

R E P O R T
by
ROBIN A V BENBOW

on

BANKING FACILITIES IN THE FALKLAND ISLANDS

March 1980

TERMS OF REFERENCE

1. To examine existing banking facilities in the Falkland Islands, and to make recommendations for improvement to satisfy the needs of the community.
2. To make recommendations relating to the possibility of attracting banks to conduct offshore business.

EXISTING BANKING FACILITIES

1. CURRENT BANKING LICENCES - BANKING ORDINANCE 1972

Estate Louis Williams

Executive Council (ExCo) approval granted 26th October 1972. They do not currently carry on banking business, and I suggest arrangements be made for the licence to be withdrawn.

The Falkland Islands Trading Company Ltd

ExCo approval granted 26th October 1972. This company is a wholly-owned subsidiary of the Falkland Islands Company Ltd, which is the principal trading company in the Falkland Islands, owning a substantial acreage used almost exclusively for wool production. Apart from Government, they are the largest employers of labour in the Islands, most of whom live in settlements reached only by air and sea. The Company ships supplies to these settlements, and those owned by others, from a general store in Port Stanley. It also transports to the United Kingdom by sea the whole of the Islands' wool, returning with all the supplies needed by the population of approximately 2,000.

The Company acts as banker for its employees, crediting their accounts with wages, and making payments on their behalf, when required, so that little cash is needed. They also operate a cheque system (there is no Government Stamp Duty on cheques). Banking facilities, which include the issue of travellers cheques in US Dollars and Sterling (Thos Cook and Barclays Bank respectively), current accounts, mail and cable transfers, documentary collections, and investment advice through brokers, are available to the public.

The Principal banking business of the Company, by size of figures, lies in providing working capital on an overdraft basis to farms not owned by the Company, pending the sale of wool over which a lien is held.

The Company does not normally provide borrowing facilities to the public.

In general terms, it can be said that the Company acts as banker to its employees, also to farms and trading concerns, whilst others use the Government Savings Bank. In deposits - numbers of accounts and amounts - the Savings Bank far exceeds the Company's figures. However, the Company gives very useful services, particularly in Camp, which should not be disturbed.

The Stanley Co-operative Society

Licensed by ExCo on 26th October 1972, the Society maintains small interest-bearing deposits (7% per annum at present - maximum £1600 per shareholder) on behalf of its members, of which there are approximately 300. No other banking facilities are available. It operates on a share and dividend basis. The deposits finance the trading of the Society, which provides competition in the supply of general goods. The accounts for the year ended 31st March 1979 are attached at Appendix A. I recommend that this licence continue as at present, but it might be restricted to the taking of deposits for members - the present maximum of £1600 to be exceeded only with Government approval.

General

All the above three organisations have been granted exemptions, as applicable, from Sections 5, 7, 8, 9, 12, 13 and 16 of the Banking Ordinance 1972. This means, inter alia, that they do not have to maintain a minimum capital of £250,000 and are not required to publish their audited accounts.

2. PROVIDED BY GOVERNMENT

Government Savings Bank

The Government Savings Bank, which operates under the Savings Bank Ordinance 1936, is the largest holder of local currency deposits in the Falkland Islands (£2.4 million at the end of February 1980, spread over approximately 1900 accounts), the figures having doubled over the past seven years. The facilities provided include the taking of deposits (interest 5% at present, tax free - maximum deposit £35,000 per person), the withdrawal of cash, payments to third parties and recently the introduction of a cheque system (payee only). See Appendix B for a breakdown of types of depositors, and Appendix C for the audited accounts at 30th June 1979.

Government Treasury

The Treasury undertakes the purchase and sale of currencies, mainly Argentine Pesos, US Dollars and Sterling, against Falkland Islands Pounds. In addition, they issue drafts and effect cable transfers in Sterling, both through the Crown Agents.

Government has made loans for house purchase at favourable rates of interest. The terms of repayment vary up to 25 years. Other loans have been made for property alterations, extension of tourist facilities etc. The total amount outstanding at 29th February 1980 was £85,000 spread over 33 loans. An analysis of the outstanding periods of repayment is shown in Appendix D.

The note issue is controlled by the Treasury through the Note Security Fund. The report for the year ended 30th June 1979 is attached at Appendix E. Issued coin at that date, which does not include numismatic coins, amounted to £11,920.

FUTURE REQUIREMENTS

In various reports concerning finance in the Falkland Islands it has been said that improved banking services should be provided by the establishment of a commercial bank. It will be seen from the foregoing remarks that inhabitants of the Islands do have available at the present time quite a number of banking services from one source or another. The main object would now appear to be to co-ordinate these services into one organisation

and to increase them as demand dictates, provided all this can be accomplished on a viable cost and profit basis, and with reasonable safety.

I suggest that the facilities required are as follows:-

1. deposits and withdrawal of cash;
2. current and savings accounts in local currency. The present savings account system can be extended to take deposits, fixed by amount and term, if the need arises;
3. payments to third parties mainly by way of cheque forms;
4. transmission of funds -
 - (a) issue of drafts
 - (b) mail transfers
 - (c) cable transfers

These will normally be on an outwards basis but, so far as (b) and (c) are concerned, they can be inwards also;

5. loans -
 - (a) Long term up to 20/25 years, for property purchase including farms. These will have to be limited to a small percentage of deposits in view of the short-term deposit base.
 - (b) Medium - term up to 5 years - various
 - (c) Short - term, say, 180 days - finance of wool etc
 - (d) Personal loans up to 3 years - cars, household equipment etc;
6. provision for encashment of travellers cheques in Sterling and US Dollars;
7. encashment and provision of a limited number of currencies;
8. issue of travellers cheques in Sterling and US Dollars;
9. collection and payment of Bills of Exchange in Sterling and US Dollars; to include cheques;
10. Standing Orders for regular payments;
11. investment advice and arrangements for investment through brokers and/or correspondent banks;
12. possibly safe custody of non-negotiable documents if strongroom accommodation permits.

METHOD OF ACHIEVEMENT

Three methods to be examined are as follows:

1. international bank to establish a branch or subsidiary

2. formation of a bank with local shareholders, which could include Government;
3. a Government-owned bank.

Comments

1. Barclays and Lloyds Bank (BOLSA) have been asked in recent years to consider the establishment of a branch in the Falkland Islands and both have declined, as they do not consider it a viable proposition. It would involve the provision of premises, strongroom accommodation, staff of three or four, which in the first instance would probably include two expensive expatriates. I do not see any purpose in pursuing this aspect any further. It is not considered desirable to have a bank branch from a country other than the UK. In any event if any profits were made, they would be taken out of the Colony.
2. Discussions indicate that it would be difficult to find Falkland Islands shareholders and in any case the bank in this form would not have the benefit of the Savings Bank funds.
3. To make the best use of the funds available in the Islands as a deposit base, a commercial bank needs to attract or utilise the moneys with the Government Savings Bank, which holds the bulk of personal and corporate savings in local currency, amounting to £2.4 million at 29th February 1980. Therefore, it seems sensible to involve Government in the new bank on a wholly owned basis.

ACTION TO BE TAKEN

If the above suggestion is agreed in principle, then, firstly, it has to be ascertained whether -

- (a) Executive Council wish to undertake this type of venture;
- (b) it is legally possible for Government to own a commercial type bank;
- (c) the Foreign and Commonwealth Office has no objection.

Secondly, the method of involving the Savings Bank has to be clarified.

It could possibly be done by -

- (a) enacting an Ordinance creating the bank, which might be called "The Falkland Islands National Bank", merging the Savings Bank into the new venture;

or

(b) amending the Savings Bank Ordinance to permit full banking services;

or

(c) if this is not acceptable legally or otherwise, forming a new Banking Company with Government as the sole shareholder. The existing Banking Ordinance calls for capital of £250,000.

In the case of (a) the existing Reserve Account of £328,000 could be re-designated as, say, capital £250,000 and reserves £78,000. Based on deposits of £2.4 million this is acceptable as adequate capital resources. Taking the Savings Bank figures at 30th June 1979, the Balance Sheet would then look as follows:

<u>Liabilities</u>		<u>Assets</u>	
Due to Depositors	2,279,080	Cash & at call	150,048
Capital	250,000	Investments	2,457,488
Reserves	78,456		
	<u>£2,607,536</u>		<u>£2,607,536</u>

FUTURE OPERATIONS

Savings Accounts

The Savings Accounts can remain unchanged for the time being. The rate of interest is now 5% per annum and three months' notice is required for a revision. I would expect the latter to disappear in the new legislation. For ease of accounting, this could, in practice, take effect from the beginning of the following quarter - interest is worked on minimum quarterly balances - giving as much notice as possible within the current quarter. The limitation of £35,000 for one person can remain for the time being. Larger sums can be accepted on a fixed deposit basis as explained later under "Interest Allowed". Passbooks and handwritten ledgers can be used as at present, although a more sophisticated book-keeping system should be examined for the future. The existing arrangement whereby amounts of £5,000 and under can be withdrawn from Savings Accounts on demand, and four days' notice is required for withdrawals in excess of this figure, should be retained in theory even if not used in practice.

Current Accounts

It would be a step forward to introduce current accounts - no interest, or a lesser rate than on Savings Accounts, being allowed. Whereas now, cheques

are debited to the Savings Accounts, they would, in future, only be available for use against current accounts. This would mean the bank would have available free or cheaper funds to use to increase the profits.

Other Services

Other services to be provided by the bank could be -

<u>Service</u>	<u>At present available at</u>
1. Payments to third parties (by cheque or standing order system - cash to be the exception)	Savings Bank
2. Issue of Sterling drafts (a change from the three day Bill of Exchange drawn on Crown Agents to an arrangement with a UK bank should be examined)	Treasury
3. Mail transfers (arrangements to be made with a UK Bank)	New
4. Cable transfers (a change from Crown Agents to be examined)	Treasury
5. Loans on a selective basis (I would rule out overdrafts at the beginning. They are sometimes difficult to control and loans - minimum period one month - can be more remunerative)	Government) (usually for house purchase)
6. Encashment of travellers cheques in certain currencies	Treasury
7. Purchase and sale of certain currencies	Treasury
8. Sale of travellers cheques in US Dollars and £ Sterling (suggest American Express and a UK bank)	New
9. Collection and payment of Bills of Exchange in Sterling and local currency.	New
10. Investment advice and investment through brokers and correspondent bank.	New
11. Safe custody of non-negotiable documents	New

Some of the above facilities, which are shown as "new" to Treasury and the Savings Bank, are provided by the Falkland Islands Trading Company. However, with the establishment of the new bank, the services will be co-ordinated in one place, thus eliminating the common complaint that the Islands do not have a commercial bank, and funds are now seen to be, and are, available to lend, which is the other source of dissatisfaction. Obviously great care will have to be exercised in the lending field.

Loans

The following points are suggested for consideration -

1. the restrictions in Section 9 of the Banking Ordinance 1972, brief details of which are given below, to be applied, as applicable, either in law

and/or practice. Government may need to be exempted in view of special loan for £170,000 from the Savings Bank to be made for the purchase of "Green Patch" farmland, but see 3 below.

Section 9 - Banking Ordinance 1972 restricts -

- (a) lending to one person/firm/company to 25% of the capital and reserves of a bank;
 - (b) unsecured loans to directors and associates to £1500 or 1% of capital and reserves, whichever is the greater;
 - (c) unsecured loans to officials and employees up to one year's emoluments;
2. the long-term lending - over five years - usually for the purchase of houses or farms to be restricted to, say, 15% of deposits;
 3. as I see it, the existing Government loans to the public of £85,000 for house purchase etc could be transferred to the new bank on a debt and security document. The corresponding entry could be "Government loan" or investments sold to pay Government. It is better for reasons of liquidity and confidence not to reduce the level of cash for this purpose - the item "Due to Government" in the Balance Sheet is a cash balance with the Crown Agents. However, the above loans can remain undisturbed, financed by Government. This would leave the long-term lending facilities available through the new bank, within a permitted ceiling, to be at variable, not fixed, rates of interest.

The existing special arrangements for Government to borrow up to £170,000 at 7% per annum from the Savings Bank to fund the purchase of the Green Patch farmland can possibly be regarded as an investment not affecting lending ceilings;

4. as I mentioned earlier, I think it is advisable not to offer overdrafts unless it is done in special cases to assist farmers and trading concerns. It is better to grant loans for fixed periods - minimum one month - for specific purposes on specified repayment arrangements;
5. generally, as a matter of policy, I consider the lending should be directed towards development of the Islands. In the early stages, I would be very selective and would not allow the lending to exceed 30% of savings. It could well be that the demand for loans will not be as great as anticipated.

Approval of Loans

If an experienced bank manager is employed - as mentioned under "Staff" - he could well be given discretion to lend up to, say, £5,000. Above this figure loans should be submitted to a Credit Committee, which would include the Financial Secretary and the Chief Secretary. At the present, the Standing Finance Committee reviews every application for a loan. If there is no suitable banking person available to put in charge of the bank, I recommend that in the early stages all loans are placed before a Credit Committee, which should be readily and easily convened.

Interest

Charged

The rates of interest for loans should be linked to the savings rate at ~~x%~~ above. The alternative is to have a base rate at perhaps ~~2%~~ above the savings rate and then fix the lending rate at ~~x%~~ above base. I am not in favour of fixed lending rates unless there is an agreement - in the mortgage document or in some other form - whereby the rate can be altered by giving notice. Most of the housing loans provided by Government are at 7% per annum, although there are four at ~~2 1/2%~~ involving a small total ^{amount} of £1,072, originally granted in the late sixties. A loan rate of 7% per annum in a year or two may be well below the current interest rate on savings.

If it is decided to provide personal loans for car and equipment purchase etc, with repayment in two/three years, a flat rate ~~7%~~ ^{per annum} on the initial amount borrowed could be justified against the current savings rates. I am advised that it is possible to take and register a Bill of Sale as security if necessary.

Allowed

At the present time, persons, companies and other taxable bodies are not taxed on interest earned in the Government Savings Bank. The maximum deposit is £35,000, and the amount of non-taxable interest depends on the rate allowed. The current interest rate is 5%, therefore interest up to £1,750 is tax free. It is not in my terms of reference to report on taxes, but it would seem preferable, from a banking viewpoint, to limit the tax concession to a specified sum. This would permit changes in the rates to be made on a commercial basis without having to consider the non-taxable element.

Undeniably, the current ^{rate} of interest of 5% per annum, on accounts in the Government Savings Bank, even though it is tax free, is low in relation to deposit rates for Sterling. However, to raise them would-

- (a) result in less revenue being received by Government, as the profit in the Savings Bank would be lower. This might necessitate increased taxes or a reduction in the tax free portion of the interest;
- (b) call for a higher lending rate for housing and other loans granted in the future. If borrowing for suitable developments is to be encouraged, interest rates need to be kept as low as possible.

If there are substantial funds available for deposit in excess of £35,000 - and I would expect these to be in very few hands - they can, in future, be taken on a fixed deposit basis and laid off in the UK for the same period to produce a small profit. There would, of course, be no tax relief. As these moneys are very fluid and probably will not remain with the bank longer than six months at a time, I would suggest that they are excluded from deposits when estimating ratios of lending, at least in the early stages.

Whilst savings continue to increase, and usable funds are not going elsewhere because of a low interest rate allowed, I see no need to raise the rates at the present time, but the position needs careful watching.

Staff

According to information supplied, some eight people out of the Financial Secretary's department are involved from time to time in the Savings Bank and Treasury, all on a part-time basis. I suggest that four persons will be needed for routine banking duties on the assumption that all payments to Government will be made through the bank. If they are not involved full-time on certain days in the month they can be doing other work for Government. At present, the overall control rests with the Financial Secretary, who is probably becoming overloaded with duties and responsibilities. Therefore, in addition to the four staff mentioned above, it is recommended that a retired bank manager, preferably one from a small country branch, be recruited from the UK to assume control of the bank, unless a suitable person can be found locally. It is not anticipated that the manager would have a full time job and could be used for other Government duties.

Premises

Initially, it is possible to continue with the office already used by the Savings Bank. It has a counter protected by a screen. The drawers beneath the counter require more depth and compartments to cope with notes and coins of varying denominations. It would be advisable to have a second till available for currency exchanges on days when cruise ships call, and at other busy times. If the existing office is found to be too small, there seems to be accommodation in the Government buildings which could be adapted.

The Treasury already possesses a Strong Room under triple key control. The unissued notes should be stored in a separate safe within the Strong Room. There are safes available for cash storage in the Strong Room, where bulk cash should be kept at all times, together with all other cash when not required for use on the counter.

It will probably be necessary, in due time, to have a separate room for a manager of the bank, which might mean some re-organisation of the Government offices. I have discussed this aspect with the Financial Secretary.

Profitability

Ignoring profit/loss on the sale of investments, the profit made by the Savings Bank for the year ended 30th June 1979 was close to £115,000 - 4.5% on assets. This was achieved after charging £11,000 for administration (staff etc) and paying £3,509 to the Crown Agents to manage the investments. To the profit can be added commission of £3,500 on the issue of drafts, £11,000 on currency exchange collected by the Treasury over the same period. These services no doubt attract an additional cost but at least 75% can be considered as profit.

In the initial stages at least, it can be expected that Government will derive less from the new bank than it has from the existing arrangements. It will be necessary to sell some of the investments, which taken in total

yield around 10%, on current values, to lend at a rate probably producing a lower return. Also the employment of a bank manager could add up to, say, £8,000 per annum in expenses in salary, travel and leave costs. However, some of this reduction in revenue can be made up by additional commission for services given by the bank. For example, $\frac{1}{2}\%$ to 1% as an arrangement fee on loans can be charged.

At present, Government is permitted under the Savings Bank Ordinance 1936 to take revenue from the Savings Bank provided the assets of the bank exceed the deposit liabilities by not less than 10%. For the year ended 30th June 1979, Government received £115,000 - 6.3% of the revenue of the Colony - leaving 12% of assets by way of reserves in the bank. It is suggested that, in the new legislation, Government should be permitted to take into revenue annually, if required, profits in excess of 1% of average total assets. This would leave a buffer in the bank for any loan losses. The existing capital and reserves are adequate to support deposits for a long time to come.

Correspondent Banks/Crown Agents

When the new bank is about to be formed, correspondent bank relationships need to be examined. At the moment the Crown Agents do the work in London with regard to -

Drafts

Cable transfers

Handling of Sterling and US Dollars in cash and cheques.

Argentine Pesos are sent to SA Houlder Brothers in Buenos Aires and are used to cover the expenses of services rendered for the Falkland Islands Government.

So far as the UK is concerned, I suggest one or more of the large UK banks be approached for terms regarding the handling of the items mentioned above, and also in respect of Sterling travellers cheques for issue in the Falkland Islands. In addition, the question of mail transfers should be discussed. Relative costs and efficiency of handling should be compared with the present system through the Crown Agents.

In Argentina, probably the present arrangement through Houlder Brothers will suffice for the time being but, despite political problems, I think a bank or banks of substance in Buenos Aires should be approached in due course to handle any facilities required relating to banking transactions in that country.

Cambio (Bureau de Change) Facilities

It has been suggested by previous writers of reports on the Falkland Islands that the Government should set up a Bureau de Change at the jetty when cruise ships visit the Islands. There were 14 visits in 1979, 11 carrying under 150 passengers each. The others had approximately 1,000 passengers each. Whilst realising that the Government building is some

distance from the jetty, I think it is preferable to encourage visitors to come to the bank rather than to take the bank to the possible customers. Firstly there is no suitable building near to the jetty which could be used. Secondly, there is a security risk. Thirdly, the shops probably make a small profit on the rates when foreign currency is presented to them in exchange for goods, and I would not wish to disturb this arrangement.

Great care needs to be exercised to ensure that a surfeit of Argentine Pesos is not taken in the Falkland Islands which cannot be readily used or converted into Sterling. There may come a time when a limitation will have to be placed on Argentine pesos cashed and taken in payment for goods and services. The position is being watched closely at present.

Capital and Liquidity Ratios

These ratios vary very widely throughout the world. Where banks are Government-owned, capital and reserves are usually small in relation to deposits. However, to be conservative it is suggested that a ratio of 1:12 of capital and reserves to deposits be applied as a minimum for the future. The present ratio is approximately 1:7, which is more than adequate.

So far as liquidity is concerned, at least 50% of savings should be in money at call and short notice, and in British Government Stocks. The amount of cash at call can be maintained at what is considered an adequate level for normal withdrawals, based on past experience. Whilst it should not be necessary in the early stages, a stand-by credit with a UK bank can be arranged to cover unforeseen contingencies.

ALTERNATIVE BANK ARRANGEMENTS

Let us assume that it is ruled that Government cannot establish a new bank by legislation on the lines previously suggested. What then? It might be possible to amend Section 11 of the Savings Bank Ordinance 1936. As far as I can see there is nothing in the Savings Bank Ordinance 1936 and Savings Bank Rules 1979 to prevent most of the services mentioned being provided by the Savings Bank. However, under Section 11 of the Ordinance loans to the public appear to be barred and it might also be necessary to alter the Rules in respect to current accounts. Trustee Savings Banks in the UK have gone into the lending business and are providing a considerable number of services, previously the prerogative of the commercial bank and, in fact, are competing with the commercial banks. With this in mind it should be possible to amend the Savings Bank Ordinance and the Rules to permit all banking services to be made available.

As an alternative, a separate banking company could be formed with the Government as the shareholders through which current accounts could be operated, deposits fixed as to amount and term taken, and loans provided. The initial capital could be £250,000 with any excess for lending to be provided by Government. In turn, Government would have to obtain the funds from the

Savings Bank. As the Government has already made an arrangement to borrow £170,000 from the Savings Bank for the purchase of the Green Patch land it would probably be necessary to have Section 11 of the Savings Bank Ordinance amended to permit up to 50% of any moneys in the Savings Bank to be invested in the Falkland Islands.

I prefer the clean method of establishing a new bank as mentioned earlier in this report, although circumstances may dictate otherwise, to satisfy the need for using Falkland Islands funds to lend in the Islands for approved purposes.

OFFSHORE BANKING

It is suggested that the Falkland Islands might encourage the registration of banks carrying out offshore business - ie deposits and loans involving non-residents in currencies other than FI pounds. The participants usually consist of -

- (1) branches and subsidiaries of banks incorporated in other countries;
- (2) locally incorporated banks whose shares are held by non-residents.

The normal requirements for an offshore banking centre are -

1. political stability - internal and external;
2. no income or withholding taxes, although some manage to impose a small rate of income tax;
3. freedom from Exchange Control;
4. good communications, including telephone, mail, telex, etc;
5. Accessibility as to distance and direct flights;
6. Availability of suitable accommodation and personnel;
7. flexible banking regulations with few constraints;
8. bank secrecy;
9. professional expertise.

As you can see from the above requirements, a number are lacking in the Falkland Islands, and when there are so many countries well established in this field of business, which are more easily accessible, it is unlikely that the Falkland Islands is going to attract banks other than the dubious element. It has to be borne in mind that a country is responsible, as far as possible, for the supervision of banks incorporated locally, even though they may be doing offshore business only, to ensure that they conduct prudent banking. Financially, the Falkland Islands is unlikely to suffer directly if a bank, registered here to do offshore business, fails or is involved in phony transactions elsewhere. It is the reputation of the Islands which suffers and I am sure Government and the people would not wish this to happen.

The obvious source of initial business would be Argentina. Firstly, I am doubtful whether the Central Bank of Argentina permits its domestic banks to establish offshore branches for eurocurrency transactions. Secondly, I feel sure, at this point in time, the Falkland Islands would not wish to be involved with Argentina in view of political differences.

My advice and recommendation, based on experience, is that the Falkland Islands Government does not permit the registration of banks to conduct offshore business.

SUMMARY - RECOMMENDATIONS

1. A new wholly-owned Government bank, to provide commercial banking facilities, be formed by Ordinance, thereby absorbing the Government Savings Bank and taking over the banking functions now carried out by the Treasury.
2. The present premises and staff to be utilised.
3. A retired bank manager to be recruited from the UK to control operations.
4. The idea that a Bureau de Change be operated at the jetty is not supported.
5. No steps to be taken to endeavour to attract banks for the purpose of conducting offshore operations.

CO-OPERATIVE SOCIETYPROFIT & LOSS APPROPRIATION ACCOUNT FOR YEAR ENDING MARCH 31st 1979

Transfer to Shareholders Capital 1977/78
Income Tax 1977/78
Balance Carried down

2847.13
3314.25
6218.66
£12380.04
=====

Balance 1.4.78 7378.28
Net Profit 1978/79 4929.03
Interest on Savings Bank Account 72.73
£12380.04
=====

BA LANCE SHEET AS AT 31st MARCH 1979LiabilitiesAssets

Trade Creditors 65.83
Repairs Reserve 2047.71

Shareholders Capital Account
44762 Balance 1.4.78 45667.85
6670 Less Withdrawals 4085.07 40782.78
4000 Add New Capital 1973.65
42756.43
2800 Interest on Capital 3058.81
887 Part Net Profit 77/78 2847.13
48662.37

7378 Balance Profit & Loss Account carried down 6218.66

465	Cash	196.24
12493	Bank	382.93
11588	Debtors Trade 17,039.83	
	Local <u>2,542.42</u>	19582.25
	Stock in hand 31.3.79	31956.97
	Buildings 1.4.78 4815.66	
	Less 10% Deprec. <u>422.00</u>	4333.66
	Furniture & Equipment	
	1.4.78 254.55	
	Less 25% Deprec. <u>54.00</u>	190.55
	Fencing 1.4.78 422.66	
	Addition <u>47.31</u>	
	469.97	
	Less 25% Deprec. <u>118.00</u>	351.97
<hr/>		
£56994.57		£56994.57
=====		=====

(Sgd.) F. A. Booth
10th May 1979

CO-OPERATIVE SOCIETY

TRADING & PROFIT & LOSS ACCOUNT FOR YEAR ENDING 31st MARCH 1979

1977/78

25477	To Stock 1 April 1978	25136.23		102217	By Sales	97052.87	
72162	Purchases	73632.83			Loss Sundry		
363	Transport	407.00			Debtors 1.4.78	3168.62	
996	Freight	1129.96					
646	Wharfage	775.86				93884.25	
		<u>75940.65</u>			Add Sundry		
		101076.88			Debtors 31.3.79	2542.42	96426.67
	Loss Stock 31 March 1979	<u>31956.97</u>	69119.91				
	To Gross Profit c/d		<u>27306.76</u>				
			£96426.67				£96426.67
			=====				
9650	To Salaries		11233.40		By Gross Profit		27306.76
626	Commission on Remittances		755.26				
809	Heat & Light		824.05				
205	Insurance		210.96				
2880	Interest on Capital		3058.81				
54	O.A.S.		72.54				
286	Rates		350.40				
556	Sundry Expenses		541.80				
99	Stamps & Stationery		107.79				
10	Telegrams		16.14				
58	Casual Labour		124.54				
6407	Duty on Tobacco		4398.04				
	Depreciation						
	25% Furniture & Equipment	64.00					
	Fences	118.00					
	10% Building	<u>482.00</u>	664.00				
	Nett Profit.		<u>4929.03</u>				
			£27306.76				£27306.76
			=====				=====

(Sgd.) S.A. Booth
10th May 1979

GOVERNMENT SAVINGS BANK

TYPES OF ACCOUNTS

at

30th JUNE 1979

<u>Type</u>	<u>Number</u>	<u>Amount</u>
Business	23	£98,464
Farms	21	£125,419
Private	1819	£2,055,197
Total	<u>1863</u>	<u>£2,279,080</u>

Ref: 18/A/I

The Treasury
Stanley
FALKLAND ISLANDS
1st November 1979.

The Honourable,
The Chief Secretary,
STANLEY.

Sir,

Report on the working of the Government Savings Bank

I have the honour to submit a report on the Savings Bank for the year ended 30th June 1979 together with the following accounts and statements:-

1. Receipts and Payments account.
2. Deposits and withdrawals account.
3. Investment Adjustment account.
4. Reserve account.
5. Statement of Assets and Liabilities.
6. Statement of Investments.

Receipts and Payments account

2. Receipts amounted to 2224,565, all of which were in respect of Investment interest.

The Government Administration charge was increased from £6,000 to £11,000. The Crown Agents charges for management of investments amounted to £3,510. Interest credited to depositors accounts totalled £95,300. The balance of £114,755 was transferred to the Savings Bank Reserve Account.

Deposits and Withdrawals account

3. Deposits during the year totalled £1,618,345, withdrawals amounted to £1,436,610. Including the £95,300 interest credited to Depositors accounts, the level of deposits increased by £277,035.

The table below shows the number of depositors and amounts due to depositors at 30th June 1979. As a comparison 1978 figures are also shown.

<u>Year</u>	<u>No. of Depositors</u>	<u>Amount due</u> £
1979	1863	2,279,081
1978	1832	2,002,045

Investments Adjustment account

4. A net profit of £227 resulted from the sale of securities during the year. Based on the mid-market prices prevailing on 30th June 1979 investments appreciated by £10,035.

Reserve account

5. A sum of £115,000 representing surplus revenue was transferred to the general revenue of the Colony during the year., under section 13(2) of the Savings Bank Ordinance.

APPENDIX C

Assets and Liabilities

6. The assets of the Savings Bank exceeded liabilities by £328,456 at 30th June 1979.

Legislation

7. New Savings Bank Rules were made by the Governor in Council on 24th January 1979. The new rules came into operation on 1st April, 1979.

I have the honour to be
Sir
Your obedient servant

Financial Secretary,
Manager, Government
Savings Bank

FALKLAND ISLANDS

SAVINGS BANK FUND

ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 1979

		Receipts and Payments Account			
PAYMENTS	1978/79 £	1977/78 £	RECEIPTS	1978/79 £	1977/78 £
Interest paid and interest capitalised and credited to Depositors accounts	95,300.36	80,361.07	Interest on Investments	224,564.58	179,008.86
Administration charge	11,000.00	6,500.00			
Stationery	-	-			
Crown Agents Investment Management charge	3,509.83	3,152.48			
Excess of Receipts over payments transferred to Reserve Account	<u>114,754.39</u>	<u>88,995.31</u>			
	<u>224,564.58</u>	<u>179,008.86</u>		<u>224,564.58</u>	<u>179,008.86</u>
DEPOSITS AND WITHDRAWALS					
Withdrawals	1,436,609.93	1,084,224.88	Amount due to Depositors at 1.7.78	2,002,045.23	1,685,303.46
Amount due to Depositors at 30.6.79	<u>2,279,080.56</u>	<u>2,002,045.23</u>	Deposits	1,618,344.90	1,320,605.58
	<u>3,715,690.49</u>	<u>3,086,270.11</u>	Interest credited to Depositors	<u>95,300.36</u>	<u>80,361.07</u>
				<u>3,715,690.49</u>	<u>3,086,270.11</u>
INVESTMENT ADJUSTMENT ACCOUNT					
Loss on Sale of Investments	49,546.43	22,252.86	Appreciation on revaluation of investments	10,034.96	-
Depreciation on revaluation of investments	-	52,533.19	Profit on sale of Investments	49,773.04	48,394.95
Balance transferred to Reserve Account	<u>10,261.57</u>	-	Balance transferred to Reserve Account	-	26,391.10
	<u>59,808.00</u>	<u>74,786.05</u>		<u>59,808.00</u>	<u>74,786.05</u>
RESERVE ACCOUNT					
Amount transferred to Colony Revenue	115,000.00	105,000.00	Balance at 1st July, 1978	318,440.45	360,836.24
Amount transferred from Investments Adjustment account	-	26,391.10	Amount transferred from Receipts and Payments Account	114,754.39	88,995.31
Balance at 30th June, 1979	<u>328,456.41</u>	<u>318,440.45</u>	Amount transferred from Investments Adjustment Account	<u>10,261.57</u>	-
	<u>443,456.41</u>	<u>449,831.55</u>		<u>443,456.41</u>	<u>449,831.55</u>

MILKLAND ISLANDS

SAVINGS BANK FUND

STATEMENT OF ASSETS AND LIABILITIES AT 30TH JUNE 1979

LIABILITIES	1978/79 £	1977/78 £	ASSETS	1978/79 £	1977/78 £
Amount due to Depositors	2,279,080.56	2,002,045.23	Market value of Investments	2,457,488.05	2,226,171.73
Reserve Account	<u>328,456.41</u>	<u>318,440.45</u>	Amount due by Government	<u>150,048.92</u>	<u>94,313.95</u>
	<u><u>2,607,536.97</u></u>	<u><u>2,320,485.68</u></u>		<u><u>2,607,536.97</u></u>	<u><u>2,320,485.68</u></u>

H T ROWLANDS
FINANCIAL SECRETARY
1ST NOVEMBER 1979

FALKLAND ISLANDSINVESTMENTSSAVINGS BANK

Name of Stock	%	Face Value	Book Value Prior to Revaluation	Middle Market Value 30.6.79	Market Value of Invest- ments at 30.6.79
		£	£		£
Australia 1977/80	5½	117,932.09	109,676.84	0.96	113,214.80
Australia 1981/82	5½	24,247.23	20,367.67	0.85	20,610.15
Australia 1981/83	6	115,775.43	91,462.59	0.78	90,304.84
British Guiana 1975/80	3	4,740.74	4,171.85	0.93	4,408.89
Camden Rd Stock 1985	12½	104,646.64	100,000.00	0.96	100,460.77
Consols 1957 or after	4	32,284.05	10,169.47	0.31½	10,250.19
Coventry 1980	13½	72,643.52	73,160.05	+ 12 days 1.01	73,692.38
Exchequer Stock 1981	9½	147,495.87	147,577.94	- 35 days 0.96	140,252.40
Exchequer Stock 1995	10¼	218,739.64	177,042.40	0.83½	183,194.44
Exchequer Stock 1998	12	53,886.76	50,000.00	0.95¼	51,327.14
Funding Loan 1993	6	67,344.45	41,731.32	0.64½	43,437.17
Funding Loan 1985/87	6½	4,446.37	3,264.88	0.79¼	3,523.75
Jamaica 1981/83	8¼	42,318.10	34,700.84	0.84	35,547.20
Joint Consolidated Fund	N/A	244,078.26	244,078.26	1.00	244,078.26
New Zealand 1976/80	6	74,925.51	70,429.97	0.97	72,677.74
Sandwell 1985	13	51,237.21	50,000.00	0.98	50,212.47
Southend-on-sea DC 1987	12	77,000.00	74,851.50	0.95	73,150.00
South Tyneside MB 1986	12¼	48,432.31	49,768.74	0.96	46,495.02
Southwark Corp 1987	12½	51,672.80	49,412.12	1.00	51,672.80
Sterling Deposits with C/As	N/A	125,000.00	125,000.00	1.00	125,000.00
Taunton 1979/80	7	33,174.00	32,131.52	+ 149 days 0.97½	33,292.61
Treasury Stock 1982	Variable	99,583.16	96,998.56	+ 15 days 0.96½	96,604.91
	C/F	1,811,604.14	1,655,996.52		1,663,407.93

	B/F	1,811,604.14	1,655,996.52		1,663,407.9
Treasury Conv. Stock 1980	9	40,300.57	40,274.07	+ 119 days 0.97 $\frac{1}{2}$	40,475.5
Treasury Loan 1992/96	9	49,052.55	37,705.87	0.79 $\frac{1}{2}$	38,996.7
Treasury Stock 1983	9 $\frac{1}{4}$	182,406.82	164,622.16	- 18 days 0.91 $\frac{1}{2}$	166,070.1
Treasury Stock 1980	9 $\frac{1}{2}$	275,573.97	272,659.68	+ 47 days 0.97 $\frac{1}{2}$	272,055.6
Treasury Loan 1999	9 $\frac{1}{2}$	91,194.43	72,315.39	0.78 $\frac{1}{2}$	71,587.6
Treasury Stock 1992	10	4,711.83	3,613.62	0.87 $\frac{1}{2}$	4,122.8
Treasury Loan 1983	12	45,726.57	47,762.35	+ 105 days 0.98 $\frac{3}{4}$	46,733.5
Treasury Loan 1983 'A'	12	99,166.59	102,503.43	+ 164 days 0.98 $\frac{1}{2}$	103,025.93
Treasury Loan 1997	13 $\frac{1}{4}$	50,258.13	50,000.00	1.01 $\frac{1}{2}$	51,012.00
		2,649,995.60	2,447,453.09		2,457,488.05
Appreciation			10,034.96		
		2,649,995.60	2,457,488.05		2,457,488.05

H. T. ROWLANDS
 FINANCIAL SECRETARY
 1ST NOVEMBER, 1979.

GOVERNMENT LOANS AS AT 29TH FEBRUARY 1980

Purpose	Total		Outstanding periods of Repayment (Years)									
	No.	£	1 - 5		6 - 10		12 - 15		16 - 20		21 & over	
			No	£	No	£	No	£	No	£	No	£
1. Purchase of House	24	68,197	8	6,930	4	14,610	10	40,602	2	6,055	-	-
2. Alterations to House	1	1,032	1	1,032	-	-	-	-	-	-	-	-
3. Purchase of Business Premises (including Hotels)	6	12,802	4	2,399	1	3,858	-	-	-	-	1	6,545
4. Other	2	3,338	2	3,338	-	-	-	-	-	-	-	-
Total	33	£85,369	15	£13,699	5	£18,468	10	£40,602	2	£6,055	1	£6,545

Rates of Interest

	No	£
2½%	4	1,072
5%	1	961
6%	1	6,545
6% increasing to 7%	1	3,858
7%	26	72,933
	33	85,369

Ref: 20/D/I

The Treasury
Stanley
FALKLAND ISLANDS
1st November 1979

The Honourable,
The Chief Secretary,
STANLEY.

Sir,

Note Security Fund Report 1978/79

I have the honour to submit a report on the Currency Note Security Fund for the year ended 30th June 1979, together with the following accounts and statements:-

1. Currency note income account.
2. Note Security Fund account.
3. Statement of Assets and Liabilities
4. Statement of Investments.

2. The note issue was increased by £40,200 during the year. The face value of notes in circulation at 30th June 1979 was £251,600. Details of series and denominations of currency notes in circulation on 30th June 1979 are set out below:-

Series	Denomination	No	Value £
C	10/-	4,184	2092.00
D	50p	18,650	9325.00
C	£1	705	705.00
D	£1	1,450	1450.00
E	£1	20,394	20394.00
F	£1	6,829	6829.00
C	£5	6,513	32565.00
A	£10	17,824	178240.00
			<u>251600.00</u>

3. Revenue derived from Interest on Investments amounted to £26,527. The sum of £2,707 was transferred to the Note Security Fund in accordance with Section 7(5) (b) of the Currency Notes Ordinance. Crown Agents management charges on investments amounted to £389 and the cost of new notes purchased totalled £1,898. The balance of £21,533 was transferred to the General Reserves of the Colony in accordance with Section 7(6) of the Currency Notes Ordinance.

4. Net profit from the sale of securities totalled £1,982. Based on the mid-market prices prevailing on the 30th June 1979 investments depreciated by £10,825.

5. The balance of the Fund at 30th June 1979 was £273,427 or £21,827 more than the face value of notes in circulation.

I have the honour to be
Sir
Your obedient servant

Financial Secretary,
Commissioner of Currency

FALKLAND ISLANDS

CURRENCY NOTE INCOME ACCOUNT FOR THE YEAR
ENDED 30TH JUNE 1979

PAYMENTS	1978/79	1977/78	RECEIPTS	1978/79	1977/78
	£	£		£	£
Cost of 50,000 £1 F Notes	1,897.62	-	Interest on Investments	26,526.71	26,236.58
Crown Agents Investments management charges	388.52	397.14			
Balance carried down	<u>24,240.57</u>	<u>25,839.44</u>			
	<u>26,526.71</u>	<u>26,236.58</u>		<u>26,526.71</u>	<u>26,236.58</u>
Transferred to the Note Security Fund in accordance with Section 7(5) (b) of the Currency Note Ordinance	2,707.20	2,369.92	Balance brought down	24,240.57	25,839.44
Transferred to Colony Revenue in accordance with section 7(6) of the Currency Note Ordinance	<u>21,533.37</u>	<u>23,469.52</u>			
	<u>24,240.57</u>	<u>25,839.44</u>		<u>24,240.57</u>	<u>25,839.44</u>

NOTE SECURITY FUND ACCOUNT FOR THE YEAR ENDED
30TH JUNE 1979

Decrease in Note Issue	70,300.00	124,500.00	Balance 1st July, 1978	239,362.38	239,273.84
Loss on Sale of Investments	5,907.63	1,659.45	Increase in Note Issue	110,500.00	125,000.00
Depreciation on revaluation of Investments at 30th June 1979	10,824.89	8,328.95	Transferred from Currency Note Income Account	2,707.20	2,369.92
Balance at 30th June, 1979	<u>273,426.98</u>	<u>239,362.38</u>	Profit on Sale of Investments	7,889.92	7,207.02
			Appreciation on revaluation of Investments at 30th June, 1979	-	-
	<u>360,459.50</u>	<u>373,550.78</u>		<u>360,459.50</u>	<u>373,850.78</u>

NOTE SECURITY FUND BALANCE SHEET AT AT 30TH JUNE 1979

LIABILITIES			ASSETS		
Notes in circulation	251,600.00	211,400.00	Investments at mid-market value	271,511.35	250,742.47
General Reserve	21,826.98	27,962.38	Amount due by Government	1,915.63	-
Amount due to Government	-	11,380.09			
	<u>273,426.98</u>	<u>250,742.47</u>		<u>273,426.98</u>	<u>250,742.47</u>

H T ROWLANDS
FINANCIAL SECRETARY
1ST NOVEMBER 1979

FALKLAND ISLANDS

INVESTMENTS

Note Security Fund

Name of Stock	%	Face Value	Book value prior to Revaluation	Middle Market Value 30.6.79	Market Value of Investments at 30th June 1979.
		£	£		£
Exchequer Stock 1981	9½	68,657.45	68,095.65	- 35 days 0.96	65,285.71
Exchequer 1987	13¼	73,100.00	79,903.15	1.01¼	74,013.75
Joint Consolidated Fund		35,430.38	35,430.38	1.00	35,430.38
Treasury Loan 1983	12	60,000.00	62,671.23	+ 106 days 0.98¾	61,321.23
Treasury Loan 1995	12¾	35,109.19	35,635.83	1.01	35,460.28
		272,297.02	282,336.24		271,511.35
Depreciation			10,824.89		
		272,297.02	271,511.35		271,511.35

H. T. ROWLANDS
FINANCIAL SECRETARY
1ST NOVEMBER, 1979.