

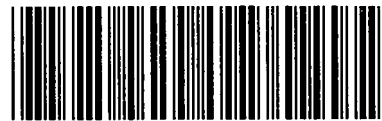
Falkland Islands Company Limited

**Directors' report, strategic report and
financial statements**

Registered number - 00074300

31 March 2014

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Company information

Directors

JL Foster
DL Hudd
RK Spink
JG McManus
M Blyth
K Ironside

Registered number

00074300

Bankers

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

Auditor

KPMG LLP
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 2014.

Activities

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

Donations

The company made charitable donations amounting to £22,000 (2013: £14,000).

Directors

The directors who served the company during the year and to the date of this report are as follows:

JL Foster
DL Hudd
RK Spink
JG McManus
M Blyth - appointed 13 December 2013
K Ironside - appointed 30 June 2014
PL Lewis - resigned 30 June 2014
JN Marsh - resigned 26 August 2013

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 auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board


J.L. Foster
Director

Dated: 18 November 2014

Strategic report

Business review

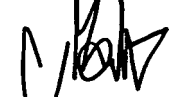
Falkland Islands Holdings plc manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary for an understanding of the development, performance or position of the business. The performance of the 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 loss for the year after taxation was £197,000 (2013 loss: £518,000).

A dividend of £100,000 (2013: £500,000) was paid during the year.

On behalf of the board



J.L. Foster
Director

Dated: 18 November 2014

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

The directors are responsible for preparing the directors' report, the strategic 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 Falkland Islands Company Limited

We have audited the financial statements of Falkland Islands Company Limited for the year ended 31 March 2014 set out on pages 6 to 21. 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 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2014 and of its loss 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' and Strategic Reports 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 (Senior Statutory Auditor)

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

24th November 2014

Profit and loss account
for the year ended 31 March 2014

	<i>Note</i>	2014 £000	2013 £000
Turnover	2	15,236	14,332
Cost of sales		(11,186)	(10,095)
Gross profit		4,050	4,237
Administrative expenses		(4,267)	(4,029)
Operating (loss) / profit		(217)	208
Other interest receivable and similar income	<i>3</i>	121	91
Interest payable and similar charges	<i>4</i>	(113)	(116)
(Loss) / profit on ordinary activities before taxation	5	(209)	183
Tax on profit on ordinary activities	<i>6</i>	12	(701)
Loss for the financial year	19	(197)	(518)

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 2014

	2014 £000	2013 £000
Reported profit on ordinary activities before taxation	(209)	183
Difference between historical cost depreciation and the actual depreciation charge calculated on the revalued amount	-	5
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	(209)	188
	<hr/>	<hr/>
Historical cost loss for the year retained after taxation	(209)	(513)
	<hr/>	<hr/>

Statement of total recognised gains and losses
for the year ended 31 March 2014

	<i>Note</i>	2014 £000	2013 £000
Loss for the financial year		(197)	(518)
Actuarial gain/(loss) on pension scheme	<i>16</i>	135	(173)
Movement on deferred tax asset relating to pension scheme		(35)	94
		<hr/>	<hr/>
Total loss recognised for the financial year		(97)	(597)
		<hr/>	<hr/>

Balance sheet
as at 31 March 2014

	Note	2014 £000	2013 £000
Fixed assets			
Tangible assets	9	5,525	4,023
Investment in joint ventures	10	50	50
Loans to joint ventures	10	529	-
Investment properties	11	6,344	5,686
		<u>12,448</u>	<u>9,759</u>
Current assets			
Stocks	12	5,180	4,644
Debtors due within one year	13	3,148	2,570
Debtors due after one year	13	342	121
		<u>3,490</u>	<u>2,691</u>
Cash at bank and in hand		255	303
		<u>8,925</u>	<u>7,638</u>
Creditors: amounts falling due within one year	14	<u>(14,091)</u>	<u>(9,807)</u>
Net current liabilities		<u>(5,166)</u>	<u>(2,169)</u>
Total assets less current liabilities		<u>7,282</u>	<u>7,590</u>
Provisions	15	(565)	(607)
Net pension scheme liabilities	16	(1,835)	(1,913)
Net assets		<u>4,882</u>	<u>5,070</u>
Capital and reserves			
Called up share capital	18	897	897
Revaluation reserve	19	3,526	3,805
Profit and loss account	19	459	368
Shareholders' funds	20	<u>4,882</u>	<u>5,070</u>

These financial statements were approved by the board of directors on 18 November 2014 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.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £5,166,000 (2013: £2,169,000) which the directors believe to be appropriate for the following reasons.

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 Group'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.

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.

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.

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.

The company also makes contributions into personal pension schemes for certain senior employees. The amount charged to the profit and loss account represents the contributions payable by the company during the accounting period.

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.

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 non-current and current assets as appropriate 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.

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 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 23.

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

	2014	2013
	£000	£000
<i>By geographical market</i>		
Falkland Islands	15,236	14,332
	<u> </u>	<u> </u>

3 Other interest receivable and similar income

	2014	2013
	£000	£000
Finance charges receivable in respect of finance leases and hire purchase contracts	121	91
	<u> </u>	<u> </u>

4 Interest payable and similar charges

	2014	2013
	£000	£000
Interest cost on pension scheme liabilities	108	111
Other interest payable	5	5
	<u> </u>	<u> </u>
	113	116
	<u> </u>	<u> </u>

Notes (continued)

5 Profit on ordinary activities before taxation

	2014 £000	2013 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Profit on disposal of fixed assets	4	14
Depreciation on tangible fixed assets	430	452
Hire of other assets – operating leases	23	23
<i>Auditor remuneration:</i>		
Audit of these financial statements	34	31

The 2014 and 2013 amounts relate solely to amounts paid to KPMG LLP.

6 Taxation

	2014 £000	2013 £000
<i>Analysis of charge in year</i>		
<i>UK corporation tax at 23% (2013: 24%)</i>	-	-
Adjustments in respect of prior periods	39	(11)
Total current tax	39	(11)
<i>Deferred taxation:</i>		
Origination/reversal of timing differences	28	710
Adjustments in respect of prior periods	(70)	-
Deferred taxation on pension scheme liability	(9)	2
Tax (credit) / charge on profit on ordinary activities	(12)	701

Factors affecting the tax charge for the current year

Falkland Islands Company was granted a foreign branch exemption by HMRC for the year ended 31 March 2013. Following this election, UK taxation was payable on rental property income in the year ended 31 March 2013, and only Falklands taxation is payable from the year ended 31 March 2014. The current tax charge for the year is higher (2013: lower) than the standard rate of corporation tax in the Falkland Islands, being 21% on £90,909 (£1 million shared across eleven associates) then 26% on the remainder, giving an effective rate of 23%. The differences are explained below:

	2014 £000	2013 £000
<i>Current tax reconciliation:</i>		
Profit on ordinary activities before tax	41	183
Current tax at 23% (2013: 24%)	(48)	42
<i>Effects of:</i>		
Expenses not deductible for tax purposes	17	-
Depreciation (less than)/in excess of capital allowances	(144)	(114)
Other timing differences	3	(2)
Share based payments not provided for	2	8
Group relief	65	70
Unrelieved tax losses	106	-
Non-taxable portion of capital gains	(1)	(4)
Adjustments to tax charge in respect of prior periods	39	(11)
Total current tax charge	39	(11)

Notes (continued)

6 Taxation (continued)

Factors that may affect future tax charges

Falkland Islands Company was granted a foreign branch exemption by the HMRC for the year ended 31 March 2013, therefore it is anticipated that only Falkland Islands tax will be payable from 1 April 2013.

7 Remuneration of directors

	2014 £000	2013 £000
Directors' emoluments	323	277
Company contributions to money purchase pension schemes	29	31
Amounts receivable under long term incentive schemes	8	17
	<u>360</u>	<u>325</u>

The emoluments of the highest paid director were £84,000 (2013: £87,000) and pension contributions of £12,000 (2013: £11,000) were made to a money purchase pension scheme on his behalf.

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

	Number of directors 2014	2013
Retirement benefits are accruing to the following number of directors under a company defined benefit scheme	1	1

8 Staff numbers and costs

	2014 Number	2013 Number
<i>The average number of persons employed by the company during the year was:</i>		
Falkland Islands	142	123
	<u>142</u>	<u>123</u>
	£000	£000
Wages and salaries	3,182	2,558
Social security costs	152	124
Other pension costs	36	36
	<u>3,370</u>	<u>2,718</u>

Notes (continued)

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	3,391	533	5,138	9,062
Additions	1,336	-	613	1,949
Disposals	(140)	-	(155)	(295)
At end of year	4,587	533	5,596	10,716
<i>Depreciation:</i>				
At beginning of year	1,376	126	3,537	5,039
Charge for the year	52	10	368	430
Disposals	(138)	-	(140)	(278)
At end of year	1,290	136	3,765	5,191
<i>Net book value:</i>				
At 31 March 2014	3,297	397	1,831	5,525
At 31 March 2013	2,015	407	1,601	4,023

Revalued assets included in long leasehold land and buildings consist of the West Store MPA store, which has a net book value at the 31 March 2014 of £279,000 (2013: £286,000). On an historical cost basis the net book value of the assets is £237,000 (2013: £244,000). This revaluation is based on the directors' estimate of open market value. All other revalued asset have been transferred to Investment properties.

10 Investment in joint venture

	£000
At beginning of year	50
Additions	-
At end of year	50

In June 2012, a joint venture (South Atlantic Construction Company Ltd "SATCO") was set up with Trant Construction to bid for the larger infrastructure contracts which are expected to be generated by oil activity. Both Trant Construction and Falkland Islands Company contributed £50,000. During the year ended 31 March 2014, both Trant Construction and Falkland Islands Company made a loan of £529,000 each to the joint venture for the purchase of a crane.

Notes (continued)

11 Investment properties

	£000
At beginning of year	5,686
Additions	658
	<hr/>
At end of year	6,344
	<hr/>

Investment properties comprise residential and commercial property held for rental in the Falkland Islands. These together with the land have a fair value of approximately £6.3 million as at 31 March 2014. This valuation was undertaken by a Director of Falklands Islands Company Limited, who is resident in the Falkland Islands and is considered to have the relevant knowledge and experience to undertake the valuation. The valuation of land reflects the restricted and limited market for freehold land in the Falkland Islands.

Within investment properties is land stated at a revalued amount of £2,213,000 (2013: £2,171,000) which is not depreciated.

12 Stocks

	2014 £000	2013 £000
Work in progress	330	67
Goods for resale	4,850	4,577
	<hr/>	<hr/>
	5,180	4,644
	<hr/>	<hr/>

13 Debtors

	2014 £000	2013 £000
<i>Amounts falling due within one year</i>		
Trade debtors	2,231	1,622
Hire purchase receivables	503	486
Corporation tax	7	8
Other debtors	184	309
Prepayments and accrued income	223	145
	<hr/>	<hr/>
	3,148	2,570
<i>Amounts falling due after more than one year</i>		
Hire purchase receivables	342	121
	<hr/>	<hr/>
	3,490	2,691
	<hr/>	<hr/>

The cost of assets acquired by the company for the purpose of letting under hire purchase agreements amounted to £868,000 (2013: £635,000). The aggregate rentals receivable during the year in respect of hire purchase agreements were £700,000 (2013: £599,000).

Notes (continued)

14 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Bank loans and overdraft	3,334	1,182
Trade creditors	3,649	2,760
Amounts owed to group undertakings	6,243	4,967
Other creditors including taxation and social security	113	158
Accruals and deferred income	719	707
Shares classified as liabilities (note 18)	33	33
	<u>14,091</u>	<u>9,807</u>

15 Deferred taxation

	Accelerated capital allowances £000	Taxable losses carried forward £000	Other timing differences £000	Total £000
<i>Deferred taxation:</i>				
As at 1 April 2013	639	-	(32)	607
Transfer to profit and loss account	83	(125)	-	42
	<u>722</u>	<u>(125)</u>	<u>(32)</u>	<u>565</u>
As at 31 March 2014	722	(125)	(32)	565

16 Pension scheme

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. Actuarial valuations are carried out at each year end.

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

	2014 £000	2013 £000
<i>Pension scheme deficit:</i>		
Present value of scheme liabilities	(2,480)	(2,584)
Related deferred tax assets	645	671
	<u>(1,835)</u>	<u>(1,913)</u>
Net pension scheme liability	(1,835)	(1,913)

The present value of the scheme liabilities are derived from cash flow projections over long periods and thus are inherently uncertain. The major assumptions in this valuation were:

	2014 %	2013 %
Rate of increase in salaries	2.6	2.6
Rate of increase in pensions in payment and deferred pensions	3.0	3.0
Discount rate applied to scheme liabilities	4.3	4.3
Inflation rate	3.4	3.4
Average longevity at age 65 for male current and deferred pensioners (years) at accounting date	22.4	22.6
Average longevity at age 65 for male current and deferred pensioners (years) 20 years after accounting date	24.6	24.8

Notes (continued)

16 Pension scheme (continued)

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. The pension scheme has 20 members (2013: 21) and 3 deferred members (2013: 3). The weighted average duration of the expected benefit payments from the Scheme is around 15 years (2013: 15 years).

Movement in deficit during the year:

	2014 £000	2013 £000
Deficit in scheme at beginning of year	(2,584)	(2,411)
Contributions paid	122	111
Other finance cost	(108)	(111)
Past service cost	(45)	-
Remeasurement of the defined benefit liability	135	(173)
Deficit in the scheme at end of year	(2,480)	(2,584)

	2014 £000	2013 £000
<i>Analysis of amounts included in other finance costs:</i>		
Interest on pension scheme liabilities	108	111
<i>Analysis of amount recognised in statement of total recognised gains and losses:</i>		
Experience gains/(losses) arising on scheme liabilities	20	(34)
Changes in assumptions underlying present value of scheme liabilities	115	(139)
Actuarial gains/(losses) on changes in assumptions recognised in statement of total recognised gains and losses	135	(173)

History of experience gains and losses:

	2014	2013	2012	2011	2010
<i>Experience gains/(losses) on scheme liabilities:</i>					
Amount (£000)	20	(34)	(30)	(7)	89
Percentage of year end present value of scheme liabilities	(0.8%)	1.3%	1.2%	(0.3%)	4.4%
<i>Total amount recognised in statement of total recognised gains and losses:</i>					
Amount (£000)	135	(173)	(289)	(82)	(195)
Percentage of year end present value of scheme liabilities	(5.4%)	6.7%	12.0%	3.9%	9.7%

The company also makes contributions into personal pension schemes for certain senior employees. The pension costs charge for the year represents contributions payable by the company and amounted to £36,000 (2013: £36,000).

Notes (continued)

17 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/ scheme	Employees entitled/nature of	Number of instruments	Vesting conditions	Contractual life of options
14 June 2005	Management incentive scheme	42,500	Subject to earnings growth conditions	10 years
	5 participants			
4 December 2007	Management incentive scheme	12,500	Subject to earnings growth conditions	10 years
	3 participants			
15 July 2009	Management incentive scheme	10,000	Subject to earnings growth conditions	10 years
	1 participant			
9 December 2009	Management incentive scheme	8,000	Subject to earnings growth conditions	10 years
	5 participants			
21 December 2010	Management incentive scheme	26,660	Subject to earnings growth conditions	10 years
	6 participants			
28 April 2011	Management incentive scheme	6,390	Subject to earnings growth conditions	10 years
	1 participant			
27 June 2011	Management incentive scheme	8,264	Subject to earnings growth conditions	10 years
	1 participant			
16 December 2011	Management incentive scheme	24,345	Subject to remaining in employment	10 years
	3 participants			
2 December 2013	Management incentive scheme	9,523	Subject to remaining in employment	10 years
	1 participant			

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

	2014 Weighted average exercise price	2014 Number of options	2013 Weighted average exercise price	2013 Number of options
Outstanding at the beginning of the period	£3.31	189,265	£3.27	184,414
Granted during the period	£3.68	9,523	£4.04	14,851
Forfeited during the period	£3.85	(21,691)	£3.72	(10,000)
Exercised during the period	£2.08	(28,915)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at the end of the period	£3.49	148,182	£3.31	189,265
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable at the end of the period	£3.73	99,660	£3.34	101,915
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

17 Employee share schemes (continued)

The options outstanding at the year end have an exercise price in the range of £2.675 to £4.25 and a weighted average contractual life of five years (2013: six years).

The fair values of the options are estimated at the date of grant using appropriate option pricing models and are charged to the profit and loss account over the expected life of the options. The assumptions made in determining the fair value of the options are set out below.

	2 Dec 2013 Management incentive scheme	13 Aug 2012 Management incentive scheme	16 Dec 2011 Management incentive scheme	27 Jun 2011 Management incentive scheme
Fair value at measurement date	£1.09	£1.17	£0.68	£0.94
Weighted average share price	£3.675	£4.040	£2.675	£3.035
Exercise price	£3.675	£4.040	£2.615	£3.025
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	39%	39%	39%	40%
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	3.13%	2.70%	3.6%	3.1%
Risk free interest rate (based on national government bonds)	2.19%	0.97%	1.42%	2.53%

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:

	2014 £000	2013 £000
Equity settled share based payments	9	31

Notes (continued)

18 Called up share capital

	2014 £000	2013 £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.

	2014 £000	2013 £000
Shares classified as liabilities (note 14)	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	3,805	368	4,173
Loss for the year	-	(197)	(197)
Dividends paid	-	(100)	(100)
Share based payments	-	9	9
Transfer from revaluation reserve	(279)	279	-
Actuarial gain net of tax	-	100	100
	<u>3,526</u>	<u>459</u>	<u>3,985</u>

20 Reconciliation of movements in shareholders' funds

	2014 £000	2013 £000
Loss for the year	(197)	(518)
Revaluation of investment property	-	472
Dividends paid	(100)	(500)
Actuarial gain net of tax	100	(79)
Share based payments	9	31
	<u>(188)</u>	<u>(594)</u>
Net movement in shareholders' funds	(188)	(594)
Opening shareholders' funds	5,070	5,664
	<u>4,882</u>	<u>5,070</u>

Notes (continued)

21 Commitments

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

	Land and buildings	
	2014	2013
	£000	£000
<i>Operating leases which expire:</i>		
Within one year	-	-
Within two to five years	23	23
	<hr/>	<hr/>

(b) As at 31 March 2014 the company had no capital commitments (2013: *£nil*).

22 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. In total there was no amount guaranteed within the group at the year end (2013: *£nil*) as the cash balances exceeded the total loans and overdrafts.

23 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 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.