

The Falkland Islands Company Limited

**Directors' report and financial
statements**

Registered number - 00074300

31 March 2009



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Company information

Directors

RK Spink
JL Foster
DL Hudd
JB Ivins
PL Lewis - appointed 16 March 2009
DP Castle - resigned 16 March 2009

Company Secretary

JB Ivins

Registered number

00074300

Bankers

HSBC plc
18 North Street
Bishop's Stortford
Hertfordshire
CM23 2LP

Auditors

KPMG Audit Plc
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Registered office

Kenburgh Court
133-137 South Street
Bishop's Stortford
Hertfordshire
CM23 3HX

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2009.

Activities

The principal activities of the company are distribution, shipping services, including port agency and general retailing in the Falkland Islands.

Business review

Falkland Islands Holdings plc manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary for an understanding of the development, performance or position of the business. The performance of the Falkland Islands division of Falklands Islands Holdings plc, which includes this company, is discussed in the group's annual report, which does not form part of this report.

Results and dividends

The loss for the year after taxation was £77,000 (2008: £214,000 profit). An interim dividend of £400,000 (2008: £nil) was paid in the year.

The directors do not recommend the payment of a final ordinary dividend (2008: £nil).

Donations

The company made charitable donations amounting to £11,125 (2008: £3,160).

Directors

The board of directors as at 31 March 2009 is shown on page 1.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' indemnity

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

On behalf of the board



JB Ivins
Secretary

Kenburgh Court
133-137 South Street
Bishop's Stortford
Hertfordshire CM23 3HX

Dated: 28 September 2009

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

St Nicholas House
Park Row
Nottingham NG1 6FQ
United Kingdom

Report of the independent auditors to the members of The Falkland Islands Company Limited

We have audited the financial statements of The Falkland Islands Company Limited for the year ended 31 March 2009 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Chartered Accountants
Registered Auditor

Dated: 28 September 2009

Profit and loss account
for the year ended 31 March 2009

	<i>Note</i>	2009 £'000	2008 £'000
Turnover	2	11,687	11,815
Cost of sales		(8,816)	(8,949)
Gross profit		2,871	2,866
Administrative expenses		(3,072)	(2,965)
Other operating income		251	338
Operating profit and profit on ordinary activities before interest		50	239
Other interest receivable and similar income	3	83	256
Interest payable and similar charges	4	(119)	(113)
Profit on ordinary activities before taxation	5	14	382
Tax on profit on ordinary activities	6	(91)	(168)
(Loss)/profit for the financial year	19	(77)	214

In both the current and preceding years, the company made no material acquisitions and had no discontinued operations.

Note of historical cost profits and losses
for the year ended 31 March 2009

	<i>Note</i>	2009 £'000	2008 £'000
Reported profit on ordinary activities before taxation		14	382
Difference between historical cost depreciation and the actual depreciation charge calculated on the revalued amount		5	5
Historical cost profit on ordinary activities before taxation		19	387
Historical cost (loss)/profit for the year retained after taxation and dividends		(472)	219

Statement of total recognised gains and losses
for the year ended 31 March 2009

	<i>Note</i>	2009 £'000	As restated 2008 £'000
(Loss)/profit for the year		(77)	214
Actuarial gain on pension scheme	16	50	301
Movement on deferred tax asset relating to pension scheme		(13)	(60)
Revaluation of investment properties	20	-	2,846
Total gains and losses recognised since last annual report		(40)	3,301

Balance sheet
as at 31 March 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	10	2,468	2,244
Investment properties	11	4,445	4,435
		<u>6,913</u>	<u>6,679</u>
Current assets			
Stocks	12	2,366	3,345
Debtors due within one year	13	1,696	3,912
Debtors due after one year	13	58	71
		<u>1,754</u>	<u>3,983</u>
Cash at bank and in hand		-	392
		<u>4,120</u>	<u>7,720</u>
Creditors: amounts falling due within one year	14	<u>(4,098)</u>	<u>(7,128)</u>
Net current assets		22	592
Total assets less current liabilities		<u>6,935</u>	<u>7,271</u>
Provisions for liabilities and charges	15	<u>(295)</u>	<u>(218)</u>
Net assets excluding pension liabilities		<u>6,640</u>	<u>7,053</u>
Net pension scheme liabilities	16	<u>(1,348)</u>	<u>(1,398)</u>
Net assets		<u><u>5,292</u></u>	<u><u>5,655</u></u>
Capital and reserves			
Called up share capital	18	897	897
Revaluation reserve	19	3,667	3,909
Profit and loss account	19	728	849
Shareholders' funds	20	<u><u>5,292</u></u>	<u><u>5,655</u></u>

These financial statements were approved by the board of directors on 28 September 2009 and were signed on its behalf by:


J.L. Foster
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below:

Basis of accounting

These financial statements have been prepared under the historical cost convention, as modified to include the revaluation of certain freehold properties and in accordance with applicable accounting standards, on a going concern basis.

The statement of total recognised gains and losses for the year ended 31 March 2008 has been restated to show the revaluation of investment properties in that year.

Depreciation

Depreciation is provided by equal annual instalments to reduce the cost or valuation of fixed assets, other than freehold land on which no depreciation is charged, to residual value over their estimated useful working lives. The principal annual rates are:

Freehold buildings	2-5%
Long leasehold land and buildings	2%
Vehicles, plant and equipment	10-25%
Small craft	5-10%

Investment properties

Investment properties are those held either to earn rental income or for capital appreciation or both. In accordance with SSAP 19 'Investment Properties' these assets are held in the balance sheet at fair value, with the excess of fair value over earlier carrying amounts being taken to the revaluation reserve within shareholders' funds.

Investments

Investments are carried at cost less provisions made for impairment in the carrying value.

Deferred taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amounts invoiced to customers in the ordinary course of business for goods and services provided, including fellow subsidiaries of Falkland Islands Holdings plc, exclusive of value added tax.

Stocks

Stocks in transit to the Falkland Islands are stated at the lower of cost and net realisable value whereas stocks on hand in the Falkland Islands have been stated at the lower of average landed cost at Port Stanley and net realisable value.

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the company

Under FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Pensions

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Cash flow statement

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking, and the cash flows of the company are included within the published consolidated financial statements of the ultimate parent company.

Leased assets

As lessee

Rentals in respect of all operating leases are charged to the profit and loss account on a straight line basis over the lease term.

As lessor

Assets under hire purchase agreements are shown in the balance sheet under current assets and are stated at the value of the net investment in the agreements. The income from such agreements is credited to the profit and loss account each year so as to give a constant rate of return on the funds invested.

Foreign currencies

Transactions in foreign currencies are recorded using the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the relevant rates of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Related party transactions

As the company is a wholly owned subsidiary of Falkland Islands Holdings plc the company has taken advantage of the exemption in Financial Reporting Standard Number 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Falkland Islands Holdings plc, within which this company is included, can be obtained from the address given in note 24.

Share based payments

The share option programme allows employees to acquire shares of the parent company, Falkland Islands Holdings plc. The fair value of options granted after 7 November 2002 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Segmental information

	2009 £'000	2008 £'000
<i>Geographical analysis of turnover:</i>		
Falkland Islands	11,687	11,815
	<u> </u>	<u> </u>

3 Other interest receivable and similar income

	2009 £'000	2008 £'000
External interest receivable	83	256
	<u> </u>	<u> </u>

4 Interest payable and similar charges

	2009 £'000	2008 £'000
Interest cost on pension scheme liabilities	119	113
	<u> </u>	<u> </u>

Notes (continued)

5 Profit on ordinary activities before taxation

	2009 £'000	2008 £'000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation and other amounts written off tangible fixed assets	305	264
Operating lease rentals - other operating leases	21	24
<i>Auditors' remuneration:</i>		
Audit of these financial statements	30	30
	<u> </u>	<u> </u>

6 Tax on profit on ordinary activities

	2009 £'000	2008 £'000
<i>The taxation charge based on the profit for the year comprises:</i>		
UK corporation tax at 28% (2008: 30%)	67	161
Double tax relief	(45)	(71)
	<u> </u>	<u> </u>
Overseas tax	22	90
Adjustments in respect of prior periods	45	71
	(57)	(89)
	<u> </u>	<u> </u>
Total current tax charges	10	72
Deferred taxation	77	88
Deferred taxation on pension scheme liability	4	8
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	91	168
	<u> </u>	<u> </u>

Factors affecting the tax charge for the current period

The current tax charge for the year is higher (2008: lower) than the standard rate of corporation tax in the Falkland Islands of 25% (2008: 25%). The differences are explained below: The company is registered in the UK and therefore this reconciliation is performed at 28%.

	£'000	£'000
<i>Current tax reconciliation:</i>		
Profit on ordinary activities before tax	14	382
	<u> </u>	<u> </u>
Current tax at 28% (2008: 30%)	4	115
<i>Effects of:</i>		
Expenses not deductible for tax purposes	22	24
Depreciation in excess of / (less than) capital allowances	32	(26)
Other timing differences	-	46
Adjustments in respect of prior periods	(57)	(89)
Group relief not paid for	(22)	-
Different tax rate overseas	12	2
Share based payments not provided for	19	-
	<u> </u>	<u> </u>
Total current tax charge	10	72
	<u> </u>	<u> </u>

Notes (continued)

7 Directors

	2009 £'000	2008 £'000
Directors' emoluments	128	120

The emoluments are with respect to the management of the affairs of the company and relate solely to salary.

	Number of directors	
Retirement benefits are accruing to the following number of directors under a company defined benefit scheme	2	2

8 Employees

	2009 Number	2008 Number
<i>The average number of persons employed by the company during the year was:</i>		
Falkland Islands	88	87
	£'000	£'000
Wages and salaries	2,026	1,904
Social security costs	50	48
Other pension costs	22	24
	2,098	1,968

9 Dividends paid and proposed

The aggregate amount of dividends comprises:

	2009 £'000	2008 £'000
Interim dividends paid	400	-

Notes (continued)

10 Tangible assets

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Vehicles plant and equipment £'000	Total £'000
<i>Cost or valuation:</i>				
At 1 April 2008	2,433	386	2,842	5,661
Additions	265	-	264	529
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	2,698	386	3,106	6,190
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation:</i>				
At 1 April 2008	1,247	68	2,102	3,417
Charge for the year	36	7	262	305
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	1,283	75	2,364	3,722
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>				
At 31 March 2009	1,415	311	742	2,468
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2008	1,186	318	740	2,244
	<hr/>	<hr/>	<hr/>	<hr/>

Within freehold land and buildings is land stated at £753,000 (2008: £753,000) which is not depreciated.

The net book value of revalued assets is £1,380,000 (2008: £1,394,000). On an historical cost basis the net book value of the assets is £298,000 (2008: £307,000). This revaluation is based on the directors' estimate of open market value.

11 Investment properties

	£'000
At 1 April 2008	4,435
Additions	280
Disposals	(270)
	<hr/>
At 31 March 2009	4,445
	<hr/>

12 Stocks

	2009 £'000	2008 £'000
Goods for resale	2,366	3,345
	<hr/>	<hr/>

Notes (continued)

13 Debtors

	2009 £'000	2008 £'000
<i>Amounts falling due within one year</i>		
Trade debtors	1,339	1,733
Hire purchase receivables	159	141
Amounts due from group undertakings	-	1,962
Other debtors	72	42
Prepayments and accrued income	126	34
	<hr/>	<hr/>
	1,696	3,912
<i>Amounts falling due after more than one year</i>		
Hire purchase receivables	58	71
	<hr/>	<hr/>
	1,754	3,983
	<hr/>	<hr/>

The cost of assets acquired by the company for the purpose of letting under hire purchase agreements amounted to £210,000 (2008: £219,000).

The aggregate rentals receivable during the year in respect of hire purchase agreements were £244,000 (2008: £222,000).

14 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank overdraft	355	3,648
Trade creditors	2,388	1,894
Amounts owed to group undertakings	736	1,023
Other creditors including taxation and social security	222	228
Corporate taxes	12	143
Accruals and deferred income	352	159
Shares classified as liabilities (note 18)	33	33
	<hr/>	<hr/>
	4,098	7,128
	<hr/>	<hr/>

Within other creditors is taxation and social security of £nil (2008: £11,000).

15 Provisions for liabilities and charges

	Accelerated capital allowances £'000	Share based payments £'000	Total £'000
<i>Deferred taxation:</i>			
As at 1 April 2008	258	(40)	218
Transfer to profit and loss account	37	40	77
	<hr/>	<hr/>	<hr/>
As at 31 March 2009	295	-	295
	<hr/>	<hr/>	<hr/>

Notes (continued)

16 Pension scheme

A summary of the fair value of the pension scheme deficit is set out below:

	2009 £'000	2008 £'000
<i>Pension scheme deficit:</i>		
Falkland Islands Company Limited Scheme	(1,797)	(1,863)
Deferred tax	449	465
	<hr/>	<hr/>
Net pension scheme deficit	(1,348)	(1,398)
	<hr/>	<hr/>

The Falkland Islands Company Limited operates a defined benefit pension scheme for certain employees which is unfunded and was closed to new members in 1988. The scheme was closed to further accrual on 31 March 2007. Benefits are only payable on leaving service of the company at normal retirement age. The latest actuarial valuation was carried out on 31 March 2005.

The valuation was updated by the actuary on an FRS 17 basis as at 31 March 2009, 31 March 2008 and 31 March 2007. The major assumptions in this valuation were:

	2009 %	2008 %	2007 %
Rate of increase in salaries	2.5	2.7	2.6
Rate of increase in pensions in payment and deferred pensions	3.0	3.0	3.0
Discount rate applied to scheme liabilities	6.8	6.6	5.4
Inflation rate	3.1	3.7	3.2

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which due to the timescales covered may not necessarily be borne out in practice.

Scheme liabilities

The present value of the scheme liabilities which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2009 £'000	Value at 2008 £'000	Value at 2007 £'000
Present value of scheme liabilities	(1,797)	(1,863)	(2,136)
Related deferred tax assets	449	465	534
	<hr/>	<hr/>	<hr/>
Net present liability	(1,348)	(1,398)	(1,602)
	<hr/>	<hr/>	<hr/>

Movement in deficit during the year:

	2009 £'000	2008 £'000
Deficit in scheme at beginning of year	(1,863)	(2,136)
Contributions paid	135	95
Other finance cost	(119)	(113)
Actuarial gain	50	301
Past service cost	-	(10)
	<hr/>	<hr/>
Deficit in the scheme at end of year	(1,797)	(1,863)
	<hr/>	<hr/>

Notes (continued)

16 Pension scheme (continued)

	2009 £'000	2008 £'000
<i>Analysis of pension cost in arriving at operating profit:</i>		
Past service cost	-	10
	-	10
<i>Analysis of amounts included in other finance costs:</i>		
Interest on pension scheme liabilities	119	113
<i>Analysis of amount recognised in statement of total recognised gains and losses:</i>		
Experience gains arising on scheme liabilities	(2)	(18)
Changes in assumptions underlying present value of scheme liabilities	52	319
Actuarial gain on changes in assumptions recognised in statement of total recognised gains and losses	50	301

The company does not have a defined contribution pension scheme.

History of experience gains and losses:

	2009	2008	2007	2006	2005
<i>Experience gains and losses on scheme liabilities:</i>					
Amount (£'000)	(2)	(18)	(3)	80	-
Percentage of year end present value of scheme liabilities	0.10%	1.00%	0.10%	3.8%	-
<i>Total amount recognised in statement of total recognised gains and losses:</i>					
Amount (£'000)	50	301	118	57	(51)
Percentage of year end present value of scheme liabilities	(2.8)%	(16.2)%	(5.5)%	(2.7)%	(2.3)%

Notes (continued)

17 Share based payments

Share options in the ultimate parent undertaking, Falkland Islands Holdings plc, have been granted to certain employees for their services to the company.

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares:

Grant date/ Employees entitled/ nature of scheme	Number of instruments	Vesting conditions	Contractual life of options
27 July 2001 Management incentive scheme 4 participants	30,000	Subject to earnings growth conditions	10 years
14 June 2005 Management incentive scheme 8 participants	62,500	Subject to earnings growth conditions	10 years
5 July 2007 SAYE scheme 55 participants	132,451		10 years
4 December 2007 Management incentive scheme 8 participants	40,000	Subject to earnings growth conditions	10 years
30 July 2008 SAYE scheme 30 participants	29,090		10 years

The number and weighted average exercise prices of share options in issue are as follows:

	2009 Weighted average exercise price	2009 Number of options	2008 Weighted average exercise price	2008 Number of options
Outstanding at the beginning of the period	£2.89	264,951	£3.10	102,500
Granted during the period	£3.2325	28,090	£2.66	172,451
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	£1.00	(10,000)
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	£2.92	293,041	£2.89	264,951
Exercisable at the end of the period	£3.32	92,500	£1.40	30,000

The options outstanding at the year end have an exercise price in the range of £1.40 to £4.25 and a weighted average contractual life of eight years.

Notes (continued)

17 Share based payments (continued)

And (for grants or modifications of equity instruments occurring in either the current or comparative year)

	30 July 2008	4 December 2007 Management incentive scheme	5 July 2007 SAYE
	SAYE		
Fair value at measurement date	£1.35	£1.19	£1.08
Weighted average share price	£4.00	£3.40	£3.025
Exercise price	£3.2325	£3.19	£2.50
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	35%	33%	40%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	3 years	6.5 years	3 years
Expected dividends	2.0%	2.1%	2.3%
Risk free interest rate (based on national government bonds)	4.8%	4.5%	5.7%

The expected volatility is based on the historic daily volatility of the share price of Falkland Islands Holdings plc up to the date of grant over a period commensurate with the expected life of the options.

Share options are granted under a service condition and, for grants to the management incentive scheme, a non-market performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

The total expenses recognised for the period arising from share based payments are as follows:

	2009 £'000	2008 £'000
Equity settled share based payments	77	74

18 Called up share capital

	2009 £'000	2008 £'000
<i>Authorised:</i>		
1,450,000 ordinary shares of £1 each	1,450	1,450
5,000 3½% preference shares of £10 each	50	50
	<u>1,500</u>	<u>1,500</u>
<i>Allotted, called up and fully paid:</i>		
897,000 ordinary shares of £1 each	897	897
3,300 3½% preference shares of £10 each	33	33
	<u>930</u>	<u>930</u>

Notes (continued)

18 Called up share capital (continued)

The preference shares are 3½% cumulative preference shares of £10 each. The shares are not convertible. The preference shares have rights to cumulative dividends but are not entitled to any further participation in the profits of the company and do not have any voting rights. In the event of a winding-up the preference shareholders have priority over the ordinary shareholders up to the nominal value of the preference shares.

	2009 £'000	2008 £'000
Shares classified as liabilities	33	33
Shares classified in shareholders' funds	897	897
	<u>930</u>	<u>930</u>

19 Reserves

	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At the beginning of the year	3,909	849	4,758
Loss for the year	-	(77)	(77)
Realisation of investment properties	(242)	242	-
Share based payments	-	77	77
Actuarial gain net of tax	-	37	37
Dividends	-	(400)	(400)
At the end of the year	<u>3,667</u>	<u>728</u>	<u>4,395</u>

20 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
(Loss)/profit for the year	(77)	214
Revaluation of investment properties	-	2,846
Actuarial gain net of tax	37	241
Share based payments	77	90
Dividends	(400)	-
Net movement in shareholders' funds	<u>(363)</u>	<u>3,391</u>
Opening shareholders' funds	5,655	2,264
Closing shareholders' funds	<u>5,292</u>	<u>5,655</u>

Notes (continued)

21 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2009 £'000	2008 £'000
<i>Operating leases which expire:</i>		
Within one year	21	21
In the second to fifth years inclusive	6	26
	<hr/>	<hr/>
	27	47
	<hr/>	<hr/>

22 Capital commitments

As at 31 March 2009 the company had no capital commitments authorised but not contracted for (2008: *£nil*).

23 Contingent liabilities

The company is party to a cross guarantee of the secured bank loans of the Falkland Islands Holdings plc group along with other group companies. The total amount guaranteed at the year end was £4,057,000 (2008: £6,099,000) of which £355,000 (2008: £3,256,000) is included within the accounts of the company.

24 Ultimate and immediate parent company

The immediate and ultimate parent company is Falkland Islands Holdings plc, a company incorporated in Great Britain.

A copy of the financial statements of Falkland Islands Holdings plc, in which the results of The Falkland Islands Company Limited are consolidated, can be obtained from Falkland Islands Holdings plc, Kenburgh Court, 133-137 South Street, Bishop's Stortford, Hertfordshire CM23 3HX.