HM IMPERIAL
GOVERNMENT

MINISTRY
OF FINANCE

FINANCIAL YEAR 2016 – 2017

TREASURY AND ECONOMIC REPORTS

INTRODUCTION

The following document contains a summary of current government assets, the annual financial statement for His Majesty's Imperial Treasury and a report on the state of the economy from the Imperial Companies Agency and the National Employment Agency, both for the financial year lasting from the 1st of October 2016 to the 30th of September 2017, as defined by the Economy Act 2014. Comments are provided by HIM Emperor Adam I in his capacity as Director of the Imperial Companies Agency and as Cabinet Secretary, acting in the absence of senior civil servants at the Ministry of Finance itself.

This report is to be published and released to the general public, as well as presented to the Ruling Council at its October 2017 meeting.

SUMMARY OF GOVERNMENT ASSETS

As of 30th September 2017

Treasury account (cash)	£40.32
Ministry of Finance	**£40.32**
Flag	£25.00
Stationery	£3.60
Cabinet Office	**£28.60**
Tent	£30.00
Hubsan quadcopter	£26.00
Ministry of Defence	**£56.00**
Adammic Online Broadcasting shares (100%)	£22.00
Adammic Express shares (100%)	£0.00
Imperial Mail shares (100%)	£0.00
AISA inventory	£23.00
Populus Imperium monument	£8.00
Ministry of National Development	**£53.00**
Total assets	**£177.92**

EXPLANATORY NOTES

Assets held by the Office of the Emperor and the Office of State have not been included. Some trivial assets, such as archived documents, have not been included.

HIS MAJESTY'S IMPERIAL TREASURY – ANNUAL FINANCIAL STATEMENT

	£
Balance from end of previous financial year	**85.00**
Contributions Scheme	32.00
Company tax	14.75
Unaccounted	3.57
Total income	**50.32**
Charitable donations (Ministry of Finance)	(20.00)
Foundation Day (Ministry of Culture)	(20.00)
New flag via MicroFlag (Cabinet Office)	(33.00)
Tripod for Adammic Online Broadcasting (Ministry of National Development)	(22.00)
Total expenses	**(95.00)**
Total budget deficit	**(44.68)**
Balance at end of financial year	**40.32**
Deficit as % of balance at start of year	52.56%
Deficit as % of GDP	88.34%

Month-by-month breakdown

	£
Balance from end of previous financial year	**85.00**
Contributions – October 2016	6.00
Tax – Q3 2016	10.78
Cash flow – October 2016	16.78
Balance – October 2016	**101.78**
Contributions – November 2016	1.00
Cash flow – November 2016	1.00
Balance – November 2016	**102.78**
Contributions – December 2016	11.00
Charitable donations (Ministry of Finance)	(20.00)
Cash flow – December 2016	(9.00)
Balance – December 2016	**93.78**
Cash flow – Q4 2016	**8.78**
Balance – Q4 2016	**93.78**

(balance from previous page)	93.78
Tax – Q4 2016	1.73
Cash flow – January 2017	1.73
Balance – January 2017	**95.51**
Cash flow – February 2017	0.00
Balance – February 2017	**95.51**
Cash flow – March 2017	0.00
Balance – March 2017	**95.51**
Cash flow – Q1 2017	**1.73**
Balance – Q1 2017	**95.51**
Tax – Q1 2017	0.63
Foundation Day (Ministry of Culture)	(20.00)
Cash flow – April 2017	(19.37)
Balance – April 2017	**76.14**
Contributions – May 2017	9.50
Tax – Q1 2017 (late)	0.62
Cash flow – May 2017	10.12
Balance – May 2017	**86.26**
Cash flow – June 2017	0.00
Balance – June 2017	**86.26**
Cash flow – Q2 2017	**(9.25)**
Balance – Q2 2017	**86.26**
Contributions – July 2017	3.50
Tax – Q2 2017	0.99
Cash flow – July 2017	4.49
Balance – July 2017	**90.75**
Contributions – August 2017	1.00
New flag via MicroFlag – production (Cabinet Office)	(25.00)
Cash flow – August 2017	(24.00)
Balance – August 2017	**66.75**
New flag via MicroFlag – shipping (Cabinet Office)	(8.00)
Tripod for Adammic Online Broadcasting (Ministry of National Development)	(22.00)
Difference from accounts following audit	3.57
Cash flow – September 2017	(26.43)
Balance – September 2017	**40.32**
Cash flow – Q3 2017	**(45.94)**
Balance – Q3 2017	**40.32**

EXPLANATORY NOTES

The 2016-17 financial year is the first ever year that the Treasury has ran a budget deficit. The Budget passed in October 2016 sought to deliberately run a deficit in order to reduce the level of unspent Treasury reserves. Expenditure of £95 is close to the level which was anticipated by that Budget, but income fell sharply from the predicted £60 to just £40, as a result of the de-facto suspension of the Contributions Scheme. A miscommunication within the Ministry of Finance meant that Contributions debt was still being added when many within government, including the Minister of Finance, were under the impression that it had been suspended. At the end of the financial year, around £20 of unpaid Contributions were written off, which accounts for the difference in predicted versus actual revenue.

The overall result is that the Treasury balance now sits at around £40, much lower than the £60 target set by the Budget. This demonstrates clear issues with the government's capability to raise revenue at the rate it has done in previous years, as well as cash flow issues in general. If the same deficit were to be ran again in the 2017-18 financial year, the Treasury would run out of funds. This leaves the government with several options: to either cut spending, try to boost revenues, start issuing government bonds, or a combination of those three. Even if the annual deficit were to be eliminated, the relatively low Treasury balance could lead to short-term cash flow issues, which in certain circumstances could force the government to issue bonds, particularly if funds were needed urgently. Adammic governments have historically avoided creating public debt, so it seems likely that substantial budget cuts are on the horizon.

Numerous issues manifested themselves during this financial year, including the Contributions miscommunication, severe delays to public spending projects (which is why the vast majority of spending took place in the final quarter), and the discovery of an additional unaccounted £3.57 during the annual audit, the origin of which remains unknown. The root of most of these issues is the government's attempt over the financial year to operate most of its civil service agencies out of Alluria, a good 140km from the actual physical store of Treasury funds in the capital city. Civil servants have only had the chance to carry out Treasury administration once per month, compared to once a week as would have been typical before the Emperor began studying at the University of Birmingham. However, we anticipate that with the planned transfer of central government to the Birmingham territories, many of these issues will be resolved. However, the transition also raises great uncertainty about future revenue prospects. It is not yet known how the Contributions Scheme will work post-transition, and tax revenues will remain low if the economy does not recover from its current, extremely poor condition. The future members of VI Legislature should, therefore, be cautious with any income or expenditure projections when drafting the next Budget.

IMPERIAL COMPANIES AGENCY – REPORT ON THE STATE OF THE ECONOMY

Q4 2016	
Contributions Scheme	£18.00
Capital Brewery Ltd.	£3.65
Adammic Express	£1.00
Total	**£22.65**
Q1 2017	
Capital Brewery Ltd.	£3.16
AB Animation Ltd.	£3.12
Total	**£6.28**
Q2 2017	
Contributions Scheme	£9.50
Capital Brewery Ltd.	£1.70
AB Animation Ltd.	£0.74
Adammic Express	£0.50
Total	**£12.44**
Q3 2017	
Contributions Scheme	£4.50
Capital Brewery Ltd.	£3.30
Adammic Investment Ltd.	£1.41
Total	**£9.21**
Total GDP	**£50.58**
Growth	-57.48% (recession)
GDP per capita	£1.49
Public sector	£33.50 (66.23%)
Private sector	£17.08 (33.77%)
By industry	
Alcohol	£11.81 (23.35%)
Media	£5.36 (10.60%)
Finance	£1.41 (2.79%)
Unemployment	**15.625%**

EXPLANATORY NOTES

The alarming scale of the recession which has taken place this financial year can be attributed to a number of reasons. Firstly, over £20 worth of Contributions were never collected, and were in fact written off towards the end of the year following the miscommunication regarding the status of the scheme within the Ministry. Secondly, Maker Studios terminated its contract with AB Animation Ltd., forcing the company to re-partner with Google AdSense, which has a much higher payment threshold ($100 USD) for YouTube advertisement revenue than Maker ($25 USD). As a result, it may be several years until AB Animation Ltd. sees any income. Thirdly, Top Hat Software has been unable to find new commissions, and reported no income over the entire year. Imperial Mail found itself in a similar situation with not a single stamp sold, although its contribution towards the economy was never anything more than negligible at the best of times. The Adammic Express also suffered lower sales as a result of fewer meetings at White Gold Palace due to the Emperor being in Birmingham, and Capital Brewery's sales were down as a result of changing consumer habits. In short, virtually every company operating in the Empire faced problems of some sort.

There is, however, reason to be optimistic about an at least partial recovery in the coming financial year. New company Adammic Investment Ltd. has the potential to be a key player. It reported an impressive £10.83 in revenue in Q3 2017 (its first quarter in operation), but much of this was eaten up by the overheads involved in setting up the fund portfolio (in particular, brokerage transaction fees and stamp duty). However, we understand that the company is adopting a buy-and-hold strategy and so will probably not have as many overheads now that the initial set-up of the fund is complete, allowing it to open its profit margins significantly. If the fund is able to replicate its initial success it could become a major contributor to the economy, but the scale of its early capital gains do suggest an element of luck which may not continue, and the company's fortunes do rest on the prices of the stocks and ETFs it has invested in.

It is not our place to comment on ways the government may seek to boost the economic recovery, as such matters tend to be politically sensitive. However, the upcoming central government transition to Birmingham could raise both opportunities and problems for the economy, and we simply advise ministers to think carefully moving forward.