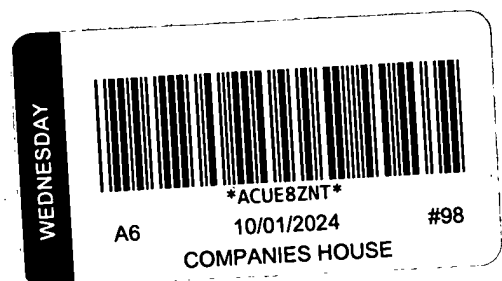


Falkland Islands Company Limited

Annual Report and Financial Statements

**Registered Number 00074300
For the Year Ended 31 March 2023**



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Company Information

Directors

T Francis
SJH Knipe
SI Munro
PA Smith
JA Williams

Registered number

00074300

Registered office

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

Auditor

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

Strategic Report

The directors present the strategic report for Falkland Islands Company Limited (the “Company”) for the year ended 31 March 2023.

Business Review

Total revenue increased by 35.0% to £28.9 million, with improvements across all sectors of the Company. Falkland Business Services (“FBS”) was the predominant growth area, driven by the £17.3 million housing contract to construct seventy houses for the Falkland Islands Government (“FIG”) and the UK Ministry of Defence (“MOD”) secured in November 2021.

The ban on tourists entering the Falkland Islands was lifted in May 2022 and Stanley once again welcomed visitors arriving on cruise ships in the austral summer season. Over 59,000 tourists visited (2022: nil), despite some vessels cancelling their visits at short notice due to changeable weather conditions.

Whilst the retail environment continued to be challenging, the strong tourist season, combined with targeted price increases, resulted in a recovery in retail revenue compared to the year-on-year revenue reduction experienced in the first half of the year.

The overall pre-tax profit for FIC of £0.8 million was in line with prior year, albeit at a reduced level of profit margin, due largely to the mix and proportion of FBS activity.

The company’s balance sheet remained strong, with total net assets growing to £4.6m (2022: £3.8m).

Key Performance Indicators and Operational Drivers

Year Ended 31 March	2019	2020	2021	2022	2023
Staff Numbers (FTE)*	158	180	189	208	227
Capital Expenditure £'000	2,348	2,694	1,060	2,425	1,206
Retail Sales growth %	+5.7	+3.1	-3.0	-0.4	+2.1
Number of Company’s rental properties**	54	65	75	83	85
Average occupancy during the year (%)	84	89	93	86	90
Number of vehicles sold	76	71	71	81	82
Number of 3rd party houses sold***	6	22	15	11	14
Illex squid catch in tonnes (000’s)	57.4	57.6	106.1	123.8	66.8
Cruise ship passengers (000’s)	62.5	72.1	Nil	Nil	73.4

* Restated to show average number of employees

** Includes ten mobile homes rented to staff.

*** Relate to kit home sales to third parties, and exclude houses built under contract for the Falkland Islands Government (FIG).

Strategic Report *(Continued)*

Principal Risks and Uncertainties

The Company 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 that year's squid catch. Risks faced by the Company include the following:

Risk	Comment	Potential Impact
OPERATIONAL RISK		
PANDEMIC Failure to respond in time to the impact of a future pandemic may result in disruption to the company's operations through staff absenteeism, disruption to supply chains and the logistics the company's businesses rely on to deliver products and services to customers.	Whilst the prevalence and severity of the impact of COVID continues to diminish, other similar future virus outbreaks cannot be discounted. A watching brief will be maintained, utilising previous learning to assess the impact of potential virus outbreaks on operations should they arise, and to determine appropriate mitigating actions.	Low - decreased
CYBER RISK A cyber security breach can result in unauthorised access to company information, potential misuse of information systems, technology or data.	There is a growing level of sophistication, scale and volume of targeted cyber incidents which could impact on company trading and potential loss of assets. A full review of the IT security environment has been commissioned to modernise prevention measures.	Moderate - new
DATA PRIVACY Failure to comply with legal or regulatory requirements relating to data privacy in the course of business activities potentially leading to adverse consequences, penalties or consequential litigation.	Governance and oversight protocols are regularly reviewed to maintain vigilance in protection of the company's customer and staff data.	Low - new
HEALTH AND SAFETY The company is required to comply with laws and regulation governing occupational health and safety matters. Furthermore, accidents could happen which might result in injury to an individual, claims against the Company and damage to its reputation.	Health & Safety ("HSE") matters are considered a key priority for the Board of Directors of the Company. All staff receive relevant HSE training when joining the Company and receive refresher and additional training as is necessary. Training courses cover lifting and manual handling, asbestos awareness and fire extinguisher training. HSE audits are conducted on a regular basis and FIC employs an HSE professional on a full-time basis to ensure best practice is used across the Company.	Low - Unchanged
COMPLIANCE Failure to comply with the frequently changing regulatory environment could result in reputational damage or financial penalty.	The regulatory environment continues to become increasingly complex. The company uses specialist advisers to help evolve appropriate policies and practices. Close monitoring of regulatory and legislation changes is maintained to ensure our policies and practices continue to comply with relevant legislation. Staff training is provided where required.	Low - Unchanged

Risk	Comment	Potential Impact
POLITICAL RISK		
Historically, Argentina has maintained a claim to the Falkland Islands, and this dispute has never been officially resolved.	Relations between the UK and Argentina continue to be strained. However, the security afforded by the UK Government's commitment to the Islands upholds the freedom and livelihood of the people of the Falkland Islands and thereby of the Company. Provided UK Government support is maintained the security of the people of the Falkland Islands is judged to be a low risk.	Low – Unchanged
ECONOMIC CONDITIONS		
Inflationary pressures across all company businesses impact the cost of wages, services and products.	Continued focus on cost efficiency. Customer and supplier contracts structured to limit or pass on inflation risk. Cost inflation monitored closely and passed on to customers via price increases wherever possible.	High - unchanged
CREDIT RISK		
Credit risk is the risk of financial loss if a customer fails to meet its contractual obligations	Effective processes are in place to monitor and recover amounts due from customers.	Low - unchanged
COMPETITION		
The Company 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 the company and stimulates continuing business improvement.	Low - Unchanged
Large capital infrastructure investment projects may entice larger overseas businesses to look at the opportunities available and reduce the ability of the Company to undertake the work.	The Company has been successful in winning work against overseas competitors and has built up strong links with the Falkland Islands Government (FIG) and the Ministry of Defence (MOD).	Moderate – unchanged
FOREIGN CURRENCY		
The company's retail outlets accept foreign currency and are exposed to fluctuations in the value of the dollar and euro.	Forward exchange contracts are used to mitigate this risk, with the exchange rate fixed for all significant contracts.	Low - Unchanged
INVENTORY		
There is a risk of loss on realising the carrying value of inventory on its ultimate sale. Losses include obsolescence, shrinkage or changes in market demand such that products are only saleable at prices that produce a loss. The company holds significant inventories in the Falkland Islands and it is very expensive to return excess or obsolete stock back to the UK.	Reviews of old and slow-moving stock are regularly undertaken by senior management and appropriate action taken.	Moderate- Unchanged

Falkland Islands Company Limited
Annual Report and Financial Statements
For the Year Ended 31 March 2023

Risk	Comment	Potential Impact
PEOPLE		
Loss of one or more key members of the senior management team, or failure to attract and retain experienced and skilled people at all levels across the business, could have an adverse impact.	None of the company's activities are reliant on the skills of any one person. The wide spread of the company's operations further dilutes the risk.	Low - Unchanged
The company relies on being able to attract staff from overseas, including many from St Helena. Development of those locations might reduce the pool of available staff.	The development of tourism on St Helena has been slow and the Falkland Islands remain an attractive location for St Helenian people to work.	Low - Unchanged
The company is experiencing a shortage of skilled employees as the businesses grow and recover from the pandemic	This has driven wages costs up	Moderate - Unchanged

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 Company as a whole, during the year ended 31 March 2023, 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.

The Company's stakeholders include: its customers; colleagues; suppliers; communities; environment; governments and regulatory authorities; the media; non-governmental organisations; shareowners and analysts; and debt providers.

The key information pertaining to the Company's colleagues, suppliers, communities and environment is included in the Directors' Report.

For further details, please see FIH group plc's Annual Report – pages 24-26.

Results and Dividends

The profit for the year after taxation was £461,000 (2022: £508,000).

No dividend was paid in the year (2022: £nil). The directors do not recommend the payment of a final dividend (2022: £nil).

Signed on behalf of the board by:

Philip Smith

P Smith
Director

Dated: 20 December 2023

Directors' Report

The directors present their annual report and the financial statements for the Company for the year ended 31 March 2023.

Principal Activities

The principal activities of the company cover a wide range of services to the local economy, including wholesaling and distribution, construction, shipping services, including port agency and general retailing in the Falkland Islands.

Donations

The Company made charitable donations amounting to £15,803 (2022: £16,214).

Directors

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

P Clunie	<i>Resigned 31 January 2023</i>	
SJ Dent	<i>Resigned 19 May 2023</i>	
JL Foster	<i>Resigned 14 April 2022</i>	
T Francis		
KJ Ironside	<i>Resigned 12 September 2023</i>	
SJH Knipe		
SI Munro	<i>Appointed 14 April 2022</i>	
R Shamuyarira	<i>Appointed 31 January 2023</i>	<i>Resigned 12 September 2023</i>
PA Smith	<i>Appointed 12 September 2023</i>	
RA Smith	<i>Resigned 9 May 2022</i>	
JA Williams		

Directors' Indemnity

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

Matters covered in Strategic Report

The Strategic Report includes the business review, s172 compliance statement, key performance indicators, principal risk and uncertainties and future developments.

Going Concern

When assessing the going concern principle for the Company, considerations of the Directors include, but are not limited to, the following: the financial position of the Company as at 31st March 2023 and the most recent cash position.

Furthermore, the Company has received confirmation from its parent company that it will continue to support the Company for at least twelve months from the date of the approval of these financial statements.

A positive going concern assessment at a Group level covering a period to 31st March 2025, including potential downside scenarios to the base case forecast, provide additional assurance to the Company regarding support from the parent company. For these reasons, the going concern basis has been adopted in preparing the financial statements.

Disclosure of Information to Auditor

The directors who held office at the date of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's external auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's external auditor is aware of that information.

Directors' Report *(Continued)*

Auditor

During the year KPMG LLP resigned as auditors and Grant Thornton UK LLP was appointed. Pursuant to Section 487 of the Companies Act 2006, Grant Thornton UK LLP will therefore continue in office.

Financial risk management

The Board approves treasury policies and senior management directly control day-to-day operations within these policies.

The Company's retail outlets accept foreign currency and are exposed to fluctuations in the value of the dollar and euro. The Company is therefore exposed to fluctuations in the value of dollar and euro but the risk is not material.

Credit risk is the risk of financial loss if a customer fails to meet its contractual obligations. The Company is exposed to credit risk. Effective processes are in place to monitor and recover amounts due from customers.

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.

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, and employee surveys.

Suppliers

We aim to build long-term relationships with our suppliers that help ensure the continued delivery of the high-quality services the Company provides. 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 Company is committed to doing its part to protect the local and global environment, minimising the environmental impacts of its activities, products and services, and to the continual improvement of its environmental performance.

Steps already taken include:

- Elimination of plastic bags from all retail outlets and use of paper cups, straws, and other recyclable packaging in the Company's cafes wherever possible;
- LED lighting in offices, warehouses and retail outlets;
- Utilisation of best practice insulation methods for building construction and renovation; and
- Incorporation of ground heat source systems into new build structures.

Signed on behalf of the board by:

P Smith
Director

Philip Smith

Dated: 20 December 2023

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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 2023, which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in shareholders' equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from inflation and high interest rates, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Members of Falkland Islands Company Limited (Continued)

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements set out on page eight, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Falkland Islands Company Limited (Continued)

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are most applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (FRS 101 Reduced Disclosure Framework, the Companies Act 2006, National Minimum Wage Act 1998 and relevant UK and Falkland Islands tax legislation);
- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the industry in which it operates through our general and commercial and sector experience, discussions with management and inspection of legal correspondence. We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries of management and of those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
 - o Identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;
 - o Challenging assumptions and judgements made by management in its significant accounting estimates; and
 - o Identifying and testing journal entries, in particular manual journal entries to revenue.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - o Understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation; and
 - o Knowledge of the industry in which the company operates.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of Falkland Islands Company Limited *(Continued)*

Use of our report

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.

Grant Thornton UK LLP

Matthew Buckingham
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
20 December 2023

Profit and Loss Account and Other Comprehensive Income
For the Year Ended 31 March 2023

	<i>Note</i>	2023 £000	2022 £000
Turnover	2	28,904	21,407
Cost of sales		(18,622)	(11,132)
Gross profit		10,282	10,275
Consumer finance income	4	163	190
Administrative expenses		(9,583)	(9,576)
Operating profit		862	889
Interest payable and similar expenses	8	(74)	(60)
Profit before taxation		788	829
Tax on profit	9	(327)	(321)
Profit for the financial year		461	508
Other Comprehensive Income			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurement of the net defined benefit liability	19	553	237
Deferred tax on the re-measurement of the net defined benefit liability		(176)	(62)
Other comprehensive income for the year		377	175
Total comprehensive income for the year		838	683

The accompanying notes from page 16 form part of these Financial Statements.

All amounts relate to continuing activities.

Balance Sheet
At 31 March 2023

	<i>Note</i>	2023	2022
		£000	£000
Fixed assets			
Intangible assets	<i>10</i>	227	104
Tangible assets	<i>11</i>	8,146	8,061
Investment property	<i>12</i>	7,205	7,447
Investments in joint ventures	<i>13</i>	50	50
		15,628	15,662
Current assets			
Stocks	<i>14</i>	4,719	5,665
Debtors	<i>15</i>	6,025	4,069
Cash at bank and in hand		3,255	1,489
		13,999	11,223
Current liabilities			
Creditors: amounts falling due within one year	<i>16</i>	(21,068)	(19,062)
Net current liabilities		(7,069)	(7,839)
Total assets less current liabilities		8,559	7,823
Creditors due in more than one year	<i>17</i>	(55)	(78)
Deferred tax liability	<i>18</i>	(1,894)	(1,389)
Pension liability	<i>19</i>	(1,978)	(2,562)
Net assets		4,632	3,794
Capital and reserves			
Called up share capital	<i>20</i>	897	897
Profit and loss account		3,735	2,897
Shareholders' funds		4,632	3,794

The accompanying notes from page 16 form part of these Financial Statements.

These financial statements, of which the accompanying notes form an integral part, were approved by the board of directors on 20 December 2023 and were signed on its behalf by:

Philip Smith

P Smith
Director

Company registered number: 74300

Statement of Changes in Shareholders' Equity

	Called up Share Capital £000	Profit and Loss Account £000	Total Equity £000
Balance at 1 April 2021	897	2,214	3,111
Total comprehensive income for the year			
Profit for the year after tax	-	508	508
Re-measurement of the defined benefit pension liability, net of tax	-	175	175
Total comprehensive income for the year	-	683	683
Balance at 31 March 2022	897	2,897	3,794
Total comprehensive income for the year			
Profit for the year after tax	-	461	461
Re-measurement of the defined benefit pension liability, net of tax	-	377	377
Total comprehensive income for the year	-	838	838
Balance at 31 March 2023	897	3,735	4,632

The accompanying notes from page 16 form part of these Financial Statements.

Notes to the Financial Statements *(forming part of the financial statements)*

1 Accounting Policies

1.1. General Information

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 227 (2022: 208) 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.

1.2. Basis of Preparation

The directors opted to prepare these financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Company intends to continue to use this accounting framework until further notice.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of applicable accounting standards in the United Kingdom, but makes amendments where necessary in order to comply with Companies Act 2006.

FRS 101 allows certain exemptions from the requirements of International Financial Reporting Standards (‘IFRS’) to avoid duplication of information provided in the Group financial statements. The Company has taken advantage of the following disclosure exemptions under FRS101:

- the requirements of IFRS 7 ‘Financial Instruments: Disclosures’;
- Paragraphs 91 to 99 of IFRS 13 ‘Fair Value Measurement’, so exempting the Company from disclosing valuation techniques and inputs used for the measurement of assets and liabilities;
- Paragraphs 120 to 122 of IFRS 15 ‘Revenue from Contracts with Customers’, so exempting the Company from disclosing remaining performance obligations;
- Paragraph 38 of IAS 1 ‘Presentation of Financial Statements’, exempting the Company from disclosing comparative information required by:
 - paragraph 79(a)(iv) of IAS 1 – shares outstanding at the beginning and at the end of that period
 - paragraph 118(e) of IAS 38 ‘Intangible Assets’ – reconciliations between the carrying amount at the beginning and end of that period;
- The following paragraphs of IAS 1 ‘Presentation of Financial Statements’:
 - paragraphs 10(d) and 111, so exempting the Company from providing a cash flow statement and information
 - paragraph 16, so exempting the Company from providing a statement of compliance with all IFRS
 - paragraph 38A, so exempting the requirement for a minimum of two of each primary statement and the related notes
 - paragraphs 38B to D, so exempting the Company from the requirement to provide additional comparative information
 - paragraphs 134 to 136, so exempting the Company from presenting capital management disclosures;
 - IAS 7 ‘Statement of Cash Flows’;

Notes to the Financial Statements *(Continued)*

1 Accounting Policies *(Continued)*

1.2 Basis of Preparation *(Continued)*

- Paragraphs 30 and 31 of IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’, so exempting the Company from disclosing information where it has not applied a new IFRS which has been issued but is not yet effective; Paragraph 17 of IAS 24 ‘Related Party Disclosures’, so exempting the Company from providing key management compensation; and
- The requirements in IAS 24 ‘Related Party Disclosures’ to disclose related party transactions with wholly-owned members of the Group.

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 23.

The financial statements are presented in pounds sterling, rounded to the nearest thousand and are prepared on the historical cost basis.

1.3 Going Concern

The Company is in net current liabilities position largely due to amounts owing to other Group undertakings. Notwithstanding this, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for following reasons.

The Company’s going concern is dependent on the Company’s ultimate parent undertaking. The 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.

A positive going concern assessment at a Group level covering a period to 31st March 2025, including potential downside scenarios to the base case forecast, provide additional assurance to the Company regarding support from the parent company.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes to the Financial Statements *(Continued)*

1 Accounting Policies *(Continued)*

1.4. Revenue Recognition

The Company recognised revenue under IFRS 15 Revenue. The standard requires revenue to be recognised under a 'five-step' approach when a customer obtains control of goods or services in line with the performance obligations identified on the contract. Under IFRS 15, revenue recognition must reflect 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; and
- 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.

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.

Notes to the Financial Statements (Continued)

1. Accounting Policies (Continued)

1.4 Revenue Recognition (Continued)

Retail Revenues Arising from the Sale of Goods and Recognised at the Point of Sale

The retail revenues in the Falkland Islands 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. A finance lease receivable arises on the sale of goods when the Group provides finance for the purchases as the Group is considered under IFRS 16, to be a dealer lessor.

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, larger, multi-house contracts such as the construction of houses for FIG are treated as long term construction contracts as detailed below.

Revenues Arising from the Rendering of Services and Recognised over a Period of Time

Long Term Construction Contracts

Revenue from long term construction contracts is recognised under IFRS 15 by the application of the input method using the direct measurement of the goods or services provided to date, including materials and labour. Un-invoiced amounts are presented as contract assets and amounts invoiced in advance of delivery are presented as contract liabilities.

Where a modification is required, the Company assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied by the Company or whether it is a modification to the existing performance obligation

Other Revenues Recognised Over Time

Other 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.

Revenues Arising from the Rendering of Services and Recognised Immediately

Other 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 the Company 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.

Notes to the Financial Statements *(Continued)*

1. Accounting Policies *(Continued)*

1.5. Foreign Currencies

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the relevant rates of exchange ruling at the balance sheet date and the gains or losses thereon are included in the income statement.

Non-monetary assets and liabilities are translated using the exchange rate at the date of the initial transaction.

1.6. IFRS 9 Financial Instruments

Impairment

Loans and receivables, which include trade debtors and finance lease 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.

1.7. Non-Derivative Financial Instruments

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

Trade and Other Receivables

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 Payables

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 in the balance sheet comprise cash balances and call deposits with an original maturity of three months or less.

Interest-Bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Notes to the Financial Statements (Continued)

1. Accounting Policies (Continued)

1.8. Tangible Fixed Assets

Tangible fixed assets 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 part of an item of tangible fixed assets. The estimated useful lives are as follows:

Freehold buildings	20 – 50 years
Long leasehold land and buildings	50 years
Vehicles, plant and equipment	4 – 10 years

The carrying value of assets and their useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. If an indication of impairment exists, the assets are written down to their recoverable amount and the impairment is charged to the income statement in the period in which it arises. Freehold land and assets under construction are not depreciated.

1.9. 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 the Company, and these and the few properties purchased are depreciated over an estimated useful life of 50 years.

1.10. IFRS 16 Leases

At inception of a contract, the Company assesses whether it is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17. The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

As a Lessee

The Company:

- recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments; and
- recognises depreciation of right-of-use assets and interest on lease liabilities in the profit and loss account.

Lease incentives (e.g. rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'administrative expenses' in profit and loss account.

Right-of-use assets are tested for impairment in accordance with IAS 36 as specified by IFRS 16.

Notes to the Financial Statements (Continued)

1 Accounting Policies (Continued)

1.10. IFRS 16 Leases (Continued)

As a Lessor

In accordance with IFRS 16, leases where the Company is a lessor continue to be classified as either finance leases or operating leases and are accounted for differently.

When goods are purchased on finance, a finance lease receivable is recorded in FIC and the goods are removed from the balance sheet when the finance lease agreements are signed and instead, a receivable due from the customer is recorded, as the title of the vehicles, or other goods, such as furniture, white goods or other electrical items, are deemed to have passed to the customer at that point.

Finance lease receivables are shown in the balance sheet under current assets to the extent they are due within one year, and under non current assets to the extent that they are due after more than one year, and are stated at the value of the net investment in the agreements. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Company's rental property agreements which are only ever for a maximum of 12 months, and with titles that will never pass to the customer, continue to be classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. The rental property portfolio, which is held for leasing out under operating leases are included in investment property (where they constitute land and buildings) or in property, plant and equipment (where they do not constitute land and buildings) at cost less accumulated depreciation and impairment losses.

1.11. 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 includes all costs incurred in bringing each product to its present location and condition. The cost of raw materials, consumables and goods for resale comprises purchase cost, on a weighted average basis and where applicable includes expenditure incurred in transportation to the Falkland Islands. Work-in-progress and finished goods cost includes direct materials and labour plus attributable overheads based on a normal level of activity. Construction-in-progress is 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.

1.13. Consumer Finance Income

Consumer finance income consists of interest receivable on the finance lease receivable, which is calculated on a sum of digits basis, which allocates more interest on the earlier periods, when the debt is higher, and interest receivable from charge cards, which are Company's credit cards issued to customers including staff.

1.14. Finance Income and Expense

Net financing costs comprise interest payable and interest receivable excluding consumer finance income, are recognised in the profit and loss account. Interest income and interest payable are recognised as a profit or loss as they accrue, using the effective interest method.

Notes to the Financial Statements (Continued)

1 Accounting policies (Continued)

1.15. 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

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

1.16. Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Current tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income 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 using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary timing differences are not recognised:

- Goodwill not deductible for tax purposes; and
- Initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits.
- Temporary differences related to investments in subsidiaries, to the extent that it is probable that they will not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is recognised at the tax rates that are expected to be applied to the temporary differences when they reverse, based on rates that have been enacted or substantially enacted by the reporting date.

1.17. Government Assistance

Receipts from government assistance programs such as, furlough, are recorded as other income within the income statement (note 5).

Notes to the Financial Statements (Continued)

1 Accounting Policies (Continued)

1.18. 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. The assets of all these schemes are held separately from those of the Company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect to the accounting period.

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 the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to its present value. The liability discount rate is the yield at the balance sheet date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are recognised immediately within profit and loss. The net interest cost on the defined benefit liability for the period is determined by applying the discount rate used to measure the defined benefit obligation at the end of the period to the net defined benefit liability at the beginning of the period. It takes into account any changes in the net defined benefit liability during the period. Re-measurements of the defined benefit pension liability are recognised in full in the period in which they arise in the statement of comprehensive income.

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.

Notes to the Financial Statements (Continued)

2 Turnover

By geographical market:

	2023 £000	2022 £000
Falkland Islands	28,904	21,407

3 Turnover by Revenue Stream

	2023			
	Sale of goods, recognised at a point in time £'000	Rendering of services, recognised at a point in time £'000	Rendering of services, provided over a period of time £'000	Total Revenue £'000
Retail sales	9,937	-	-	9,937
Automotive sales	2,275	294	485	3,054
Construction	1,943	-	10,206	12,149
Support Services	-	1,949	825	2,774
Rental property income	-	-	990	990
Total Revenue	14,155	2,243	12,506	28,904

	2022			
	Sale of goods, recognised at a point in time £'000	Rendering of services, recognised at a point in time £'000	Rendering of services, provided over a period of time £'000	Total Revenue £'000
Retail sales	9,667	-	-	9,667
Automotive sales	2,034	372	364	2,770
Construction	1,499	-	4,298	5,797
Support Services	-	1,428	868	2,296
Rental property income	-	-	877	877
Total Revenue	13,200	1,800	6,407	21,407

Notes to the Financial Statements (Continued)

4 Consumer Interest Income

	2023	2022
	£000	£000
Total interest receivable from finance leases and charge cards	163	190

5 Expenses and Auditor's Remuneration

Included in profit are the following:

	2023	2022
	£000	£000
Direct operating expenses of investment property	463	465
Depreciation	1,231	1,021
Covid-19 funding	47	-

Auditor's remuneration:

	2023	2022
	£000	£000
Audit of these financial statements	47	44

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	
	2023	2022
Falkland Islands	227	208

The aggregate payroll costs of these persons were as follows:

	2023	2022
	£000	£000
Wages and salaries	6,865	6,107
Social security costs	210	186
Pension costs	222	181
	7,297	6,474

Notes to the Financial Statements (Continued)

7 Directors' Remuneration

	2023 £000	2022 £000
Directors' remuneration	536	525
Amounts receivable under long term incentive schemes	-	17
	<u>536</u>	<u>542</u>

Retirement benefits accrued to six (2022: seven) directors during the year under money purchase schemes. None of the directors are members of the Falkland Islands company deferred benefit pension scheme. Qualifying services were received under share option schemes from six (2022: six).

The highest paid directors' emoluments were as follows:

	2023 £000	2022 £000
Directors' remuneration	181	158
Amounts receivable under long term incentive schemes	-	3
	<u>181</u>	<u>161</u>

SI Munro and R Shamuyarira were also directors of FIH group plc and were remunerated at a Group level, where their services were primarily directed.

8 Interest Payable and Similar Expenses

	2023 £000	2022 £000
Lease liabilities finance charge	4	4
Interest expense on unfunded defined benefit pension scheme liability (note 19)	70	56
	<u>74</u>	<u>60</u>
Total other interest payable and similar expenses	74	60

9 Taxation

	2023 £000	2022 £000
<i>Analysis of charge in the year recognised in the profit and loss account</i>		
<i>Current taxation</i>		
Current tax on income for the period	(30)	23
Adjustments in respect of prior periods	28	-
<i>Deferred taxation (note 18):</i>		
Origination/reversal of timing differences	329	248
Adjustments in respect of prior periods	-	50
	<u>327</u>	<u>321</u>
Tax charge on profit	327	321

Notes to the Financial Statements (Continued)

9 Taxation (Continued)

Deferred tax (expense) / income recognised in other comprehensive income

	2023 £000	2022 £000
Re-measurements of defined benefit liability	(176)	(62)

Reconciliation of Effective Tax Rate

	2023 £000	2022 £000
Profit for the year	461	508
Total tax expense	327	321
Profit excluding taxation	788	829
Tax using the Falklands tax rate of 26% (2022: 26%)	205	216
Expenses not deductible for tax purposes	41	37
Group Relief	19	-
Adjustments to tax charge in respect of prior periods	28	50
Other short term timing differences	34	18
Total tax expense	327	321

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

10 Intangible Assets

Cost	Computer Software £000	Goodwill £000	Total £000
Balance at 1 April 2022	67	37	104
Additions	81	-	81
Transfer from Investment Property	42	-	42
Balance 31 March 2023	190	37	227

No impairment or amortisation has been recognised in these accounts.

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 2022	6,480	658	7,076	14,214
Additions	29	-	1,079	1,108
Disposals	(4)	-	(85)	(89)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2023	6,505	658	8,070	15,233
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment				
Balance at 1 April 2022	1,643	254	4,256	6,153
Depreciation charge for the year	146	14	862	1,021
Disposals	-	-	(88)	(88)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2023	1,789	268	5,030	7,087
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2022	4,837	404	2,820	8,061
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2023	4,716	390	3,040	8,146
	<hr/>	<hr/>	<hr/>	<hr/>

Included within leasehold land and buildings are right of use assets with a cost of £142,000 (2022: £135,000) and a net book value at 31 March 2023 of £52,000 (2022: £69,000).

Notes to the Financial Statements (Continued)

12 Investment Property

	Residential & Commercial Property £000	Freehold Land £000	Total £000
Cost:			
At 1 April 2022	8,566	114	8,680
Additions	10	-	10
Transfers to the Intangibles	(42)	-	(42)
	<hr/>	<hr/>	<hr/>
At 31 March 2023	8,534	114	8,648
	<hr/>	<hr/>	<hr/>
Accumulated depreciation:			
At 1 April 2022	1,233	-	1,233
Charge for the year	210	-	210
	<hr/>	<hr/>	<hr/>
At 31 March 2023	1,443	-	1,443
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 March 2022	7,333	114	7,447
	<hr/>	<hr/>	<hr/>
At 31 March 2023	7,091	114	7,205
	<hr/>	<hr/>	<hr/>

The investment properties, held at cost, comprise land, plus residential and commercial property held for rental in the Falkland Islands.

Estimated Fair Value

	2023 £000	2022 £000
Estimated fair value:		
Freehold land	2,177	2,177
Properties available for rent	10,420	10,139
Properties under construction	43	173
	<hr/>	<hr/>
At 31 March	12,640	12,489
	<hr/>	<hr/>
Uplift on net book value:		
Freehold land	2,063	2,063
Properties available for rent	3,286	2,979
	<hr/>	<hr/>
At 31 March	5,349	5,042
	<hr/>	<hr/>
Number of rental properties:		
Available for rent	85	83
Under construction	-	2

Notes to the Financial Statements (Continued)

12 Investment Properties (Continued)

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 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 2023, the Group received rental income of £990,000 (2022: £877,000) from its investment properties.

Assets Under Construction

At 31 March 2023, improvements to the FIC jetty in Stanley were included in investment property assets under construction (2022: 2 housing units) with a total cost to date of £43,000 (2022: £173,000).

13 Investments in Joint Ventures

**Shares in
Group
Undertakings
£000**

Cost

At 31 March 2022 and 31 March 2023

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

	2023 £000	2022 £000
Work in progress	213	969
Finished goods	4,506	4,696
	4,719	5,665

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £13,960,000 (2022: £9,457,000).

Notes to the Financial Statements (Continued)

15 Debtors

	2023 £000	2022 £000
Trade debtors	3,105	1,708
Other debtors	954	325
Finance lease receivables	397	511
Prepayments	373	491
Accrued income	515	265
	<hr/>	<hr/>
Due within one year	5,344	3,300
Finance lease receivables due after more than one year	681	725
Rental deposits	-	44
	<hr/>	<hr/>
	6,025	4,069
	<hr/> <hr/>	<hr/> <hr/>

16 Creditors: Amounts Falling Due Within One Year

	2023 £000	2022 £000
Trade creditors	3,139	1,632
Lease liabilities	25	25
Amounts owed to Group undertakings	15,097	14,864
Taxation and social security	81	-
Other creditors	372	1,221
Loan due to joint venture	249	249
Accruals and deferred income	2,073	1,015
Corporation tax	32	56
	<hr/>	<hr/>
	21,068	19,062
	<hr/> <hr/>	<hr/> <hr/>

The amounts owed to Group undertakings of £15,097,000 (2022: £14,864,000) are non-interest bearing, unsecured and are repayable on demand.

17 Interest-Bearing Loans and Borrowings

	2023 £000	2022 £000
Creditors falling due in more than one year		
Rental lease liabilities	22	45
Shares classified as debt (note 20)	33	33
	<hr/>	<hr/>
	55	78
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements (Continued)

18 Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
	£000	£000	£000	£000	£000	£000
Tangible fixed assets	-	-	2,384	2,063	2,384	2,063
Financial liabilities	(8)	(8)	-	-	(8)	(8)
	<u>(8)</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>(8)</u>	<u>(8)</u>
Tax (assets) / liabilities	(8)	(8)	2,384	2,063	2,376	2,055
Pension scheme (note 19)	(482)	(666)	-	-	(482)	(666)
	<u>(482)</u>	<u>(666)</u>	<u>-</u>	<u>-</u>	<u>(482)</u>	<u>(666)</u>
Net tax (assets) / liabilities after pension scheme	(490)	(674)	2,384	2,063	1,894	1,389
	<u>(490)</u>	<u>(674)</u>	<u>2,384</u>	<u>2,063</u>	<u>1,894</u>	<u>1,389</u>

Movement in deferred tax during the year

	1 April 2022	Recognised in Income	Recognised in Equity	31 March 2023
	£000	£000	£000	£000
Tangible fixed assets	2,063	321	-	2,384
Financial liabilities	(8)	-	-	(8)
Deferred tax asset on pension scheme liability	(666)	8	176	(482)
	<u>1,389</u>	<u>329</u>	<u>176</u>	<u>1,894</u>

Movement in deferred tax during the prior year

	1 April 2021	Recognised in Income	Recognised in Equity	31 March 2022
	£000	£000	£000	£000
Tangible fixed assets	1,776	287	-	2,063
Financial liabilities	(8)	-	-	(8)
Deferred tax asset on pension scheme liability	(739)	11	62	(666)
	<u>1,029</u>	<u>298</u>	<u>62</u>	<u>1,389</u>

Notes to the Financial Statements (Continued)

19 Employee Benefits

The Company operates a defined benefit pension scheme for certain former employees. This scheme was closed to new members in 1988 and to further accrual on 31 March 2007. The scheme has no assets, and payments to pensioners are made out of operating cash flows. The expected contributions for the year ended 31 March 2024 are £102,010. During the year ended 31 March 2023, 10 pensioners (2022: 11) received benefits from this scheme, and there are three deferred members at 31 March 2023 (2022: three). Benefits are payable on retirement at the normal retirement age. The weighted average duration of the expected benefit payments from the Scheme is around 12 years (2022: 14 years).

An actuarial report for IAS 19 purposes as at 31 March 2023 was prepared by a qualified independent actuary, Lanc Clark and Peacock LLP. The major assumptions used in the valuation were:

	2023	2022
Rate of increase in pensions in payment and deferred pensions	2.5%	2.7%
Discount rate applied to scheme liabilities	4.8%	2.8%
Inflation assumption	3.5%	3.9%
Average longevity at age 65 for male current and deferred pensioners (years) at accounting date	22.0	22.0
Average longevity at age 65 for male current and deferred pensioners (years) 20 years after accounting date	24.4	23.4

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. Assumptions relating to life expectancy have been based on UK mortality data on the basis that this is the best available data for the Falkland Islands.

Sensitivity Analysis

The calculation of the defined benefit liability is sensitive to the assumptions set out above. The following table summarises how the impact of the defined benefit liability at 31 March 2023 would have increased / (decreased) as a result of a change in the respective assumptions by 1.0%.

	Effect on Obligation 2023	
	-1% pa £000	+1% pa £000
Discount rate	240	(200)
Inflation assumption	(10)	10
	-1 year £000	+1 year £000
Life expectancy	(80)	80

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation, and assume no other changes in market conditions at the accounting date.

Notes to the Financial Statements (Continued)

19 Employee benefits (Continued)

Scheme Liabilities

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

	2019 £000	2020 £000	2021 £000	2022 £000	2023 £000
Present value of scheme liabilities	(2,772)	(2,604)	(2,842)	(2,562)	(1,978)
Related deferred tax assets	721	677	739	666	482
Net pension liability	(2,051)	(1,927)	(2,103)	(1,896)	(1,496)

Movement in Deficit During the Year

	2023 £000	2022 £000
Deficit in scheme at beginning of the year	(2,562)	(2,842)
Pensions paid	101	99
Other finance cost	(70)	(56)
Re-measurement of the defined benefit pension liability	553	237
Deficit in scheme at the end of the year	(1,978)	(2,562)

Analysis of Amounts Included in Other Finance Costs

	2023 £000	2022 £000
Interest on pension scheme liabilities	70	56

Analysis of Amounts Recognised in Statement of Comprehensive Income

	2023 £000	2022 £000
Experience gains arising on scheme liabilities	(1)	(43)
Changes in assumptions underlying the present value of scheme liabilities	554	280
Re-measurement of the defined benefit pension liability	553	237

Notes to the Financial Statements (Continued)

20 Capital and Reserves

Allotted, called up and fully paid share capital

	2023	2022
	£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
	<hr/> 930 <hr/>	<hr/> 930 <hr/>
Shares classified in shareholders' funds	897	897
Shares classified as liabilities	33	33
	<hr/> 930 <hr/>	<hr/> 930 <hr/>

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.

Dividends

No dividends were recognised during the current or prior periods.

The directors do not recommend the payment of final dividend (2022: £nil).

At the balance sheet date cumulative preference dividends of £19,635 were recognised (2022: £18,480).

21 Related Parties

On 2 May 2017, KJ Ironside, the Managing Director of FIC at the time, purchased a property which had been built on approximately 510 square metres of land owned by FIC. FIC provided a loan of £65,000 to Mr Ironside to purchase the freehold of this land. The loan is to be repaid in full in the event of the sale of the property, Mr Ironside ceasing to hold any permits or licenses required by law in respect of his ownership or occupation of the property, him ceasing to be employed by FIC at any time before his 65th birthday (unless due to ill health) or his death. £650 of interest is payable each year by Mr Ironside to FIC in respect of this loan.

22 Contingent Liabilities

At 31 March 2023, FIH group plc, had a £12.1 million (2022: £12.7 million) ten-year bank loan outstanding, which had been drawn down on 28 June 2019, with interest charged at the compounded daily SONIA rate plus 1.8693%. 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.

Notes to the Financial Statements (Continued)

23 Accounting Estimates and Judgements

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements as to asset and liability carrying values which are not readily apparent from other sources. Actual results may vary from these estimates, and are taken into account in periodic reviews of the application of such estimates and assumptions. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. The following judgements have had the most significant effect on amounts recognised in the financial statements.

Defined Benefit Pension Liabilities

At 31 March 2023, 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 £80,000 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 Company pension scheme and the Company are ongoing. If the scheme were to be wound up, the position would differ, and would almost certainly indicate a much larger deficit.

Inventory Provisions

The Company makes provisions in relation to inventory value, where the net realisable value of an item is expected to be lower than its cost, due to obsolescence. Historically, the calculation of inventory provisions has entailed the use of estimates and judgements combined with mechanistic calculations and extrapolations reflecting inventory ageing and stock turn. During the year ended 31 March 2023, inventory provisions increased to £1,100,000 (2022: £1,089,000). Inventory greater than 12 months old and with no sales in the twelve months before 31 March 2023 is provided against in full. If this provision was reduced to 50% of the gross inventory value, the provision would reduce by circa £174,000 (2022: £169,000). If this provision was extended to cover all inventory greater than six months old with no sales in the twelve months before 31 March 2023, the provision would increase by £117,000 (2022: £94,000).

Long Term Construction Contracts

Significant estimation is involved in determining the revenue and profit to be recognised on long term contracts. This includes determining percentage of completion at the balance sheet date by estimating the total expected costs to complete each contract along with their future profitability. These estimates directly influence the revenue and profit that can be recognised on such contracts.

24 Capital Commitments

At 31 March 2023, the Company had capital commitments of £42,000 in relation to a new retail sales system. At 31 March 2022, the Company had capital commitments of £190,000 in relation to a new retail sales system and £80,000 for a warehouse office.

25 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 and can also be obtained online via www.fihplc.com.