 20 Credit Committee meeting
- Gordon Ackroyd moves up to new Strategic Project Manager post following a recruitment process

Rural Development Strategy

A review by Anne Wagner Gras, Development Manager

The first-ever Rural Development Strategy (RDS) for the Falkland Islands was formulated back in 2012 to provide a strategic direction and a framework of actions to stimulate investment for long-term development in Camp.

Specific objectives were agreed for the period 2012-2017. FIDC was tasked with coordinating and administering the delivery of the Strategy through a series of 'Action Plans', and making sure partners were all working in the same direction, in close consultation with the rural community.

We are delighted to report significant achievements under the previous three-year Action Plan, as well as the past year having been very busy getting RDS in shape for the future.

The overview provided here is not intended to be an exhaustive list of activities carried out under the RDS, but a selection of key achievements FIDC would like to highlight. During the last year these achievements have been shared with the rural community in a very comprehensive and constructive consultation process, and used as a starting point to the discussions on the future of the RDS.

The rural residents and business owners consulted during the review process widely recognised that the over arching objectives of the RDS – to increase the economically active population and the value added in Camp - were still very much relevant for the coming years, and that it was important to build upon the significant achievements of the previous Action Plan.

We would like to take this opportunity here in this Annual Report to thank all our partners involved in

the delivery of the RDS over the past year, with special thanks to the rural community for their engagement and encouragement to carry on.

Key achievements to date

As a result of the different projects delivered under the RDS over the past 3 years, Camp has definitely become a more attractive place to live and work. This was demonstrated by the last Census of population showing that for the first time since the 1950s, the Camp population had increased by 9% overall.

Efforts to help grow rural enterprises – via business advice, targeted training, grant funding assistance towards the purchase of capital equipment, along with various fiscal incentives – has definitely born its fruits and helped attract a new generation of enterprising people to settle out in Camp.

A significant amount of work has gone into improving the basic capital infrastructure and services in Camp to sustain the growing economic activity. At a business level this included additional workers' accommodation, efficient and environmentally-friendly energy systems, reliable water systems, and improving waste management.

Moving cargo and people throughout the Islands is now a little easier – with new road signs, a Camp tourist map now updated, a new contract for the ferry and coastal shipping services, and jetties and airstrips improvements. The effort to equip Fox Bay Village to become a hub for infrastructure development to benefit West Falkland business will need to be followed-up.

Protecting the natural environment as a key asset for rural residents and businesses is widely acknowledged by the rural community, and landowners and managers have done an excellent job of stewardship. This included the recent work on habitat restoration, with a very positive dynamic of sharing experience and best practices.

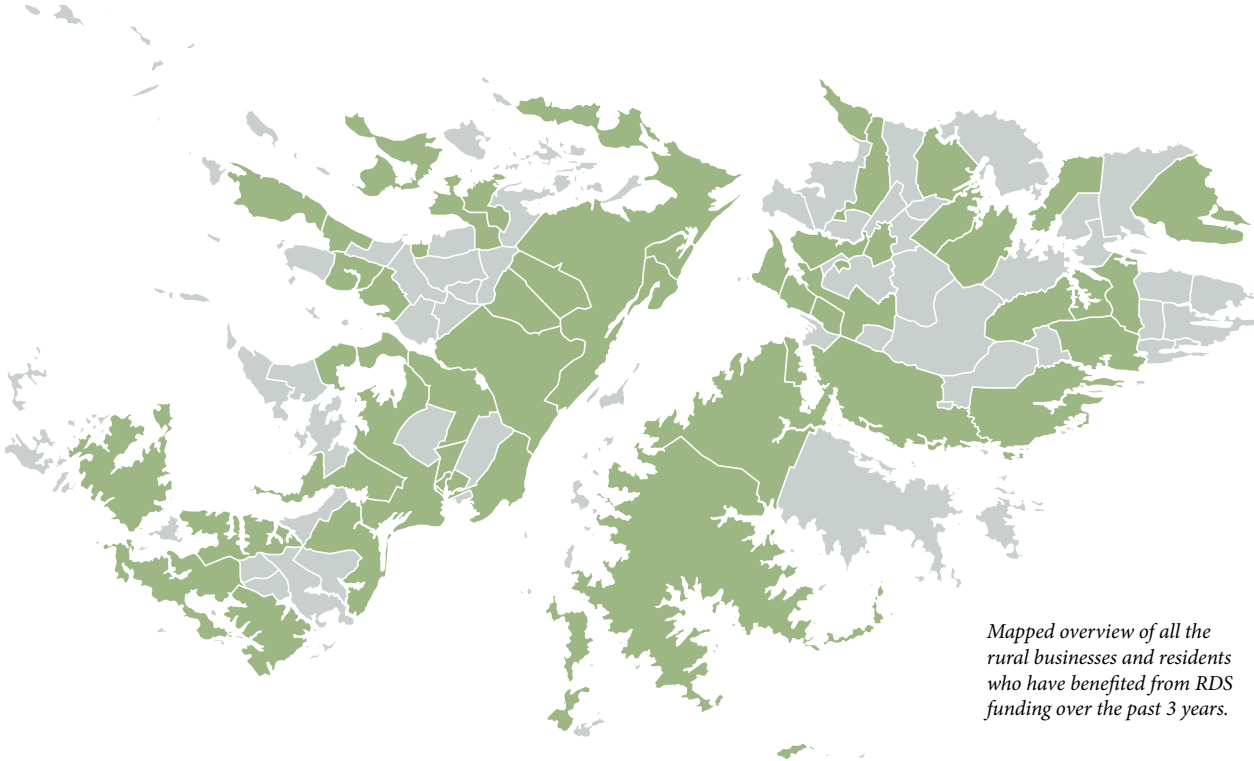
Focus on the RDS review process

With the previous RDS drawing to a close in 2017, and to ensure the Strategy continues to support the delivery of the broader objectives expressed within the FIG Economic Development Strategy (EDS), it was agreed that work on the development of the next Rural Development Strategy would start once the review of the EDS was completed by the Policy Unit.

The new EDS was approved by Executive Council in September 2017, and identifies key priority programmes and policies to be delivered for overall and sectorial economic development opportunities and areas of actions.

With this policy framework to underpin and enable successful delivery of programmes for economic and business growth in Camp, FIDC went back to the rural community to discuss the achievements made under the previous RDS Action Plan, and to consult on priorities for rural and economic development in the next three-to-five years.

Where the RDS efforts have been spent



23 Capital Development Grants 27 Rural Energy Grants 12 Water Improvement Grants 9 Waste Management Grants

Key facts and figures on the key recent RDS achievements

£155,000 in capital grant funding provided to help grow 10 businesses in Camp over the past 3 years

£95,000 in capital grant funding provided to 8 business in Camp to help increase workers' accommodation over the past 3 years

£150,000 in capital grant and loan funding provided to 25 rural businesses over the past 2 years

£15,000 in grant funding to 9 rural businesses to facilitate their metal waste management

Over 30 sites surveyed with £15,000 funded in grant to improve households and businesses water systems over the past 3 years



Five meetings took place on the West and the East between December 2017 and February 2018, hosted by FIDC and the two MLAs in charge of rural development. Outer Island's representatives were also encouraged to attend, and offers of on-site visits extended to them. Over 50 camp residents and business owners attended the meetings, and made very constructive suggestions.

The key strategic direction agreed for the future

This first-hand feedback received from the Camp community, along with the key strategic directions suggested within the EDS and the lessons learnt from the delivery of the previous RDS Action, have been factored in the revised RDS 2018-2023.

A clearer focus on adding value and increasing productivity in livestock farming for the next 3-5 years was unanimously agreed as the way forward, at a well-attended and strategic RDS Steering Group meeting in May 2018, later approved by ExCo in July. Building resilience in this core rural industry is key for farm businesses and the whole rural economy, especially to perform when tougher times come. A robust, world-class livestock farming industry should also be the foundation for sustainable diversification activities (like tourism, horticulture, etc.) and the trigger for related business opportunities such as plumbing, mechanics and construction.

With this strategic focus in place, the new RDS 2018-2023 is based on four strategic objectives, backed-up by three key priority areas of action, which will form the road map for the specific projects to be agreed for the next three years. A budget has now been allocated to the delivery of the RDS Action Plan for the next financial year.

Summarising the strategic objectives and key priority areas for action for the new RDS 2018-2023

FIDC is keen to highlight that the ability of FIG to implement the key enabling policies and capital investment programmes identified as priorities within the EDS - in particular in the area of transport links and communications, labour force development and fiscal incentives - will underpin the successful delivery of the RDS.

From this thorough process, the Corporation has a renewed mandate and a clear direction to work with FIG and other partners, as well as rural stakeholders, to deliver this new Strategy.

RDS 2018-2023 - Strategic objectives and key priority areas for action

- Strategic Objective 1:** Increase the value of livestock farming activity in Camp by 20% by 2023;
Key priority areas for action: adding value to local wool and meat; supporting business capital investments; increasing the efficiency of renewable energy systems.
- Strategic Objective 2:** Further increase the economically active population in Camp by 5% by 2023;
Key priority areas for action: facilitating a training programme to steer school leavers and young graduates towards relevant business opportunities and careers in Camp; reviewing the education syllabus to stimulate children's interest in Camp and its related business opportunities; building upon the work done to incentivise people to live and work in Camp, in particular via tax reliefs.
- Strategic Objective 3:** Increase capital investment in key enabling infrastructure and services to drive growth in the rural economy.
Key priority areas for action: supporting investment in targeted enabling infrastructure to drive growth in the rural economy.
- Strategic Objective 4:** Manage and Protect the natural environment.

Shackleton House

Space to grow

2018 has seen the 20th anniversary of building Shackleton House as the HQ for the Falkland Islands Development Corporation.

Readers of the Annual Reports through our history and those who know and work with us will have noted the changing personnel over the years in staff and board posts, in committee members, and consultants – often with a vibrant mix of overseas and ‘home-grown’ personnel.

There have also been times when FIDC has let ‘starter’ office space to enterprises getting on their feet, and 2017-2018 has been a time of full occupancy.

With the WoolCo and Falkland Landholdings firmly established in Shackleton House, our sheep industry is a welcome presence – but the offices and meeting spaces have also provided room for a range of professional and contracting services businesses alongside the FIDC team; it's a relationship that works – with tenants able to seek the development team's business advice on an informal basis. The 2018 revamp of the reception area has also ensured a welcome for the Island's entrepreneurs.



YES! Youth Entrepreneurship Scheme

A tenner for their thoughts

How do you encourage more young people to take an interest in entrepreneurship? This was the question posed to our newest Business Development Officer, Louise, when she joined the team at FIDC.

YES! was initially launched as an FIDC project in 2016, with a remit to encourage and support more young entrepreneurs and business leaders of the future. The development team piloted enterprise workshops and assemblies at the Community School, and wanted to build on these with a much more interactive approach.

After researching a number of schemes in the UK, the *Tenner Challenge – Falkland Islands* was launched this year for FICS Year 10.

The focus was on the “three C’s” – Collaboration, Coordination and Competition – and a clear set of learning outcomes. Teams of 4 joined up, each member receiving a £10 business start-up loan from FIDC backed by mentoring and support from Louise, the project leader. The idea? Start a business, work for a profit, share the rewards.

The four-week contest included weekly spot prizes based around the principles of start-ups: building a business plan, branding and logo design, marketing, research, and evidence of their businesses in action. Two teams really stepped up to the Challenge and embraced the spirit of entrepreneurship – at the end submitting their profit/loss accounts, self-evaluations, and evidence that they felt demonstrated the strengths of their businesses.



One, *Ree-Shirt* focussed on recycling and updating old clothes to resell, jumping on the hot topic of protecting the environment and waste management, while *Wii-Fi* chose to run Nintendo Wii dance parties for children.

The judges had the very tough task of assessing the teams’ efforts.

All students received a certificate and invitation to FIDC’s business training events held throughout the year and ultimate winners – *Wii-Fi*, announced at the YES! reception at Government House – won a £100 voucher each, plus a bag of FIDC related goodies.



Workshops and training Class Action

Through the year, the two FIDC training strands - Enterprise Essentials and Business Growth Programme have continued to meet a development need for skills upgrades and the building of better equipped enterprises. In addition, FIDC’s delivery of training brings new contact opportunities for the team with clients and potential clients.

The March oversubscribed *Profit from Great Customer Care* generated sufficient interest for a further repeat – a session clearly benefiting the tourism trade and other customer-facing sectors.

Other well received courses, delivered either in-house or with our Scotland-based training partners via SURE’s video conferencing, this year included

- Employing and Managing People*
- Understanding Finance and*
- Improving Business Performance*

In-house offerings drew on the Development Team’s considerable experience in marketing, for the *Strategic Marketing and Branding* event – which specifically addressed value-adding, value-chains and brand development for competitive ventures out of commodities markets.

April 2018, with the Wool Innovation Programme up and running, provided the opportunity to pilot FIDC’s own in-house finance training to farms. The sessions *From Farm to Farm Business*, were hosted by generous Campers at Hill Cove, Fox Bay and Port Howard, and at Port Sussex and Estancia on the East.

With the objective of helping farmers to make informed decisions – for example on diversification, capex, sales – the trainers worked the groups through Business Plans, Profit & Loss, Balance Sheets, and the uses of management accounting. This programme prepared the ground for farmers to benchmark farm and enterprise performance, as part of the wider Wool Innovation Programme.



Falkland Islands Meat Company

Let's look sharp

In this year, Falkland Islands Meat Company (FIMCo) has been working to a vigorous programme of business change, driven by FIDC and led by Michael Ledwith, the new Business Improvement Manager.

Michael arrived in the Islands in February 2018, bringing with him a deep knowledge from over 30 years in the meat processing trade – mostly and latterly gained in South Africa.

The challenges of this Falkland's industry – though recognisable to most Islands' enterprises – have unique aspects too: the seasonality of the trade; transport and logistics; recruitment, retention and management of a predominantly overseas recruited team; a mix of local and distant international markets; export costs in competitive markets, and many more besides.

Other aspects of the FIMCo anatomy are the relationship with 'parent organisation' FIDC - now very "hands-on" - and the obvious though until now intractable issue of its need for Government support.

Through this Business Improvement programme, FIDC is keen to see all of these challenges and barriers overcome, and FIMCo to be set on the path to being strong and self-sufficient. Michael is on a two-year timescale of direct involvement leading the plant, so the pace of change is rapid. In step with this, the team dynamics have transformed – now with skilled workers, working harder, taking a pride in their work.

Top of the Business Improvement Manager's agenda has been to drive efficiency in the plant itself which, although well-designed and with excellent equipment must – to make a profit - strive for the most economical throughput of animals. On Michael's expert view, the Sand Bay abattoir is at two thirds of its capacity so he is negotiating with the Falkland farming community for the most mutually-rewarding livestock supply arrangements.

Along with this comes a new rigour in market arrangements. Locally, customers in the retail stores and the Islands' restaurants and hotels will have noted



improvements to the range and quality of beef, sheep meat cuts and manufactured products on offer. Consistency and quality has gained the confidence of the catering trade – and boosted a desire for local meat, rather than imports.

A major uplift came in 2018 with the Ecolog contract to supply at MPC, and cruise ships too are taking a keener interest in what FIMCo can deliver.

Overseas, Michael is also pushing hard to gain space on the supermarket shelves. UK quality retailers – as ever on the search for something to catch the interest of the savvy consumer – are showing a real interest in the higher-quality lamb and beef from our pristine environment.

Evidently, building a beef industry, and growing the lamb and mutton trade, is about having consistent supply to customers - whether local, Ecolog MPC, tourist ships or export. And that means a consistent throughput at the plant and higher numbers of animals coming forward. FIMCo, and FIDC have made great progress this year, and there are now clear-cut actions ahead.



Ajax Engineering Ltd

Eyes on the horizon

Mark Gilbert and Darren Plato have secured and localised a valuable 'knowledge-based' professional services business here in the Islands.

With some years of working in the Stanley outpost of an overseas firm behind them, Darren and Mark seized the chance to start Ajax Engineering Ltd, offering a comprehensive service - covering structural & civil engineering design, geotechnical and topographic surveys, all planning matters plus building project consultancy and more.

Calling on FIDC's advice and guidance at a very early stage has meant they developed a long term vision and business plan - and this in turn gained them solid support from the Corporation, including assistance with the legalities of business formation plus help for working capital and asset purchases.

Ajax Engineering started in March 2018. The two business owners grasp of the local market and opportunities on the horizon point to a bright future. Developing relationships with overseas consultancies is on their priority list and there are plans to take on another local draughtsman and office assistant to help with a workload that should grow in line with the Islands' strategic aspirations.



Small Plant Hire

Moving up

The Development Corporation is always ready and willing to step in and give a bit of extra lift to enterprises that are helping themselves to success.

One example from this year is Debbi Ford's Small Plant Hire business. Started in 2010, and making solid progress through the last eight years, Debbi provides the ever-busy construction sector with vital plant machinery and operators for work in Camp, Stanley and at MPC.

Keeping the fleet of plant moving and up to the demands of tough use means a constant eye on repairs and capital investment into new, or newer, equipment. The business owners also have to be sure that properly trained operators are ready for the call to action.

Constant reinvestment is the key, and when there is a rapid upturn in the market, then some additional capital is needed. FIDC was delighted to assist with a capital loan and grant-aided professional fees for the expansion.

With FIG's ambitious development programmes ahead, Small Plant Hire will be ready.



G&K Services

Steps to success

Cleaning is a people business.

That's what Gary and Kristina Vincent recognised right at the beginning of their new venture in 2016.

Gary, with his background in UK High Street retail, and trained nurse Kristina, see that success in the service sector depends largely on the quality of the individuals providing the services - so, high "people costs".

G&K took their first steps on this new business start-up with expert advice from FIDC on tendering processes and government procurement. They've also been regulars on the FIDC Enterprise Essentials training workshops - so far taking in customer care, marketing, digital marketing, and financial management.

With up to 28 staff on the books servicing G&K's cleaning, gardening, janitorial and decorating contracts, Gary and Kristina faced the familiar Falkland Islands challenges of recruiting and retaining the right team members, and FIDC has responded with assistance for acquiring their own staff accommodation. Now, with a multi-national workforce in place and some of the burdens of hiring removed, it's easy to see they are set on an upward trend.



Pro-Install Interiors

Out on his own

A year passes, and the vista up on Lookout Estate is transformed, with the comprehensive upgrade of the Lookout Lodge, and completion of the build for Steve Toolan's Pro-Install retail store.

Pro-Install's kitchen & bathroom design and installation service, and the homewares and appliances shop, are now housed in the purpose-built premises. The project, taking virtually one year and iron-willed determination from proprietor Steve, illustrates all the challenges of running a business day-to-day and planning the next steps.

FIDC provided the loan support, and via its dedicated mentoring ensures that Steve Toolan has help, when needed.



Wild Falklands Ltd
Sea Lion Island

Asset Management

2017 saw the purchase, facilitated by FIDC, of the lease for Sea Lion Island and Lodge by locals Sarah Crofts and Micky Reeves, for their new company Wild Falklands Ltd.

Rich in wildlife and biodiversity, the Island is one of twenty two internationally important Bird Areas in the Falkland Islands. It is also one of two globally recognised wetland sites (Ramsar Convention) in the Falklands and since 2012 has benefitted from designation as a National Nature Reserve – a process brought to completion by the Corporation via Executive Council decision in 2017.

Here, in Sea Lion Island, we see an asset of national importance, where business needs and enjoyment by visitors and guests are balanced with a protected habitat for the wildlife - an exemplar of the Falkland Islanders’ long-established accord with the natural environment.

The new owners both have significant knowledge of the Falkland Islands’ wildlife and biodiversity, as well as experience in managing conservation projects, wildlife tour guiding and organising environmental awareness activities.

As such they are ideally placed to develop a very personal Lodge that strongly reflects environmental best practices and sustainability, operated to the highest standard of hospitality and customer services, whilst offering expert knowledge in Falkland’s wildlife and biodiversity. Their ultimate goal is to develop Sea Lion Island into the flagship destination for ecotourism and conservation.

Micky and Sarah have designed a substantial reinvestment plan to secure this asset on an ecotourism model, with essential building works now started along with a plan to develop waste management on the island, plus continuing habitat restoration activities, and development of education and interactive trails.

The Development Corporation offered a unique opportunity to purchase the lease at a very competitive price, in return for these significant investments that will improve the value of the business’s assets and the standard of the facilities. The owners were able to utilise a Business Loan together with RDS grant aid for capital works. They’ve also accessed the Corporation’s Rural Energy Advice, and have attended the FIDC finance workshop. Ongoing, specialist advice on hospitality and catering management is available to Micky and Sarah from the FIDC Development team.

FIDC is proud to see Wild Falklands Ltd creating an enterprise with people, planet and profit in balance.



Micky Reeves (second left) with his team and FIDC’s Anne Wagner

Governance Statement

2017 / 2018

The Falkland Islands Development Corporation is committed to openness and transparency in its work for the economic development of the Islands. To these ends - alongside our Annual Report, our website, and access to our meetings where appropriate - Part 7 Section 23 of the 2013 FIDC Ordinance requires the organisation to produce a report on its corporate governance during the financial year.

Corporate governance is the system by which organisations are directed and controlled, and the Board of FIDC is responsible for this. The corporate governance statement has become common in recent years to reassure stakeholders of the steps taken by organisations to act in a responsible and ethical manner.

The FIDC Board has a duty to ensure its financial affairs are carried out in such a way as to exercise economy, efficiency and effectiveness and to ensure good governance. It does so by maintaining a governance framework to ensure FIDC officers work within the parameters set out by the Board.

That governance framework consists of policies and procedures, control systems and external validation to ensure the organisation is fulfilling its obligations. All business contains an element of risk and while the framework exists to manage risk to a reasonable level it cannot eliminate all risk of failure to achieve aims and objectives.

The roles and responsibilities of the Board and its individual Members, along with the procedures for appointing Members to the Board, are set out in the Ordinance and in the FIDC Policies and Procedures Manual. A Code of Conduct for Board Members which sets out the governance arrangements which impact directly on them has also been introduced. Whilst the frequency of Board meetings is not defined in the Ordinance, experience has shown that meetings every two months allows for sufficient business to be considered and to provide for timely decision making on operational activities.

The FIDC Board

The composition of the Board is determined by the 2013 FIDC Ordinance as the following:

Chair :
Appointed by the Governor following a fair, objective and transparent process

Vice-Chair :
Appointed Member

Member of Legislative Assembly :
Nominated by MLAs collectively

FIG Chief Executive :
Automatically a member

Co-opted Member :
Co-opted by the FIDC Board

Co-opted Member

Co-opted Member

Co-opted Member

Managing Director :
Right to attend and speak but not vote

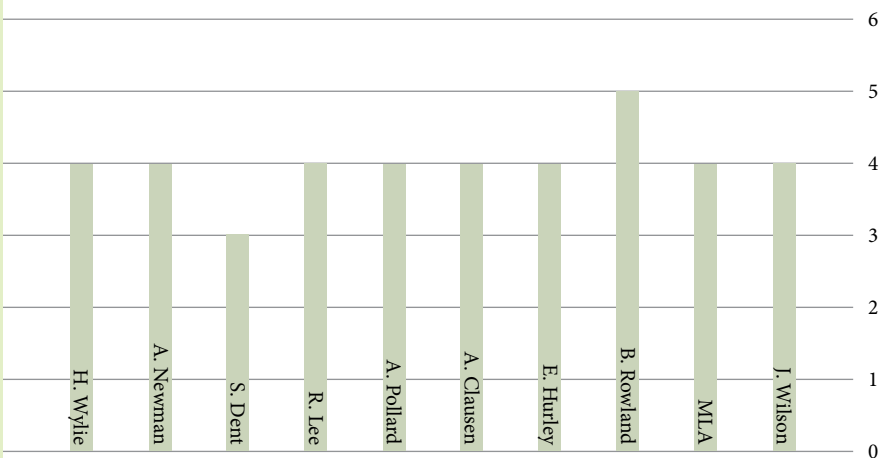
Financial Controller

Financial Secretary

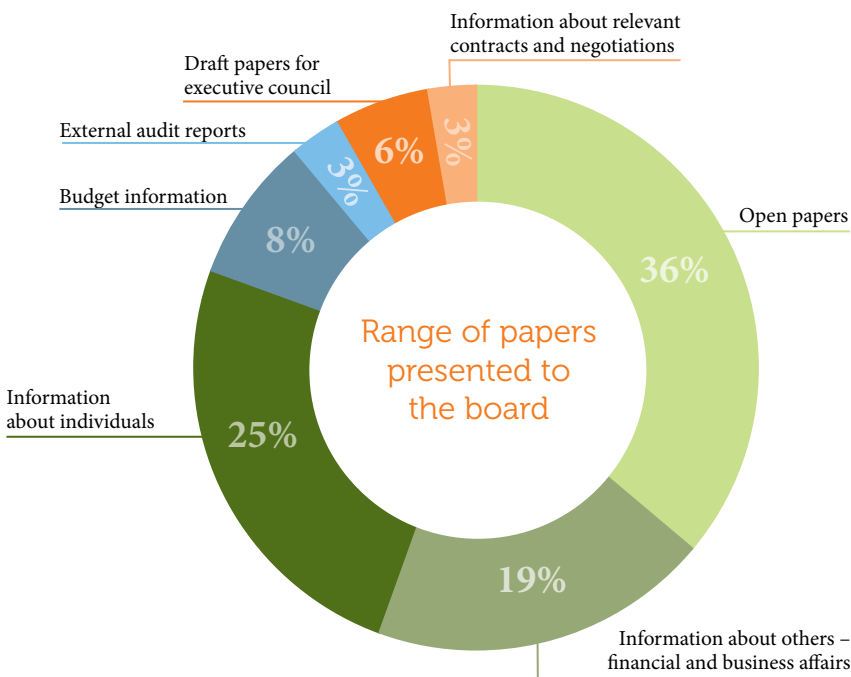
Public access to our Board meetings

The Board consider papers from Officers which fall either in the open or closed section of the meeting. The Committees (Access to Information) Ordinance of 2012 is used to determine which papers fall into which section and, wherever possible, papers are taken in the open section to allow for transparency. Inevitably, given the nature of some of FIDC’s business, there are papers which have to be taken in the closed section to protect the confidentiality of our clients.

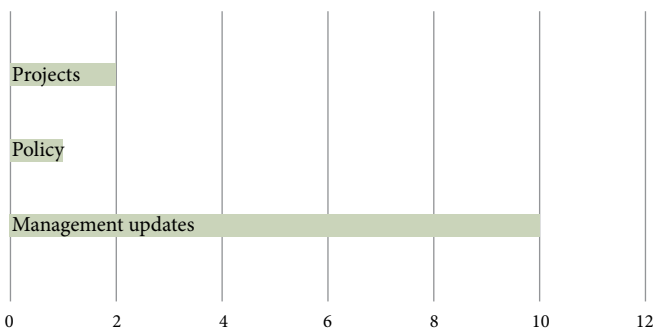
Meetings attended



S. Dent resigned from the Board from April 2017
M. Pollard replaced J. Cheek as MLA in October 2017



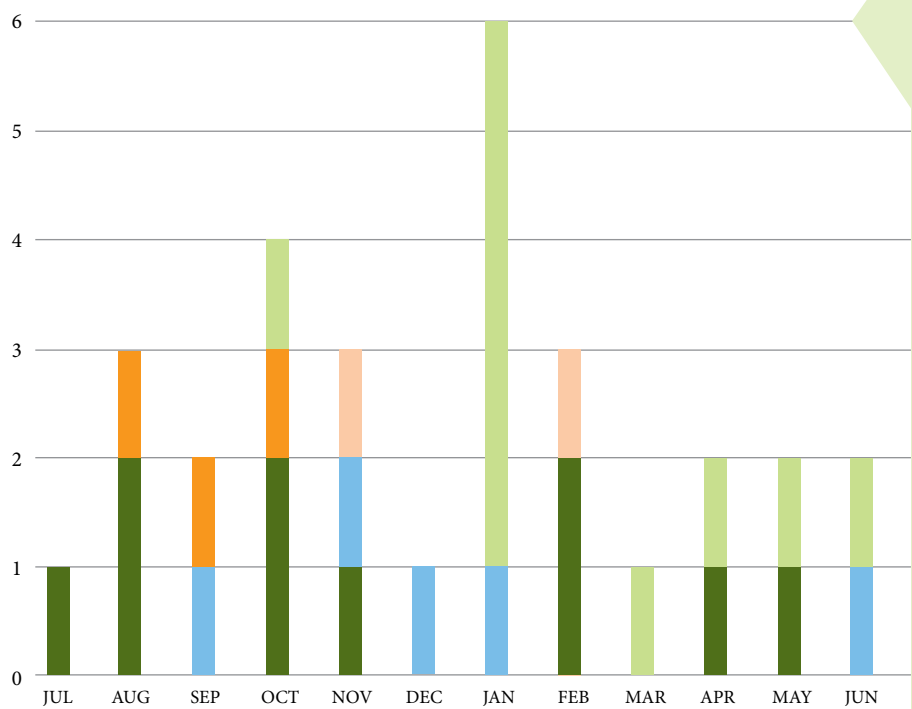
Categories of Open papers



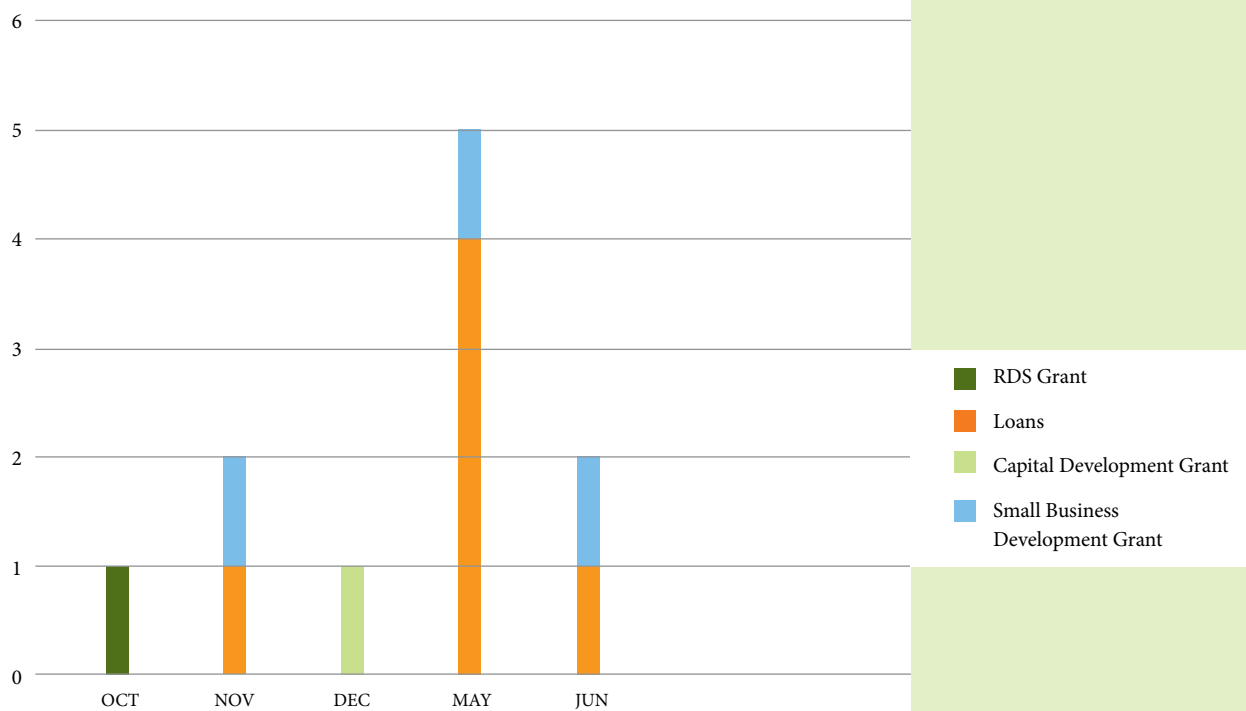
Managing Director approvals

Type of loan/grant

- RDS Grant
- Professional Fees Grant
- Home Improvement Grant
- Business Development Grant
- Energy Loans



Credit Committee approvals



The work of the Credit Committee and Managing Director Approvals

In addition to the Board, decisions are also taken by a Credit Committee, which meets monthly as required. This committee consists of the Chair or Vice-Chair and one Board Member, and is advised by the Managing Director and the Financial Controller. The Credit Committee considers those matters within its delegated authority, usually the approval of loans or grants below the threshold for reporting to the full Board, who nonetheless receive an update on all matters considered by the Credit Committee. Below this threshold, the Managing Director of FIDC approves small loans and grants, as shown.

FIDC staff

Answerable to the Board is the Senior Management Team of FIDC, which consists of the Managing Director, Development Manager, Strategic Projects Manager and the Financial Controller. The Managing Director and Financial Controller are appointed by the Board, and have specific responsibilities under the Ordinance. The Managing Director also has additional powers delegated by the Board to allow for the efficient running of the organisation, which are set out in the Policies and Procedures Manual, which is reviewed annually and is approved by the Board. The Senior Management Team meet weekly to ensure they and their staff are up to date with important issues impacting on the organisation and drive the delivery of the organisations agreed objectives. An organisational structure is shown in our Business Plan.

How does FIDC plan to improve its Corporate Governance in future

All key policies and procedures will continue to be reviewed and reported on. The Corporation builds on work to create and enhance a 'corporate memory'; capturing the knowledge of Board Members and staff and of our work for and with clients. In addition, FIDC will build on progress with its public relations activity and fostering its links across the wider business and political sectors, in the pursuit of transparency and clarity.

External scrutiny

Section 80 of the Constitution requires the Governor, acting in his or her discretion, to make appropriate arrangements for the audit of the public accounts. FIDC's financial arrangements are externally audited by an independent firm, currently Mazars LLP. On an annual basis the organisation produces financial statements which detail the financial position of the organisation which are reviewed by the auditors, along with the control environment in which they are produced. An opinion on the accuracy of the information and the appropriateness of the control environment is made. Their findings are made public, and detailed comments on the organisations control environment are reported directly to the Board by the auditors to ensure they are fully aware of their findings.

The last financial statements for FIDC received a clean audit opinion. The detailed findings, contained in the Audit Completion Report, along with the audited financial statements are also provided to the Public Accounts Committee (PAC) for their scrutiny, and the PAC's review of the accounts and audit report did not raise any issues.

Risk management

Everything we do contains an element of risk, and it is the responsibility of the organisation, from the Board down to individual officers, to attempt to mitigate those risks. As part of its last business plan FIDC identified the seven strategic and four operational risks that it felt posed the greatest risk to achieving its objectives and these are revised in the latest FIDC business plan. The actions required to mitigate these risks have been integrated into the operations of FIDC.

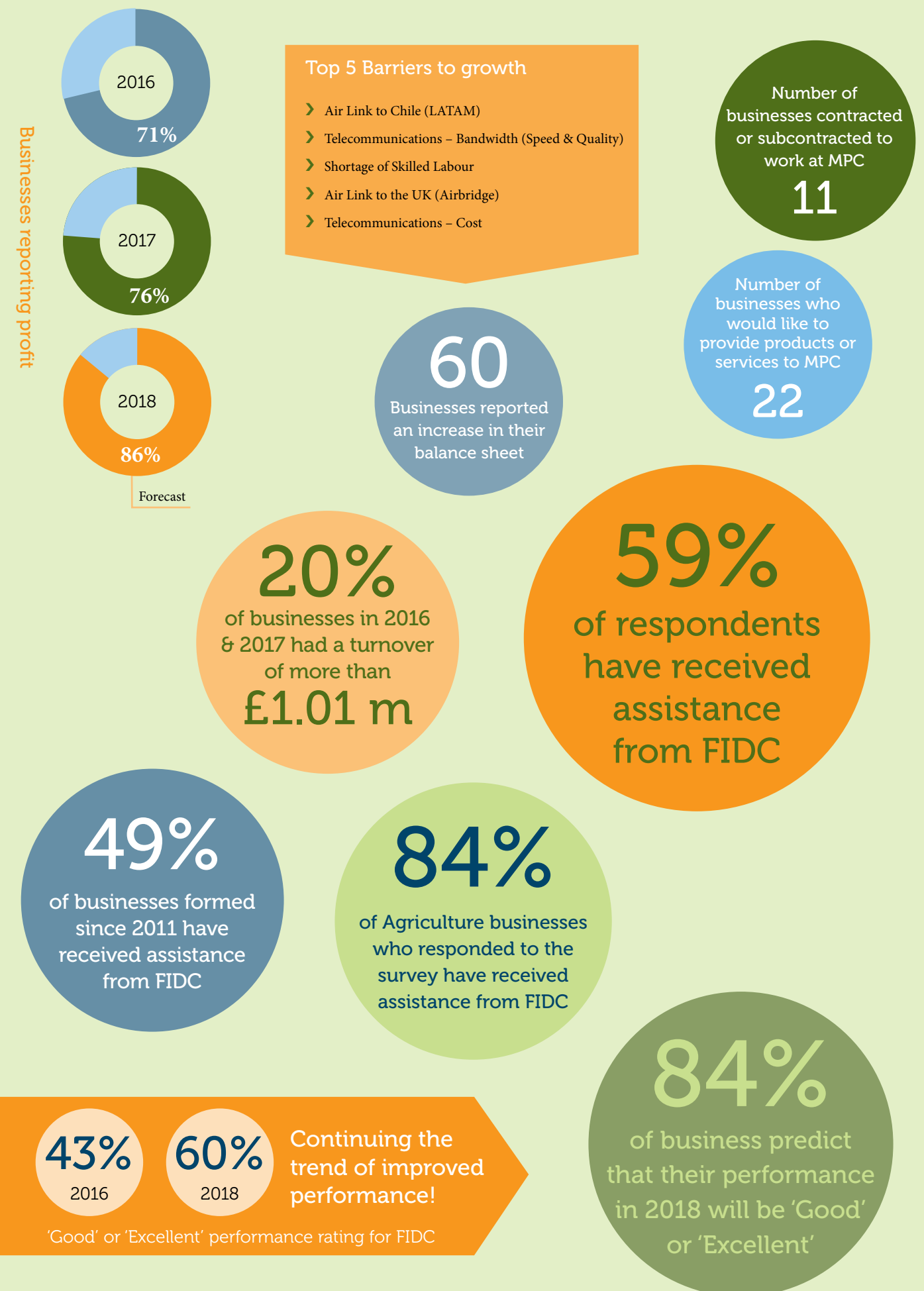
Corporate policies

FIDC maintains a suite of corporate policies to define its operations and ensure staff work in the interests of FIDC and its stakeholders.

The 2013 Ordinance requires FIDC to maintain a Policies and Procedures Manual, this document sets out the roles and responsibilities of the Board and officers, lists delegated authorities and all of the financial policies and procedures which must be followed to ensure effective governance. This document is reviewed and updated annually, and brought to the Board for their approval.

In addition to the Policies and Procedures Manual FIDC maintains an Employee Handbook. This document contains policies for 'whistle-blowing', reporting grievances and complaints and accepting gifts and hospitality. Given the size of the organisation a separate anti-fraud and anti-corruption policy is not maintained; however, all staff are encouraged to contact FIG's Internal Audit department if they have any suspicions of fraud or financial irregularity as they are better equipped to investigate. A copy of FIG's policy is held by FIDC for staff to refer to.

In the year FIDC has also introduced a complaints procedure to ensure feedback is managed effectively and results in positive outcomes for FIDC and stakeholders.



Key contacts

Falkland Islands Development Corporation is here to help the entrepreneurial community, with projects from the micro business start-up through to small and medium enterprises and on to assistance with firms of international scope and scale.

Here are our key contacts to help you with your commercial ambitions:

Small business start-up and growth programmes
development.louise@fidc.co.fk

YES! schools and students' initiatives
development.louise@fidc.co.fk

Training and development courses
development.gordon@fidc.co.fk

Strategic development of SME'S
development.manager@fidc.co.fk

Innovation initiatives in the key economic sectors – including wool, fishing, meat
development.gordon@fidc.co.fk

SAROS contracts database for MOD initiatives and public procurement opportunities
develop@fidc.co.fk

General enquiries
reception@fidc.co.fk

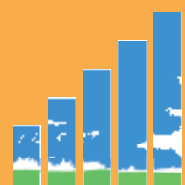
Key stakeholder relations and projects with international scope (e.g. air links) or related to our subsidiary FIMCo
Contact Martin Slater, FIDC Managing Director via his PA, sfaria@fidc.co.fk

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Stanley, Falkland Islands
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FALKLAND ISLANDS
DEVELOPMENT CORPORATION

FALKLAND ISLANDS DEVELOPMENT CORPORATION

Report and Financial Statements

For the year ended 30 June 2018

FALKLAND ISLANDS DEVELOPMENT CORPORATION

REPORT AND FINANCIAL STATEMENTS 2018

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FALKLAND ISLANDS DEVELOPMENT CORPORATION

BOARD MEMBERS' REPORT

FALKLAND ISLANDS DEVELOPMENT CORPORATION BOARD MEMBERS

The Falkland Islands Development Corporation Ordinance 2013 provides for the Corporation to have a governing board, known as the Falkland Islands Development Board, consisting of the following persons:

- (a) an appointed Chair;
- (b) an appointed Vice-Chair;
- (c) one appointed member;
- (d) one MLA, nominated by MLAs collectively;
- (e) the Chief Executive; and
- (f) up to 4 co-opted members.

In addition to the above, the Financial Secretary of the Falkland Islands Government (or her representative) and the Managing Director and Financial Controller of the Corporation may attend meetings of the Board and may speak to any matter before the Board, but may not vote.

The Ordinance additionally provides for an employee of the Corporation to be nominated as Secretary.

The following individuals served on the Board from July 2017 and to the date of this report:

Chair	Mr J Wylie
Vice-Chair	Mr S Dent (Resigned March 2018) Mr A Newman (Appointed April 2018)
Appointed Member	Mr A Pollard Mr R Lee (Appointed July 2017)
Nominated MLA	Mr M Pollard
Chief Executive	Mr B Rowland
Co-opted Members	Dr A Clausen Mr E Hurley Mr A Newman (Elected as vice-chair April 2018) Mr P Phillips (Appointed July 2018)

FALKLAND ISLANDS DEVELOPMENT CORPORATION

BOARD MEMBERS' REPORT (CONTINUED)

STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

The Falkland Islands Development Corporation Ordinance 2013 requires the organisation to prepare financial statements for each financial year. In preparing those financial statements, the Falkland Islands Development Corporation board members are required to:

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

The Falkland Islands Development Corporation board members are responsible for keeping proper accounting records which 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 Falkland Islands Development Corporation Ordinance 2013 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.

Approved by the Falkland Islands Development Corporation board on 6th December 2018.

Signed on behalf of the Falkland Islands Development Corporation board

Chair



Independent auditor's report to the Board members of the Falkland Islands Development Corporation

Opinion

We have audited the financial statements of the Falkland Islands Development Corporation (the 'corporation') for the year ended 30 June 2018 which comprise the General Revenue Account, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of principal accounting policies. The financial reporting framework that has been applied in their preparation is Falkland Island Development Corporation Ordinance 2013 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 surplus for the year then ended; and
- have been prepared in accordance with the requirements of the Falkland Island Development Corporation Ordinance 2013 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 included in 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.

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

Responsibilities of Board members

As explained more fully in the board members' responsibilities statement set out on page 2, 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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.

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.

Use of the audit report

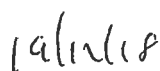
Our audit work has been undertaken so that we might state to board members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board members, as a body, 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



FALKLAND ISLANDS DEVELOPMENT CORPORATION

PRINCIPAL ACCOUNTING POLICIES

Year ended 30 June 2018

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Corporation's financial statements:

(a) Basis of accounting

The financial statements are prepared under the historical cost accounting convention.

The presentation of the financial statements is in a form considered by the Falkland Islands Development Corporation board members appropriate to the activities of the Corporation and complies with the requirements of the Falkland Islands Development Corporation Ordinance 2013 and the Finance and Audit Ordinance 1988.

(b) Basis of preparation

The accounts have been prepared on a going concern basis.

(c) Funding

The Corporation's mainstream activities during the year were principally funded by subvention from the Falkland Islands Government, repayment of loans advanced in previous periods, rental income, loan interest and other income. This funding financed both capital expenditure, including investments and loans, and the excess of revenue expenditure over income. Previously the subvention, also known as Grant-in-aid, was credited to the general fund, and the excess of expenditure over income was deducted from the general fund. It has been agreed, by the Board, that following the change in corporate structure and funding methodology from FIG, income is now shown on the face of the General Revenue account, rather than as an adjustment through reserves. In certain circumstances, where the Corporation is acting purely in an administrative capacity in the application of funding received, the funding is credited to deferred income and released to the subvention funding to match actual expenditure. If expenditure is in excess of funding received and the corporation has recourse to recover the excess, then the difference is accounted for as accrued income.

(d) Fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. No depreciation is charged in respect of freehold land. Assets under the course of construction are not depreciated until they are brought into use. Depreciation on other categories of fixed assets is calculated to write off the cost of fixed assets by equal annual instalments over their estimated useful lives at the following rates:

Land	Nil
Buildings – freehold	3%
Buildings – leasehold	Over life of lease
Buildings – portacabins	20%
Motor vehicles	25%
Plant & equipment	10-20%
Office furniture & fittings	10-33%
Computer equipment	33%

(e) Investments and loans

Investments are stated at cost less any provision for impairment considered necessary by the Falkland Islands Development Corporation board members. Loans are stated after deduction of any provisions for losses considered necessary in cases where it is anticipated that loans will not be recovered in full.

(f) Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price. Adjustments are made for slow moving and obsolete stock.

FALKLAND ISLANDS DEVELOPMENT CORPORATION

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Year ended 30 June 2018

(g) Research and surveys

Expenditure on research and surveys is charged to the General Revenue Account in the year which it is incurred.

(h) Deferred income

Amounts received in prior periods from the Falkland Islands Government to fund land transfer loans made by the Corporation have been recorded as deferred income and are released to the General Fund as the farm loan repayment income is received or written off by the Corporation.

(i) Operating leases

Assets owned by the Corporation for use under operating leases are included in Tangible Fixed Assets – Projects. Income is derived from operating leases recognised in the General Revenue Account as it falls due.

(j) Loans and interest

Outstanding amounts in relation to loans are shown within Investment in Projects – Shares and Loans, and are reduced to nil over the period of the loan by the capital element of loan repayment.

Interest earned on loans is credited to the General Revenue Account upon receipt. No account is taken of interest in respect of which a moratorium has been granted.

(k) Foreign currency

The financial statements are maintained and reported in Falkland Islands pounds. Transactions denominated in other currencies are converted to Falkland Islands pounds at the foreign exchange rate ruling on the date the transactions take place. Foreign currency bank balances held at the year end are retranslated into Falkland Islands pounds at the exchange rate ruling at the year end. Gains and losses on translation are taken to the General Revenue Account.

(l) Taxation

The Corporation is not subject to taxation.

(m) Pension costs

The pension cost charge in the financial statements represents contributions paid by the Corporation to defined contribution pension funds during the year.

(n) Consolidation

Consolidated financial statements including the results of subsidiaries and associates have not been prepared. There is no requirement to prepare consolidated financial statements under applicable Falkland Islands legislation.

FALKLAND ISLANDS DEVELOPMENT CORPORATION

GENERAL REVENUE ACCOUNT

Year ended 30 June 2018

	Note	2018 £	2017 £
INCOME			
Loan and hire purchase interest		78,483	76,181
Bank interest		956	610
Rent		88,798	92,353
Subvention funding received		524,659	738,137
Other income		-	1,098
		<u>692,896</u>	<u>908,379</u>
EXPENDITURE			
Project costs:			
Rural Development		(49,835)	(158,843)
REA		-	(52,377)
Industry		(45,101)	(80,611)
Tourism		(45,769)	(5,738)
Administrative expenses (net)	1	(457,365)	(461,287)
Depreciation of own use assets		(35,019)	(26,268)
		<u>(633,089)</u>	<u>(785,124)</u>
NET OPERATING INCOME		<u>59,807</u>	<u>123,255</u>
Net gain/ (loss) on disposal of fixed assets		<u>8,000</u>	<u>-</u>
NET SURPLUS/(DEFICIT)		<u>67,807</u>	<u>123,255</u>

FALKLAND ISLANDS DEVELOPMENT CORPORATION

BALANCE SHEET

As at 30 June 2018

	Note	2018 £	2017 £
INVESTMENT PROJECTS			
Shares and loans	2	2,583,681	2,483,714
Tangible fixed assets - projects	3	<u>176,511</u>	<u>170,988</u>
		2,760,192	2,654,702
FIXED ASSETS			
Tangible fixed assets - own use	4	546,802	525,798
		<u>3,306,994</u>	<u>3,180,500</u>
CURRENT ASSETS			
Stocks	5	-	-
Debtors	6	17,747	78,542
Cash at bank and in hand		<u>1,308,977</u>	<u>1,265,978</u>
		1,326,724	1,344,520
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	7	(134,042)	(133,492)
NET CURRENT ASSETS		<u>1,192,682</u>	<u>1,211,028</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,499,676	4,391,528
Deferred income account	8	(44,912)	(130,186)
NET ASSETS		<u><u>4,454,762</u></u>	<u><u>4,261,340</u></u>
FUNDS			
Net capital funding received during year		115,000	92,000
Deferred income released	8	10,615	10,964
Funds reserves brought forward		4,261,340	4,035,121
Surplus for year		67,807	123,255
FUND RESERVES CARRIED FORWARD		<u><u>4,454,762</u></u>	<u><u>4,261,340</u></u>

Approved by the Falkland Islands Development Corporation board on 6th December 2018

Signed on behalf of the Falkland Islands Development Corporation board

Board Member

Board Member

FALKLAND ISLANDS DEVELOPMENT CORPORATION
CASH FLOW STATEMENT
As at 30 June 2018

	2018	2017
	£	£
RECONCILIATION OF NET OPERATING CASH OUTFLOW		
Net operating surplus/(deficit)	67,807	123,255
Depreciation and provisions for diminution in value of tangible fixed assets	47,062	37,957
Decrease/(Increase) in debtors	60,795	(45,690)
Decrease in stock	-	-
(Decrease)/Increase in creditors	550	39,155
Net (gain) on disposal of fixed assets	(8,000)	-
Deferred income released	(74,659)	-
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>93,555</u>	<u>154,677</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Additions to tangible fixed assets	(73,589)	(25,289)
Receipts from sales of tangible assets	8,000	-
Addition to investments	-	-
Loans advanced during year	(435,550)	(131,662)
Loan and hire purchase capital repayments received	335,583	363,049
NET CASHFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS	<u>(165,556)</u>	<u>206,098</u>
NET CASH INFLOW BEFORE FINANCING	(72,001)	360,775
FINANCING		
Net capital funding received during year	115,000	92,000
Deferred revenue	-	112,893
(DECREASE)/INCREASE IN CASH DURING THE YEAR	<u>42,999</u>	<u>565,670</u>
Net funds at 1 July 2017	1,265,978	700,308
Cash outflow	42,999	565,670
Net funds at 30 June 2018	<u>1,308,977</u>	<u>1,265,978</u>

ANALYSIS OF CASH AS SHOWN IN THE BALANCE SHEET

	2018	2017	Change in year
	£	£	£
Cash at bank and in hand	<u>1,308,977</u>	<u>1,265,978</u>	<u>42,999</u>

FALKLAND ISLANDS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

	2018 £	2017 £
1. ADMINISTRATIVE EXPENSES (NET)		
Salaries and staff costs	334,403	329,645
Less: allocated to project costs	-	-
	<u>334,403</u>	<u>329,645</u>
Other admin costs		
Travel and subsistence	217	-
General expenses	21,441	23,673
Heat, light and power	5,207	4,904
Repairs and maintenance	22,976	31,344
Insurance	13,768	18,368
Telephone, fax and postage	6,454	5,549
Computer and internet support	10,513	7,528
Printing and stationery	6,631	3,889
Audit fees	19,579	18,628
Accountancy and professional fees	15,330	14,321
Bad debt	-	(68)
Publicity and promotions	846	3,506
	<u>122,962</u>	<u>131,642</u>
TOTAL	<u><u>457,365</u></u>	<u><u>461,287</u></u>

FALKLAND ISLANDS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

2. INVESTMENTS IN PROJECTS

SHARES AND LOANS	Ordinary shares £	Loans £	Total £
At 1 July 2017			
Subsidiary companies	36,300	34,471	70,771
Associated companies	-	-	-
Land Transfer loans	-	-	-
Others	-	2,412,943	2,412,943
	<u>36,300</u>	<u>2,447,414</u>	<u>2,483,714</u>
Net additions/(disposals) in year:			
Subsidiary companies	-	-	-
Associated companies	-	-	-
Land Transfer loans	-	-	-
Others	-	435,550	435,550
	<u>-</u>	<u>435,550</u>	<u>435,550</u>
Repayments/transfers in year:			
Subsidiary companies	-	-	-
Associated companies	-	-	-
Land Transfer loans	-	-	-
Others	-	(335,583)	(335,583)
	<u>-</u>	<u>(335,583)</u>	<u>(335,583)</u>
At 30 June 2017			
Subsidiary companies	36,300	34,471	70,771
Associated companies	-	-	-
Land Transfer loans	-	-	-
Others	-	2,512,910	2,512,910
	<u>36,300</u>	<u>2,547,381</u>	<u>2,583,681</u>
Analysis by sector:			
Rural development	-	1,496,359	1,496,359
Industry	36,300	879,775	916,075
Tourism	-	171,247	171,247
	<u>36,300</u>	<u>2,547,381</u>	<u>2,583,681</u>

FALKLAND ISLANDS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

2. INVESTMENTS IN PROJECTS (CONTINUED)

Investments in ordinary shares	2018	2017
FIDC subsidiaries		
Falkland Islands Meat Company Limited	100%	100%
Other significant FIDC associated companies		
Falkland Farmers Ltd (no voting control)	50%	50%

Consolidated financial statements including the results of the above subsidiaries and associates have not been prepared. There is no requirement to prepare consolidated financial statements under applicable Falkland Islands company law.

Repayment profile of loan investments

	2018 £	2017 £
Loans are recoverable as follows:		
Within 1 year	294,776	333,758
Within 2 to 5 years	739,560	754,086
After more than 5 years	1,513,045	1,359,571
	<u>2,547,381</u>	<u>2,447,415</u>

FALKLAND ISLANDS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3. TANGIBLE FIXED ASSETS - PROJECTS

	Land & buildings £	Furniture fittings £	Plant & equipment £	Total £
Cost				
At 1 July 2017	387,110	2,513	249,073	638,696
Additions	17,564	-	-	17,564
Disposals	-	-	(20,760)	(20,760)
At 30 June 2018	<u>404,674</u>	<u>2,513</u>	<u>228,313</u>	<u>635,500</u>
Depreciation				
At 1 July 2017	218,949	2,513	246,246	467,708
Charge for year	11,152	-	889	12,041
Disposals	-	-	(20,760)	(20,760)
At 30 June 2018	<u>230,101</u>	<u>2,513</u>	<u>226,375</u>	<u>458,989</u>
Net book value				
At 30 June 2018	<u>174,573</u>	<u>-</u>	<u>1,938</u>	<u>176,511</u>
At 30 June 2017	<u>168,161</u>	<u>-</u>	<u>2,827</u>	<u>170,988</u>
Cost analysis by sector:				
Rural development	213,289	915	209,802	424,006
Fisheries	-	1,098	-	1,098
Industry	191,385	500	18,511	210,396
	<u>404,674</u>	<u>2,513</u>	<u>228,313</u>	<u>635,500</u>

Included within plant and equipment is motor vehicles and included within furniture and fittings is computer equipment.

FALKLAND ISLANDS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

4 TANGIBLE FIXED ASSETS - OWN USE

	Land & buildings £	Motor vehicles £	Furniture & fittings £	Total £
Cost				
At 1 July 2017	893,112	33,621	140,764	1,067,497
Additions	4,850	45,340	5,835	56,025
Disposals	-	(15,933)	-	(15,933)
At 30 June 2018	<u>897,962</u>	<u>63,028</u>	<u>146,599</u>	<u>1,107,589</u>
Depreciation				
At 1 July 2017	391,348	33,621	116,730	541,699
Charge for year	18,844	3,767	12,410	35,021
Disposals	-	(15,933)	-	(15,933)
At 30 June 2018	<u>410,192</u>	<u>21,455</u>	<u>129,140</u>	<u>560,787</u>
Net book value				
At 30 June 2018	<u>487,770</u>	<u>41,573</u>	<u>17,459</u>	<u>546,802</u>
At 30 June 2017	<u>501,764</u>	<u>-</u>	<u>24,034</u>	<u>525,798</u>

Included in own use land and buildings cost is an amount of £170,927 (2017: £170,927) for land which is not depreciated.

5. STOCK	2018 £	2017 £
Finished Goods	<u>-</u>	<u>-</u>
6. DEBTORS	2018 £	2017 £
Trade debtors	5,582	8,802
Other debtors	9,752	51,833
Prepayments	2,413	17,907
	<u>17,747</u>	<u>78,542</u>
7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2018 £	2017 £
Trade creditors	66,036	41,471
Other creditors	19,667	10,131
Accruals	48,339	81,890
	<u>134,042</u>	<u>133,492</u>

FALKLAND ISLANDS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

8. DEFERRED INCOME ACCOUNT	FIG funded Grant specific £	ISP FIG funded Loans £	Total £
Total as at 1st July 2017	112,893	17,293	130,186
Funding received in year	-	-	-
Released to the General Revenue Account	(74,659)	(10,615)	(85,274)
Total as at 30 June 2018	<u>38,234</u>	<u>6,678</u>	<u>44,912</u>

9. BOARD MEMBER EMOLUMENTS	2018 £	2017 £
Total emoluments (including pension contributions)	<u>2,160</u>	<u>3,440</u>

The Chairman's remuneration was £640 (2017: £960) and the remuneration of the highest paid member, excluding pension contributions was £640 (2017: £960). Pension contributions paid to the highest paid member during the year were £nil (2017: £nil). Under the 2014 Ordinance the Managing Director is no longer a Board Member and his remuneration is therefore no longer included.

10. PENSION COSTS

The corporation participates in the Falkland Islands Pension Scheme, which is a defined contribution scheme. Contributions to the scheme during the year in respect of Corporation employees totalled £18,038 (2017: £21,272).

11. GUARANTEES

At 30 June 2018 the Corporation had granted guarantees in relation to third party bank loans totalling £1,500,000 (2017: £2,000,000).

12. TOTAL REVENUE BUDGET APPROVED

	2018 Budget £	2018 Actual £	2018 Under/(over) budget £
Income	(157,500)	(168,236)	(10,736)
Expenditure:			
Rural Development	329,450	58,469	270,981
Industry	266,139	36,467	229,672
Tourism	90,000	42,589	47,411
Administrative expenses (net)	615,550	437,322	178,228
	<u>1,143,639</u>	<u>406,611</u>	<u>737,028</u>

The above expenditure and budget for 2018 does not include depreciation

FALKLAND ISLANDS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

13. RELATED PARTIES

During the year ended 30 June 2018, the Corporation has undertaken a number of transactions with entities that are defined as a related party, either through direct ownership by the Corporation, or through other directorships of Falkland Islands Development Board (FIDB) members. The total income and expenditure attributable to these entities in the year ended 30 June 2018, as well as the balances due or receivable from the entities at 30 June 2018 is listed below. With the exception of some loan and rental agreements, which were undertaken on an arms-length basis and in the normal course of business, there were no related party transactions, other than those that are disclosed, that were individually material during the year.

	Income		Expend		Debtors		Creditors	
	2018	2017	2018	2017	2018	2017	2018	2017
FIMCO	3,610	540	-	-	-	-	-	-
FFL	-	-	-	77	-	-	-	-
FIG	536,150	841,912	28,979	11,815	-	-	4,276	1,180
FITB	-	4,191	8,100	469	-	-	-	300
FLH	10,819	2,520	-	13,000	-	-	7,844	10,844
FICoC	750	-	842	-	-	-	-	-
FPS Ltd	65	-	124	186	-	-	-	-
FITT	-	-	880	4,065	-	-	100	17
Invenio Ltd	-	-	1,315	150	-	-	-	-
Seafish	130	-	-	-	-	-	-	-
SAAS	130	-	4,414	-	-	-	-	-
Wool Co	1,221	1,332	-	-	-	-	-	-

FALKLAND ISLANDS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

14. RELATED PARTIES (CONTINUED)

At the year end, Falkland Islands Meat Company Limited owed £34,470 (2017: £34,470) and Falkland Farmers Limited owed £Nil (2017: £Nil) to the Corporation in respect of loans made by the Corporation and included within Investment Projects in the balance sheet.

	FIMCO	FIG	FITB	FLH	FICoC	FPS Ltd	FITT	Invenio Ltd	Seafish	SAAS	Wool Co
J Wylie	✓				✓				✓		
S Dent					✓			✓			
A Pollard	✓			✓							✓
A Clausen					✓	✓	✓				
E Hurley										✓	
A Newman											
R Lee				✓							✓
B Rowland		✓		✓							
M Pollard	✓	✓	✓								
J Muncaster			✓								
J Wilson	✓	✓									
M Slater	✓										

15. LOAN COMMITMENTS

As at 30th June 2018 there were loans approved to the value of £183,600 which were paid out after the year end.



Audit Completion Report

Falkland Islands Development Corporation – 30 June 2018

November 2018

Strictly private and confidential



CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements

Appendix A – Draft management representation letter

Appendix B – Draft audit report

Appendix C – Independence

This document is to be regarded as confidential to the Falkland Islands Development Corporation. It has been prepared for the sole use of those charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Those Charged With Governance
Falkland Islands Development Corporation
Shackleton House
Stanley
F1QQ 1ZZ
Falkland Islands

November 2018

Ladies and Gentlemen,

Audit Completion Report – Year ended 30 June 2018

We are pleased to present our Audit Completion Report for the year ended 30 June 2018. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we provided in August 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me.

Yours faithfully



Richard Bott
Mazars LLP

Mazars LLP – 90 Victoria Street, Bristol, BS1 6DP
Tel: +44 (0)117 928 1700 – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this document

This document has been prepared to feed back the findings of our audit for the year ended 30 June 2018 to the Board Members of The Falkland Islands Development Corporation and forms the basis for discussion at the relevant Board meeting.

Our communication with the Board is important to:

- Share information to assist both the auditor and those charged with governance of the Falkland Islands Development Corporation to fulfil their respective responsibilities;
- Provide those charged with governance of the Falkland Islands Development Corporation with constructive observations arising from the audit process;
- Ensure as part of the two-way communication process we, as external auditors, gain an understanding of the attitude and views of those charged with governance of the Falkland Islands Development Corporation to the internal and external operational, financial, compliance and other risks facing Falkland Islands Development Corporation including the likelihood of those risks materialising and how they are managed; and
- Receive feedback from those charged with governance as to the performance of the engagement team.

Section 3 sets out internal control recommendations and Section 4 sets out audit misstatements; Total adjusted misstatements identified by us during the audit process amount to £3,180.

Principal conclusions and significant findings

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In Section 2 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum of which the principal ones were:

- Management override of controls;
- Revenue recognition; and
- Project expenditure.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 30 June 2018.

At the time of preparing this report, there are no significant matters outstanding.

At the time of issuing this report and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, as set out in Appendix B.

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. In this section, we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

Project expenditure	Description of the risk
	FIDC receive a subvention from the Falkland Islands Government and there is no specification on how this is to be allocated across the various projects. Management took the decision, for transparency reasons, to maintain the disclosures in the financial statements to show how expenditure has been incurred on each project. There is therefore a risk that expenditure had not been allocated accurately.
	How we addressed this risk
	We review expenses allocated to the project codes to ensure they have been recorded accurately.
	Audit conclusion
	During our audit work, no significant issues have been noted which would suggest that management override of controls had occurred.

2. SIGNIFICANT FINDINGS (CONTINUED)

Management override of controls	<p>Description of the risk</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <hr/> <p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• Accounting estimates impacting amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. <hr/> <p>Audit conclusion</p> <p>During our audit work, no significant issues have been noted which would suggest that management override of controls had occurred.</p>
Revenue recognition	<p>Description of the risk</p> <p>There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk on all audits.</p> <hr/> <p>How we addressed this risk</p> <p>We addressed this risk by undertaking cut-off work around the year end to ensure that transactions are in the correct year and reviewing material transactions during the year to ensure that they are treated correctly.</p> <hr/> <p>Audit conclusion</p> <p>Loan interest was recalculated and a review on the completeness of rental income was performed. Our review indicated that both rental income and loan interest were materially correct.</p>

2. SIGNIFICANT FINDINGS (CONTINUED)

Key areas of management judgement

There were no significant management judgements identified in the accounts preparation process.

Accounting policies and disclosures

We have reviewed the company accounting policies, as stated in the financial statements, and confirm that they are appropriate to provide relevant, reliable, comparable and understandable information.

We have reviewed the disclosures in the financial statements, and consider them to be in line with recommended practice.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	-
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	-
	Brought Forward from prior year	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Follow up of previous internal control points – 2012 points

We set out below an update on internal control points raised during the 2017 audit

Recommendations in internal control – Level 2

Description of deficiency - Rental Agreements

On reviewing the rental agreements to gain evidence of income the following issues were note:

- Rental agreements were not available for all income
- Some of the rental agreements did not appear to be up to date to reflect
- The amounts charged did not always math the amount stated within the agreement

Potential effects

By failing to maintain up-to-date rent agreements, rent may not be charged at the correct rate.

Recommendation

A full review of the rental agreements should be performed to ensure that a signed agreement is in place and it contains the correct rental charges. If an agreement cannot be located, one should be drafted and issued to confirm the rental charges. A signed copy should be retained on file for future reference. When the Corporation changes the rental charges this should be formally communicated to the customer in writing. A copy of this letter should be on file.

2013 Update

From our work it appeared that not all rental agreements contained the correct information and, in some cases, no formal agreement existed. **Matter on-going**

Management response

Agreed. A full review of rents and rental income is planned as the next major task for the finance team.

2014 Update

Issues were noted during the audit in respect of the rental agreements. They were found to be out of date and therefore the amounts per the agreement did not always correlate to the amounts being charged. We were informed during the audit that this is on management's "to do" list. **Matter on-going**

Management response

Agreed. The current situation with regards the container park is unacceptable which is why a considerable amount of officer time has been spent addressing the issue.

2015 Update

We are pleased to note that a full review has been undertaken of rental agreements and that the majority of these are now in place. However our work did identify some agreements where the amount invoiced was not in line with the agreement in place. **Matter on-going.**

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Management response

Agreed. Priority has been given to identifying those containers where no agreement was in place to ensure revenues were maximised. A programme for reviewing older rentals will be undertaken to ensure all amounts agree. The issue stems from a rental increase which was applied in 2010/2011 which is not reflected in the majority of agreements which were signed in 2009.

2016 Update

From our audit work we noted that the majority of rental agreements have now been updated and as a whole are materially correct. However there was a total difference of £153 between the agreements and amount invoiced. Even though this is highly immaterial it is good practice that these figures agree. **Matter on-going.**

2017 Update

From our audit work we noted that the majority of rental agreements have now been updated and, as a whole, are materially correct. However there was a total difference of £98 between the agreements and amount invoiced. Even though this is immaterial for audit purposes, it is good practice that these figures agree. **Matter principally resolved.**

2018 Update

There was again discrepancy between the rental agreements and amount of income posted. The difference was again trivial but it is good practice for these to agree. **Matter principally resolved.**

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

New Internal control recommendations in 2018

Recommendations in internal control – Level 3

Description of deficiency

Some loans agreed but not drawn down have not been recognised.

Potential effects

The disclosure in the accounts may be misstated and there is a possibility of not being aware of what money is outstanding.

Recommendation

Review loan agreements and keep a record of what has been agreed so that at year end you know what money is outstanding.

Management response

Noted – Will be reviewed in future

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified during the course of the audit by both us and management, above the level of trivial, for adjustment..

The table outlines the misstatements that have been adjusted by management during the course of the audit.

Adjusted Misstatements 2018 – £3,180

Adjusted misstatements 2018

	P&L		BS		£'000
	Dr £'000	Cr £'000	Dr £'000	Cr £'000	
Expenses	3,180				
Accruals				3,180	
Being an adjustment to rectify an unaccrued staff expense form,					

4. SUMMARY OF MISSTATEMENTS

The table outlines the misstatements that have been not been adjusted by management during the course of the audit.

Unadjusted misstatements 2018

	P&L		BS		£'000
	Dr £'000	Cr £'000	Dr £'000	Cr £'000	
Revenue	926				
Other creditors - income to be reimbursed				926	
Being an adjustment of an error found in testing due to an agreement not adjusted for rental increase					
Admin expenses	8,388				
Other Income/profit on disposal		8,388			
Being an adjustment on the sale of the sea lion island lease that should be netted off against expense.					
Prepayments			2,284		
Expenditure		2,284			
Being an adjustment on the cut off of expenditure invoices					
	9,314	10,672	2,284	926	

APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTER

Dear Sirs,

Falkland Islands Development Corporation - audit for year ended 30 June 2018

This representation letter is provided in connection with your audit of the financial statements of Falkland Islands Development Corporation for the year ended 30 June 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with applicable Falkland Islands law and the United Kingdom Companies Act 1985, as it applies in the Falkland Islands, by the virtue of the section 2(1)(c) of the Companies Ordinance. We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

Our responsibility for the financial statements and accounting information

We believe that we have fulfilled our responsibilities, as set out in the audit engagement terms, for the true and fair presentation and preparation of the financial statements in accordance with applicable Falkland Islands law and the United Kingdom Companies Act 1985, as it applies in the Falkland Islands, by the virtue of the section 2(1)(c) of the Companies Ordinance.

Our responsibility to provide and disclose relevant information

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the company you determined it was necessary to contact in order to obtain audit evidence.

We confirm as board members that we have taken all the necessary steps to make us aware, as board members, of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as we are aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

We confirm that all transactions undertaken by the company have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and shareholders' meetings, have been made available to you.

Accounting policies

We confirm that we have reviewed the accounting policies applied during the year in accordance with the requirements of applicable Falkland Islands law and the United Kingdom Companies Act 1985, as it applies in the Falkland Islands, by the virtue of the section 2(1)(c) of the Companies Ordinance and consider them appropriate for the year.

Accounting estimates, including those measured at fair value

We confirm that any significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

We confirm that goods for resale included in year end stock are for local wholesale market. We confirm that wholesale price is lower than the costs of producing the goods for resale, and therefore it is reasonable to value all goods for sale included in year end stock at wholesale price.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with applicable Falkland Islands law and the United Kingdom Companies Act 1985, as it applies in the Falkland Islands, by the virtue of the section 2(1)(c) of the Companies Ordinance.

APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Title of Assets

We confirm that all assets that are included in our financial statements are held under the title of Falkland Islands Development Corporation.

Laws and regulations

We confirm that we have disclosed to you all those events of which we are aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

Fraud and error

We acknowledge our responsibility as board members of the company, for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We have disclosed to you:

- all the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the entity involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

We confirm that all related party relationships, transactions and balances, (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of applicable Falkland Islands law and the United Kingdom Companies Act 1985, as it applies in the Falkland Islands, by the virtue of the section 2(1)(c) of the Companies Ordinance.

We have disclosed to you the identity of the company's related parties and all related party relationships and transactions of which we are aware.

Impairment review

To the best of our knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the fixed assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Stock

We confirm that it is our understanding that stock held at the year end will be sold in excess of its carrying value on the open market.

Cash Sales

We confirm that all cash sales have been included within the financial statements.

Charges on assets

All the company's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

FIMCO Loan

We confirm that the loan is still recoverable and there should be no interest charged on the outstanding capital.

Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Provisions

We confirm that we have disclosed all events that we are aware that could give rise to a potential provision.

APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Subsequent events

We confirm all events subsequent to the date of the financial statements and for which the applicable Falkland Islands law and United Kingdom Companies Act 1985, as it applies in the Falkland Islands, by the virtue of the section 2(1)(c) of the Companies Ordinance require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Board Member.....

APPENDIX B – DRAFT AUDIT REPORT

Independent auditor's report to the Board members of the Falkland Islands Development Corporation

Opinion

We have audited the financial statements of the Falkland Islands Development Corporation (the 'corporation') for the year ended 30 June 2018 which comprise the General Revenue Account, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of principal accounting policies. The financial reporting framework that has been applied in their preparation is Falkland Island Development Corporation Ordinance 2013 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 surplus for the year then ended; and
- have been prepared in accordance with the requirements of the Falkland Island Development Corporation Ordinance 2013 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.

APPENDIX B – DRAFT AUDIT REPORT

Other information

The board members are responsible for the other information. The other information comprises the information included in 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.

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

Responsibilities of Board members

As explained more fully in the board members' responsibilities statement set out on page 2, 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the corporation or to cease operations, or have no realistic alternative but to do so.

APPENDIX B – DRAFT AUDIT REPORT

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.

Use of the audit report

Our audit work has been undertaken so that we might state to board 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 board 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

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Appendices

APPENDIX C - INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.