

The Falkland Islands Company Limited

**Directors' report and financial
statements**

Registered number - 00074300

31 March 2012

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Company information

Directors

RK Spink
JL Foster
DL Hudd
PL Lewis
JG McManus
JN Marsh

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 2012

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 Falkland 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 profit for the year after taxation was £205,000 (2011 £203,000)

The directors do not recommend the payment of a dividend (2011 £nil)

Donations

The company made charitable donations amounting to £13,000 (2011 £9,000)

Directors

The board of directors as at 31 March 2012 is shown on page 1. The directors who served the company during the year and to the date of this report are as follows:

RK Spink
JL Foster
DL Hudd
PL Lewis
JG McManus - appointed 28 June 2011
JN Marsh - appointed 8 August 2012

Disclosure of information to auditor

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 auditor is 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 auditor is 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.

Auditor

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

On behalf of the board


JL Foster
Director

Dated 28 September 2012

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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



Report of the independent auditor 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 2012 set out on pages 5 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Wayne Cox

Wayne Cox (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

28 September 2012

Profit and loss account
for the year ended 31 March 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	2	13,857	14,231
Cost of sales		(9,911)	(10,498)
Gross profit		3,946	3,733
Administrative expenses		(3,699)	(3,289)
Other operating income		-	5
Operating profit		247	449
Other interest receivable and similar income	3	89	88
Interest payable and similar charges	4	(116)	(117)
Profit on ordinary activities before taxation	5	220	420
Tax on profit on ordinary activities	6	(15)	(217)
Profit for the financial year	18	205	203

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 2012

	2012	2011
	£000	£000
Reported profit on ordinary activities before taxation	220	420
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	225	425
Historical cost profit for the year retained after taxation and dividends	210	208

Statement of total recognised gains and losses
for the year ended 31 March 2012

	<i>Note</i>	2012	2011
		£000	£000
Profit for the financial year		205	203
Actuarial loss on pension scheme	<i>15</i>	(289)	(82)
Movement on deferred tax asset relating to pension scheme		27	22
Total gains and losses recognised for the financial year		(57)	143

Balance sheet
as at 31 March 2012

	<i>Note</i>	£000	2012 £000	2011 £000
Fixed assets				
Tangible assets	9		3,203	2,696
Investment properties	10		3,857	4,159
			<hr/> 7,060	<hr/> 6,855
Current assets				
Stocks	11	4,473		4,798
Debtors due within one year	12	2,192		2,583
Debtors due after one year	12	253		60
		<hr/> 2,445		<hr/> 2,643
Cash at bank and in hand		851		240
		<hr/> 7,769		<hr/> 7,681
Creditors: amounts falling due within one year	13	<hr/> (7,333)		<hr/> (7,278)
Net current assets			<hr/> 436	<hr/> 403
Total assets less current liabilities			<hr/> 7,496	<hr/> 7,258
Net pension scheme liabilities	15		<hr/> (1,832)	<hr/> (1,559)
Net assets			<hr/> <hr/> 5,664	<hr/> <hr/> 5,699
Capital and reserves				
Called up share capital	17		897	897
Revaluation reserve	18		3,333	3,667
Profit and loss account	18		1,434	1,135
Shareholders' funds	19		<hr/> <hr/> 5,664	<hr/> <hr/> 5,699

These financial statements were approved by the board of directors on 28 September 2012 and were signed on its behalf by


J.L. Foster
Director

Company registered number 00074300

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of certain land and buildings

The management and development of the company's property portfolio in the Falkland Islands is a significant part of the company's trading activity. Accordingly, receipts from the disposal of investment property and property developments and rents received from its portfolio of residential and commercial properties are reported as a trading activity within turnover. Associated gains and losses on the disposal of rental properties and property developments are accordingly recognised within gross profit.

Going concern

The directors believe that the company will be able to maintain current trading volume without significant increase in the cost of so doing in the coming year. As a consequence and in conjunction with the company's existing financial resources the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to prepare annual financial statements on the going concern basis of financial statements preparation.

Depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

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

No depreciation is provided on freehold land.

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.

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.

Notes (continued)

1 Accounting policies (continued)

Turnover

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

Turnover from sale of goods is recognised at the point of sale or dispatch. Revenue from property sales is recognised on completion. Turnover also includes proceeds from property rental income, insurance commissions, revenues billed for shipping and agency activities and port services.

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.

Construction-in-progress and properties held-for-sale relating to the group's property trading portfolio in the Falkland Islands are stated at the lower of cost and net realisable value.

Net realisable value is estimated at selling price in the ordinary course of business less costs of disposal.

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.

Post-retirement benefits

The company operates a pension scheme providing benefits based on final pensionable pay.

Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bonds 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 a parent undertaking includes the company in its own published consolidated financial statements.

Notes (continued)

1 Accounting policies (continued)

Leased assets

As lessee

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

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

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 FRS 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 22

Share based payments

The share option programme allows employees to acquire shares of the parent company, Falkland Islands Holdings plc. The grant date fair value of share-based payment awards granted after 7 November 2002 is recognised as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. 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 awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the resting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes

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 Analysis of turnover

	2012	2011
	£000	£000
<i>By geographical market</i>		
Falkland Islands	13,857	14,231

Notes (continued)

3 Other interest receivable and similar income

	2012 £000	2011 £000
Finance charges receivable in respect of finance leases and hire purchase contracts	89	88

4 Interest payable and similar charges

	2012 £000	2011 £000
Interest cost on pension scheme liabilities	113	110
Other interest payable	3	7
	<u>116</u>	<u>117</u>

5 Profit on ordinary activities before taxation

	2012 £000	2011 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Profit on disposal of fixed assets	3	-
Depreciation and other amounts written off tangible fixed assets	429	326
Hire of other assets – operating leases	25	23
<i>Auditor remuneration</i>		
Audit of these financial statements	28	26

6 Taxation

	2012 £000	2011 £000
<i>Analysis of charge in period</i>		
<i>UK corporation tax at 26% (2011 28%)</i>	108	106
Adjustments in respect of prior periods	(16)	43
Total current tax	<u>92</u>	<u>149</u>
<i>Deferred taxation</i>		
Origination/reversal of timing differences	(73)	35
Deferred taxation on pension scheme liability	(4)	33
Tax on profit on ordinary activities	<u>15</u>	<u>217</u>

Notes (continued)

6 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the year is higher (2011 higher) than the standard rate of corporation tax in the UK of 26% (2011 28%). The differences are explained below

	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	220	420
	<u>57</u>	<u>118</u>
<i>Effects of</i>		
Expenses not deductible for tax purposes	1	(3)
Depreciation (less than)/in excess of capital allowances	43	(11)
Other timing differences	8	(8)
Share based payments not provided for	-	-
Non-taxable portion of capital gains	(1)	10
Adjustments to tax charge in respect of prior periods	(16)	43
	<u>92</u>	<u>149</u>
Total current tax charge		

Factors that may affect future tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 17 July 2012 respectively.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax assets and liabilities accordingly.

7 Remuneration of directors

	2012 £000	2011 £000
Directors' emoluments	242	169

The emoluments of the highest paid director were £77,000 (2011 £75,000).

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	1

Notes (continued)

8 Staff numbers and costs

	2012 Number	2011 Number
<i>The average number of persons employed by the company during the year was</i>		
Falkland Islands	115	115
	<u>115</u>	<u>115</u>
	£000	£000
Wages and salaries	2,199	2,038
Social security costs	105	65
Other pension costs	30	25
	<u>2,334</u>	<u>2,128</u>
	<u>2,334</u>	<u>2,128</u>

9 Tangible fixed 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 beginning of year	2,895	386	3,787	7,068
Additions	32	147	464	643
Disposals	-	-	(16)	(16)
Transferred from investment properties	300	-	-	300
	<u>3,227</u>	<u>533</u>	<u>4,235</u>	<u>7,995</u>
At end of year	3,227	533	4,235	7,995
<i>Depreciation</i>				
At beginning of year	1,361	89	2,922	4,372
Charge for the year	69	16	344	429
Disposals	-	-	(9)	(9)
	<u>1,430</u>	<u>105</u>	<u>3,257</u>	<u>4,792</u>
At end of year	1,430	105	3,257	4,792
<i>Net book value</i>				
At 31 March 2012	1,797	428	978	3,203
	<u>1,797</u>	<u>428</u>	<u>978</u>	<u>3,203</u>
At 31 March 2011	1,534	297	865	2,696
	<u>1,534</u>	<u>297</u>	<u>865</u>	<u>2,696</u>

Within freehold land and buildings is land stated at net book value £718,000 (2011 £718,000) which is not depreciated

The net book value of revalued assets is £1,325,000 (2011 £1,360,000). On an historical cost basis the net book value of the assets is £287,000 (2011 £292,000). This revaluation is based on the directors' estimate of open market value.

Notes (continued)

10 Investment properties

	£000
At beginning of year	4,159
Disposals	(2)
Transfer to long leasehold properties	(300)
	<hr/>
At end of year	3,857
	<hr/>

11 Stocks

	2012 £000	2011 £000
Property held for resale	1,010	1,213
Goods for resale	3,463	3,585
	<hr/>	<hr/>
	4,473	4,798
	<hr/>	<hr/>

12 Debtors

	2012 £000	2011 £000
<i>Amounts falling due within one year</i>		
Trade debtors	1,601	2,034
Hire purchase receivables	385	252
Corporation tax	61	-
Other debtors	-	147
Prepayments and accrued income	145	120
Deferred tax (note 14)	-	30
	<hr/>	<hr/>
	2,192	2,583
<i>Amounts falling due after more than one year</i>		
Deferred tax (note 14)	103	-
Hire purchase receivables	150	60
	<hr/>	<hr/>
	253	60
	<hr/>	<hr/>
	2,445	2,643
	<hr/>	<hr/>

The cost of assets acquired by the company for the purpose of letting under hire purchase agreements amounted to £675,000 (2011 £434,000)

The aggregate rentals receivable during the year in respect of hire purchase agreements were £473,000 (2011 £415,000)

Notes (continued)

13 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Bank loans and overdraft	-	342
Trade creditors	2,650	2,460
Amounts owed to group undertakings	4,050	3,608
Other creditors including taxation and social security	108	267
Corporate taxes	-	68
Accruals and deferred income	492	500
Shares classified as liabilities (note 17)	33	33
	<u>7,333</u>	<u>7,278</u>

14 Deferred taxation

	Accelerated capital allowances £000	Other timing differences £000	Total £000
<i>Deferred taxation</i>			
As at 1 April 2011	52	(82)	(30)
Transfer to profit and loss account	(86)	13	(73)
	<u>(34)</u>	<u>(69)</u>	<u>(103)</u>
As at 31 March 2012	(34)	(69)	(103)

15 Pension scheme

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

	2012 £000	2011 £000
<i>Pension scheme deficit</i>		
Falkland Islands Company Limited Scheme	(2,411)	(2,107)
Deferred tax	579	548
	<u>(1,832)</u>	<u>(1,559)</u>
Net pension scheme deficit	(1,832)	(1,559)

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 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 2012, 31 March 2011 and 31 March 2010. The major assumptions in this valuation were:

	2012 %	2011 %	2010 %
Rate of increase in salaries	2.5	2.6	2.7
Rate of increase in pensions in payment and deferred pensions	3.0	3.0	3.0
Discount rate applied to scheme liabilities	4.7	5.5	5.6
Inflation rate	3.2	3.5	3.7

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.

Notes (continued)

15 Pension scheme (continued)

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 2012 £000	Value at 2011 £000	Value at 2010 £000
Present value of scheme liabilities	(2,411)	(2,107)	(2,013)
Related deferred tax assets	579	548	558
Net present liability	<u>(1,832)</u>	<u>(1,559)</u>	<u>(1,455)</u>

Movement in deficit during the year

	2012 £000	2011 £000
Deficit in scheme at beginning of year	(2,107)	(2,013)
Contributions paid	98	98
Other finance cost	(113)	(110)
Actuarial loss	(289)	(82)

Deficit in the scheme at end of year

(2,411) (2,107)

Analysis of amounts included in other finance costs

	2012 £000	2011 £000
Interest on pension scheme liabilities	113	110

Analysis of amount recognised in statement of total recognised gains and losses

	2012 £000	2011 £000
Experience losses arising on scheme liabilities	(30)	(7)
Changes in assumptions underlying present value of scheme liabilities	(259)	(75)

Actuarial losses on changes in assumptions recognised in statement of total recognised gains and losses

(289) (82)

History of experience gains and losses

	2012	2011	2010	2009	2008
<i>Experience gains and losses on scheme liabilities</i>					
Amount (£000)	(30)	(7)	89	(2)	(18)
Percentage of year end present value of scheme liabilities	1.2%	(0.3%)	4.4%	0.10%	1.00%
<i>Total amount recognised in statement of total recognised gains and losses</i>					
Amount (£000)	(289)	(82)	(195)	50	301
Percentage of year end present value of scheme liabilities	12.0%	3.9%	9.7%	(2.8)%	(16.2)%

The company does not have a defined contribution pension scheme

Notes (continued)

16 Employee share schemes

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
14 June 2005 Management incentive scheme 6 participants	47,500	Subject to earnings growth conditions	10 years
4 December 2007 Management incentive scheme 4 participants	17,500	Subject to earnings growth conditions	10 years
8 April 2009 Management incentive scheme 1 participant	28,915	Subject to earnings growth conditions	10 years
15 July 2009 Management incentive scheme 1 participant	10,000	Subject to earnings growth conditions	10 years
9 December 2009 Management incentive scheme 5 participants	8,000	Subject to earnings growth conditions	10 years
21 December 2010 Management incentive scheme 7 participants	33,500	Subject to earnings growth conditions	10 years
28 April 2011 Management incentive scheme 1 participant	6,390	Subject to earnings growth conditions	10 years
27 June 2011 Management incentive scheme 1 participant	8,264	Subject to earnings growth conditions	10 years
16 December 2011 Management incentive scheme 3 participants	24,345	Subject to earnings growth conditions	10 years

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

	2012 Weighted average exercise price	2012 Number of options	2011 Weighted average exercise price	2011 Number of options
Outstanding at the beginning of the period	£3 37	189,505	£2 90	329,456
Granted during the period	£2 82	38,999	£3 43	33,500
Forfeited during the period	£3 56	(33,770)	£3 10	(76,000)
Exercised during the period	£3 53	(2,128)	£2 44	(94,190)
Lapsed during the period	£2 23	(8,192)	£2 50	(3,261)
Outstanding at the end of the period	£3 27	184,414	£3 37	189,505
Exercisable at the end of the period	£3 96	65,000	£3 81	75,000

The options outstanding at the year end have an exercise price in the range of £2 075 to £4 25 and a weighted average contractual life of seven years (2011 eight years)

Notes (continued)

16 Share based payments (continued)

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

	16 Dec 2011 Management incentive scheme	27 Jun 2011 Management incentive scheme	28 Apr 2011 Management incentive scheme	21 Dec 2010 Management incentive scheme
Fair value at measurement date	£0 68	£0 94	£1 06	£1 24
Weighted average share price	£2 675	£3 035	£3 130	£3 4225
Exercise price	£2 615	£3 025	£3 130	£3 4225
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	39%	40%	40%	44%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	6 5 years	6 5 years	6 5 years	6 5 years
Expected dividends	3 6%	3 1%	2 6%	2 4%
Risk free interest rate (based on national government bonds)	1 42%	2 53%	2 94%	2 90%

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:

	2012 £000	2011 £000
Equity settled share based payments	22	43

17 Called up share capital

	2012 £000	2011 £000
<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>

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.

	2012 £000	2011 £000
Shares classified as liabilities (note 13)	33	33
Shares classified in shareholders' funds	897	897
	<u>930</u>	<u>930</u>

Notes (continued)

18 Reserves

	Revaluation reserve £000	Profit and loss account £000	Total £000
At the beginning of the year	3,667	1,135	4,802
Profit for the year	-	205	205
Share based payments	-	22	22
Transfer from revaluation reserve	(334)	334	-
Actuarial loss net of tax	-	(262)	(262)
	<hr/>	<hr/>	<hr/>
At the end of the year	<u>3,333</u>	<u>1,434</u>	<u>4,767</u>

19 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Profit for the year	205	203
Actuarial loss net of tax	(262)	(60)
Share based payments	22	43
	<hr/>	<hr/>
Net movement in shareholders' funds	(35)	186
Opening shareholders' funds	5,699	5,513
	<hr/>	<hr/>
Closing shareholders' funds	<u>5,664</u>	<u>5,699</u>

20 Commitments

(a) Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2012 £000	2011 £000
<i>Operating leases which expire</i>		
Within one year	25	23
	<hr/>	<hr/>

(b) As at 31 March 2012 the company had no capital commitments authorised but not contracted for (2011 £nil)

21 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 within the group at the year end was £25,000 (2011 £1,683,000) which includes cash and cash equivalents of £693,000 (2011 net bank loans and overdrafts of £342,000) in relation to the company.

22 Related party disclosures

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.