

**The Falkland Islands Company Limited**

**Directors' report and financial  
statements**

Registered number - 00074300

31 March 2010

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## **Company information**

### **Directors**

RK Spink  
JL Foster  
DL Hudd  
JB Ivins  
PL Lewis

### **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 2010

### **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 £226,000 (2009 £77,000 loss). An interim dividend of £nil (2009 £400,000) was paid in the year.

The directors do not recommend the payment of a final ordinary dividend (2009 £nil).

### **Donations**

The company made charitable donations amounting to £17,222 (2009 £11,125).

### **Directors**

The board of directors as at 31 March 2010 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 4 October 2010

## **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 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 2010 set out on pages 5 to 20. 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 auditors**

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 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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 2010 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.

**TM Widdas** (*Senior Statutory Auditor*)

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

4 October 2010

**Profit and loss account**  
*for the year ended 31 March 2010*

	<i>Note</i>	<b>2010</b>	<b>2009</b>
		<b>£000</b>	<b>As restated £000</b>
<b>Turnover</b>	2	<b>11,431</b>	<b>11 987</b>
Cost of sales		<b>(8,676)</b>	<b>(8 883)</b>
<b>Gross profit</b>		<b>2,755</b>	<b>3,104</b>
Administrative expenses		<b>(2,682)</b>	<b>(3 072)</b>
Other operating income		<b>15</b>	<b>18</b>
<b>Operating profit and profit on ordinary activities before interest</b>		<b>88</b>	<b>50</b>
Other interest receivable and similar income	3	<b>78</b>	<b>83</b>
Interest payable and similar charges	4	<b>(119)</b>	<b>(119)</b>
<b>Profit on ordinary activities before taxation</b>	5	<b>47</b>	<b>14</b>
Tax on profit on ordinary activities	6	<b>179</b>	<b>(91)</b>
<b>Profit/(loss) for the financial year</b>	19	<b>226</b>	<b>(77)</b>

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 2010*

	2010 £000	2009 £000
Reported profit on ordinary activities before taxation	47	14
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	<u>52</u>	<u>19</u>
Historical cost (loss)/profit for the year retained after taxation and dividends	<u>231</u>	<u>(472)</u>

**Statement of total recognised gains and losses**  
*for the year ended 31 March 2010*

	<i>Note</i>	2010 £000	2009 £000
Profit/(loss) for the year		226	(77)
Actuarial (loss)/gain on pension scheme	16	(195)	50
Movement on deferred tax asset relating to pension scheme		103	(13)
Total gains and losses recognised since last annual report		<u>134</u>	<u>(40)</u>




## Balance sheet

as at 31 March 2010

	Note	2010	2009
		£000	As restated £000
<b>Fixed assets</b>			
Tangible assets	10	2,602	1 829
Investment properties	11	4,254	4 445
		<u>6,856</u>	<u>6 274</u>
<b>Current assets</b>			
Stocks	12	3,881	3 005
Debtors due within one year	13	2,080	1 696
Debtors due after one year	13	52	58
		<u>2,132</u>	<u>1 754</u>
Cash at bank and in hand		526	-
		<u>6,539</u>	<u>4,759</u>
<b>Creditors</b> amounts falling due within one year	14	(6,427)	(4,098)
<b>Net current assets</b>		<u>112</u>	<u>661</u>
<b>Total assets less current liabilities</b>		<u>6,968</u>	<u>6,935</u>
<b>Provisions for liabilities and charges</b>	15	-	(295)
<b>Net assets excluding pension liabilities</b>		<u>6,968</u>	<u>6 640</u>
<b>Net pension scheme liabilities</b>	16	(1,455)	(1 348)
<b>Net assets</b>		<u><u>5,513</u></u>	<u><u>5 292</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	897	897
Revaluation reserve	19	3,667	3,667
Profit and loss account	19	949	728
<b>Shareholders' funds</b>	20	<u><u>5,513</u></u>	<u><u>5 292</u></u>

These financial statements were approved by the board of directors on 4 October 2010 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**

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 preparation***

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 management and development of the Company's property portfolio in the Falkland Islands is now a significant part of the Company's trading activity. Accordingly, the Board has decided to report receipts from the disposal of investment property and property developments and rents received from its portfolio of residential and commercial properties 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. Prior year comparatives have been amended accordingly.

The following amendments to standards have been adopted in these financial statements for the first time

The amendment to FRS 8 'Related Party Disclosures' (mandatory for periods beginning on/after 6 April 2008). The amendment has the effect that only wholly-owned subsidiaries are exempt from disclosure of intra-group transactions and there is no longer a disclosure exemption available in parent company's own financial statements.

The amendment to FRS 20 (IFRS 2) 'Vesting Conditions and Cancellations' (mandatory for periods starting on/after 1 January 2009). The amendment clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and amends the accounting for cancellations and settlements by parties other than the entity.

The amendment to FRS 21 'Events after the Balance Sheet Date' (mandatory for periods starting on/after 1 January 2009) to confirm no obligation exists at the balance sheet date for dividends declared after that date.

The following new and amendments to standards are not yet effective

- Amendment to FRS 25 'Financial Instruments' Presentation (mandatory for periods starting on/after 1 January 2010)
- Amendment to FRS 20 (IFRS 2) 'Group Cash-settled Share-based Payment' (mandatory for periods starting on/after 1 January 2010)

#### ***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 accounts preparation.

#### ***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%

#### ***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.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***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 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

#### ***Pensions***

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Cash flow statement***

Under FRS 1 'Cash flow statements (revised 1996)', 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

#### ***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 24

#### ***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

#### ***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**

	2010	2009
	£000	As restated £000
<i>Geographical analysis of turnover</i>		
Falkland Islands	<b>11,431</b>	<b>11,987</b>

**Notes (continued)**

**3 Other interest receivable and similar income**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
External interest receivable	<b>78</b>	<b>83</b>

**4 Interest payable and similar charges**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Interest cost on pension scheme liabilities	<b>119</b>	<b>119</b>

**5 Profit on ordinary activities before taxation**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible fixed assets	<b>324</b>	<b>305</b>
Operating lease rentals - other operating leases	<b>21</b>	<b>21</b>
<i>Auditors' remuneration</i>		
Audit of these financial statements	<b>30</b>	<b>30</b>

**6 Tax on profit on ordinary activities**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<i>The taxation charge based on the profit for the year comprises</i>		
UK corporation tax at 28% (2009: 28%)	<b>96</b>	<b>67</b>
Double tax relief	<b>-</b>	<b>(45)</b>
Overseas tax	<b>96</b>	<b>22</b>
Adjustments in respect of prior periods	<b>-</b>	<b>45</b>
	<b>80</b>	<b>(57)</b>
Total current tax charges	<b>176</b>	<b>10</b>
Deferred taxation	<b>(349)</b>	<b>77</b>
Deferred taxation on pension scheme liability	<b>(6)</b>	<b>4</b>
Tax on profit on ordinary activities	<b>(179)</b>	<b>91</b>

## Notes (continued)

### 6 Tax on profit on ordinary activities (continued)

#### *Factors affecting the tax charge for the current period*

The current tax charge for the year is higher (2009 higher) than the standard rate of corporation tax in the Falkland Islands of 25% (2009 25%). The differences are explained below. The company is registered in the UK and therefore this reconciliation is performed at 28%.

	2010 £000	2009 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	47	14
	<hr/>	<hr/>
Current tax at 28% (2009 28%)	13	4
<i>Effects of</i>		
Expenses not deductible for tax purposes	(4)	22
Depreciation (less than)/in excess of capital allowances	(23)	32
Other timing differences	69	-
Group relief not paid for	-	(22)
Different tax rate overseas	-	12
Share based payments not provided for	24	19
Non-taxable portion of capital gains	17	-
Adjustments in respect of prior periods	80	(57)
	<hr/>	<hr/>
Total current tax charge	176	10
	<hr/>	<hr/>

#### *Factors that may affect future tax charges*

The Emergency Budget on 22 June 2010, announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly. If the rate change from 28% to 27% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset recognised at that date by £2,000 and increasing the net pension scheme liability recognised by £15,000. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge.

### 7 Directors

	2010 £000	2009 £000
Directors' emoluments	157	128
	<hr/>	<hr/>

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                      2
	<hr/>

## Notes (continued)

### 8 Employees

	2010 Number	2009 Number
<i>The average number of persons employed by the company during the year was</i> Falkland Islands	83	88
	<u>£000</u>	<u>£000</u>
Wages and salaries	1,979	2 026
Social security costs	53	50
Other pension costs	15	22
	<u>2,047</u>	<u>2 098</u>

### 9 Dividends paid and proposed

The aggregate amount of dividends comprises

	2010 £000	2009 £000
Interim dividends paid	-	400

### 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 2009 (as restated)	2 059	386	3,106	5 551
Additions	662	-	435	1 097
	<u>2 721</u>	<u>386</u>	<u>3,541</u>	<u>6,648</u>
At 31 March 2010	2 721	386	3,541	6,648
<i>Accumulated depreciation</i>				
At 1 April 2009	1 283	75	2 364	3 722
Charge for the year	38	7	279	324
	<u>1 321</u>	<u>82</u>	<u>2 643</u>	<u>4 046</u>
At 31 March 2010	1 321	82	2 643	4 046
<i>Net book value</i>				
At 31 March 2010	<u>1,400</u>	<u>304</u>	<u>898</u>	<u>2,602</u>
At 31 March 2009 (as restated)	<u>776</u>	<u>311</u>	<u>742</u>	<u>1 829</u>

Within freehold land and buildings is land stated at £753,000 (2009 £753,000) which is not depreciated

The net book value of revalued assets is £1,370,000 (2009 £1,380,000). On an historical cost basis the net book value of the assets is £297 000 (2009 £302,000). This revaluation is based on the directors' estimate of open market value.

## Notes (continued)

### 11 Investment properties

	£000
At 1 April 2009	4,445
Additions	55
Disposals	(246)
	<hr/>
At 31 March 2010	<b>4,254</b>
	<hr/> <hr/>

### 12 Stocks

	2010	2009 As restated
	£000	£000
Construction in progress	91	639
Property held for resale	1,129	-
	<hr/>	<hr/>
Property stocks	1,220	639
Goods for resale	2,661	2,366
	<hr/>	<hr/>
	<b>3,881</b>	<b>3,005</b>
	<hr/> <hr/>	<hr/> <hr/>

### 13 Debtors

	2010	2009
	£000	£000
<i>Amounts falling due within one year</i>		
Trade debtors	1,413	1,339
Hire purchase receivables	206	159
Amounts due from group undertakings	164	-
Other debtors	113	72
Prepayments and accrued income	131	126
Deferred tax (note 15)	54	-
	<hr/>	<hr/>
	<b>2,080</b>	1,696
<i>Amounts falling due after more than one year</i>		
Hire purchase receivables	52	58
	<hr/>	<hr/>
	<b>2,132</b>	1,754
	<hr/> <hr/>	<hr/> <hr/>

The cost of assets acquired by the company for the purpose of letting under hire purchase agreements amounted to £309,000 (2009 £210,000)

The aggregate rentals receivable during the year in respect of hire purchase agreements were £316,472 (2009 £244,000)



## Notes (continued)

### 14 Creditors amounts falling due within one year

	2010 £000	2009 £000
Bank overdraft	650	355
Trade creditors	2,262	2,388
Amounts owed to group undertakings	2,866	736
Other creditors including taxation and social security	281	222
Corporate taxes	98	12
Accruals and deferred income	237	352
Shares classified as liabilities (note 18)	33	33
	<u>6,427</u>	<u>4,098</u>

Within other creditors is taxation and social security of £nil (2009 £nil)

### 15 Provisions for liabilities and charges

	Accelerated capital allowances £000	Other timing differences £000	Total £000
<i>Deferred taxation</i>			
As at 1 April 2009	326	(31)	295
Transfer to profit and loss account	(270)	(69)	(349)
<b>As at 31 March 2010</b>	<u>56</u>	<u>(110)</u>	<u>(54)</u>

A deferred tax asset of £24,477 (2009 £21,655) relating to share based payments has not been recognised on the basis that the timing and amount of the future deduction cannot be assessed with reasonable certainty

### 16 Pension scheme

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

	2010 £000	2009 £000
<i>Pension scheme deficit</i>		
Falkland Islands Company Limited Scheme	(2,013)	(1 797)
Deferred tax	558	449
<b>Net pension scheme deficit</b>	<u>(1,455)</u>	<u>(1 348)</u>

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.

## Notes (continued)

### 16 Pension scheme (continued)

The valuation was updated by the actuary on an FRS 17 basis as at 31 March 2010, 31 March 2009 and 31 March 2008. The major assumptions in this valuation were

	2010 %	2009 %	2008 %
Rate of increase in salaries	2.7	2.5	2.7
Rate of increase in pensions in payment and deferred pensions	3.0	3.0	3.0
Discount rate applied to scheme liabilities	5.6	6.8	6.6
Inflation rate	3.7	3.1	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.

#### 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 2010 £000	Value at 2009 £000	Value at 2008 £000
Present value of scheme liabilities	(2,013)	(1,797)	(1,863)
Related deferred tax assets	558	449	465
Net present liability	<u>(1,455)</u>	<u>(1,348)</u>	<u>(1,398)</u>

#### Movement in deficit during the year

	2010 £000	2009 £000
Deficit in scheme at beginning of year	(1,797)	(1,863)
Contributions paid	98	135
Other finance cost	(119)	(119)
Actuarial (loss)/gain	(195)	50
Deficit in the scheme at end of year	<u>(2,013)</u>	<u>(1,797)</u>

#### Analysis of amounts included in other finance costs

	2010 £000	2009 £000
Interest on pension scheme liabilities	119	119

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

	2010 £000	2009 £000
Experience gains arising on scheme liabilities	89	(2)
Changes in assumptions underlying present value of scheme liabilities	(284)	52
Actuarial gain on changes in assumptions recognised in statement of total recognised gains and losses	<u>(195)</u>	<u>50</u>

## Notes (continued)

### 16 Pension scheme (continued)

#### History of experience gains and losses

	2010	2009	2008	2007	2006
<i>Experience gains and losses on scheme liabilities</i>					
Amount (£000)	89	(2)	(18)	(3)	80
Percentage of year end present value of scheme liabilities	4.4%	0.10%	1.00%	0.10%	3.8%
<i>Total amount recognised in statement of total recognised gains and losses</i>					
Amount (£000)	(195)	50	301	118	57
Percentage of year end present value of scheme liabilities	9.7%	(2.8)%	(16.2)%	(5.5)%	(2.7)%

The company does not have a defined contribution pension scheme

### 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
8 April 2009 Management incentive scheme 11 participants	93,353	Subject to earnings growth conditions	10 years
15 July 2009 Management incentive scheme 4 participants	104,100	Subject to earnings growth conditions	10 years
9 December 2009 Management incentive scheme 6 participants	32,000	Subject to earnings growth conditions	10 years

## Notes (continued)

### 17 Share based payments (continued)

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

	2010 Weighted average exercise price	2010 Number of options	2009 Weighted average exercise price	2009 Number of options
Outstanding at the beginning of the period	£2 92	293,041	£2 89	264,951
Granted during the period	£2 75	58,915	£3 2325	28,090
Forfeited during the period	£3 19	(12,500)	-	-
Exercised during the period	£1 395	(10,000)	-	-
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	£2 90	329,456	£2 92	293,041
Exercisable at the end of the period	£3 56	82,500	£3 32	92 500

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

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

	9 December 2009 Management incentive scheme	15 July 2009 Management incentive scheme	8 April 2009 Management incentive scheme	30 July 2008 SAYE
Fair value at measurement date	£1 45	£0 72	£0 56	£1 35
Weighted average share price	£3 90	£2 90	£2,075	£4 00
Exercise price	£3 90	£2 90	£2 075	£3 2325
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	40%	38%	37%	35%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	6 5 years	6 5 years	6 5 years	3 years
Expected dividends	2 0%	2 8%	3 9%	2 0%
Risk free interest rate (based on national government bonds)	3 14%	3 4%	2 9%	4 80%

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

	2010 £000	2009 £000
Equity settled share based payments	87	77

## Notes (continued)

### 18 Called up share capital

	2010 £000	2009 £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.

	2010 £000	2009 £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	3,667	728	4,395
Profit for the year	-	226	220
Share based payments	-	87	87
Actuarial loss net of tax	-	(92)	(86)
	<u>3,667</u>	<u>949</u>	<u>4,616</u>

### 20 Reconciliation of movements in shareholders' funds

	2010 £000	2009 £000
Profit/(loss) for the year	226	(77)
Actuarial (loss)/gain net of tax	(92)	37
Share based payments	87	77
Dividends	-	(400)
	<u>221</u>	<u>(363)</u>
Net movement in shareholders' funds	221	(363)
Opening shareholders' funds	5,292	5,655
	<u>5,513</u>	<u>5,292</u>

## Notes (continued)

### 21 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings	
	2010	2009
	£000	£000
<i>Operating leases which expire</i>		
Within one year	23	21
In the second to fifth years inclusive	-	6
	<hr/>	<hr/>
	23	27
	<hr/>	<hr/>

### 22 Capital commitments

As at 31 March 2010 the company had no capital commitments authorised but not contracted for (2009 £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 £1,292,000 (2009 £4,057,000) of which £124,000 (2009 £355,000) 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.