Falkland Islands Company Limited

Annual report and financial statements

Registered number 74300

31 March 2020

Contents

Company information

Directors	R Sawle (Chairman) KJ Ironside JL Foster T Francis P Clunie RA Smith SJH Knipe S Dent
Registered number	74300
Banker	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

Strategic report

Business review

In the year ended 31 March 2020 the Falkland Islands Company ("FIC") saw strong growth in housebuilding and construction, which saw the revenue from Falkland Building Services grow to more than three times the level of the prior year to £5.0 million (2019: £1.5 million), benefiting from the renewed availability of government housing plots for first time buyers at Sappers Hill, and the sale of 22 kit homes in the year compared to only 6 units in 2019. In addition, the house building team commenced its first significant housing contract for government for the construction of 18 houses on FIG land. By 31 March 2020 this contract was estimated as being 63% complete and in accordance with the Group's policy on Revenue Recognition under IFRS 15 £1.9 million of revenue and an appropriate level of attributable profits was generated in the year. This increase in building activity and related improvement in contribution was the biggest factor driving the increased profitability of FIC during the period.

In overall terms, FIC performed well in the period with solid growth from its core retail, automotive and support service divisions augmented by a sharp uplift in activity and profitability from construction and FIC's expanded property rental portfolio.

Looking ahead, the Falklands Islands has so far avoided severe lockdowns during the COVID-19 pandemic which might have brought trading down, but FIC has felt some effect and this will become more pronounced when, as expected, the regular cruise ship and other tourism business does not emerge in the Southern hemisphere's summer months.

FIC Key Performance Indicators and Operational Drivers

Year ended 31 March	2016	2017	2018	2019	**2020**
Staff Numbers (FTE 31 March)	172	151	146	158	**180**
Capital Expenditure £'000	1,229	578	389	2,348	**2,694**
Retail Sales growth %	*1.3*	*-5.4*	*+0.6*	*+5.7*	**+3.1**
Number of FIC rental properties	50*	51*	49*	54*	**65***
Average occupancy during the year (%)	*93*	*81*	*89*	*84*	***89***
Number of vehicles sold	110	77	77	76	**71**
Number of 3rd party houses sold	12	17	22	6	**22***
illex squid catch in tonnes (000's)	235.2	30.1	75.5	57.4	**57.6**
Cruise ship passengers (000's)	56.5	55.6	59.3	62.5	**72.1**

*Includes ten mobile homes rented to staff.
**The 22 houses sold in the year ended 31 March 2020 exclude the 18-house contract with the government.

Strategic report *(continued)*

Principal risks and uncertainties

FIC provides a wide range of services to the local economy in the Falkland Islands, including retailing, wholesaling and distribution, financial services, insurance services, vehicle sale and hire, shipping services, port services and construction, including house building. The company provides support to vessels fishing in and around the Falklands' waters and the results for each year can be significantly affected by the squid catch each year.

Risks faced by the company include the following:

Potential Impact	Comment	Impact/ Risk Level
COVID-19		
In the Falkland Islands the limited medical facilities left them initially vulnerable to the pandemic.	*With assistance from the UK the government has strengthened local medical facilities and created local testing capacity.*	*Low as a result of government action.*
Initial social distancing protocols led to the temporary cessation of certain of FIC's activities in April including housebuilding and café opening but government grants largely offset operating costs	*The small tightly knit community means any necessary lock down measures are more effectively implemented and enforced.* *The isolated geographical location has enabled effective quarantining of all visitors. The timing of the outbreak, coming at the end of the tourist season was fortuitous.*	*Low*
Vulnerability remains from virus transmission from inbound visitors particularly cruise ship passengers and land-based tourists arriving by air. Necessary isolation & quarantine measures will impact tourism	*Until a vaccine is developed the negative impact on tourism could continue in future years.*	*Moderate*
POLITICAL RISK		
Historically, Argentina has maintained a claim to the Falkland Islands, and this dispute has never been officially resolved.	*With the arrival of the new Fernandez regime in November 2019 relations with Argentina have cooled. However, in early November, a new weekly flight to the Falkland Islands from Brazil which passes through Argentinian airspace was established and permission for that service to continue operating has not been withdrawn by Buenos Aires.* *With relations now more strained than in recent years the security afforded by the UK Government's commitment to the Islands provides a guarantee of the freedom and livelihood of the people of the Falklands and thereby to FIC.* *Provided UK Government support is maintained the security of the people of the Falklands is not in doubt.*	*Low – Unchanged*

Strategic report *(continued)*

Potential impact	**Comment**	**Risk/ Impact Level**
ECONOMIC CONDITIONS		
International air transport and travel are likely to be particularly badly affected. With the failure of many carriers likely and restrictions in the numbers of passengers that can be carried, the economics of air transport are likely to change dramatically. The costs of air freight and travel can be expected to rise significantly, reducing tourist visitors to the Falkland Islands.	*The Falklands to date have been less badly disrupted. FIC has seen its revenue largely maintained and has avoided slipping into loss making but faces reduced tourist revenues later in the financial year*	*Moderate impact in second half*
Prospects for the development of oil in Falklands waters have been dampened and delayed by the recent collapse in oil prices below $40 barrel. Economic activity in the Falkland Islands is subject to fluctuation, dependent upon Oil sector activity.	*The substantial delays already experienced in the development of Sea Lion have reduced expectations and the negative impact on the economy as businesses have largely discounted the possibility of any imminent boost to the economy and adjusted their spending plans accordingly.*	*Low impact but reduced upside*
COMPETITION		
FIC is considered by the senior management to be a market leader in a number of business activities but faces competition from local entrepreneurs in many of the sectors in which it operates.	*Local competition is healthy for FIC and stimulates continuing business improvement in FIC*	*Low - Unchanged*
INVENTORY		
Potential Impact	**Comment**	**Risk Level**
Inventory risk relates to losses on realising the carrying value on ultimate sale. Losses include obsolescence, shrinkage or changes in market demand such that products are only saleable at prices that produce a loss. *FIC is the only Group business that holds significant inventories and does face such risk in the Falklands, where it is very expensive to return excess or obsolete stock back to the UK.*	*A thorough review of old and slow-moving stock in Stanley has been undertaken by senior management and a programme to address problem areas, maximise cash realisation and to prevent reoccurrence has been implemented.*	*Moderate- Unchanged*
Mitigation		
The EPOS and stock system used by FIC allows monitoring of sales, stock levels and stock turnover by line item. Local management and senior leadership review of stock levels and slow-moving stock.		

Strategic report *(continued)*

Results and dividends

The profit for the year after taxation was £789,000 *(2019: £391,000)*.

No dividend was paid in the year *(2019: £170,000)*. The directors do not recommend the payment of a final dividend *(2019: £nil)*.

On behalf of the board

K Ironside
Director

Dated: 23/04/2021

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2020.

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 £17,000 *(2019: £8,000).*

Directors

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

R Sawle	
KJ Ironside	
JL Foster	
T Francis	
P Clunie	*Appointed 19 August 2020*
DA Casey	*Resigned 19 August 2020*
RA Smith	
SJH Knipe	
SJ Dent	*Appointed 20 June 2020*

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.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

As an experienced Board, our intention is to behave responsibly and we consider that we, both as individuals and as a collective Board, as representatives of The Falkland Islands Company Limited, during the year ended 31 March 2020, have acted in good faith, to promote the success of the Company for the benefit of its members as a whole, having regard to the wider stakeholders as set out in s172 of the Companies Act. In the Falkland Islands, the subsidiaries of the group work closely with local government and local communities. The details of the company's interaction with its wider stakeholders are as follows:

Colleagues:

We have an experienced, diverse and dedicated workforce which we recognise as a key asset of our business. Therefore, it is important that we continue to create the right environment to encourage and create opportunities for individuals and teams to realise their full potential.

Directors' report *(continued)*

We have an open, collaborative and inclusive management structure and engage regularly with our employees. We do this through an appraisal process, structured career conversations, employee surveys, company presentations, away days and our well-being programme.

Suppliers:

At FIC, through effective collaboration, we aim to build long-term relationships with our suppliers so that we can develop and operate great spaces for our occupiers. We are clear about our payment practices. We expect our suppliers to adopt similar practices throughout their supply chains to ensure fair and prompt treatment of all creditors.

Communities:

We are committed to supporting the communities in which we operate, including local businesses, residents and the wider public.

We engage with the local community through our community donations, and providing employment and work experience opportunities.

Environment:

The FIC supermarkets only offer paper bags for sale now, plastic bags are no longer available. The paper bag proceeds are donated to charity. Environmentally friendly cups are available as an option in the FIC cafes, and all straws are paper. Electricity used by FIC's operations is largely provided by the wind turbines near Stanley, which provide the bulk of the town's energy supplies.

Governments and regulatory authorities:

Our work brings us into regular contact with the Falkland Islands Government, and local authorities, as we deliver construction projects, repairs and other work. We strive to be proactive and transparent, consulting with them to ensure that our planning reflects local sensitivities.

Media:

All businesses are active on social media, using Twitter, Instagram, LinkedIn and Facebook.

Banker:

The ultimate holding company of the group has several debt facilities provided by our bankers HSBC, with whom we engage through regular meetings and presentations to ensure that they remain fully informed on all relevant areas of our business. This high-level engagement helps to support our significant lines of credit available to us.

The relationship with HSBC spans back over the two decades since the Company has been in operation.

On behalf of the board

K Ironside
Director

Dated: 23/04/2021

Statement of directors' responsibilities in respect of the strategic report, the directors' 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), including FRS 101 Reduced Disclosure Framework.

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 judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Falkland Islands Company Limited

Opinion

We have audited the financial statements of Falkland Islands Company Limited ("the company") for the year ended 31 March 2020 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Falkland Islands Company Limited
(continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Craig Parkin *(Senior Statutory Auditor)*

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

Dated: 27 April 2021

Profit and loss account and other comprehensive income
for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Turnover	*2*	**21,273**	17,183
Cost of sales		**(14,847)**	(11,779)
Gross profit		**6,426**	5,404
Consumer finance income	*4*	**231**	172
Administrative expenses		**(5,573)**	(4,950)
Operating profit	*5*	**1,084**	626
Interest payable and similar expenses	*8*	**(69)**	(72)
Profit before taxation		**1,015**	554
Tax on profit	*9*	**(226)**	(163)
Profit for the financial year		**789**	391
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement of the net defined benefit liability	*19*	**136**	36
Deferred tax on the re-measurement of the net defined benefit liability		**(35)**	(9)
Other comprehensive income for the year		**101**	27
Total comprehensive income for the year		**890**	418

In both the current and prior year, the company made no material acquisitions and had no discontinued operations.

The accompanying notes form part of these Financial Statements.

Balance sheet
at 31 March 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Intangible assets	*10*		**37**		37
Tangible assets	*11*		**8,254**		7,447
Investment property	*12*		**5,741**		4,522
Investments in joint ventures	*13*		**50**		50
			14,082		12,056
Current assets					
Stocks	*14*	**4,123**		4,983	
Debtors (£519,000 (2019: £584,000) due in more than one year	*15*	**4,753**		3,579	
Cash at bank and in hand		**1,764**		1,736	
		10,640		10,298	
Creditors: amounts falling due within one year	*16*	**(18,655)**		(17,377)	
Net current liabilities			**(8,015)**		(7,079)
Total assets less current liabilities			**6,067**		4,977
Non-current liabilities					
Creditors due in more than one year	*17*		**(124)**		(33)
Deferred tax liability	*18*		**(851)**		(590)
Pension liability	*19*		**(2,604)**		(2,772)
Net assets			**2,488**		1,582
Capital and reserves					
Called up share capital	*20*		**897**		897
Profit and loss account			**1,591**		685
Shareholders' funds			**2,488**		1,582

These financial statements, of which the accompanying notes form part, were approved by the board of directors on 23rd April 2021 and were signed on its behalf by:

K Ironside
Director

Company registered number: 74300

Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total Equity £000
Balance at 1 April 2018	**897**	430	1,327
Total comprehensive income for the year			
Profit for the year after tax	-	391	391
Re-measurement of the defined benefit pension liability, net of tax	-	27	27
Total comprehensive income for the year	-	**418**	**418**
Transactions with owners, recorded directly in equity			
Share based payments	-	7	7
Dividends	-	(170)	(170)
Total contributions by and distributions to owners	-	**(163)**	**(163)**
Balance at 31 March 2019	**897**	**685**	**1,582**

	Called up share capital £000	Profit and loss account £000	Total Equity £000
Balance at 1 April 2019	897	685	1,582
Total comprehensive income for the year			
Profit for the year after tax	-	789	789
Re-measurement of the defined benefit pension liability, net of tax	-	101	101
Total comprehensive income for the year	-	**890**	**890**
Transactions with owners, recorded directly in equity			
Share based payments	-	16	16
Total contributions by and distributions to owners	-	**16**	**16**
Balance at 31 March 2020	**897**	**1,591**	**2,488**

The accompanying notes form part of these Financial Statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Falkland Islands Company Limited (the "Company") is a company limited by shares and incorporated and domiciled in England, UK. The registered number is 74300 and the registered address is Kenburgh Court, 133-137 South Street, Bishop's Stortford, Hertfordshire, CM23 3HX. All its trading activities take place in the Falkland Islands and during the year the Company employed 180 *(2019: 158)* full time equivalent staff in the Islands. The Company is a leading local company and pays employment taxes and corporation taxes exclusively in the Falkland Islands, to the local tax authorities in Stanley.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").*

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, FIH group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of FIH group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from FIH group plc, Kenburgh Court, 133-137 South Street, Bishops Stortford, Hertfordshire, CM23 3HX.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures.

- a Cash Flow Statement and related notes;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of FIH group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share-based payments;
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

Notes *(continued)*

1. Accounting policies *(continued)*

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £8,015,000 *(2019: £7,079,000)* which the directors believe to be appropriate for the following reasons:

The company is dependent on support provided to it by FIH group plc, its ultimate parent undertaking. FIH group plc has provided the company with an undertaking that it will continue to support the company for at least twelve months from the date of approval of these financial statements. As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements they have no reason to believe that it will not do so.

As a result of COVID-19 and the resulting lockdown in the UK, together with the closure of UK and international museums and art galleries, the Group is currently incurring substantial monthly losses at PHFC and Momart, which are only partially offset by continued trading in FIC. A substantial number of UK employees have been placed on furlough, as the Group has taken advantage of the UK Government's Job Retention Scheme. Since the severity of the situation has been known, the Group has prepared detailed twenty-four month cash flows forecasts in discussion with the local management teams of each business, which factor in the likely cash flows after consideration of the impact of the pandemic on revenue, salary cuts, bank loan repayment holidays and government assistance. These have been updated regularly and reviewed at fortnightly Board calls where key assumptions have been monitored against actual performance to ensure that there was no increased risk of more adverse outcomes developing including a deterioration in FIC trading or a more protracted lockdown, beyond those contemplated in the "realistic worst case" scenario.

Loan facility terms have been reviewed with particular attention paid to covenants, none of which are forecast to be breached by any currently foreseeable events. After careful consideration of the cash flow forecasts, including the "realistic worst case" scenario, by the Board, together with the additional £5.0 million facility arranged under the UK Government's CBILS loan guarantee scheme, the directors are satisfied the Group's existing resources (including committed banking facilities) are sufficient to meet its needs. As a consequence, the directors believe that the Group is well placed to manage the impact of COVID-19 on its businesses and have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, and have continued to adopt the going concern basis in preparing the financial statements.

1.3. Revenue recognition

Revenue recognition
FIC recognised revenue in accordance with IFRS 15: Revenue and applies the standard's five-step approach which requires the following:

- Identification of the contract with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations
- Recognition of the revenue when (or as) each performance obligation is satisfied

Revenue is recognised, net of discounts, VAT, Insurance Premium Tax and other sales related taxes, either at the point in time a performance obligation has been satisfied or over time as control of the asset associated with the performance obligation is transferred to the customer.

Notes *(continued)*

1. Accounting policies *(continued)*

1.3 Revenue recognition (continued)

For all contracts identified, the Company determines if the arrangement with the customer creates enforceable rights and obligations. For contracts with multiple components to be delivered, management applies judgement to consider whether those promised goods and services are:

- distinct – to be accounted for as separate performance obligations;
- not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or
- part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Company expects to be entitled and to which it has present enforceable rights under the contract. Once the total transaction price is determined, the Company allocates this to the identified performance obligations in proportion to their relative standalone selling prices and revenue is then recognised when (or as) those performance obligations are satisfied.

Discounts are allocated proportionally across all performance obligations in the contract unless directly observable evidence exists that the discount relates to one or more, but not all, performance obligations.

For each performance obligation, the Company determines if revenue will be recognised over time or at a point in time. For each performance obligation to be recognised over time, the Company applies a revenue recognition method that faithfully depicts the Company's performance in transferring control of the goods or services to the customer. This decision requires assessment of the nature of the goods or services that the Company has promised to transfer to the customer. The Company applies an appropriate methodology, typically based on the expected profile of the deferral event (for example claims cost through the policy term or time elapsed).

Revenue streams of the Company

The revenues streams of the Company have been analysed and considered in turn.

Retail revenues arising from the sale of goods and recognised at the point of sale

The retail revenues in the Falkland Islands, which account for approximately 30% of the total Company revenues arise from the sale of goods in the retail outlets and the sale of vehicles and parts at Falklands 4x4, are recognised at the point of sale, which is usually at the till, when the goods are paid for by cash or credit or debit card.

Private house sales are recognised on completion of the single performance obligation of supplying a house, once the keys been handed over to the customer.

Revenue from cars sold is recognised in full when the asset is physically transferred and the benefits and risks of ownership pass to the customer.

Notes *(continued)*

1. Accounting policies *(continued)*

1.3 Revenue recognition (continued)

Revenues arising from the rendering of services and recognised over a period of time
Revenues recognised over time, include rental income from the rental property portfolio, which is recognised monthly as the properties are occupied, and car hire income, which is recognised over the hire period.

Housing revenue is generally recognised on completion of the single performance obligation of supplying a house, once the keys are handed over on legal completion. However, the contract for the 18 houses for the Falklands Islands Government has been deemed to be a contract on which revenue should be recognised over time, as an activity schedule with milestone payments was agreed before the work commenced.

Revenues arising from the rendering of services and recognised immediately
Revenues arising from the rendering of services and recognised immediately include:

- Agency services provided to cruise or fishing vessels for supplying provisions, trips to and from the airport and medical evacuations
- Third party port services;
- Car maintenance revenue, which generally arises on short term jobs
- Penguin travel income earned from tourist tours and airport trips, which is recognised on the day of the tour or airport trip
- Third party freight revenue, which is recognised when the ship arrives in the Falkland Islands.
- Insurance commission earned by FIC for providing insurance services in the Falklands under the terms of an agency agreement with Caribbean Alliance. The insurance commission is recognised in full on inception of each policy, offset by a refund liability held within accruals, for the expected refunds over the next year calculated from a review of the historic refunded premiums.

1.4. Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss.

1.5. IFRS 16: Leases

Impact of initial application of IFRS 16: Leases

FIC has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and is presented under IAS 17.

The adoption of IFRS 16, and the resulting change in the accounting treatment of the UK office rental lease and a less significant phone rental lease, has resulted in a £119,000 asset being recognised on the balance sheet at 31 March 2020, with a £23,000 current lease liability and a £91,000 non-current lease liability. On 1 April 2019, the company recognised a right-of-use asset of £132,000 and a £132,000 lease liability upon transition to IFRS 16 with no retained earnings adjustment being required.

Leased assets treatment for the year ended 31 March 2019 only

IAS 17 has been applied to the results for the year ended 31 March 2019, with rental operating leases charged to the income statement on a straight-line basis over the lease term.

Notes *(continued)*

1. Accounting policies *(continued)*

1.6. IFRS 9 Financial Instruments

Impairment

Loans and receivables, which include trade debtors and hire purchase receivables, are held initially at cost. IFRS 9 mandates the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model, and therefore it is not necessary for a credit event to have occurred before credit losses are recognised. The Company has elected to measure loss allowances utilising probability-weighted estimates of credit losses for trade receivables at an amount equal to lifetime expected credit losses. A detailed review has been conducted of the five year history of impairment of the Company's financial assets, which primarily comprise its portfolio of current trade receivables, and the hire purchase debtors, these assets all have a consistent history of low levels of impairment, the inclusion of specific expected credit loss considerations did not have a material impact on transition.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity 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.

1.7. Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade receivables are carried at amortised cost, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Trade and other creditors

Trade and other payables are stated at their cost less payments made.

Investments

The investment in the jointly controlled entity is carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes *(continued)*

1. Accounting policies (continued)

1.8. Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and finance charges on shares classified as liabilities. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

1.9. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

The estimated useful lives are as follows:

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

1.10. Investment Property

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost less accumulated depreciation and impairment losses. Cost comprises purchase price and directly attributable expenses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each property. The investment property portfolio in the Falklands consists mainly of properties built by FIC, and these and the few properties purchased are depreciated over an estimated useful life of 50 years

1.11. Goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment.

1.12. Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

The work in progress consists of house builds which are still under construction and other third party work performed by Falkland Buildings Services which has not yet been invoiced. This is held at cost until the agreed performance conditions have been reached and the work is invoiced. Work in progress also includes labour and materials allocated to jobs performed by Falklands 4x4 which have not yet been invoiced.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13. Impairment excluding stocks, investment properties and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets
At each reporting date the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists or the asset requires annual impairment testing, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

Recoverable amount is the greater of an asset's or cash-generating unit's fair value less cost to sell or value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

1.14. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the company's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company has one unfunded defined benefit pension scheme, which was closed to new members in 1988, and then to further accrual in 2007. The Company's net obligation in respect of this defined benefit pension scheme is calculated by estimating the amount of future benefit to prior employees discounted to determine the present value of the future benefit. The Company determines the net interest on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA, that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising on the defined benefit scheme comprises actuarial gains and losses. The Company recognises these actuarial gains and losses immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss. The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

Share-based payment arrangements in which the Company receives services as consideration for equity instruments in its parent company are accounted for as equity-settled share-based payment transactions.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards 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 vesting date. For share-based payment awards with market-based 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. Where the Company grants rights to its parent's equity instruments to employees of its own subsidiaries, the Company accounts for these share-based payments as equity-settled. It recognises, in its individual financial statements, an expense in the profit and loss account, with a corresponding credit in equity.

Notes *(continued)*

2 Turnover

By geographical market:

	2020 £000	2019 £000
Falkland Islands	**21,273**	17,183

3 Turnover by revenue stream

2020

	Sale of goods, recognised immediately on sale £'000	Rendering of services: recognised immediately £'000	Rendering of services, provided over a period of time £'000	Total Revenue £'000
Retail sales	10,014	-	-	10,014
Automotive sales	2,187	631	369	3,187
Construction	3,141	-	1,874	5,015
Freight & Port Services	-	347	-	347
Support Services	-	2,010	31	2,041
Rental property income	-	-	669	669
Total Revenue	**15,342**	**2,988**	**2,943**	**21,273**

2019

	Sale of goods, recognised immediately on sale £'000	Rendering of services: recognised immediately £'000	Rendering of services, provided over a period of time £'000	Total Revenue £'000
Retail sales	9,716	-	-	9,716
Automotive sales	2,078	628	343	3,049
Construction	1,544	-	-	1,544
Freight & Port Services	-	407	-	407
Support Services	-	1,908	92	2,000
Rental property income	-	-	467	467
Total Revenue	**13,338**	**2,943**	**902**	**17,183**

Notes *(continued)*

4 Consumer interest income

	2020 £000	2019 £000
Total interest receivable from finance leases and charge cards	**231**	172

5 Expenses and auditor's remuneration

Included in profit are the following:	2020 £000	2019 £000
Direct operating expenses of investment property	**380**	316

Auditor's remuneration:	2020 £000	2019 £000
Audit of these financial statements	**43**	57

6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2020	2019
Falkland Islands	**180**	158

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	**5,127**	4,135
Social security costs	**147**	124
Pension costs (note 19)	**131**	87
	5,405	4,346

Notes *(continued)*

7 Directors' remuneration

	2020 £000	2019 £000
Directors' remuneration	**384**	353
Amounts receivable under long term incentive schemes	**16**	7

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £120,000 (2019: £135,000). On 19 March 2018 28,524 Long term Incentive Plan grants were issued at an exercise price of ten pence to local directors and executives, and vest in March 2021. On 4 July 2019 35,730 Long term Incentive Plan grants were issued at an exercise price of ten pence to local directors and executives, and vest in July 2022. There are various performance conditions attached to these grants. None of these grants are exercisable at 31 March 2020 and no share options were exercised during the year. None of the directors are members of the Falkland Islands company deferred benefit pension scheme. JL Foster is also a director of FIH group plc and is fully remunerated at a group level where his services are primarily directed.

	2020	2019
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	**5**	5

8 Interest payable and similar expenses

	2020 £000	2019 £000
Lease liabilities finance charge	**4**	-
Interest expense on unfunded defined benefit pension scheme liability (note 19)	**65**	72
Total other interest payable and similar expenses	**69**	72

9 Taxation

	2020 £000	2019 £000
Analysis of charge in the year recognised in the Profit and Loss account		
Current taxation		
Current tax on income for the period	**-**	-
Deferred taxation (note 18):		
Origination/reversal of timing differences	**273**	163
Adjustments in respect of prior periods	**(47)**	-
Total deferred tax	**226**	163
Tax charge on profit	**226**	163

Notes *(continued)*

9 Taxation *(continued)*

Deferred tax income recognised in other comprehensive income

	2020 £000	2019 £000
Re-measurements of defined benefit liability	35	9

Reconciliation of effective tax rate

	2020 £000	2019 £000
Profit for the year	789	391
Total tax expense	226	163
Profit excluding taxation	1,015	554
Tax using the Falklands tax rate of 26% *(2019: 26%)*	264	144
Depreciation of ineligible assets	9	19
Adjustments to tax charge in respect of prior periods	(47)	-
Total tax expense	226	163

The deferred tax assets and liabilities in the Falkland Islands have been calculated at the Falklands' tax rate of 26%.

10 Intangible assets

	Goodwill £000
Cost	
Balance at 1 April 2019 and 31 March 2020	37

No impairment or amortisation has been recognised in these accounts, and therefore the net book value of the goodwill in the current and preceding year is £37,000, the same as the original value acquired.

Notes *(continued)*

11 Tangible fixed assets

	Freehold land and buildings £000	Leasehold land and buildings £000	Vehicles, plant and equipment £000	Total £000
Cost				
Balance at 1 April 2019	6,420	533	4,987	11,940
Additions	121	-	1,222	1,343
IFRS 16 transition	-	132	-	132
Transfers to Falklands 4x4 stock	-	-	(196)	(196)
Disposals	-	-	(106)	(106)
Balance at 31 March 2020	6,541	665	5,907	13,113
Depreciation and impairment				
Balance at 1 April 2019	1,193	183	3,117	4,493
Depreciation charge for the year	153	34	375	562
Transfers to Falklands 4x4 stock	-	-	(107)	(107)
Disposals	-	-	(89)	(89)
Balance at 31 March 2020	1,346	217	3,296	4,859
Net book value				
At 31 March 2019	5,227	350	1,870	7,447
At 31 March 2020	**5,195**	**448**	**2,611**	**8,254**

Notes *(continued)*

12 Investment property

	Residential & commercial property £000	Freehold land £000	Total £000
Cost:			
At 1 April 2019	5,345	44	5,389
Additions	1,330	21	1,351
At 31 March 2020	6,675	65	6,740
Accumulated depreciation:			
At 1 April 2019	867	-	867
Charge for the year	132	-	132
At 31 March 2020	999	-	999
Net book value:			
At 31 March 2019	4,478	44	4,522
At 31 March 2020	**5,676**	**65**	**5,741**

The investment properties comprise residential and commercial property held for rental in the Falkland Islands. Investment properties include 65 properties held for rental and 400 acres of land, including 70 acres in Stanley, 58 acres of which have planning permission. In addition, the Company has 300 acres of land on the North shore of Stanley Harbour at Fairy Cove. The net book value of the 700 acres of land held in investment properties is £0.78 million (2019: £0.76 million).

Estimated Fair Value

At 31 March 2020 the fair value of this property portfolio, including £2.1 million of land, £7.3 million of properties available for rent and £0.6 million of properties under construction, was estimated at £10.0 million, which has increased by £1.3 million from the £8.7 million at 31 March 2019, due to the £1.3 million capital investment in the year ended 31 March 2020.

The 65 rental properties are estimated to have a current market value of £7.3 million (2019: £5.8 million); the increase from the prior year is due to the addition of 11 further properties into the investment property portfolio, a block of 9 flats at Camber View, which together with one at Fitzroy Road has been built by the FIC building team, and one complete house purchased in March 2020.

Notes *(continued)*

12 Investment property *(continued)*

The land portfolio in the Falkland Islands has been owned for many years and the estimated value of the land at £2.1 million now exceeds the net book value by £1.4 million. The rental property portfolio is valued at £7.9 million, £2.1 million more than the net book value at 31 March 2020.

A level 3 valuation technique has been applied, using a market approach to value these properties; the properties have been valued based on their expected market value after review by the directors of FIC who are resident in the Falkland Islands and who are considered to have the relevant knowledge and experience to undertake the valuation after consideration of current market prices in the Falkland Islands.

Rental income.

During the year to 31 March 2020, the company received rental income of £669,000 (2019: £467,000) from its investment properties.

Assets under construction

At 31 March 2020, ten investment properties were under construction, including a block of 8 flats and two houses with a total cost to date of £624,000. At 31 March 2019, ten investment properties were under construction, with a total cost of £718,000, these ten houses were all completed during the year to 31 March 2020 and are now all available for rent.

13 Fixed asset investments

	Shares in group undertakings £000
Cost	
At 31 March 2019 and 31 March 2020	**50**

The Company holds one investment consisting of ordinary shares in South Atlantic Construction Company Limited, whose registered address is 45 John Street, Stanley, Falkland Islands and is jointly controlled with Trant Construction Limited.

14 Stocks

	2020 £000	2019 £000
Work in progress	**176**	1,046
Finished goods	**3,947**	3,937
	4,123	4,983

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £12,608,000 *(2019: £8,735,000)*.

Notes *(continued)*

15 Debtors

	2020 £000	2019 £000
Trade debtors	2,546	1,591
Contract asset, long term housing project	73	-
Other debtors	108	289
Hire purchase receivables	596	659
Prepayments	271	314
Accrued income	640	142
Due within one year	4,234	2,995
Hire purchase receivables due after more than one year	519	584
	4,753	3,579

16 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	2,309	2,618
Lease liabilities	23	-
Amounts owed to group undertakings	14,874	13,110
Taxation and social security	86	58
Other creditors	304	774
Loan due to joint venture	249	200
Accruals and deferred income	810	617
	18,655	17,377

The amounts owed to group undertakings of £14,874,000 (2019: £13,110,000) are non-interest bearing and are repayable on demand.

17 Interest-bearing loans and borrowings

	2020 £000	2019 £000
Creditors falling due in more than one year		
Rental lease liabilities	91	-
Shares classified as debt (note 20)	33	33
	124	33

Notes *(continued)*

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020	2019	**2020**	2019	**2020**	2019
	£000	£000	**£000**	£000	**£000**	£000
Tangible fixed assets	**-**	-	**1,564**	1,429	**1,564**	1,429
Tax value of losses	**(28)**	(118)	**-**	-	**(28)**	(118)
Financial liabilities	**(8)**	-	**-**	-	**(8)**	-
Tax (assets) / liabilities	**(36)**	(118)	**1,564**	1,429	**1,528**	1,311
Pension scheme (note 19)	**(677)**	(721)	**-**	-	**(677)**	(721)
Net tax (assets) / liabilities after pension scheme	**(713)**	(839)	**1,564**	1,429	**851**	590

Movement in deferred tax during the year

	1 April 2019 £000	Recognised in income £000	Recognised in equity £000	31 March 2020 £000
Tangible fixed assets	1,429	135	-	1,564
Tax value of losses	(118)	90	-	(28)
Financial liabilities	-	(8)	-	(8)
Share-based payments	-	16	(16)	-
Deferred tax asset on pension scheme liability	(721)	9	35	(677)
	590	242	19	851

Movement in deferred tax during the prior year

	1 April 2018 £000	Recognised in income £000	Recognised in equity £000	31 March 2019 £000
Tangible fixed assets	1,241	188	-	**1,429**
Tax value of losses	(85)	(33)	-	**(118)**
Deferred tax asset on pension scheme liability	(738)	8	9	**(721)**
	418	163	9	**590**

Notes *(continued)*

19 Employee benefits

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:

	2020 £000	2019 £000
Total defined benefit liability	**(2,604)**	(2,772)
Deferred tax asset	**677**	721
Net pension scheme deficit	**(1,927)**	(2,051)

Movements in net defined benefit liability

	Defined benefit obligation 2020 £000	2019 £000
Balance at 1 April	**2,772**	2,839
Included in other comprehensive income		
Re-measurements loss/(gain) arising from:		
Change in actuarial financial assumptions	**23**	(100)
Actuarial Experience adjustment	**(159)**	64
Total included in other comprehensive income	**(136)**	(36)
Interest cost expense, included in profit and loss account	**65**	72
Benefits paid	**(97)**	(103)
Balance at 31 March	**2,604**	2,772

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2020	2019
Rate of increase in pensions in payment and deferred pensions	**2.2%**	2.5%
Discount rate applied to scheme liabilities	**2.5%**	2.4%
Inflation assumption	**2.8%**	3.5%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.7 years (male), 23.4 years (female).
- Future retiree upon reaching 65 in 20 years: 23.6 years (male), 25.5 years (female).

Notes *(continued)*

19 Employee benefits *(continued)*

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions as follows:

	2020	2019
	£000	£000
Discount rate +/- 0.1%	40	43
Inflation assumption +/- 0.1%	(10)	(13)
Life expectancy +/- one year	(120)	(130)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2020 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The Company expects to pay £100,000 to its defined benefit pensioners in the year ended 31 March 2021 and anticipates paying employer contributions into defined contribution schemes amounting to £135,000 during the year ending 31 March 2021. The Company paid £131,000 into defined contribution schemes during the year ended 31 March 2021, as employees were enrolled from April 2019 into the Falkland Islands Pension Scheme.

20 Capital and reserves

Allotted, called up and fully paid share capital

	2020	2019
	£000	£000
897,000 ordinary shares of £1 each	**897**	897
3,300 3.5% of redeemable preference shares of £10 each (note 17)	**33**	33
	930	930
Shares classified as liabilities	**33**	33
Shares classified in shareholders' funds	**897**	897
	930	930

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes *(continued)*

20 *Capital and reserves (continued)*

Dividends

The following dividends were recognised during the year:

	2020	2019
	£000	£000
Interim dividend paid	-	170

The directors do not recommend a final dividend *(2019: £nil)*. At the balance sheet date cumulative preference dividends of £16,170 were not recognised *(2019: £15,015)*.

21 Related parties

On 2 May 2017, KJ Ironside, the Managing Director of the Company ("the Borrower") purchased a property which had been built on approximately 510 square meters of land owned by the Company. The Company agreed to provide a loan of £65,000 for Mr Ironside to purchase the freehold of this land. This loan is to be repaid in full in the event of (i) the sale of the property, (ii) the borrower ceasing to hold any permits or licenses required by law in respect of his ownership or occupation of the Property, (iii) the Borrower ceasing to be employed by the Company at any time before the Borrower's 65th birthday (unless due to ill health), or (iv) the death of the Borrower. £650 of interest is payable each year by KJ Ironside to the Company in respect of this loan.

22 Accounting estimates and judgements

Key sources of estimation uncertainty

In order to prepare the financial statements, management and the Board make various judgments and estimates that can affect the amounts recognized in the financial statements for assets, liabilities, revenues and expenses as well as information in general, including issues with regard to contingent liabilities. The judgments and estimates discussed in this section are those deemed to be most important for an understanding of the financial statements, considering the level of significant estimations and uncertainty.

Net Book Value of non-current assets

The Company's property, plant and equipment and intangible assets, including goodwill, are stated at cost net of accumulated depreciation and any impairment losses. The assets are depreciated over their estimated useful lives to their estimated residual values. The useful lives and residual values of Company assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. Both the estimated useful life and the residual value are reviewed at least at each financial year-end.

Stock provisions

An inventory provision is booked when the realisable value from sale of the inventory is estimated to be lower than the inventory carrying value, or where the stock is slow-moving, obsolete or damaged, and is therefore unlikely to be sold. The quantification of the inventory provision requires the use of estimates and judgements and if actual future demand were to be lower or higher than estimated, the potential amendments to the provisions could have a material effect on the results of the Company.

Notes *(continued)*

22 Accounting estimates and judgements *(continued)*

Defined benefit pension liabilities

At 31 March 2020, 11 pensioners were receiving payments from the FIC defined benefit pension scheme, and there are three deferred members. A significant degree of estimation is involved in predicting the ultimate benefits payment to these pensioners using actuarial assumptions to value the defined benefit pension liability (see note 19). Management have selected these assumptions from a range of possible options following consultations with independent actuarial advisers. There is a range of assumptions that may be appropriate, particularly when considering the projection of life expectancy post-retirement, which is a key demographic assumption, and has been based on UK mortality data, if the life expectancy assumption was one more year than the assumptions used, this would result in an increase of £120,000 in the liability. Selecting a different assumption could significantly increase or decrease the IAS19 value of the Scheme's liabilities. The projections of life expectancy make no explicit allowance for specific individual risks, such as the possible impact of climate change or a major medical breakthrough, the projections used reflect the aggregate impact of the many possible factors driving changes in future mortality rates.

The figures are prepared on the basis that both the FIC pension scheme and the FIC are ongoing. If the scheme were to be wound up, the position would differ, and would almost certainly indicate a much larger deficit.

Revenue recognition on Falkland Islands Government Housing contract

The revenue from the housing contract for the Falkland Islands Government requires the future costs to be estimated, and the current estimates consider it probable that the contract will be profitable. The key judgements in this assessment are (i) the stage of completion of the contract activity at the reporting date, which is assessed and signed off by a Falkland Islands Government representative, and (ii) the future costs to complete the project. A reasonable increase in costs to complete would not result in a material change in the revenue or profit recognised to date.

Warranties on private builds

On the completion of each construction project, FIC set up a provision of 2.5% of the sales proceeds as a warranty against any potential future work required.

23 Contingent liabilities

At 31 March 2020, Portsmouth Harbour Ferry Company Limited, had an £0.3 million bank loan outstanding, which had been drawn down as a £500,000 loan in June 2015 to be repaid over ten years. This loan has been secured against the net assets of FIH group plc and the net assets of all its UK subsidiaries, including the Falkland Islands Company Limited. No provision has been made in these accounts in respect of this loan.

At 31 March 2020, FIH group plc, had an £13.4 million ten-year bank loan outstanding, which had been drawn down on 28 June 2019, with interest charged at LIBOR plus 1.75%. Under the terms of the cross guarantee with HSBC, the Group's bank, this loan has been secured against the assets of FIH group plc and all its subsidiaries. No provision has been made in these accounts in respect of this loan.

24 Ultimate parent company

The immediate and ultimate parent company is FIH group plc, a company incorporated in Great Britain. A copy of the financial statements of FIH group plc, in which the results of Falkland Islands Company Limited are consolidated, can be obtained from FIH group plc, Kenburgh Court, 133-137 South Street, Bishop's Stortford, Hertfordshire CM23 3HX.

Notes *(continued)*

25 Post Balance Sheet Events

As a result of COVID-19 and the resulting lockdown in the UK, together with the closure of UK and international museums and art galleries, FIH Group plc is currently incurring substantial monthly losses at PHFC and Momart, which are only partially offset by continued profitable trading in The Falkland Islands Group of Companies. A substantial number of UK employees have been placed on furlough, as the Group has taken advantage of the UK Government's Job Retention Scheme. Since the severity of the situation has been known, the Group has prepared detailed twenty-four month cash flows forecasts in discussion with the local management teams of each business, which factor in the likely cash flows after consideration of the impact of the pandemic on revenue, salary cuts, bank loan repayment holidays and government assistance. These have been updated regularly and reviewed at fortnightly Board calls where key assumptions have been monitored against actual performance to ensure that there was no increased risk of more adverse outcomes developing including a deterioration in FIC trading or a more protracted lockdown, beyond those contemplated in the "realistic worst case" scenario. A Substantial number of UK Group employees at Momart and PHFC have also been made redundant due to the decrease in operations at these companies.

Loan facility terms have been reviewed with particular attention paid to covenants, none of which are forecast to be breached by any currently foreseeable events. After careful consideration of the cash flow forecasts, including the "realistic worst case" scenario, by the Board, together with the additional £5.0 million facility arranged under the UK Government's CBILS loan guarantee scheme, the directors are satisfied the Group's existing resources (including committed banking facilities) are sufficient to meet its needs. As a consequence, the directors believe that the Group is well placed to manage the impact of COVID-19 on its businesses and have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, and have continued to adopt the going concern basis in preparing the financial statements.