11 June 2019

FIH group plc

("FIH" or "Group" or "Company")

Final results for the year ended 31 March 2019

FIH, the AIM quoted international services group that owns essential services businesses in the Falkland Islands and the UK, is pleased to announce its final results for the year ended 31 March 2019. A copy of the Group's results is also available on the Company's website.

Group Financial Highlights

Profitable growth with satisfactory trading across each operating business

- Group revenue at £42.5 million (2018: £43.8 million)
- Pre-tax profits up 17.1% to £3.86 million (2018: £3.30 million)
- Underlying pre-tax profits up 19.3% to £3.86 million (2018: £3.24 million)
- Diluted earnings per share increased by 20.1% to 24.1 pence (2018: 20.1 pence)
- Diluted EPS on underlying profits rose by 22.5% to 24.1 pence (2018: 19.7 pence)
- Cash balances of £6.2 million (2018: £17.0 million)
- Bank borrowings of £12.8 million (2018: £3.3 million) following acquisition of Momart storage freehold
- The Board is recommending a final dividend of 3.35 pence per share (2018: 3.0 pence) to give a full year dividend of 5.0 pence per share (2018: 4.5 pence per share), an increase of 11%.

Operating Highlights

Falkland Islands Company ("FIC")

- Good overall performance, with further growth in retail and local support services, despite temporary dip in house sales
- Pre-tax profits up 12.5% to £1.51 million (2018: £1.34 million)

Momart

- Strong profit growth helped by release of prior year provision of £0.2 million, and improved margins
- Pre-tax profit up 51.3% to £1.57 million (2018: £1.04 million)

Portsmouth Harbour Ferry Company ("PHFC")

- Solid performance and healthy cash flow with slowing rate of decline in passenger volumes
- Pre-tax profits down £0.08 million at £0.78 million (2018: £0.86 million)

Outlook – Well-positioned for steady returns from careful execution of strategy, and enhanced growth prospects for the Group in medium and long term

- Further scope for steady growth at Momart, and enhanced medium term growth prospects in the Falklands linked to government infrastructure spending plans in addition to potential from oil development and land-based tourism
- Further strengthening of operational management teams to support future growth
- Following strategic review of growth opportunities, focus on maximising the growth in the Falkland Islands and Momart, reducing the time and resource previously committed to proactively seeking out opportunities for strategic acquisitions
- With a healthy balance sheet and improved prospects for growth not dependent solely on the development of oil in the Falklands, the board looks forward to delivering a steady and sustainable growth in earnings and shareholder value over the medium term.

John Foster, Chief Executive said:

"It is a pleasure to report another encouraging year for FIH group, with a steady increase in underlying pre-tax profits, and resilient trading at all three operating businesses.

"It has been a year of strategic investment to enhance the Group's position for further growth whilst at the same time the Group has maintained a strong cash position.

"In the Falkland Islands, the Group took advantage of an expected and temporary hiatus in house building to develop its rental property portfolio whilst a stronger performance from Retail and Support Services helped FIC maintain a continuing increase in profits.

“At PHFC, revenues were essentially unchanged but careful management helped mitigate local external challenges. At Momart, increased demand for its own added value services resulting in a richer sales mix, helped strengthen margins further.

“With our strong cash position, we will focus on maximising growth opportunities within the Group, while remaining open to suitable acquisition opportunities and we are confident that we are well-positioned for the year ahead.”

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Chairman's Statement

I have pleasure in presenting the FIH group's annual report for the year ended 31 March 2019 and am delighted to report that the Group has enjoyed another encouraging year achieving a record in pre-tax profits from its trading operations of £3.86 million (2018: £3.24 million), even if helped by a £0.2 million release of a provision made in the previous year.

Trading at all three operating businesses was satisfactory with the Group's fine art handling business, Momart, performing particularly well and the Group's core activities in the Falkland Islands also seeing encouraging growth in earnings.

Despite heavy investment during the year the Group's cash position remained strong with closing cash balances of £6.2 million (2018: £17.0 million) and bank borrowings of £12.8 million, an increase of £9.5 million on the prior year following the Group's purchase of a freehold interest in Momart's warehouses in East London for £19.6 million including stamp duty in December 2018.

In line with the improved trading, diluted earnings per share increased by 20.1% to 24.1 pence per share compared to 20.1 pence in the prior year.

Following last year's full year dividend of 4.5 pence per share, and an interim dividend in respect of the current year of 1.65 pence paid in January 2019, I am pleased to announce that a final dividend of 3.35 pence per share will be proposed at our forthcoming Annual General Meeting on 5 September 2019. This will take the total dividend paid in respect of the 2018-19 financial year to 5.0 pence an increase of 11% over the prior year's 4.5 pence.

Full details of the Group's financial performance in the year to 31 March 2019 and the outlook for the current year are provided in the Chief Executive's Strategic Review on pages 4 to 16.

With respect to the strategic development of the Group, ongoing progress at Momart and the continued positive developments in the Falklands, offer the prospect of sustainable long term growth. We will continue to review potential acquisitions that are brought to our attention, but the objective is to demonstrate growth from our existing activities.

We look forward to reporting on continued good progress in the current year.

Robin Williams
Chairman
11 June 2019

Chief Executive's Strategic Review

Group Overview

I am pleased to report an encouraging year for the Group for the year ended 31 March 2019 with an increase of 19% (£0.6 million) in reported pre-tax profits to £3.9 million (2018: £3.3 million). Setting aside previous years in which the Group made profits from the sale of investments in shares, the trading performance in the year under review represents a record pre-tax result for the FIH group.

Group revenues were £42.5 million (2018: £43.8 million), 3.0% lower than in the prior year, however this apparent decline in activity reflected a beneficial change in sales mix particularly at Momart, the Group's fine art handling business, where increased demand for higher margin in-house services and a non-recurring release of a £0.2 million prior year provision produced a £0.5 million increase in contribution. In the Falklands, an expected and temporary hiatus in house building activity saw a decline in housebuilding revenues at FIC but a strong performance from other parts of the business more than compensated for this. At PHFC, the Group's passenger ferry business in Portsmouth harbour, revenues were essentially unchanged.

In a year in which the Group invested £19.6 million, including stamp duty and acquisition costs, to acquire the freehold of Momart's art storage warehouses in East London in December 2018, it was particularly pleasing to see Momart produce continued growth in earnings, generating an increase in pre-tax profits of £0.5 million to reach profit before tax of £1.57 million after absorbing its allocation of Group central costs and interest on new bank borrowings. Profits at FIC in the Falklands saw further progress despite the temporary slow-down in housebuilding with profit before tax increasing by 12% to £1.5 million (2018: £1.34 million). At PHFC flat revenues and an increase in operating costs and overheads saw underlying profitability decrease by £0.1 million to £0.78 million (2018: £0.86 million) although underlying cash flow at the ferry remained strong.

Across the Group, cash generation remained healthy with net cash flow from Operating Activities of £3.0 million (2018: £4.2 million) after absorbing a £2.5 million increase in working capital linked to a recommencement of new house builds in Stanley towards the end of the financial year. With heavy investment in fixed assets of £22.4 million, including additions to the rental portfolio in the Falklands and the £19.6 million acquisition of Momart's art storage warehouses, the Group ended the year with cash balances of £6.2 million (2018: £17.0 million) and bank borrowings of £12.8 million (2018: £3.3 million). In the near term the Group intends to draw down a long term mortgage on its newly acquired freehold property which will add a further £4 million to the Group's cash resources.

Review of operations

Group revenue and Underlying Pre-Tax profits* are analysed below:

Group revenue Year ended 31 March	**2019** **£m**	2018 £m	*Change* *%*
Falkland Islands Company ("FIC")	**17.55**	18.26	*-3.9*
Portsmouth Harbour Ferry ("PHFC")	**4.37**	4.35	*0.4*
Momart	**20.61**	21.22	*-2.9*
Total Revenue	**42.53**	43.83	*-3.0*
Group Underlying Pre Tax profit* *			
Falkland Islands Company***	**1.51**	1.34	*12.5*
Portsmouth Harbour Ferry***	**0.78**	0.86	*-8.8*
Momart***	**1.57**	1.04	*51.3*
Total Underlying Pre Tax Profit *	**3.86**	3.24	*19.3*
Non-trading items (see notes below)**	**-**	0.06	
Reported Profit Before Tax	**3.86**	3.30	*17.1*
Diluted Earnings per share in pence	**24.1p**	20.1p	*20.1*

* Underlying Pre-Tax Profit is defined as, profit before tax, before non–trading items, and includes a share of the operating contribution from SAtCO, the Group's Joint Venture with Trant Construction in the Falkland Islands.
** In the current year, there were no non-trading or exceptional items and underlying profits were identical to reported Profit Before Tax. In the prior year there was a profit of £0.06 million from the disposal of old ferry vessel

spare parts.
*** As in prior years the profits reported for each operating company are stated after the allocation of head office management and plc costs which have been applied to each subsidiary on a consistent basis.

Earnings per share rose sharply reflecting the increase in profitability. Basic earnings per share rose by 20.2% from 20.3 pence per share to 24.4 pence per share. On a fully diluted basis EPS was 24.1 pence (2018: 20.1 pence). In line with the board's policy, a final dividend of 3.35 pence per share is recommended for approval by shareholders at the Company's AGM on 5 September 2019, which will take the total dividend for the year to 5.0 pence per share (2018: 4.5 pence) representing an increase of 11.1% on last year and giving total dividend cover of 4.8x.

Falkland Islands Company

Background

In the Falklands both squid fishing and tourism remained relatively buoyant with an increased illex squid catch in April / May 2018 and continuing growth in the number of cruise ship passengers visiting the Islands over the summer period reaching record levels of 62,500 in the year ended March 2019, an increase of 5.4% over the prior year.

As in the prior year there was no direct activity or material expenditure from oil companies during the year although the principal licence holder in the North Falklands basin, Premier Oil has commenced preparations for the tender process which is intended to finalise the cost of the onshore services and facilities required for the development of Sea Lion. The tender process is expected to be completed around the end of 2019, at which point Premier should be in a position to make a final investment decision on whether to proceed with its plans for Sea Lion. Separate from plans for the development of oil, both the Falkland Islands Government and the UK Ministry of Defence have been progressing plans to renew and replace their aging infrastructure in the Islands and to modernise their respective property portfolios. The potential economic impact of these longer term plans will be significant, offering important business opportunities in the medium term for experienced local companies such as FIC, although in the year ended 31 March 2019 there was no direct impact.

In contrast to these opportunities which offer exciting prospects for growth in the medium term, in FY 2018-19, delays in the release of government provided serviced housing plots saw a hiatus in housebuilding activity in Stanley which negatively affected the performance of Falklands Building Services (FBS) and saw its revenue fall by £1.4 million (-48%), with house sales dropping from their previous record of 22 units in 2017-18 to just 6 in 2018-19, leading to a commensurate fall in FBS's contribution.

Despite this setback in one of the company's key profit generators, FIC still delivered a positive improvement in its overall performance.

Trading in Detail

Overall revenue in FIC decreased by £0.7 million (3.8%) to £17.6 million (2018: £18.3 million) largely as a result of the slow-down at FBS noted above. Despite the fall in revenue, tight cost control and continued progress in its retail business and support services saw FIC deliver a welcome increase in pre-tax earnings with profit before tax rising from £1.34 million to £1.51 million (+12.5%) in the year ended 31 March 2019.

See details below:

FIC Operating results

Year ended 31 March	**2019 £m**	2018 £m	*Change %*
Revenues			
Retail	**9.72**	9.19	*5.7*
Falklands 4x4	**3.05**	2.92	*4.5*
FBS (property and construction)	**1.53**	2.95	*-47.8*
Freight & Port Services	**0.78**	0.94	*-17.1*
Support services	**2.00**	1.78	*12.4*
Property rental	**0.47**	0.48	*-0.4*
Total FIC revenue	**17.55**	18.26	*-3.8*
FIC underlying operating profit	**1.57**	1.39	*13.0*
Share of results of SAtCO JV	**-**	0.02	-
Net interest expense	**-0.06**	-0.07	*-7.7*
FIC underlying Profit Before Tax	**1.51**	1.34	*12.5*
FIC underlying operating profit margin	**8.9%**	7.6%	*17.5*

Retail
Against a relatively flat backdrop for consumer demand total retail sales for the year to 31 March 2019 increased by 5.7% to £9.7 million maintaining the overall 5.6% increase in sales seen in the first half.

West Store sales grew overall by 4.2% with a 3.2% increase in the second half against strong comparatives led by continued progress in the main West Store supermarket and much improved H2 sales at the satellite store at the Mount Pleasant military base. Whereas Clothing and Electrical Store sales saw slower year on year growth, sales at the Capstan gift shop increased by 4.7%.

Warehouse sales to local retailers and pubs (10% of West Store sales) increased by 2%, consolidating FIC's local market share after a strong recovery in the prior year.

Despite the temporary decline in housing completions, sales at **Home Living** recovered from the falls seen last year and revenue increased by 15.0% over the year with steady growth in the second half after a strong rebound in activity in H1. Gross margins continued the improvement seen in the prior year.

At FIC's Builders' Merchant **Home Builder,** despite the slow-down in local house building activity, helped by improvements in purchasing and in-store presentation, sales increased by 11% and gross margins also moved forward.

With encouraging growth seen at all 3 of FIC's retail brands and continued progress in enhancing margins by improved buying and waste reduction, FIC's retail business continued to make progress and at time when the other main profit contributors had quieter years the growth in **Retail** was once again most the important factor driving the increase in contribution at FIC.

FIC's automotive business, **Falklands 4x4**, in revenue terms operated at a similar level to the prior year with overall revenues 4.5% ahead at £3.05 million (2018: £2.92 million). 76 vehicles were sold in the year compared to 77 in 2017-18, however with a more favourable sales mix of 28 new vehicles sold compared to 20 in the prior year, revenue from vehicle sales increased by 18%, although this growth was largely offset by a decline in vehicle rental activity as the number of external corporate customers in the Falklands renting vehicles on a longer term basis dropped back. Vehicle maintenance and income from parts sales also saw a small decline. With increased vehicle sales largely offset by a drop in the level of fleet hire income, the overall contribution from

FIC's 4x4 business saw a modest fall in the year.

Falklands Building Services (FBS), which focusses on building kit homes and small local construction projects, had a much quieter year compared to the record activity seen in 2017-18. House completions fell sharply from 22 to 6 units as private house-buyers awaited the release of government plots at Sappers Hill in West Stanley, resulting in a fall of FBS revenue of £1.4 million to £1.5 million (2018: £2.9 million).

In the face of delays in the release of new housing plots FBS resources were re-directed internally to modernise and expand FIC's own portfolio of residential rental properties in central Stanley. The construction of 9 new apartments and site clearance for 8 new houses was commenced during the year behind FIC's offices on Crozier Place at Fitzroy Road and a further 4 new units were completed in other locations in central Stanley which added to FIC's rental portfolio taking it to 54 units at 31 March 2019. In addition, in November 2018, FIC was awarded its first contract to build new houses for the Falklands' government and this welcome contract for the construction and sale of 18 homes will commence in 2019-20 and will support a recovery in FBS housebuilding in the coming year. In 2018-19 revenues from small contracts and government work for FIG increased by 5.0% to £0.77 million (2018: £0.74 million).

Income from **third party freight and port services** saw a drop of 17% to £0.78 million (2018: £0.94 million) largely as a result of timing differences in the number of military supply vessels landing in the Falklands during the year.

Support Services income increased by 12.4% to £2.00 million (2018: £1.78 million) helped by another strong illex squid catch in April and May 2018 which generated an increase in Fishing Agency revenues and by the expansion of FIC's offering into 3rd party training. Penguin Travel, which provides agency services to cruise ship operators and visiting tourists, had another encouraging year with revenues ahead by 4.0% and FIC's insurance agency and financial services also made steady progress.

Rental income from FIC's estate of 54 **rental properties** (which include 10 mobile homes rented to staff), dipped slightly by 0.4% to £0.47 million (2018: £0.48 million) as two older properties were demolished and replaced by four modern semi-detached properties which were completed in March 2019. Occupancy levels allowing for properties being renovated were effectively 100% (2018: 89%) as demand for property for local tenants continued to outstrip supply.

With no oil exploration activity, FIC's joint venture, the **South Atlantic Construction Company**, ("SAtCO") remained inactive and generated no contribution.

FIC Key Performance Indicators and Operational Drivers

Year ended 31 March	2015	2016	2017	2018	**2019**
Staff Numbers (FTE 31 March)	184	172	151	146	**169**
Capital Expenditure £'000	2,598	1,229	578	389	**2,348**
Retail Sales growth %	*3.0%*	*1.3%*	*-5.4%*	*+0.6%*	*+5.7%*
Number of FIC rental properties	50*	50*	51*	49*	54*
Average occupancy during the year	*93%*	*93%*	*81%*	*89%*	*84%*
Number of vehicles sold	76	110	77	77	**76**
Number of 3rd party houses sold	16	12	17	22	**6**
illex squid catch in tonnes (000's)	364.0	235.2	30.1	75.5	**57.4**
Cruise ship passengers (000's)	50.0	56.5	55.6	59.3	**62.5**

*Includes ten mobile homes rented to staff.

FIC ended the year with a headcount of 169, 23 higher than the 146 in March 2018. Of the 169 headcount, Retail accounted for 67 (2018: 65), Falklands 4x4 accounted for 14 (2018: 18) and FBS 42 (2018: 28), with 46 (2018: 35) in Support Services and administration.

In overall terms the Group's Falkland operations performed well in 2018-19 despite the hiatus in housebuilding.

Following the release of new plots late in 2018 FBS's order book for new homes is at record levels and a recovery in FBS level of contribution is expected in 2019-20.

Portsmouth Harbour Ferry Company

In the year to 31 March 2019 PHFC saw total revenues increase by 0.4% to £4.37 million (2018: £4.35 million) with a decline in passenger numbers being more than offset by increases in the yield from ferry fares. However after an increase in operating costs and overheads, underlying Profit Before Tax fell by £0.08 million to £0.78 million (2018: £0.86 million).

PHFC Operating results

Year ended 31 March	**2019 £m**	2018 £m	*Change %*
Revenues			
Ferry fares	**4.15**	4.14	*0.3*
Cruising and Other revenue	**0.22**	0.21	*2.4*
Total PHFC revenue	**4.37**	4.35	*0.4*
PHFC underlying operating profit	**1.08**	1.18	*-8.1*
Boat loan & Pontoon finance lease interest	**-0.30**	-0.32	*-6.0*
PHFC underlying Profit Before Tax	**0.78**	0.86	*-8.8*
Passengers carried (000s)	***2,556***	*2,612*	*-2.1*

2018-19 saw a further slowing in the rate of decline in ferry passenger numbers, with volumes slipping 2.1% over the year; a lower rate of decline compared to the -3.6% and -4.1% falls seen in 2017-18 and 2016-17 respectively. The factors causing the slow attrition of ferry passenger numbers over the last few years are varied and complex but key drivers include changes in patterns of work with less fixed travel to work at one location, more working from home and the continuing appeal and increased affordability of car travel. In the Gosport peninsula the closure of military logistics and support bases over many years has also played a key role but the slow process of redevelopment of these sites for commercial and residential purposes has now commenced and offers the prospect of regeneration for the local economy and community with a positive impact on ferry patronage in the longer term.

In the year to 31 March 2019, total passenger journeys on the ferry were 2.56 million (an average of just under 50,000 passenger journeys per week), some 2.1% lower than the 2.61 million carried in the prior year. However, the rate of decline was markedly lower than the 3.6% reduction seen in 2017-18 and was achieved despite a 7.9% fall in usage by military personnel, who represent c. 4% of ferry users. The fall in ferry usage by naval personnel was caused by the absence from home port of the navy's new aircraft carrier, HMS Queen Elizabeth, which was out on exercise over the summer months.

Weekday traffic reduced by 2.3% compared to a smaller decline in weekend passenger journeys of 1.6%. Weekday off-peak non-commuter volumes which account for 35% of all ferry journeys held up particularly well reducing by only 0.5% compared to the prior year.

Ferry fares were increased by an average of 3% in June 2018 to make a contribution to the anticipated rise in operating costs. These annual fare increases brought the total cost of a standard adult return to £3.60, and the price of Adult 10 Trip tickets for regular customers to £16.00 (£1.60 per ferry journey), Discounted tariffs for seniors and children were also increased by 10p (£2.50/£2.40) per return journey. Monthly and quarterly season tickets which offer excellent value for frequent users at c.£2.00 per day for unlimited ferry access (priced at £65 and £180 respectively) continued to be offered although uptake remains low.

Underlying operating costs increased by more than inflation at 4.0% over the year, as a result of increased cover for staff illness and a sharp increase in the costs of out of water inspections at local third party slipways. There was also an increase in the total costs allocated from Group as accruals releases which reduced these costs in 2017-18 were not repeated.

During the year, significant efforts were continued using mainstream and digital/social media to remind local people of the benefits of travel by ferry and to alert passengers to special offers and promotions and discount offers from local partner attractions around the harbour. Social media including Facebook, Twitter, Instagram and

email, were all actively employed and Facebook was used once more for targeted advertising to specific local groups within the ferry catchment area. The general thrust of ferry marketing is to remind people of the real attractions of ferry travel as well as highlighting special offers, promotions and events to stimulate increased ferry usage. A customer survey was also undertaken once again to help better understand passenger concerns and the demographic profile of ferry users. This confirmed the very local nature of the ferry customer base and the generally high levels of passenger satisfaction.

The ferry's annual "Bikes Go Free" promotion (10 Trip tariff: 39p per trip) was once more offered with a "free" period covering the 6 weeks of the school holidays. Cycle and motorcycle passengers continue to be an important component of ferry users accounting for over 11% of ferry passenger journeys with 77% being frequent regular users and the summer promotion represents a valued loyalty dividend for this important group of ferry users.

The company also continued to promote its unlimited monthly ferry and car parking joint "Park & Float" ticket which allows passengers to travel to the ferry terminal by car, park in nearby council car parks in Gosport and then travel across the harbour on the ferry. However the refusal of Gosport Council to offer any frequent user discount for the car parking element has seen the price of this joint ticket rise to £95 and patronage remains low at just over 1.5% of ferry passenger traffic.

In overall terms, at under £1.60 per crossing for regular adult travellers (using the 10 Trip ticket) and 91p for seniors and children (using 10 Trip tickets) the ferry service still represents excellent value compared to any alternative mode of transport other than for groups travelling by car with free or subsidised parking.

As in previous years, the car continues to be the only serious transport alternative to travelling by ferry and it remains PHFC's main "competitor" in providing cross-harbour transport with the subsidised Park & Ride scheme operated by Portsmouth City Council continuing to offer commuters and shoppers traveling in groups of two or more, low cost and convenient access to central Portsmouth.

On a more positive note, PHFC's leisure cruises in the Solent and to the Isle of Wight continued to prove popular and the programme of 38 summer cruises again created a modest but welcome additional contribution to ferry profitability. Together with ferry advertising revenue, cruising and other income increased by 2.4% to £0.22 million in the year to 31 March 2019.

During the year work, refurbishment of the company owned landing stage and pontoon on the Portsmouth side of the harbour at Portsea was completed with minimal disruption to passengers, with the pontoon offering convenient pedestrian and cycle access to the newly modernised bus, railway and taxi hub at Portsmouth Hard.

In contrast, on the Gosport side of the harbour, plans for the redevelopment of the area surrounding the ferry terminal to create a new bus and taxi terminus and associated retail and leisure facilities still await private sector and local government funding in order to progress. However, the creation of a modern multi-modal transport hub at the waterfront in Gosport, once realised, would provide an important boost for public transport in the Gosport peninsula and increase the appeal of the ferry to potential passengers.

With its own programme of fleet modernisation and renewal of its operating infrastructure now completed the ferry company is well positioned to continue to provide a first class service to its passengers.

Key Operating Metrics

Average fare yield per passenger journey increased by 2.5% to £1.62 (2018: £1.58).

Ferry reliability was again outstanding with on-time departures running at 99.8% (2018: 99.8%).

PHFC Key Performance Indicators and Operational Drivers

Year ended 31 March	2015	2016	2017	2018	2019
Staff Numbers (FTE at 31 March)	39	38	38	38	**37**
Capital Expenditure £'000's	1,483	223	241	186	**50**
Ferry Reliability (on time departures)	99.8%	99.8%	99.9%	99.8%	**99.8%**
Number of weekday passengers '000	2,123	2,046	1,967	1,878	**1,834**
% change on prior year	*-2.1%*	*-3.6%*	*-3.9%*	*-4.5%*	***-2.3%***
Number of weekend passengers '000	800	780	744	734	**722**
% change on prior year	*-2.1%*	*-2.5%*	*-4.6%*	*-1.3%*	***-1.6%***
Total number of passengers '000's	2,923	2,826	2,710	2,612	**2,556**
% change on prior year	*-2.1%*	*-3.3%*	*-4.1%*	*-3.6%*	***-2.1%***
Revenue growth %	*4.3%*	*-1.3%*	*1.0%*	*1.5%*	***0.4%***
Average yield per passenger journey*	£1.41	£1.45	£1.52	£1.58	**£1.62**

*Total ferry fares divided by the total number of passengers

Momart

Momart, the Group's art handling and logistics business had another very encouraging year, delivering strong growth in profits despite a small fall in overall revenue. Operating profit in the year ended 31 March 2019 increased by £0.5 million (+51.3%) to £1.57 million despite overall revenues falling by 2.9% to £20.6 million (2018: £21.2 million) as the richer sales mix and increased use of internal resources with less emphasis on overseas outsourcing, boosted gross margins fuelling the further rise in profits.

The £19.6 million acquisition of the freehold of the 100,000sq ft art storage warehouses at Leyton, formerly leased by the company, saw rent savings of £0.22 million in the 3½ months to the end of the financial year and helped boost operating profits by £0.16 million, after taking account of increased depreciation. However after interest charges on new bank borrowings linked to the purchase, the overall impact of the property purchase on reported profits was modest at only £0.02 million. Despite the small positive impact on earnings, the long-term security of tenure afforded by the property acquisition and the removal of the prospect of a continuing escalation in rents has added considerable long-term value to Momart and FIH whilst still leaving the Group with sufficient cash resources and borrowing capacity to pursue its ambitions in the Falkland Islands.

In addition, unutilised space on the Leyton site also offers the prospect in the medium term of relocating the company's administrative offices from Canary Wharf to Leyton, saving office rent and gaining real operating efficiencies from combining all the company's activities at one location. Plans are currently being drawn up for these new offices but with nearly 4 years remaining on the existing lease at Canary Wharf, in the short term no immediate office move is planned.

Momart's results in the period were also helped by a release of a £0.2 million provision taken out in the prior year which proved unnecessary following the successful settlement of the case involved. This boosted profits in 2018-19 and helped offset the negative impact of the loss of two major storage clients (noted in the 2018 annual report) who relocated their artworks out of London in 2018-19 and where the consequent loss of recurring storage revenues held back contribution from storage by c. £0.2 million.

Net finance costs increased to £0.16 million in the year with interest costs on the £10 million of additional borrowings taken out to buy the Leyton warehouse.

Profit Before Tax after an allocation of central costs was £1.57 million, up £0.53 million on the prior year and almost four times the £0.44 million reported in 2017.

Momart Operating results

Year ended 31 March	**2019 £m**	2018 £m	*Change %*
Revenues			
Museum Exhibitions	**11.00**	11.77	*-6.5*
Galleries & Private Clients	**7.54**	7.25	*4.0*
Storage	**2.07**	2.20	*-6.3*
Total Momart revenue	**20.61**	21.22	***-2.9***
Momart underlying operating profit	**1.73**	1.07	*61.5*
Net Interest expense	**-0.16**	-0.03	*373.5*
Momart underlying Profit Before Tax	**1.57**	1.04	***51.3***
Momart underlying operating profit margin	**7.6%**	4.9%	***55.8***

Museum Exhibitions

Following the reduced level of Exhibitions revenue seen in the first half (£0.7 million down on the previous year), overall Exhibition revenues in the second half held up well and saw only a modest £0.1 million reduction when compared to the same period in 2017-18. For the year as a whole, Momart maintained its market share with the UK's leading museums but activity levels dropped in absolute terms as UK institutions scaled back their activities after a run of curating very large global "blockbuster" exhibitions, to focus on smaller lower budget shows. At the same time Momart increased its own focus on higher added value international and regional contracts involving the sale of more of its own services with a lower requirement to dilute returns by outsourcing to third parties overseas. For the year as a whole, Exhibition revenues fell by £0.77 million (-6.5%) with activity with large UK museums reduced by 20% (but still accounting for 52% of sales). However, this fall was largely offset by growth with regional and international clients with overseas customers accounting for 35% of revenue compared to 27% in the prior year. With this improved sales mix, the contribution from Exhibitions increased over the prior year by £0.3 million.

Despite this change in balance, Momart has maintained its trusted position with the UK's leading fine art institutions. Notable museum exhibitions in the period included: "Rodin Art of Antiquity" and "Ashurbanipal: King of the World" at the British Museum; "Video Games" and "Christian Dior" at the V&A; "Course of Empire" and "Lorenzo Lotto" at the National Gallery; "Picasso 1932" and "Pierre Bonnard" at Tate Modern and "Van Gogh and Britain" at Tate Britain; and "Gainsborough" at the National Portrait Gallery.

As at 31 March 2019, the value of Momart's 12 month order-bank of large UK Exhibitions stood at £4.6 million, (2018: £4.2 million) £0.4 million higher than the prior year (See key performance indicators below).

Galleries & Private Client Services

Gallery Services ("GS") had another encouraging year as the global art market remained buoyant with private collectors maintaining recent record levels of interest and buying activity. GS revenues increased by 4.0% to £7.54 million (2018: £7.25 million) and with healthy market demand and improved efficiencies the division once again saw improved margins and a higher contribution for the year.

Activity with international art galleries, Momart's most important client category in GS, saw double digit growth in the year as further support was provided to a broad spread of clients both in UK and for their attendance at global art fairs. Momart's ability to address the storage needs of gallery customers with well located, high quality art storage facilities was also a key factor in driving increased business volumes.

In line with trends in previous years Momart also continued to grow its business with leading auction houses. This reflected continued buoyancy in the global art market and further rationalisation of the logistics supply chains of auction houses which are increasingly focussed on delivering high quality delivery and installation services to their client base.

With sales to galleries and auction houses now accounting for 63% of all GS activity the balance of GS sales was broadly spread between a mix of private and corporate clients, public institutions, major artists and overseas agents with a notable decline in the relative importance of living artists as a key source of revenue.

The continued sales growth in GS particularly with galleries and auction houses has allowed Momart to improve

efficiencies leveraging the increased scale of activity and this led to further improvements in gross margins and an increase in the overall contribution from the division comparted to the prior year.

Storage

Storage revenue fell by 6.3% compared to the prior year from £2.20 million in the prior year to £2.07 million in the year ended 31 March 2019. As noted in the 2018 Annual Report, two large, long standing storage clients announced plans in early 2018 to relocate their collections to more convenient locations outside London. Whilst this did not reflect any dissatisfaction with the storage service being provided by Momart, this loss did create a significant "hole" in Momart's base level of annual rental income of £0.3 million. Winning new clients is a slow process; storage by itself is rarely a key commercial driver for a client and any new client win by Momart almost always involves client relocation from a competing storage provider within London. However, building on strengthening relationships with commercial galleries and UK institutions, good progress was made during 2018-19 to recruit new storage clients particularly those active collectors and galleries who "churn" their art holdings on a regular basis, generating incremental handling revenue and who are thus much more valuable as clients overall. A total of 8% or 500 cubic metres of storage was taken up by new commercial and institutional clients over the course of the year to help replace the revenue lost in early 2018 and this was delivered whilst increasing the average rental rate. By the end of the year in March 2019 unsold spare capacity had reduced from 29% to 19% and the run rate of storage revenue was over 6% higher pa than at the end of the previous year.

Selling its remaining spare storage capacity represents a major opportunity for Momart in the next few years and renting out all the remaining space on a pro rata basis would add 24% to storage revenues without any significant increase in fixed storage costs.

Maximising the potential from storage remains a key objective for Momart over the next 2-3 years.

Momart Key Performance Indicators and Operational Drivers

Year ended 31 March	**2015**	**2016**	**2017**	**2018**	**2019**
Staff Numbers (FTE 31 March)	129	130	131	136	**140**
Capital Expenditure £'000's	648	402	971	228	**20,034**
Warehouse % fill vs capacity	91.2%	90.6%	90.4%	72.8%	**81.1%**
Exhibition Order Book 31 March	£3.3m	£4.5m	£4.8m	£4.2m	**£4.6m**
Momart services charged out	£9.1m	£9.2m	£9.8m	£10.9m	**£11.5m**
Revenues from overseas clients	£7.5m	£5.8m	£6.1m	£7.1m	**£7.5m**
Exhibitions sales growth	-20.0%	-3.4%	19.9%	17.0%	**-6.5%**
Gallery Services sales growth	-6.5%	11.8%	8.1%	15.2%	**4.0%**
Storage sales growth	1.3%	10.1%	-0.8%	8.5%	**-6.3%**
Total Sales growth	-13.7%	3.2%	13.0%	15.5%	**-2.9%**

Potential Impact of Brexit

In general, the Board believes that the Group is not highly exposed to any potential adverse outcomes arising from Brexit, although the cross border art handling activities of Momart and the European art market in general would face disruption in the event of a disorderly departure from the EU.

In the Falklands, FIC has almost no direct trading links with the EU. However the Falklands economy is heavily dependent on income from squid and offshore fisheries, which account for 60% of Falklands GDP and a significant proportion of the Islands' annual squid catch is currently exported to Spain. In the event of increased tariffs and friction at newly erected external borders, some impact on the pattern of Falklands' trade could be expected to arise, although in the longer term it seems likely that Falklands' exporters would find alternative solutions and / or alternative markets which would minimise any long term damage to the wider Falklands economy. It should also be noted that the greater part of Falklands' government licence income is linked to the illex squid catch which is sold into markets in the Far East and has no connection to the EU.

PHFC is much more focussed on its local market and has no direct trading links with the European Union. Some ferry components are manufactured by European companies but spare parts are available in the UK market and little or no impact is anticipated.

As outlined above, Momart has the greatest exposure to a disorderly Brexit. The European art market and national museums benefit greatly from the current frictionless borders which enable art works for exhibition and sale to move seamlessly across Europe and this in turn depends in particular on the free movement of vehicles through the channel ports. If Brexit is well managed, disruption should be relatively modest but contingency plans using alternative routes onto the continent are being explored, albeit there remains an unavoidable potential impact in the near term if orderly transitional arrangements are not agreed by the UK and EU governments.

Trading outlook

FIC

After another encouraging year in 2018-19, the general outlook for the Islands' economy and for FIC's trading prospects in the near term remains positive, despite a somewhat weaker illex squid catch at the start of the new financial year.

In its core retail and automotive operations and wider support services, local competition remains strong and with finite local demand, further significant growth is not expected without a major stimulus to the economy from government infrastructure spending, the development of tourism or progress with offshore oil.

On a more positive note, in the near term a recovery is expected from FIC's local housebuilder, FBS, which was held back in 2018-19 by delays in releasing housing plots in Stanley. With only six kit homes built in 2018-19 compared to 22 in the prior year, but with a backlog of orders at the end of March 2019, FBS had built up a record order bank, including a first government order for four flats and 14 houses. Reflecting this strong order bank and the renewed release of government building plots, a recovery in FBS housebuilding is anticipated in 2019-20 with good prospects for steady growth in the medium term.

In addition, the enforced slow-down in housebuilding for third parties seen in 2018-19 meant that during the year FIC focussed on increasing its own property portfolio and commenced the construction of a further 21 residential flats and houses which should be largely complete by the end of 2019-20. Once complete this programme will increase FIC's residential property portfolio by 40% from 49 to 70 units and these centrally located and modern homes are expected to have strong rental appeal in the under-supplied Stanley property market. The full uplift in net contribution from this building programme of c £0.1 million will not be seen for 2-3 years until construction of all units is complete and a full year's rental income has been received from all the properties.

Looking beyond the company's existing activities, progress is still being made towards a final decision on the development of the Sea Lion oil field in the North Falklands basin. Premier Oil has commenced its process to finalise the project costings for Sea Lion and it is hoped that if the price of crude oil remains above $60 bbl and the investment outlook for oil appears stable, that Premier will proceed with the development. The onshore spend for Sea Lion is likely to represent only a small fraction of the estimated total project cost of $1.5 billion but even with a 10% capital spend onshore in the Falklands, the stimulus to the local economy will be significant over the period of the field's construction. Accordingly, if oil development does proceed we anticipate a positive impact on FIC's existing businesses from the increased onshore spend on food, accommodation and services, but we are not basing investment decisions on this outcome until the position is much clearer

In addition, FIC will be tendering for all the onshore construction and service contracts, working where appropriate, with experienced specialist partners and although competition will be fierce, given FIC's local presence and range of skills it is hoped that FIC will be successful in winning an element of such business.

Beyond any potential success in the tender process, securing returns from any onshore projects will depend on the final investment decision from Premier Oil. With a highly geared balance sheet and a volatile global economic backdrop, a positive decision from Premier is by no means certain. However FIC is well placed if oil development does proceed and will be in no worse place if it does not. A final investment decision is anticipated from Premier Oil in late 2019 or early 2020.

In the domestic arena, the Falklands Government has announced a major programme of infrastructure spending that will be rolled out over the medium term. The finances of the Islands' government are in robust good health following years of accumulated budget surpluses and it has also signalled its interest in working more closely with the private sector to help progress this programme of critical works which includes a new power station and port facilities. As with oil development, the indirect benefits to the local economy of this planned investment will be significant and beyond this, FIC will have the opportunity to tender for direct involvement in some of the planned programmes.

In a similar vein there is significant capital investment required to modernise and renew the physical infrastructure of the military base at Mount Pleasant following the British government's continuing commitment to maintain the defence and independence of the Islands against any potential hostile threat. With an establishment of around 2,000 military and civilian personnel, an international scale marine port and airbase, the investment required to maintain and renew the base facilities for the next 35 years will be considerable and should offer local companies, including FIC, real opportunities for participation in both the necessary capital projects and in the provision of non-military services.

Linked to both the government's plans and the renewal programme at Mount Pleasant over the medium term there will also be a need for expanded and modernised residential staff accommodation. With its experience and established track record as a leading local construction company, FIC will hope to play its part in delivering the further investment needs of its government and military partners.

There are also real opportunities in the development of land based tourism which in turn depends on more regular and convenient access to the Islands by air. In an historic development in late 2018, the British and Falklands governments secured the agreement of the Argentinian administration to allow commercial flights from Brazil to pass through Argentine airspace en route to the Falklands. Arrangements for a new mid-week commercial flight from Sao Paulo are now being finalised with the intention of commencing the service in late 2019 in time for the 2019-20 summer in the Falklands. This very positive development will create a vital building block on which to develop a still embryonic tourism industry and offers the possibility of the revitalisation of the Camp outside Stanley and an integrated vacation experience with the cruise ships and expedition vessels that increasingly visit the Islands. With a secure flow of several hundred new tourist visitors to the Islands each week there will be investment opportunities in providing amenities and services for these visitors in Stanley and in Camp as well as using these new air links to embed a more substantial connection to the cruise ships operating from Falklands waters through vessel re-supply and passenger interchanges.

If the more far sighted and progressive attitude taken by the current Argentinian administration is maintained, over the longer term, land based tourism with links to cruise and expedition vessels could become a mainstay and key growth driver of the Islands economy.

PHFC

At PHFC, the slow decline in passenger numbers seen over recent years appears to be slowing as more positive demographic and local economic developments come into play. The increased investment in the Portsmouth naval base seen in recent years and the slow redevelopment of former military sites in the Gosport peninsula are positive influences. In addition, the planned arrival of the navy's second carrier, HMS Prince of Wales, later in 2019 will provide a further boost to jobs and create a stimulus for the local economy.

In the longer term, pressure for the mooted redevelopment of the Gosport waterfront adjacent to the ferry pontoon, is likely to bear fruit and the continuing development of the retail and tourist offerings on the Portsmouth side of the harbour should also prove positive.

In the near term, the focus of management will be to maintain the impeccable safety record of the ferry service and its outstanding reliability, whilst at the same time keeping tight control of operating costs.

With a modern ferry fleet and only minimal capital investment needed for the foreseeable future, the ferry's solid profitability and cash flow generation makes it an effective and complementary support to the other operations of the FIH group, which have more long term growth potential.

Momart

At Momart, with continued buoyancy in the global art market, the company's strong links with leading auction houses and galleries and the positive momentum achieved in recent years with these key clients should underpin continued steady progress in the commercial sector.

In the museum sector, the company's order bank of large exhibitions at the start of the current year is stronger than in April 2018 and provided effective mechanisms are put in place to ease any Brexit transition by UK and EU governments, solid progress is also expected.

With storage, a hoped for growth in revenue last year was thwarted by the relocation out of London of two large storage clients but with these losses now firmly in the past, the company is focused on building on the success seen last year in recruiting new clients and securing more long term rental income from its state of the art Leyton facility. With 20% of warehouse space still unlet, the opportunity for growth in rental income and bottom line contribution is significant. However, winning storage clients from competitors is a complex and extended sales process and although "new" art is constantly being created and the longer term outlook is positive, a complete fill of these facilities may take two to three years.

Finally, as explained earlier in this review, an element of 2018-19's reported growth at Momart was linked to a release of unneeded provisions of £0.2 million.

In 2019-20 this will not be repeated but although this means a lower starting point and base line for the current year, modest overall growth is still anticipated and with further increases in contribution linked to filling storage in the medium term, the prospects for Momart remain attractive.

Group Strategy
In recent years the Group has committed time and resources to seek out strategic acquisitions of new businesses to increase the scale of the Group and to enhance its appeal to investors.

Following a strategic review of the opportunities facing the Group in early 2019, the board has recalibrated its plans based on the significant potential for medium term growth which is now perceived in the Falkland Islands and also at Momart. Although the Group will still review opportunities for investment by means of selective acquisitions, the immediate focus will be based on maximising value from the Group's existing operations.

It has long been understood that with its unique position in the Islands as a major provider of services to the local community, that FIC would benefit from the growth in the Falklands' economy that would result if plans were progressed to develop oil production from the offshore oil fields, including Sea Lion in the North Falklands basin. With the development of Sea Lion still in prospect this opportunity remains very real.

Looking beyond oil, following recent public pronouncements by the Falklands' government and the UK Ministry of Defence it is now clear that there is significant growth potential in areas that are not related to the extraction of hydrocarbons. The Falkland Islands' government's public infrastructure and housing plans and the publicly announced intention by the UK government to maintain and modernise the fabric of the Mount Pleasant military base over the long term will create major opportunities for local businesses including FIC. In addition the recent agreement with Argentina to secure a new commercial mid-week flight into the Islands offers the prospect of more friendly relations with a previously hostile neighbour and most importantly thereby opens up the potential for the long term development of land based tourism.

Taken together, these opportunities offer real growth potential over the long term for FIC and the FIH group, whose local presence combined with access to UK capital markets, make it uniquely placed to channel investment into the Islands.

In addition to the enhanced growth prospects in the Falklands, the Group's fine art handling business, Momart, offers scope for further growth in the medium term and the recent acquisition of the freehold property in Leyton has further underpinned the value of this market leading business.

To support and help deliver the Group's medium term plans for growth, further selective strengthening of the operating management in Momart and FIC will be undertaken during the year.

With the Group's activities further supplemented by the cash generating capability of PHFC the Board believe the Group is in a good place to produce steady and sustainable growth over the medium term which we believe will provide shareholders with attractive investment returns and a consequent increase in shareholder value.

With a healthy balance sheet and improved prospects for growth not dependent solely on the development of oil in the Falklands, the board looks forward to delivering a steady and sustainable growth in earnings and shareholder value over the medium term.

John Foster

Chief Executive
11 June 2019

Financial Review

Revenue and Pre Tax profit

Group revenue fell slightly by 3.0% to £42.5 million, and Profit Before Tax increased 17.1% to £3.9 million (2018: £3.3 million) boosted by continued growth at Momart and FIC, offset by a decline at PHFC and the absence of any exceptional costs.

Underlying Operating Profit

Underlying operating profit increased 19.9% to £4.4 million (2018: £3.7 million).

Non-trading items

There were no non-trading items in the year. In the prior year there was a small gain of £0.06 million on the sale of surplus machinery and parts at PHFC.

Net financing costs

The Group's net financing costs increased by £0.1 million to £0.5 million due to the loan drawn down in December 2018 to fund the Leyton property purchase.

Underlying and Reported pre-tax profit

With no non-trading items in the current year, the Group reported underlying pre-tax profits of £3.9 million, 19.3% up on the prior year, (2018: £3.2 million). Reported Profit Before Tax for the Group increased by 17.1% to £3.9 million (2018: £3.3 million).

Taxation

The Group pays corporation tax on its UK earnings at 19% and on earnings in the Falkland Islands at 26%. The Falkland Islands Company Limited, which is resident in both jurisdictions, has been granted a foreign branch exemption, and now pays all its corporation tax in the Falkland Islands and no longer pays UK corporation tax. As a result, FIC enjoys the full benefit of the tax deductibility in the Falkland Islands of expenditure on commercial and industrial buildings. In 2018-19 the effective blended tax rate for the Group was 21.4% and In the prior year, the effective blended rate was 23.7%.

Earnings per share

Year ended 31 March	2019 £m	2018 £m	*Change* *%*
Underlying profit before tax	3.86	3.24	*19.3*
Taxation on underlying profit	(0.83)	(0.77)	*7.8*
Underlying profit after tax	3.03	2.47	*22.8*
Diluted average number of shares in issue (thousands)	12,560	12,525	*0.3*
Effective underlying tax rate	21.4%	23.7%	*-9.6*
Basic EPS on underlying profit	24.4p	19.9p	*22.6*
Diluted EPS on underlying profit	24.1p	19.7p	*22.5*
Basic EPS on reported profit	24.4p	20.3p	*20.2*
Diluted EPS on reported profit	24.1p	20.1p	*20.1*

Fully diluted Earnings per Share ("EPS") derived from underlying profits, increased to 24.1 pence (2018:19.7 pence), due to the rise in underlying profit before tax.

Balance sheet

The Group's balance sheet remains strong. Total net assets increased to £44.6 million from £41.7 million in the prior year. Retained earnings increased by £2.7 million to £24.6 million (2018: £21.9 million) after payment of dividends totalling £0.6 million and after providing for corporation tax of £0.8 million. Opening reserves were restated and increased by £0.2 million under the new accounting standard, IFRS 15 which requires the immediate recognition of insurance broking commission. There was no material impact on current year profits as a result of this change in policy, and bank borrowings increased to £12.8 million (2018: £3.3 million), as a result of the £10.0 million short term loan drawn down to fund the £19.6 million warehouse purchase, and the Group's cash balances fell to £6.2 million (2018: £17.0 million).

The carrying value of intangible assets at £11.8 million is unchanged from the position at 31 March 2018 and no further amortisation charges to goodwill or the Momart brand name are planned.

The net book value of property, plant and equipment increased by £19.9 million to £38.7 million (2018: £18.8 million) after capital investment of £21.1 million including the £19.6 million property purchase, offset against a £1.3 million depreciation charge in the year, and some small disposals, mainly the sales of ex-hire vehicles in the Falklands.

The Group had 54 completed investment properties at 31 March 2019, comprising commercial and residential properties in the Falkland Islands, which are held for rental, together with approximately 400 acres of land in and around Stanley. This includes 18 acres for industrial development and 25 acres of prime mixed-use land. The 54 investment properties available for rental include 44 investment properties, which are mainly houses in Stanley and ten mobile homes, which are rented to staff, together with one flat at the Mount Pleasant military base. Ten properties were under construction at 31 March 2019, and sites had been cleared ready for the construction of ten further properties at the year end. The net book value of the investment properties and undeveloped land of £5.2 million (2018: £4.0 million) has been reviewed by the directors resident in the Falkland Islands and at 31 March 2019 the fair value of this property portfolio, including undeveloped land, was estimated at £8.7 million (2018: £7.4 million), an uplift of £3.5 million on net book value. Investment properties had an estimated value of £6.5 million (2018: £5.2 million) and the value of FIC's 700 acres of undeveloped land was estimated at £2.2 million (2018: £2.2 million).

Deferred tax assets relating to future pension liabilities stood at £0.7 million (2018: £0.7 million). These balances relate to deferred tax benefit of expected future pension payments in the FIC unfunded scheme calculated by applying the 26% Falklands' tax rate to the pension liability. The deferred tax asset decreased very slightly in line with the fall in the pension liability due to the increase in the discount rate.

Inventories, which largely represent stock held for resale and work in progress in the Falkland Islands, were increased by £1.2 million to £5.8 million at 31 March 2019 (2018: £4.6 million), due to the increase in house building stock.

Trade and Other Receivables increased slightly to £7.8 million from £7.4 million at 31 March 2018.

As a result of the £19.6 million property purchase, which was only partly funded by a £10.0 million loan, the Group's cash balances fell to £6.2 million (2018: £17.0 million), and bank borrowings increased to £12.8 million from £3.8 million.

Outstanding finance lease liabilities totalled £5.0 million (2018: £4.9 million). £4.7 million (2018: £4.7 million) of the finance lease balance is in respect of the 50 year lease from Gosport Borough Council for the Gosport Pontoon, which runs until June 2061.

In common with most large UK companies, the Group pays most of its corporation tax by means of payments on account. Residual corporation tax due for payment within the next 12 months is £0.4 million (2018: £0.3 million) as £0.2 million had been paid by the year end in respect of the corporation tax charge for the year to 31 March 2019.

Trade and other payables decreased by £1.1 million to £9.6 million at 31 March 2019 (2018: £10.7 million).

At 31 March 2019, the liability due in respect of the Group's defined benefit pension scheme in the Falkland Islands was £2.8 million (2018: £2.8 million). The pension scheme in the Falklands, which was closed to new entrants in 1988 and to further accrual in 2007, is unfunded and liabilities are met from operating cash flow. A decrease in the liability has been fed through reserves in accordance with IAS 19. Eleven former employees receive a pension from the scheme at 31 March 2019 and there are three deferred members.

The Group's deferred tax liabilities, excluding the pension asset at 31 March 2019, were £2.5 million and increased by £0.2 million from the prior year (2018: £2.3 million). £2.4 million of this balance arises on property, plant and equipment, and is principally due to accelerated capital allowances on the new vessel in PHFC and also to properties in the Falklands, where capital allowances of 10% are available on the majority of properties. With such assets depreciated over 20-50 years, a temporary difference arises, on which deferred tax is provided.

Cash flows

Net cash flow from operating activities decreased to £3.0 million (2018: £4.2 million) due to an increase in the working capital balances in the current year.

The Group's operating cash flow can be summarised as follows:

Year ended 31 March	2019 £m	2018 £m	Change £m
Underlying profit before tax	3.9	3.2	0.7
Depreciation & Amortisation	1.4	1.7	(0.3)
Net Interest payable	0.5	0.4	0.1
Underlying EBITDA	**5.8**	**5.3**	**0.5**
Decrease in hire purchase debtors	0.2	0.1	0.1
Increase in working capital	(2.5)	(0.5)	(2.0)
Professional fees paid for the Takeover bid and defence	-	(0.2)	0.2
Tax paid and other	(0.5)	(0.5)	-
Net cash inflow from operating activities	**3.0**	**4.2**	**(1.2)**
Financing and Investing Activities			
Capital expenditure	(22.4)	(0.8)	(21.6)
Net bank and finance lease interest paid	(0.4)	(0.3)	(0.1)
Proceeds on sale of fixed assets	-	0.1	(0.1)
Dividends paid	(0.6)	(0.7)	0.1
Bank and other loan repayments	(0.6)	(0.6)	-
Bank and Hire purchase loan draw down	10.2	-	10.2
Net cash outflow from financing and investing activities	(13.8)	(2.3)	(11.5)
Net cash (outflow) / inflow	**(10.8)**	**1.9**	**(12.7)**
Cash balance b/fwd.	17.0	15.1	1.9
Cash balance c/fwd.	6.2	17.0	(10.8)

Financing outflows

During the year the Group incurred £22.4 million of capital expenditure (2018: £0.8 million), including £19.6 million of expenditure on the Leyton warehouses and £1.3 million spent on the purchase of one new rental property, and the construction of eight flats and five houses at Fitzroy Road and John Street in the Falklands. At Momart, the £0.4 million of capital expenditure included the purchase of one large truck and three sprinter vans.

Scheduled loan repayments of £1.0 million (2018: £0.9 million) were made during the year, including £0.6 million of principal repaid and £0.4 million of bank and finance lease interest. This includes the £0.3 million of repayments to Gosport Council on the 50 year pontoon finance lease, £0.1 million of repayments on hire purchase leases for trucks at Momart and £0.6 million repayments for the five bank loans. A £10.0 million short term loan was drawn down to fund the Leyton property acquisition, and this will be refinanced with a ten year mortgage within the next 12 months.

John Foster
Chief Executive
11 June 2019

Risk Management and Principal risks

The Board is ultimately responsible for setting the Group's risk appetite and for overseeing the effective management of risk. The Group faces a diverse range of risks and uncertainties which could have an adverse effect on results if not managed. The principal risks facing the Group have been identified by the Board and the mitigating actions agreed with senior management and are discussed in the following table:

POLITICAL RISKS		
Potential impact	**Comment**	**Risk Level**
Historically, Argentina has maintained a claim to the Falkland Islands, and this dispute has never been officially resolved.	UK and Argentinian relations have improved in recent years despite unresolved differences over the Falklands and in December 2018 for the first time, a sitting UK Prime Minister met with the Argentinian President in Buenos Aires. Plans to introduce a new air link from South America with a monthly stop-over in Argentina are being progressed for a November 2019 commencement. However, even when relations have been unfriendly, the security afforded by the British government's commitment to maintain a substantial defensive military presence in 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
Uncertainty caused by the UK's decision to leave the European Union.	The terms of any Brexit arrangements are yet to be determined. Of the Group's companies, Momart faces the biggest potential threat and a disorderly Brexit could affect the flow of art works in and out of Europe to the UK. Transfers of art between government institutions and museums are less likely to be affected and the level of commercial business with the EU represents a relatively small proportion of Momart's overall activity. However if Brexit does proceed under certain circumstances some short term dislocation of Momart's business is expected.	Low / Moderate – Increased
ECONOMIC CONDITIONS		
Potential impact	**Comment**	**Risk Level**
There is a link between demand for the Group's services and general economic activity. In particular, demand in the Falkland Islands is subject to fluctuation, dependent upon Oil sector activity.	Premier Oil is seeking funding for potential development in the North Falklands Basin prior to a final investment decision. Uncertainty exists over future expansion opportunities but base demand is stable.	Low - Unchanged
Budgets available to museums for exhibitions can fluctuate with Government spending and the commercial art market exhibits cyclicality; both have a direct impact on Momart.	Largely unchanged.	Low - Moderate - Unchanged
Mitigation		
Prudent management through the different phases of the economic cycle. Flexibility in the business model Management carefully monitor developments around the oil sector in the Falklands and adjust investment levels accordingly.		

COMPETITION		
Potential impact	**Comment**	**Risk Level**
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
Momart sits in a highly competitive market with both UK and International competitors investing for growth.	Largely unchanged.	Moderate - Unchanged
Mitigation		
Being responsive to the needs of our customers and focussing on the quality of service delivery. Understanding changing market conditions and our competitors. Driving down costs and improving margins Continuing investment to maintain and enhance the quality of service offered to customers		
CREDIT RISK		
Potential Impact	**Comment**	**Risk Level**
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
Mitigation		
Management in all businesses have credit control policies in place to manage risk on an ongoing basis. These include the use of customer specific credit limits and active cash collection procedures.		
FOREIGN CURRENCY AND INTEREST RATE RISK		
Potential Impact	**Comment**	**Risk Level**
Momart is exposed to foreign currency risk arising from trading and other payables denominated in foreign currencies. The Group is exposed to interest rate risks on large loans. FIC retail outlets accept foreign currency and are exposed to fluctuations in the value of the dollar and euro.	Largely unchanged.	Low - Unchanged
Mitigation		
Forward exchange contracts are used to mitigate this risk, with the exchange rate fixed for all significant contracts. Interest rate risk on large loans is mitigated by the use of an interest rate swap.		
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.		

PEOPLE		
Potential Impact	**Comment**	**Risk Level**
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 on the business.	None of the Group's businesses is reliant on the skills of any one person. The wide spread of the Group's operations further dilutes the risk.	Low - Unchanged
In the Falklands business there is a reliance 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 Falklands remain an attractive location for St Helenian people to work.	Low – Reduced
In the Falklands business there is a reliance on being able to attract staff from overseas generally.	Immigration procedures in the Falklands are bureaucratic and slow although some effort is being made by the Falklands Government to improve matters.	Moderate - Unchanged
Mitigation		
Consultation with employees, where appropriate, on key issues concerning them as employees. Management review of local salary trends Long term incentive plans for key senior staff and Employee share participation scheme. Incentivising staff through performance related bonuses. Staff are supported with immigration applications and to acquire relevant employment related qualifications.		
HEALTH AND SAFETY		
Potential Impact	**Comment**	**Risk Level**
The Group 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 Group and damage to our reputation.	All staff in Group companies undergo appropriate health and safety training when joining the Group.	Low - Unchanged
Mitigation		
Maintain appropriate health and safety policies and procedures regarding the need to comply with laws and regulations. Staff receive relevant Health and Safety training when joining the Group and receive refresher and additional training as is necessary. Training courses cover maritime safety, lifting and manual handling, asbestos awareness and fire extinguisher training. External HSE audits are conducted on a regular basis		
LAWS AND REGULATION		
Potential Impact	**Comment**	**Risk Level**
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. GDPR legislation has recently been introduced.	Low – Unchanged
Mitigation		
Use of specialist and local advisers on regulatory and legislation matters Evolving policies and practices to take account of changes in legal obligations. We monitor regulatory and legislation changes to ensure our policies and practices reflect them and we comply with relevant legislation. During the year training has taken place in respect of GDPR and customs practices.		

Board of Directors and Secretary

Robin Williams, Non-executive Chairman

Robin joined the Board in September 2017. He has a wide breadth of corporate experience, gained at a range of quoted and private businesses as well as from an early career in investment banking. He is currently Chairman at Xaar plc, the FTSE listed Cambridge based digital inkjet leader, also at Keystone Law Group plc and Stirling Industries plc and a non-executive director at van Elle Plc. Robin qualified as an accountant in 1982 after graduating in engineering science from the University of Oxford. He worked in corporate finance for ten years at investment banks including Salomon Brothers and UBS before leaving the City in 1992 to co-found the packaging business, Britton Group plc. In 1998, he moved to Hepworth plc, the building materials group, and since 2004 he has focused on non-executive work in public, private and private equity backed businesses. Robin is a member of the Audit and Remuneration Committees and is Chairman of the Nominations Committee.

John Foster, Chief Executive

John joined the Board in 2005. He is a chartered accountant and previously served as Finance Director on a number of fully listed UK companies. Prior to this, John spent three years in charge of acquisitions and disposals at FTSE 250 company, Ascot plc, and before that worked for nine years as a venture capitalist with a leading investment bank in the City.

Jeremy Brade, Non-executive Director

Jeremy joined the Board in 2009, he is a Director of Harwood Capital Management where he is the senior private equity partner. Jeremy has served on the boards of several private and publicly listed international companies. Formerly Jeremy was a diplomat in the Foreign and Commonwealth Office, and before that an Army officer. Jeremy is a member of the Nominations and Remuneration Committees and is Chairman of the Audit Committee.

Robert Johnston, Non-executive Director

Robert joined the Board on 13 June 2017; he is an experienced non-executive director and investment professional and has served on the boards of several quoted companies in both North America, Ireland and in the UK, including Fyffes PLC, Produce Investments plc and Gas Natural Holdings. He is currently on the boards of Colabor Group Inc, Corning Natural Gas Holding Corp, Supremex Inc, and Circa Enterprises Inc. Robert is a member of the Nominations and Audit Committees and is Chairman of the Remuneration Committee.

Robert represents the Company's largest shareholder, "The Article 6 Marital Trust, created under the First Amended and Restated Jerry Zucker Revocable Trust dated 4-2-07", which has a beneficial holding of 3,596,553 ordinary Shares, representing 28.77% of the Company's issued share capital.

Carol Bishop, Company Secretary

Carol Bishop joined the Company in December 2011. She is a chartered accountant and has previously worked for London Mining plc, an AIM listed company as Group reporting manager. Prior to this she spent three years at Hanson plc and prior to that, six years at the Peninsular and Oriental Steam Navigation Company.

Dear Shareholder,

As Chairman of the Company, I am responsible for leading the Board in applying good corporate governance and the Board is committed to good governance across the business, both at an executive level and throughout its operations. The Board strives to ensure that the objectives of the business, the principles and risks are underpinned by values of good governance throughout the organisation.

The FIH group plc Board values include embedding a culture of ethics and integrity, the adoption of higher governance standards, to maintain its reputation by fostering good relationships with employees, shareholders and other stakeholders to deliver long term business success.

In 2018 the AIM Rules for Companies were updated to acknowledge a change in investor expectations toward corporate governance for companies admitted to trading on AIM, and the Board, took the decision to adopt the revised Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code") which they believe is the most appropriate recognised governance code for the Company.

The QCA Code has ten principles of corporate governance that the Company has committed to apply within the foundations of the business, which are discussed in detail on the Company's website www.fihplc.com in the Corporate Governance section.

The Board is aware of the need to protect the interests of minority shareholders, and balancing those interests with those of any more substantial shareholders, including those interests of the Jerry Zucker Revocable Trust, a major shareholder holding nearly 29% of the issued share capital and voting rights, which are represented on the Board by the non-executive director, Robert Johnston.

Beyond the Annual General Meeting, the Chief Executive and the Chairman offer to meet with all significant shareholders after the release of the half year and full year results. The Chief Executive and the Chairman are the primary points of contact for the shareholders and are available to answer queries over the phone or via email from shareholders throughout the year.

Business model and strategy

The Group's strategy is set out on page 4 of the Chief Executive's Strategic Report, which sets out in a detail the recalibration by of the board of its plans, based on the significant potential for medium term growth which is now perceived in the Falkland Islands and also at Momart, following a strategic review by the Board of the opportunities facing the Group in early 2019. Although the Group will still review opportunities for investment by means of selective acquisitions, the immediate focus will be based on maximising value from the Group's existing operations.

Risk Management

The Board has overall responsibility for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The key risks of the Group are presented on pages 20 to 22.

The Board has determined that an internal audit function is not required due to the small size of the Group and its administrative function and the high level of director review and authorisation of transactions.

Director independence

The Board considers itself sufficiently independent. The QCA Code suggests that a board should have at least two independent non-executive directors. The Board has considered each non-executive director's length of service and interests in the share capital of the Group and consider that Mr Williams, Mr Brade and Mr Johnston are independent of the executive management and free from any undue extraneous influences which might otherwise affect their judgement. All board members are fully aware of their fiduciary duty under company law and consequently seek at all times to act in the best interests of the Company as a whole.

Whilst the Company is guided by the provisions of the Code in respect of the independence of directors, it gives regard to the overall effectiveness and independence of the contribution made by directors to the Board in considering their independence, and does not consider a director's period of service in isolation to determine this independence. The Board acknowledge that Robert Johnston, who joined the Board on 13 June 2017, represents the Company's largest shareholder, "The Article 6 Marital Trust, created under the First Amended and Restated

Jerry Zucker Revocable Trust dated 4-2-07", (the "Zucker Trust"), which has a beneficial holding of 3,596,553 ordinary Shares, representing 29% of the Company's issued share capital. The Board has considered Mr Johnston's independence, given his representation of this shareholding and all board members have satisfied themselves that they consider Mr Johnston to be independent. This is as a consequence of (i) the fact that Mr Johnston has considerable international investment expertise, and (ii) that the shareholding of his employer in FIH represents only a small part of its wider portfolio, but nonetheless aligns him with the interests of FIH shareholders generally. It is also relevant that Mr Johnston has recently joined the Board of FIH and does not have long established relations with any of the Group's management, external advisers or businesses.

The Board also acknowledges that Jeremy Brade, who joined the Board on 9 September 2009, will have been a non-executive director for ten years in 2019 and that a succession plan for him should be set in place in due course. All Directors retire by rotation and are subject to election by shareholders at least once every three years. Any Non-executive Directors who are considered by the Board to be independent but who have served on the Board for at least nine years will be subject to annual re-election. In 2019 this applies to Jeremy Brade.

Time commitment of directors

John Foster, Chief Executive of the company, is the only full time executive director. Robin Williams, Jeremy Brade and Robert Johnston have all been appointed on service contracts for an initial term of three years. Overall it is anticipated that non-executive directors spend 10-15 days a year after the initial induction, which includes a trip to the Group's subsidiary in the Falkland Islands. All directors are expected to attend all board meetings, the Annual General Meeting and any extraordinary general meetings. Non-executive directors are expected to devote additional time in respect of any ad hoc matters, such as the Leyton property acquisition, the consideration of any business acquisitions and the attempted takeover in early 2017.

Board Meetings

The Board meets frequently throughout the year to consider strategy, corporate governance matters, and performance. Prior to each meeting, all Directors receive appropriate and timely information. Since the last annual report was published on 12 June 2018 there have been eight Board meetings, Robin Williams, John Foster and Robert Johnston have attended all meetings. Jeremy Brade attended seven of the eight.

There have been two Remuneration Committee meetings in the past 12 months since 12 June 2018 and two Audit Committee meetings, which were attended by all members of each committee.

Board directors

The Board comprises Robin Williams, the non-executive chairman, John Foster, the full time Chief executive and two other non-executives, Jeremy Brade and Robert Johnston. Further details are set out in page 23.

Skills and qualities of each director

Following careers in corporate finance advisory and as an executive director in FTSE 250 public companies, I have focused on non-executive work in public, private and private equity backed businesses and have a deep experience in the public markets and in private companies, in addition to management and operational experience. I have also had significant experience with family and Government owned companies. My experience at director level since early in my career has given me a good background in strategy and relationships with advisers and investors, in addition to exposure to transaction planning and execution. My financial background provides the experience required as chairman of the Group to review and challenge decisions and opportunities.

John Foster is a Chartered Accountant and previously served as Group Finance Director for Macro 4 plc (2000 - 2003) and Hamleys plc (1998 - 2000). Prior to joining Hamleys, he spent three years as Corporate Finance Director of Ascot plc, an industrial holding company with a turnover of £300 million and over 1,600 employees. Before becoming a plc director, John spent 11 years working in Private Equity for a leading UK investment bank following training and CA qualification with Arthur Andersen in 1983. John's finance background, together with his strong analytical skills developed during his nine years working as a venture capitalist with a leading investment bank is well fitted to his commitment to perform both the Chief Executive and Finance Director roles at FIH group plc.

Jeremy Brade has been investing in UK private equity for over 16 years. He has led several successful acquisitions and public-to-private transactions. Previously Jeremy was with the Foreign and Commonwealth Office (FCO) where he served at the British High Commission in New Delhi and as the representative of Cyrus Vance and Lord Owen at the International Conference on the Former Yugoslavia, and prior to joining the diplomatic service, Jeremy was an army officer. Using his experience of acquisitions and various corporate transactions through Harwood Capital Management Limited, Jeremy brings a wealth of knowledge and expertise on restructuring, funding and transforming companies.

Robert Johnston is an experienced non-executive director and investment professional and has served on the boards of several quoted companies in both North America and in UK, including Fyffes PLC and Supremex, Inc. Robert Johnston has been the Chief Strategy Officer and Executive Vice President at The InterTech Group, Inc. and has over 20 years of experience in various financial and strategic roles. He is the principal representative of the Jerry Zucker Revocable Trust. Robert brings experience on many transactions at both the corporate and asset level, including debt and equity, and his experience in the banking sector will prove invaluable to developing the Group.

Details of how each director keeps their skill set up to date

The Board as a whole is kept abreast by the Company's lawyers with developments of governance, and by WH Ireland, the Company's Nominated Adviser of updates to AIM regulations. The Group's auditors KPMG meet with the Board as a whole twice a year and keep the Board updated with any regulatory changes in finance and accounting.

Any external advice sought by the Board

During the year the Board sought advice from Jones Lang LaSalle Limited, a commercial real estate firm, on the property purchase at Leyton. Advice was also sought from third parties on reviewing a number of potential acquisitions in 2018. KPMG provided advice on the new accounting standards and the control environments at the subsidiaries and the Company's lawyers advised on a number of areas, including Modern Slavery, Data protection, and the Leyton acquisition.

Internal advisory responsibilities

The company secretary helps keep the Board up to date on areas of new governance and liaises with the Nominated Adviser on areas of AIM requirements, and with the Company's lawyers on areas such as Modern Slavery, Data Protection and other legal matters. She also liaises with the Company's tax advisers with regards to tax matters and with the Group's auditors with respect to the application of current and new accounting standards, and on the status on compliance generally around the Group. The company secretary has frequent communication with the chief executive and access to the Chairman, and is available to other members of the Board as and when required.

Board performance effectiveness

The directors have considered the effectiveness of the Board, committees and individual performance, and this was discussed by the Board in the April 2019 meeting. The Board meets formally five times a year with update board meetings held in between these meetings as required. There is a strong flow of communication between the directors, in particular the relationship between the Chief Executive and Chairman, who have regular additional calls or meetings. The agenda for the formal meetings are set with the consultation of both the Chief Executive and Chairman, and papers are circulated a week in advance of the meetings, giving directors ample time to review the documentation and enabling an effective meeting. Resulting actions are tracked as matters arising and followed up at subsequent Board meetings to ensure that they have been addressed.

Board performance evaluation

The Chairman conducted an effectiveness review by means of a questionnaire, with comment on the Chairman passed to the Senior Independent Director. Comments were also made on non-executive directors and the Committee's effectiveness. The results of this exercise were reviewed and individual feedback was provided for each of the Directors, and the Board as a whole. Feedback was provided by the Chairman in respect of assessments of each of the other Directors and the Board as a whole, and by the Senior Independent Director to the Chairman himself.

The outcome of the appraisal is that the Board has been effective in discharging its duties during the year. The review was conducted in March 2019 and discussed at the April 2019 Board meeting, with useful conclusions in the areas of major shareholder representation in the Board, how the NEDs interact with only one executive on the Board, the development of strategy and the presentation of recommendations to the Board.

Robin Williams
Non-Executive Chairman
11 June 2019

Audit Committee Report

The Audit Committee comprises the three non-executive directors; Jeremy Brade, Robin Williams and Robert Johnston, and is chaired by Jeremy Brade. The Audit Committee reviews the external audit activities, monitors compliance with statutory requirements for financial reporting and reviews the half year and annual financial statements before they are presented to the Board for approval. The Audit Committee also keeps under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the Auditor and the effectiveness of the Group's internal control systems.

The Committee meets twice a year to review both the year end and half year results and KPMG, the Company's auditors, attend both of these meetings in person. It is the Audit Committee's role to provide formal and transparent arrangements, to consider how to apply financial reporting under IFRS, the Companies Act 2006, and the requirements of the QCA Code and also to maintain an appropriate relationship with the independent auditor of the Group.

The current terms of reference of the Audit Committee were reviewed and updated in January 2018. In making its recommendation that the financial statements be approved by the Board, the Audit Committee has taken account of the following significant issues and judgement areas:

Areas of judgement

(i) Going concern

In the year ended 31 March 2019 a key assumption is that in the near future the Group intends to draw down a ten year mortgage on its newly acquired freehold property which will add a further £4 million to the Group's cash resources. This will enable the short term £10.0 million loan to be repaid. The Group has received a formal offer letter with the approved terms of this ten-year mortgage from the Group's bank.

(ii) Fixed assets recognition

In the year ended 31 March 2019, the Group purchased five warehouses which have been leased by its art logistics subsidiary, Momart for £19.6 million including stamp duty and acquisition costs. After detailed discussion with our advisers and consideration of the ages, states and rebuild costs of the properties, together with the location of the premises, £11.5 million of the purchase price has been allocated to land, which is not depreciated and £8.1 million has been allocated to property, which is being depreciated over up to 39 years, which the directors consider to be the remaining useful life of the warehouses.

(iii) Defined benefit pension liabilities

A significant degree of estimation is involved in predicting the ultimate benefits payment to pensioners in the Falkland Islands Company defined benefit pension scheme. Actuarial assumptions have been used to value the defined benefit pension liability (see note 23). Management have selected these assumptions from a range of possible options following consultations with independent actuarial advisers. The actuarial valuation includes estimates about discount rates and mortality rates, and the long-term nature of these plans, make the estimates subject to significant uncertainties. There are eleven pensioners currently receiving a monthly pension under the scheme and three deferred members.

(iv) Impairment testing

Impairment tests have been undertaken with respect to intangible assets (see note 11 for further details) using commercial judgement and a number of assumptions and estimates have been made to support their carrying amounts. In determining the fair value of intangible assets recognised on the acquisition of Momart International Limited management acted after consultation with independent intangible asset valuation advisers. The intangible assets which have not been fully amortised at 31 March 2019 include goodwill and the brand name, as goodwill is not subject to amortisation but to at least annual impairment testing, and the Momart brand name was deemed to have an indefinite life, and amortisation was ceased from 1 October 2013.

(v) New accounting standards

In the year commencing 1 April 2018, the Group has adopted IFRS 15 'Revenue from Contracts with Customers' for the first time with an impact of £160,000 to reserves at 1 April 2018. IFRS 16 'Leases', will apply from 1 April 2019, and it has been assessed that its expected impact will be to increase assets by £2.3 million and liabilities by £2.5 million, as the Group has elected to apply the modified retrospective approach.

(vi) 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 Group.

Independent auditor

The independent auditor (KPMG LLP) was appointed in 1997. The current audit engagement partner has been in place since the audit for the year ended 31 March 2016 and will step down after the audit for the year ended 31 March 2020. The analysis of the auditor's remuneration is shown in the table on page 61. Total non-audit fees paid to KPMG were less than £15,000 in both the current and prior year. Tax advisory services are provided by RSM UK Tax and Accounting Limited, and where possible, accounting services are provided by in-house support to the subsidiaries of the Group, by the Group Financial Controller and Company Secretary. The Audit Committee is responsible for ensuring that the Group's risks are understood, managed and mitigated as far as practicable.

Jeremy Brade
Independent Non-executive Director
11 June 2019

Directors' Report

The Directors present their annual report and the financial statements for the Company and for the Group for the year ended 31 March 2019.

Results and dividend
The Group's result for the year is set out in the Group Income Statement. The Group profit for the year after taxation amounted to £3,031,000 (2018: £2,517,000). Basic earnings per share on underlying profits were 24.4 pence (2018: 19.9 pence).

The Directors recommend a final dividend of 3.35 pence per share, which, if approved by shareholders at the forthcoming Annual General Meeting, will be paid on 20 September 2019 to shareholders on the register at close of business on 16 August 2019. Together with the interim dividend of 1.65 pence paid in January 2019 the proposed final dividend will take the total dividend for the year to 31 March 2019 to 5.0 pence per share (2018: 4.5 pence per share). The proposed final dividend has not been included in creditors as it was not approved before the year end.

Principal activities
The business of the Group during the year ended 31 March 2019 was general trading in the Falkland Islands, the operation of a passenger ferry across Portsmouth Harbour and the provision of international arts logistics and storage services. The principal activities of the Group are discussed in more detail in the Chief Executive's Strategic Report and should be considered as part of the Directors' Report for the purposes of the requirements of the enhanced Directors' Report guidance.

The principal activity of the Company is that of a holding company.

Directors
There have been no changes to the Board during the year.

Directors' interests
The interests of the Directors in the issued shares and share options over the shares of the Company are set out below under the heading 'Directors' interests in shares'. During the year no Director had an interest in any significant contract relating to the business of the Company or its subsidiaries other than his own service contract.

Health and safety
The Group is committed to the health, safety and welfare of its employees and third parties who may be affected by the Group's operations. The focus of the Group's effort is to prevent accidents and incidents occurring by identifying risks and employing appropriate control strategies. This is supplemented by a policy of investigating and recording all incidents.

Employees
The Board is aware of the importance of good relationships and communication with employees. Where appropriate, employees are consulted about matters which affect the progress of the Group and which are of interest and concern to them as employees. Within this framework, emphasis is placed on developing greater awareness of the financial and economic factors which affect the performance of the Group. Employment policy and practices in the Group are based on non-discrimination and equal opportunity irrespective of age, race, religion, sex, colour and marital status. In particular, the Group recognises its responsibilities towards disabled persons and does not discriminate against them in terms of job offers, training or career development and prospects. If an existing employee were to become disabled during the course of employment, every practical effort would be made to retain the employee's services with whatever retraining is appropriate. The Group's pension arrangements for employees are summarised in note 23.

Payments to suppliers
The policy of the Company and each of its trading subsidiaries, in relation to all its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms, provided that it is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions. The Group does not follow any code or standard payment practice. As a holding company, the Company had no trade creditors at either 31 March 2019 or 31 March 2018.

Share capital and substantial interests in shares
During the year, 67,719 shares were issued following the exercise of options by employees. Further information about the Company's share capital is given in note 25. Details of the Company's executive share option scheme and employee ownership plan can be found in note 24.

The Company was been notified of the following interests in 3% or more of the issued ordinary shares of the Company as at 11 June 2019:

	Number of shares	Percentage of shares in issue
The Article 6 Marital Trust created under the First Amended and Restated Jerry Zucker Revocable Trust dated 2 April 2007	3,596,553	28.77
Quaero Capital Funds (Lux) – Argonaut	1,040,498	8.32
Martin Janser	854,958	6.84
J.F.C Watts	797,214	6.38
Deep Blue Ventures Holdings SPC DBVF IV Segregated Portfolio	680,001	5.44
Christian Struck	380,000	3.04

Charitable and political donations
Charitable donations made by the Group during the year amounted to £19,268 (2018: £19,095), largely to local community charities in Gosport and the Falkland Islands. There were no political donations in the year (2018: nil).

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 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 auditor is aware of that information.

Auditor
A resolution proposing the re-appointment of KPMG LLP will be put to shareholders at the Annual General Meeting.

Directors' Report *(continued)*

Annual General Meeting
The Company's Annual General Meeting will be held at the London offices of FTI Consulting, 200 Aldersgate, London, EC1A 4HD at 14.00 on 5 September 2019. The Notice of the Annual General Meeting and a description of the special business to be put to the meeting are considered in a separate circular to Shareholders.

Details of Directors' remuneration and emoluments
The remuneration of non-executive Directors consists only of annual fees for their services both as members of the Board and of Committees on which they serve.

An analysis of the remuneration and taxable benefits in kind (excluding share options) provided for and received by each Director during the year to 31 March 2019 and in the preceding year is as follows:

	Salary / Fees £'000	Health insurance £'000	Bonus £'000	2019 Total £'000	2018 Total £'000
John Foster	218	2	*34	254	273
Robin Williams	60	-	-	60	**33
Jeremy Brade	30	-	-	30	41
Robert Johnston	30	-	-	30	**24
Edmund Rowland	-	-	-	-	***9
Total	**338**	**2**	**34**	**374**	**380**

*The Chief Executive's bonus for the year is normally split into equal parts of deferred shares and cash, with the shares requiring a service condition to remain in employment for up to three years. For the year ended 31 March 2019, John Foster has received a deferred shares award of £34,000, to be issued on 14 June 2019. These deferred shares will be provided at no cost to him in three equal tranches over the next three years.

** From date of appointment
***Until date of resignation

None of the Directors of the Company receive any pension contributions or benefit from any Group pension scheme.

The Chief Executive participates in an annual performance related bonus arrangement, with the potential during the year of earning up to 100% of his salary. The bonuses are subject to the achievements of specified corporate and personal objectives.

Directors' interests in shares
As at 31 March 2019, the share options of executive Directors may be summarised as follows:

Date of grant	Number of options J L Foster	Exercise price	Exercisable from	Expiry date
15 Jul 2009	44,550	£2.90	15 July 2012	14 Jul 2019
17 Jun 2016	6,273	£0.00	17 Jun 2019	17 Jun 2020
16 Jun 2017	3,216	£0.00	16 Jun 2019	16 Jun 2021
16 Jun 2017	3,217	£0.00	16 Jun 2020	16 Jun 2021
15 Jun 2018	5,682	£0.00	15 Jun 2019	15 Jun 2022
15 Jun 2018	5,682	£0.00	15 Jun 2020	15 Jun 2022
15 Jun 2018	5,681	£0.00	15 Jun 2021	15 Jun 2022
Total	74,301			

The mid-market price of the Company's shares on 31 March 2019 was 275 pence and the range in the year was 273.0 pence to 380.0 pence.

The Directors' options extant at 31 March 2019 totalled 74,301 options granted to the Chief Executive, including 29,751 nil cost options and 44,550 share options granted in 2009 at an exercise price of £2.90. In total these options represented 0.59% of the Company's issued share capital.

The 223,393 options, granted to 35 other employees of the Group including subsidiary directors and senior management, include 104,689 LTIP options granted in March 2018 at a 10 pence exercise price and 118,704 options granted between December 2009 and January 2015, with exercise prices of £2.675 to £3.90.

Under the Company's executive share option scheme, executive Directors and senior executives have been granted options to acquire ordinary shares in the Company after a period of three years from the date of the grant. 163,254 of the outstanding options have been granted at an option price of not less than market value at the date of the grant, and the 104,689 LTIP awards have been granted at an exercise price of 10 pence, the exercise of the LTIP awards is subject to various performance conditions, which have been determined by the remuneration committee after discussion with the Company's advisers. The 29,751 nil cost options granted to the Chief Executive are exercisable at no cost to him, and will vest provided he remains in employment for the required service periods.

In addition to the share options set out above, the interests of the Directors, their immediate families and related trusts in the shares of the Company according to the register kept pursuant to the Companies Act 2006 were as shown below:

	Ordinary shares as at 31 March 2019	Ordinary shares as at 31 March 2018
Robin Williams	1,935	1,935
John Foster*	*96,136	*86,364
Jeremy Brade	15,029	15,010
Robert Johnston	**3,647,853	**3,609,053

*John Foster's shareholding above includes all Shares held in the Company's share incentive plan in which he has a beneficial interest.

** Robert Johnston holds 51,300 shares in his own name, and as he is also the representative of the Company's largest shareholder, "The Article 6 Marital Trust, created under the First Amended and Restated Jerry Zucker Revocable Trust dated 4-2-07", which holds 3,596,553 Shares, Robert Johnston is interested in 3,647,853 Shares in total, representing 29.2 per cent. of the Company's 12,502,137 total voting rights

Share Incentive Plan

In November 2012, the Company implemented an HMRC approved Share Incentive Plan (SIP) available to employees of the Group, which enables UK and Falklands staff to acquire shares in the Company through monthly purchases of up to £150 per month or 10% of salary, whichever is lower. For every three shares purchased by the employee, the Company contributes one free matching share. These shares are placed in trust and if they are left in trust for at least five years, they can be removed free of UK income tax and national insurance contributions. During the year ended 31 March 2019 the Company purchased £600 of matching shares for John Foster.

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and Parent 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 Group or the Parent 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board and signed on its behalf by:

Carol Bishop
Company Secretary
11 June 2019
Kenburgh Court
133-137 South Street
Bishop's Stortford
Hertfordshire
CM23 3HX

Independent Auditor's Report to the Members of FIH group plc

1. **Our opinion is unmodified**

We have audited the financial statements of FIH group plc ("the Company") for the year ended 31 March 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Company Cash Flow Statement, Consolidated Statement of Changes in Shareholders' Equity, Company Statement of Changes in Shareholders' Equity, and the 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 Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview	
Materiality: (Group financial statements as a whole)	£150,000 (2018: £130,000) 3.9% (2018: 3.9%) of Group profit before tax.
Coverage	100% (2018:100%) of Group profit before tax
Key audit matters	**vs 2018**
Recurring risks	Recoverability of Art Logistics and Storage Brand Name and Goodwill ◄► Recoverability of Parent Company's investment in, and debt due from, subsidiaries ◄►

2. **Key audit matters: our assessment of risks of material misstatement**
   Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Impairment of Art Logistics and Storage Brand Name and Goodwill	**The risk**	**Our response**
(**£7.6 million**; 2018: £7.6 million) *Refer to **page 27** (Audit Committee report) **page 49** (Accounting policies) and **page 65** (Notes to Financial Statements).*	**Forecast Based Valuation:** The carrying amount of the Art Logistics and Storage CGU is significant and the recoverable amount is at risk of fluctuation due primarily to fluctuating demand in the art logistics and storage markets. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value in use of the Art Logistics and Storage CGU had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty over the carrying amount of goodwill and brand names to be less than that materiality.	Our procedures included: • **Our sector experience:** evaluating assumptions used, in particular those relating to forecast revenue growth and profit margins through enquiries with the divisional managers and those responsible for preparing and delivering the forecasts; • **Benchmarking assumptions:** comparing the Group's assumptions in relation to key inputs such as, projected economic growth and, with the assistance of our own valuation specialist, comparing the discount rate to historical information and externally derived data; • **Historical comparison:** evaluating the adequacy of the budgets and forecasts used in the value in use calculation by assessing the historical accuracy of the Group's previous budgets; • **Sensitivity analysis:** performing a sensitivity analysis on the key assumptions noted above; • **Comparing valuations:** comparing the net asset value of the Group with the market capitalisation of the Group and assessing whether any difference is an indicator of impairment with reference to why that difference has arisen; and • **Assessing transparency:** assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

Parent: Recoverability of Parent Company's investment in, and debt due from, subsidiaries	**The risk**	**Our response**
(£27.6 million investment in and £8.7 million debt due from, subsidiaries; 2018: £27.6 million investment in, and £7.0 million debt due from, subsidiaries) *Refer to **page 48** (Accounting policies) and **page 70** (Notes to Financial Statements).*	**Low Risk, High Value:** The carrying amount of the parent company's investment in subsidiaries and intra-group debtor balance represents 46.7% of the parent company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: • **Tests of detail:** comparing the carrying amount of the investments in subsidiaries to the relevant draft balance sheet to identify whether their net assets, being an approximation of the minimum recoverable amount, was in excess of its carrying amount; • **Tests of detail:** assessing 100% of Group debtors to identify, with reference to the relevant debtors' draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making; • **Assessing subsidiary audits:** Assessing the work performed by the Group audit team on all of those subsidiaries and debtors and considering the results of that work, on those subsidiaries' profits and net assets.

We continue to perform procedures over revenue recognition, including the adoption of IFRS 15. However, given the low level of judgement involved in recognizing revenue, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £150,000 (2018: £130,000), determined with reference to a benchmark of Group profit before tax, of which it represents 3.9% (2018: 3.9%).

Materiality for the Parent Company financial statements as a whole, as communicated by the Group audit team, was set at £100,000 (2018: £100,000). This is lower than the materiality we would otherwise have determined with reference to a benchmark of net assets, of which it represents 0.24% (2018: 0.25%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £7,500 (2018: £6,500), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's four (2018: twelve) reporting components, we subjected all (2018: all) to full scope audits for Group reporting purposes. The Group team performed the audits of each of the components. The audit was performed using the materiality levels set out opposite, having regard to the mix of size and risk profile of the Group across the components.

The components within the scope of our work accounted for the percentages illustrated as follows:

Component	**2019**	**2018**
Revenue	100%	100%
Group profit before tax	100%	100%
Group total assets	100%	100%
Group profit before tax	£3.9 million	£3.3 million
Group materiality	£150,000	£130,000
Whole financial statements materiality	£150,000	£130,000
Range of materiality at 4 components	£100,000	£25,000 to £100,000
Threshold for misstatements reported to the audit committee	£7,500	£6,500

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations and as they have concluded that the Company's and the Group'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").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. 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.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

The risk that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was the availability of funding to repay the short-term loan facility that was taken out to purchase the Momart storage property in December 2018, which is due for repayment in September 2019.

As this was a risk that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered evidence available from the Group's bankers, including the terms of a credit approved mortgage offer and evaluated whether the Directors were able to commit to such a facility and comply with the covenants associated with it. We also considered less predictable but realistic second order impacts, such as variability in cash flows and the impact of Brexit.

Based on this work, 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.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic report and directors' report

Based solely on our work on the other information:

- 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.

6. We have nothing to report on the other 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 33**,** the directors are responsible for: the preparation of the financial statements including 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 Group and Parent 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 Group or the Parent 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 FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. 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
11 June 2019

Consolidated Income Statement
FOR THE YEAR ENDED 31 MARCH 2019

Notes		**Before non-trading items 2019 £'000**	**Non-trading items 2019 £'000**	**Total 2019 £'000**	Before non-trading items 2018 £'000	Non-trading items 2018 £'000	Total 2018 £'000
4	**Revenue**	42,528	-	42,528	43,830	-	43,830
	Cost of sales	(24,777)	-	(24,777)	(26,671)	-	(26,671)
	Gross profit	17,751	-	17,751	17,159	-	17,159
	Other administrative expenses	(13,546)	-	(13,546)	(13,832)	-	(13,832)
	Consumer Finance interest income	172	-	172	306	-	306
5	Gain on sale of fixed assets	-	-	-	-	61	61
6	**Operating expenses**	(13,374)	-	(13,374)	(13,526)	61	(13,465)
	Operating profit	4,377	-	4,377	3,633	61	3,694
	Share of results of Joint Venture	-	-	-	18	-	18
	Profit before net financing costs	4,377	-	4,377	3,651	61	3,712
	Finance income	36	-	36	20	-	20
	Finance expense	(555)	-	(555)	(436)	-	(436)
8	Net financing costs	(519)	-	(519)	(416)	-	(416)
	Profit before tax	3,858	-	3,858	3,235	61	3,296
9	Taxation	(827)	-	(827)	(767)	(12)	(779)
	Profit for the year attributable to equity holders of the company	3,031	-	3,031	2,468	49	2,517
10	Earnings per share						
	Basic	24.4p		24.4p	19.9p		20.3p
	Diluted	24.1p		24.1p	19.7p		20.1p

* The Group's results are being reported under IFRS9 and IFRS15 for the first time in the year to 31 March 2019 following the mandatory adoption of the standards from 1 April 2018. In accordance with the transitional provisions of the standards, comparatives have not been restated. See Note 1.

Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 31 MARCH 2019

		2019	2018
		£'000	£'000
	Cash flow hedges - effective portion of changes in fair value	**4**	49
	Items that are or may be reclassified subsequently to profit or loss	**4**	49
23	Re-measurement of the FIC defined benefit pension scheme	**36**	117
17	Movement on deferred tax asset relating to the pension scheme	**(9)**	(30)
	Items which will not ultimately be recycled to the income statement	**27**	87
	Other comprehensive income	**31**	136
	Profit for the year	**3,031**	2,517
	Total comprehensive income	**3,062**	2,653

Consolidated Balance Sheet
AT 31 MARCH 2019

Notes		2019 £'000	2018 £'000
	Non-current assets		
11	Intangible assets	**11,766**	11,832
12	Property, plant and equipment	**38,664**	18,845
13	Investment properties	**5,239**	4,045
15	Investment in Joint venture	**259**	259
	Debtors due in more than one year	**88**	-
16	Finance leases receivable	**584**	611
17	Deferred tax assets	**721**	738
	Total non-current assets	**57,321**	36,330
	Current assets		
18	Inventories	**5,756**	4,600
19	Trade and other receivables	**7,761**	7,431
16	Finance leases receivable	**659**	823
20	Cash and cash equivalents	**6,184**	17,018
	Total current assets	**20,360**	29,872
	TOTAL ASSETS	**77,681**	66,202
	Current liabilities		
21	Interest-bearing loans and borrowings	**(10,645)**	(631)
	Income tax payable	**(399)**	(346)
22	Trade and other payables	**(9,621)**	(10,695)
	Total current liabilities	**(20,665)**	(11,672)
	Non-current liabilities		
21	Interest-bearing loans and borrowings	**(7,148)**	(7,635)
23	Employee benefits	**(2,772)**	(2,839)
17	Deferred tax liabilities	**(2,529)**	(2,323)
	Total non-current liabilities	**(12,449)**	(12,797)
	TOTAL LIABILITIES	**(33,114)**	(24,469)
	Net assets	**44,567**	41,733
25	**Capital and reserves**		
	Equity share capital	**1,250**	1,243
	Share premium account	**17,590**	17,447
	Other reserves	**1,162**	1,162
	Retained earnings	**24,579**	21,899
	Hedging reserve	**(14)**	(18)
	Total equity	**44,567**	41,733

These financial statements were approved by the Board of Directors on 11 June 2019 and were signed on its behalf by:

J L Foster
Director

Company Balance Sheet
AT 31 MARCH 2019

Notes		2019 £'000	2018 £'000
	Non-current assets		
13	Investment properties	**19,582**	-
14	Investment in subsidiaries	**27,653**	27,630
19	Loans to subsidiaries	**8,717**	6,987
17	Deferred tax	**4**	16
	Total non-current assets	**55,956**	34,633
	Current assets		
19	Trade and other receivables	**30**	12
	Corporation tax receivable	**24**	177
20	Cash and cash equivalents	**1,768**	12,606
	Total current assets	**1,822**	12,795
	TOTAL ASSETS	**57,778**	47,428
	Current liabilities		
21	Interest-bearing loans and borrowings	**(10,000)**	-
22	Trade and other payables	**(5,732)**	(6,714)
	Total current liabilities	**(15,732)**	(6,714)
	Net assets	**42,046**	40,714
25	**Capital and reserves**		
	Equity share capital	**1,250**	1,243
	Share premium account	**17,590**	17,447
	Other reserves	**6,910**	6,910
	Retained earnings	**16,310**	15,132
	Hedging reserve	**(14)**	(18)
	Total equity	**42,046**	40,714

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account of the Parent Company has not been presented. The Parent Company's profit for the financial year is £1,716,000 (2018: £1,220,000).

These financial statements were approved by the Board of Directors on 11 June 2019 and were signed on its behalf by:

J L Foster
Director
Registered company number: 03416346

Consolidated Cash Flow Statement
FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	£'000	£'000
Cash flows from operating activities		
Profit for the year after taxation	**3,031**	2,517
Adjusted for:		
(i) Non-cash items:		
Depreciation and Amortisation	**1,437**	1,692
Loss / (gain) on disposal of fixed assets	**20**	(59)
Share of Joint Venture profit	**-**	(18)
Interest cost on pension scheme liabilities	**72**	73
Equity-settled share-based payment expenses	**69**	37
Non-cash items adjustment	**1,598**	1,725
(ii) Other items:		
Bank interest receivable	**(36)**	(20)
Bank interest payable	**248**	130
Finance lease interest payable	**235**	233
Decrease in finance leases receivable	**191**	128
Corporation and deferred tax expense	**827**	779
Other adjustments	**1,465**	1,250
Operating cash flow before changes in working capital and provisions	**6,094**	5,492
(Increase) / decrease in trade and other receivables	**(418)**	97
(Increase) / decrease in inventories	**(1,128)**	829
Decrease in trade and other payables	**(924)**	(1,399)
Changes in working capital and provisions	**(2,470)**	(473)
Cash generated from operations	**3,624**	5,019
Cash inflow on option exercises	**150**	-
Cash outflow on nil cost option exercise	**(28)**	(19)
Payments to pensioners	**(103)**	(102)
Professional fees paid for Takeover bid and defence	**-**	(165)
Corporation taxes paid	**(560)**	(475)
Net cash flow from operating activities	**3,083**	4,258
Cash flows from investing activities		
Purchase of property, plant and equipment	**(22,432)**	(745)
Purchase of software	**-**	(58)
Proceeds from the disposal of property, plant & equipment	**-**	61
Loans received from joint venture	**-**	24
Interest received	**36**	20
Net cash flow from investing activities	**(22,396)**	(698)
Cash flow from financing activities		
Repayment of bank loans	**(514)**	(499)
Repayment of finance lease principal	**(131)**	(109)
Finance lease interest paid	**(235)**	(233)
Bank interest paid	**(234)**	(132)
Bank loan drawn down	**10,000**	-
Hire purchase loan drawn down	**172**	35
Dividends paid	**(579)**	(683)
Net cash flow from financing activities	**8,479**	(1,621)
Net (decrease) / increase in cash and cash equivalents	**(10,834)**	1,939
Cash and cash equivalents at start of year	**17,018**	15,079
Cash and cash equivalents at end of year	**6,184**	17,018

Company Cash Flow Statement
FOR THE YEAR ENDED 31 MARCH 2019

Notes		2019 £'000	2018 £'000
	Cash flows from operating activities		
	Holding Company profit for the year	**1,716**	1,220
	Adjusted for:		
	Bank interest receivable	**(36)**	(10)
	Ineffective portion of cash flow hedge	**-**	(2)
	Bank interest payable	**139**	-
	Equity-settled share-based payment expenses	**46**	36
13	Depreciation	**60**	-
	Corporation and deferred tax expense	**25**	35
	Operating cash flow before changes in working capital and provisions	**1,950**	1,279
	Decrease in trade and other receivables	**(18)**	-
	Increase / (decrease) in trade and other payables	**128**	(107)
	Changes in working capital and provisions	**110**	(107)
	Cash generated from operations	**2,060**	1,172
	Cash inflow on option exercise	**150**	-
	Cash inflow outflow on nil cost option exercise	**(28)**	(19)
	Professional fees paid for Takeover bid and defence	**-**	(165)
	Corporation taxes paid	**(17)**	(117)
	Net cash flow from operating activities	**2,165**	871
	Cash generated from investing activities		
	Interest received	**36**	10
	Purchase of property, plant and equipment	**(19,642)**	-
	Net cash flow from investing activities	**(19,606)**	10
	Cash flow from financing activities		
	Bank loan drawn down	**10,000**	-
	Cash outflows in inter-company borrowing	**(2,693)**	(1,099)
	Cash inflows in inter-company borrowing	**-**	4,727
	Interest paid	**(125)**	-
	Dividends paid	**(579)**	(683)
	Net cash flow from financing activities	**6,603**	2,945
	Net (decrease) / increase in cash and cash equivalents	**(10,838)**	3,826
	Cash and cash equivalents at start of year	**12,606**	8,780
	Cash and cash equivalents at end of year	**1,768**	12,606

Consolidated Statement of Changes in Shareholders' Equity
FOR THE YEAR ENDED 31 MARCH 2019

	Equity share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Hedge reserve £'000	**Total equity £'000**
Balance at 1 April 2017	1,243	17,447	1,162	19,960	(67)	39,745
Profit for the year	-	-	-	2,517	-	2,517
Share based payments	-	-	-	37	-	37
Share option exercise	-	-	-	(19)	-	(19)
Cash flow hedges - effective portion of changes in fair value	-	-	-	-	49	49
Re-measurement of the defined benefit pension liability, net of tax	-	-	-	87	-	87
Dividends paid	-	-	-	(683)	-	(683)
Balance at 31 March 2018	**1,243**	**17,447**	**1,162**	**21,899**	**(18)**	**41,733**
Opening adjustment for the impact of IFRS 15 (note 1)	**-**	**-**	**-**	**160**	**-**	**160**
Profit for the year	**-**	**-**	**-**	**3,031**	**-**	**3,031**
Share option exercise	**7**	**143**	**-**	**(28)**	**-**	**122**
Share based payments	**-**	**-**	**-**	**69**	**-**	**69**
Cash flow hedges - effective portion of changes in fair value	**-**	**-**	**-**	**-**	**4**	**4**
Re-measurement of the defined benefit pension liability, net of tax	**-**	**-**	**-**	**27**	**-**	**27**
Dividends paid	**-**	**-**	**-**	**(579)**	**-**	**(579)**
Balance at 31 March 2019	**1,250**	**17,590**	**1,162**	**24,579**	**(14)**	**44,567**

Company Statement of Changes in Shareholders' Equity
FOR THE YEAR ENDED 31 MARCH 2019

	Equity share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Hedge Reserve £'000	Total equity £'000
Balance at 1 April 2017	1,243	17,447	6,910	14,577	(67)	40,110
Profit for the year	-	-	-	1,220	-	1,220
Share based payments	-	-	-	37	-	37
Share option exercise	-	-	-	(19)	-	(19)
Cash flow hedges - effective portion of changes in fair value	-	-	-	-	49	49
Dividends paid	-	-	-	(683)	-	(683)
Balance at 31 March 2018	**1,243**	**17,447**	**6,910**	**15,132**	**(18)**	**40,714**
Profit for the year	**-**	**-**	**-**	**1,716**	**-**	**1,716**
Share based payments	**-**	**-**	**-**	**69**	**-**	**69**
Share option exercise	**7**	**143**	**-**	**(28)**	**-**	**122**
Cash flow hedges - effective portion of changes in fair value	**-**	**-**	**-**	**-**	**4**	**4**
Dividends paid	**-**	**-**	**-**	**(579)**	**-**	**(579)**
Balance at 31 March 2019	**1,250**	**17,590**	**6,910**	**16,310**	**(14)**	**42,046**

A profit of £1,716,000 (2018: £1,220,000) has been dealt with in the accounts of the Parent Company. As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

Notes to the Financial Statements

1. Accounting policies

General information

FIH group plc (the "Company") is a company limited by shares incorporated and domiciled in the UK.

Reporting entity

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

Basis of preparation

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment next year are discussed in note 30.

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

The Directors are responsible for ensuring that the Group has adequate financial resources to meet its projected liquidity requirements and also for ensuring forecast earnings are sufficient to meet the covenants associated with the Group's banking facilities.

As in prior years the Directors have reviewed the Group's medium term forecasts and considered a number of possible trading scenarios and are satisfied the Group's existing resources (including committed banking facilities) are sufficient to meet its needs. As a consequence the Directors believe the Group is well placed to manage its business risk.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Strategic Report. The financial position of the Group, its cash flows, liquidity position and facilities are also described in the Chief Executive's Strategic Report. In addition, note 26 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources, and though the heavy investment in fixed assets in the year ended 31 March 2019, largely due to the £19.6 million acquisition of Momart's art storage warehouses, resulted in a fall in the cash balance to £6.2 million (2018: £17.0 million), and the drawdown of the short term £10.0 million, which is repayable within twelve months of the year end, in the near term the Group intends to draw down a long term mortgage on its newly acquired freehold property. After repayment of the short term loan this will add a further £4 million to the Group's cash resources. A letter detailing the credit approved terms of this ten year mortgage has been received from the Group's bank.

As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. After making enquiries the Directors 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. Accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements comprise the financial statements of FIH group plc and its subsidiaries (the "Group"). A subsidiary is any entity FIH group plc has the power to control. Control is determined by FIH group plc's exposure or rights, to variable returns from its involvement with the subsidiary and the ability to affect those returns. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intra-company balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Investments in subsidiaries within the Company balance sheet are stated at impaired cost.

Presentation of income statement

Due to the non-prescriptive nature under IFRS as to the format of the income statement, the format used by the Group is explained below.

Operating profit is the pre-finance profit of continuing activities and acquisitions of the Group, and in order to achieve consistency and comparability, is analysed to show separately the results of normal trading performance ("underlying profit"), individually significant charges and credits, changes in the fair value of financial instruments and non-trading items. Such items arise because of their size or nature. There are no non-trading items in the year ended 31 March 2019. In 2018 the only non-trading item was a gain of £61,000 on the disposal of spare parts relating to previously owned vessels in PHFC.

Foreign currencies

Transactions in foreign currencies are translated to the functional currencies of Group entities 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.

Property, plant and equipment

Property, plant and equipment 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 property, plant and equipment. 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
Ships	15 – 30 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. Accounting policies *(continued)*

Investment properties - Group
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.

Investment properties - Company
The investment property in the Company consists of the Leyton site purchased in December 2018, with five warehouses which are rented to Momart Limited. The purchase price allocated to land has not been depreciated, and the purchase price allocated to each property has been depreciated on a straight-line basis over the expected useful life of each property, after consideration of the age and condition of each property, down to an estimated residual value of nil.

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.

Joint Ventures

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the joint venture partners' unanimous consent for strategic financial and operating decisions. FIH group plc has joint control over an investee when it has exposure or rights to variable returns from its involvement with the joint venture and has the ability to affect those returns through its joint power over the entity.

Jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Intangible assets

Goodwill
Goodwill arises on the acquisition of subsidiaries and businesses.

Acquisitions prior to 1 April 2006
In respect to acquisitions prior to transition to IFRS, goodwill is recorded on the basis of deemed cost, which represents the amount recorded under previous Generally Accepted Accounting Principles ("GAAP") as at the date of transition. The classification and accounting treatment of business combinations which occurred prior to transition has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 April 2006. Goodwill is not amortised but reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Acquisitions on or after 1 April 2006
Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. In the year ended 31 March 2014, the Directors reviewed the life of the brand name at Momart and after considerations of its strong reputation in a niche market and its history of stable earnings and cash flow, which is expected to continue into the foreseeable future, determined that its useful life is indefinite, and amortisation ceased from 1 October 2013.

1. Accounting policies *(continued)*

Computer software

Acquired computer software is capitalised as an intangible asset on the basis of the cost incurred to acquire and bring the specific software into use. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life of computer software is seven years.

Impairment of non-financial assets

At each reporting date the Group assesses whether there is any indication that an asset may be impaired. Goodwill and intangible assets with indefinite lives are tested for impairment, at least annually. Where an indicator of impairment exists or the asset requires annual impairment testing, the Group 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Finance income and expense

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

Employee share awards

The Group provides benefits to certain employees (including Directors) in the form of share-based payment transactions, whereby the recipient renders service in return for shares or rights over future shares ("equity settled transactions"). The cost of these equity settled transactions with employees is measured by reference to an estimate of their fair value at the date on which they were granted using an option input pricing model taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share options that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market performance vesting conditions, the grant date fair value of the share-based payments is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes.

The cost of equity settled transactions is recognised, together with a corresponding increase in reserves, over the period in which the performance conditions are fulfilled, ending on the date that the option vests. Where the Company grants options over its own shares to the employees of subsidiaries, it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equal to the equity settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

1. Accounting policies *(continued)*

Inventories

Inventories 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, as follows:

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.

Consumer Finance interest income

Consumer Finance interest income consists of interest receivable on the hire purchase debtors, 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 FIC credit cards issued to customers and staff.

Pensions

Defined contribution pension schemes

The Group operates three defined contribution schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged to the income statement represents the contributions payable to the schemes in respect to the accounting period.

Defined benefit pension schemes

The Group has one pension scheme providing benefits based on final pensionable pay, which is unfunded and closed to further accrual. The Group'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; and any unrecognised past service costs are deducted. 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 Group'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.

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.

Dividends

Dividends unpaid at the balance sheet date are only recognised as liabilities at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company.

1. Accounting policies *(continued)*

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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income 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.

Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

As lessee

Rental operating leases are charged to the income statement on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income.

1. Accounting policies *(continued)*

As lessor

Assets under hire purchase agreements 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. The income from such agreements is credited to the income statement each year so as to give a constant rate of return on the funds invested.

Assets 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. Rental income is recognised on a straight-line basis.

Rental income is received from investment property rentals in the Falklands. This income from operating leases is charged to the income statement on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income. None of these lease agreements exceed a twelve month period.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period of the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Cash-flow hedges

The effective portions of changes in the fair values of derivatives that are designated and qualify as cash-flow hedges are recognised in equity. The gain or loss to any ineffective portion is recognised immediately in the income statement. Amounts accumulated in the hedging reserve are recycled to the income statement in the periods when the hedged items will affect profit or less.

Adoption of new and revised standards

Other than the standards set out below, the Group has consistently applied the accounting policies set out in this note to all periods presented in these consolidated financial statements.

Standards and revisions adopted in the year to 31 March 2019
IFRS 9 *Financial instruments* and IFRS 15 *Revenue* have been adopted for the first time in the year to 31 March 2019 following the mandatory adoption of the standards for the Group from 1 April 2018. Comparatives have not been restated, as permitted by the transitional provisions of the standards.

IFRS 15 *Revenue,* 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. Upon adopting this methodology one change to the timing of the Group's revenue recognition have been required, as detailed below.

Revenue recognition

The primary impact of IFRS 15's application has been the revision of the Group's accounting policy on revenue recognition to 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
- Recognition of the revenue when (or as) each performance obligation is satisfied

In accordance with the new standard, 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 Group determines if the arrangement with the customer creates enforceable rights and obligations. For contracts with multiple components to be delivered, such as the inbound and outbound leg

of moving art exhibitions as well as delivering, handling and administration services, 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 Group expects to be entitled and to which it has present enforceable rights under the contract. Once the total transaction price is determined, the Group 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 Group determines if revenue will be recognised over time or at a point in time. For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group'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 Group has promised to transfer to the customer. The Group 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 Group

The revenues streams of the Group 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 Group 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.

The impact of IFRS 15 on the recognition of revenue for private housing is immaterial as housing revenue is 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. For cars sold on hire purchase with a balloon payment option at the end of the contract the performance of contracts is monitored to ensure that vehicles are not returned and that it remains appropriate to recognise the full value of the sale at the commencement of the finance arrangements. In practice the car is nearly always retained, and either the balloon payment is made, or it is refinanced.

Revenues arising from the rendering of services and recognised over a period of time

In the UK, the Momart revenues earned from moving or installations or de-installations of artwork, account for approximately 45% of the Group's revenues. The revenue is invoiced when the installation or de-installation is complete, however at each month end accrued revenue is recognised for fine art exhibition logistical work undertaken, where the costs incurred and the costs to complete the transaction can be measured reliably, and the amount of revenue attributable to the stage of completion of a performance obligation is recognised on the basis of the incurred percentage of anticipated cost. This, in the opinion of the Directors, is the most appropriate proxy for the stage of completion. Momart classifies this income into either Exhibitions revenue, which includes the income from UK and International museums, or Gallery Services revenue, which includes revenue earned from Gallery services, such as Sothebys, where the inbound and outbound exhibitions installations and dispersal are provided as one quote to customers, but are fulfilled up to several months apart. The allocation of revenue in the inbound installations and outbound dispersals has been reviewed, and as Momart operates a very transparent method of setting out prices in both quotes and invoices, allocating revenues per trips, as these are considered separate obligations, it has been concluded that the implementation of IFRS 15 has no impact on the timing of revenues arising in Momart.

Storage income in Momart is charged based on the actual volume occupied, at an agreed weekly rate per cubic metre. Clients can be invoiced weekly, monthly or quarterly, and income is recognised as it is accrued, on a monthly or weekly basis.

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

The majority of revenues recognised immediately from the rendering of services arise from the ferry fare income, which is taken on a daily basis for daily tickets. Season tickets are available, however the revenue earned from these is negligible as most passengers purchase daily tickets. Quarterly and monthly season tickets are recognised over the life of the ticket with a balance held in deferred income. The implementation of IFRS 15 has not had an impact of the recognition of revenue at the Ferry.

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 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.

Adjustments required following the adoption of IFRS 15

There has been one adjustment required under IFRS 15, arising on the insurance commission earned by FIC for providing insurance services in the Falklands under the terms of an agency agreement with Caribbean Alliance. Under the previous standard IAS 18, the commission earned by FIC for providing insurance services was recognised over the life of the premium. Under IFRS 15 *Revenue,* the insurance commission is recognised in full on inception of each policy, as this is considered the point at which our obligation to Caribbean Alliance has been met, this amount is offset by an immaterial refund liability held within accruals, for the small number of expected refunds over the next year calculated from a review of the historic refunded premiums.

At 1 April 2018 this adjustment resulted in a £160,000 decrease in deferred income, and a £160,000 increase in retained earnings. Had the statement of comprehensive income for the year ended 31 March 2019 been prepared under the extant revenue standards (IAS 18), there would have been no material changes to the revenue figures presented under IFRS 15, however the deferred income balance would be £160,000 higher.

IFRS 9 Financial instruments

IFRS 9 Financial instruments largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policy related to financial liabilities. There have been no changes to the carrying value of any financial assets or liabilities, and financial instruments measurement categories and carrying amounts remain the same. Loans and receivables, which include trade debtors and hire purchase finance lease receivables, continue to be held at cost.

Impairment
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 Group 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 Group's financial assets, which primarily comprise its portfolio of current trade receivables at Momart and in the Falklands Islands, and the hire purchase debtors in the Falkland Islands, 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.

Hedging

The Group has one open hedging relationship at the 1 April 2018 transition date and 31 March 2019 reporting date, which is the one interest swap, taken out in October 2015 to hedge the three bank loans drawn down to fund the 2015 ferry purchase. The swap had an initial notional value of £3.6 million, with interest payable at the difference between 1.325% and the Bank of England Base rate. This interest rate swap notional value decreases at £36,250 per month over five years until September 2020 when it will expire. The notional value of the swap at 31 March 2019 is £2,138,750 (2018: £2,573,750). The accrual held in respect of this swap at the year end was £16,000 (2018: £20,000).

IFRS 9 introduces three hedge effectiveness requirements:

IFRS 9 requires the existence of an economic relationship between the hedged item and the hedging instrument. There must be an expectation that the value of the hedging instrument and the value of the hedged item would move in the opposite direction as a result of the common underlying or hedged risk. As the base rate increases, the interest payable on the three ferry loans will increase, and the interest payable on the swap will fall.

The hedge accounting model is based on a general notion of there being an offset between the changes of the swap as the hedging instrument and those of the hedged bank loans, both of these balances will be affected by the base rate movements, so it has been concluded the offset is justifiable.

The size of the hedging instrument and the hedged items must be similar for the hedge to be effective. At 31 March 2019, the swap had a notional value of £2,138,750 (2018: £2,573,750), and the bank loans drawn down at the Ferry totalled £2,020,000 (2018: £2,446,000).

Standards and revisions not yet adopted in the year to 31 March 2019

IFRS 16: *Leases* with an effective date 1 January 2019 is available for early application but has not been applied by the Group in these financial statements.

The adoption of *IFRS 16: Leases*, and the resulting change in the accounting treatment of operating leases, will have a significant impact on the Group's financial statements resulting from a the revised treatment of the ground rent payable on the 50 year lease for the Gosport pontoon, and the significant rental payments incurred on the two external storage facilities and the head office facilities at Momart.

The acquisition of the Momart warehouse facilities by the Group in December 2018, combined with the age of some of those leases, which span back nearly 20 years, was the key driver in the decision to adopt the modified retrospective approach. Upon adoption of IFRS 16, it is estimated that the carrying value of property, plant and equipment as at 1 April 2019 will increase by approximately £2.3 million, with lease liabilities increasing by £2.5 million. The charge taken to the profit and loss in total is likely to be similar following the adoption of IFRS 16 but approximately £0.1 million of the charge will be re-allocated from administrative expenses to finance expense.

No other standards not yet adopted are expected to have any significant impact on the financial statements of the Group or Company.

2. Segmental Information Analysis

The Group is organised into three operating segments, and information on these segments is reported to the chief operating decision maker ('CODM') for the purposes of resource allocation and assessment of performance. The CODM has been identified as the Board of Directors.

The operating segments offer different products and services and are determined by business type: goods and essential services in the Falkland Islands, the provision of ferry services and art logistics and storage.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill and any other assets purchased through the acquisition of a business.

2. Segmental Information Analysis *(continued)*

	2019				
	General trading (Falklands) £'000	Ferry Services (Portsmouth) £'000	Art logistics and storage (UK) £'000	Unallocated £'000	Total £'000
Revenue	17,554	4,367	20,607	-	42,528
Segment operating profit before tax & non-trading items	1,565	1,082	1,730	-	4,377
Profit before net financing costs	1,565	1,082	1,730	-	4,377
Finance income	12	12	12	-	36
Finance expense	(72)	(310)	(173)	-	(555)
Net finance expense	(60)	(298)	(161)	-	(519)
Segment profit before tax	1,505	784	1,569	-	3,858
Assets and liabilities					
Segment assets	25,913	14,756	35,214	1,798	77,681
Segment liabilities	(8,772)	(8,237)	(15,457)	(648)	(33,114)
Segment net assets	17,141	6,519	19,757	1,150	44,567
Other segment information					
Capital expenditure:					
Property, plant and equipment	1,055	50	20,034	-	21,139
Investment properties	1,293	-	-	-	1,293
Total Capital expenditure	2,348	50	20,034	-	22,432
Depreciation:					
Property, plant and equipment	395	437	440	-	1,272
Investment properties	99	-	-	-	99
Computer software	-	-	66	-	66
Total Depreciation	494	437	506	-	1,437
Underlying profit before net financing costs	**1,565**	**1,082**	**1,730**	**-**	**4,377**
Interest income	12	12	12	-	36
Interest expense	(72)	(310)	(173)	-	(555)
Underlying profit before tax	**1,505**	**784**	**1,569**	**-**	**3,858**

2. Segmental Information Analysis *(continued)*

	2018				
	General trading (Falklands) £'000	Ferry Services (Portsmouth) £'000	Art logistics and storage (UK) £'000	Unallocated £'000	Total £'000
Revenue	18,259	4,349	21,222	-	43,830
Segment operating profit before tax & non-trading items	1,385	1,177	1,071	-	3,633
Gain on sale of fixed assets	-	61	-	-	61
Segment operating profit	1,385	1,238	1,071	-	3,694
Share of result of joint venture	18	-	-	-	18
Profit before net financing costs	1,403	1,238	1,071	-	3,712
Finance income	8	11	1	-	20
Finance expense	(73)	(328)	(35)	-	(436)
Net finance expense	(65)	(317)	(34)	-	(416)
Segment profit before tax	1,338	921	1,037	-	3,296
Assets and liabilities					
Segment assets	22,972	15,143	15,469	12,618	66,202
Segment liabilities	(8,843)	(8,869)	(6,390)	(367)	(24,469)
Segment net assets	14,129	6,274	9,079	12,251	41,733
Other segment information					
Capital expenditure:					
Property, plant and equipment	267	186	170	-	623
Investment properties	122	-	-	-	122
Computer software	-	-	58	-	58
Total Capital expenditure	389	186	228	-	803
Depreciation:					
Property, plant and equipment	524	581	421	-	1,526
Investment properties	94	-	-	-	94
Computer software	-	-	72	-	72
Total Depreciation	618	581	493	-	1,692
Underlying profit before tax					
Segment operating profit	**1,385**	**1,177**	**1,071**	**-**	**3,633**
Share of results of joint venture	**18**	**-**	**-**	**-**	**18**
Underlying profit before net financing costs	**1,403**	**1,177**	**1,071**	**-**	**3,651**
Interest income	8	11	1	-	20
Interest expense	(73)	(328)	(35)	-	(436)
Underlying profit before tax	**1,338**	**860**	**1,037**	**-**	**3,235**

2. Segmental Information Analysis *(continued)*

The £1,798,000 (2018: £12,618,000) unallocated assets above include £1,768,000 (2018: £12,606,000) of cash and £30,000 (2018: £12,000) of prepayments held in FIH group plc.

The £648,000 (2018: £367,000) unallocated liabilities above consist of accruals and tax balances held in FIH group plc.

3. Geographical analysis

The tables below analyse revenue and other information by geography:

	2019		
	United Kingdom £'000	Falkland Islands £'000	Total £'000
Revenue (by source)	24,974	17,554	42,528
Assets and Liabilities:			
Non-current segment assets, excluding deferred tax	43,022	13,490	56,512
Capital expenditure	20,084	2,348	22,432

	2018		
	United Kingdom £'000	Falkland Islands £'000	Total £'000
Revenue (by source)	25,571	18,259	43,830
Assets and Liabilities:			
Non-current segment assets, excluding deferred tax	23,901	11,691	35,592
Capital expenditure	414	389	803

4. Revenue

	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
Falkland Islands				
Retail sales	9,716	-	-	9,716
Automotive sales	2,078	628	343	3,049
Construction	1,544	-	-	1,544
Freight & Port Services	-	778		778
Support Services	-	1,908	92	2,000
Rental property income	-	-	467	467
Falklands	13,338	3,314	902	17,554
Ferry Services (Portsmouth)	-	4,367	-	4,367
Art logistics and storage	-	-	20,607	20,607
Total Revenue	**13,338**	**7,681**	**21,509**	**42,528**

	2018			
	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
Falkland Islands				
Retail sales	9,192	-	-	9,192
Automotive sales	1,814	642	465	2,921
Construction	2,955	-	-	2,955
Freight & Port Services	-	934		934
Support Services	-	1,677	101	1,778
Rental property income	-	-	479	479
Falklands	13,961	3,253	1,045	18,259
Ferry Services (Portsmouth)	-	4,349	-	4,349
Art logistics and storage	-	-	21,222	21,222
Total Revenue	**13,961**	**7,602**	**22,267**	**43,830**

5. Non-trading items

	2019 £'000	2018 £'000
Profit before tax as reported	**3,858**	**3,296**
Reverse non-trading items:		
Proceeds on the sale of vessels and other fixed assets	**-**	**(61)**
Total non-trading items	**-**	**(61)**
Underlying profit before tax	**3,858**	**3,235**

Tax on non-trading items

In the year ended 31 March 2018, a £12,000 tax charge was included in the Group's income statement in respect of the £61,000 non-trading gain arising on the sale of fixed assets.

6. Expenses and auditor's remuneration

The following expenses have been included in the profit and loss	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Direct operating expenses of rental properties	316	251	-	-
Depreciation	1,371	1,620	60	-
Depreciation of computer software	66	72	-	-
Foreign currency losses	69	30	-	-
Impairment loss on trade and other receivables	17	148	-	-
Cost of inventories recognised as an expense	8,735	9,383	-	-
Operating lease payments	895	1,153	-	-

Auditor's remuneration	2019 £'000	2018 £'000
Audit of these financial statements	39	37
Audit of subsidiaries' financial statements pursuant to legislation	86	79
Tax advisory services	2	-
Other assurance services	10	9
Total auditor's remuneration	137	125

Amounts paid to the Company's auditors and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

7. Staff numbers and cost

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

		Number of employees Group		Number of employees Company	
		2019	2018	2019	2018
Ferry services		37	37	-	-
Falkland Islands:	in Stanley	158	146	-	-
	in UK	5	5	-	-
Art logistics & storage		140	142	-	-
Head office		6	5	6	5
Total average staff numbers		**346**	**335**	**6**	**5**

The aggregate payroll cost of these persons was as follows:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages and salaries	12,002	11,505	582	418
Share-based payments (see note 24)	69	37	46	36
Social security costs	966	945	85	52
Contributions to defined contribution plans (see note 23)	436	295	19	9
Total employment costs	**13,473**	**12,782**	**732**	**515**

Details of audited Directors' remuneration are provided in the Directors' Report, under the heading 'Details of Directors' Remuneration and Emoluments'.

8. Finance income and expense

	2019 £'000	2018 £'000
Bank interest receivable	36	20
Total financial income	**36**	**20**

	2019 £'000	2018 £'000
Interest payable on bank loans	(248)	(130)
Net interest cost on the FIC defined benefit pension scheme liability	(72)	(73)
Finance lease interest payable	(235)	(233)
Total finance expense	**(555)**	**(436)**

9. Taxation

Recognised in the income statement

	2019 £'000	2018 £'000
Current tax expense		
Current year	635	569
Adjustments for prior years	(22)	70
Current tax expense	613	639
Deferred tax expense		
Origination and reversal of temporary differences	183	105
Adjustments for prior years	31	35
Deferred tax expense (see note 17)	**214**	**140**
Total tax expense	**827**	**779**

Reconciliation of the effective tax rate

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	3,858	3,296
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	733	626
Expenses not deductible for tax purposes	14	(5)
Difference in deferred and current tax rates	6	15
Effect of higher tax rate overseas	65	41
Income from joint ventures	-	(3)
Adjustments to tax charge in respect of previous periods	9	105
Total tax expense	**827**	**779**

Tax recognised directly in other comprehensive income

	2019 £'000	2018 £'000
Deferred tax expense recognised directly in other comprehensive income	(9)	(30)

Reductions in the UK corporation tax rate from 20% to 19% on 1 April 2017 and to 17% on 1 April 2020 were substantively enacted on 18 November 2015 and 15 October 2016 respectively. This will reduce the Company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 March 2018 and 2019 have been calculated based on the rates substantively enacted at the balance sheet date. In the UK deferred tax has been provided at 17%.

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

10. Earnings per share

The calculation of basic earnings per share is based on profits on ordinary activities after taxation, and the weighted average number of shares in issue in the period, excluding shares held under the Employee Share Ownership Plan ('ESOP') (see note 25).

The calculation of diluted earnings per share is based on profits on ordinary activities after taxation and the weighted average number of shares in issue in the period, excluding shares held under the ESOP, adjusted to assume the full issue of share options outstanding, to the extent that they are dilutive.

	2019 £'000	2018 £'000
Profit on ordinary activities after taxation	3,031	2,517

	2019 Number	2018 Number
Weighted average number of shares in issue	12,451,125	12,434,418
Less: shares held under the ESOP	(9,964)	(18,297)
Average number of shares in issue excluding the ESOP	12,441,161	12,416,121
Maximum dilution with regards to share options	119,277	108,391
Diluted weighted average number of shares	**12,560,438**	**12,524,512**

	2019	2018
Basic earnings per share	24.4p	20.3p
Diluted earnings per share	24.1p	20.1p

To provide a comparison of earnings per share on underlying performance, the calculation below sets out basic and diluted earnings per share based on underlying profits.

Earnings per share on underlying profit	2019 £'000	2018 £'000
Underlying profit before tax (see note 5)	3,858	3,235
Underlying taxation	(827)	(767)
Underlying profit after tax	3,031	2,468
Effective tax rate	*21.4%*	*23.7%*
Weighted average number of shares in issue excluding the ESOP (from above)	12,441,161	12,416,121
Diluted weighted average number of shares (from above)	12,560,438	12,524,512
Basic earnings per share on underlying profit	24.4p	19.9p
Diluted earnings per share on underlying profit	24.1p	19.7p

11. Intangible assets

	Computer Software £'000	Brand name £'000	Goodwill £'000	Total £'000
Cost:				
At 1 Apr 2017	479	2,823	11,576	14,878
Additions	58	-	-	58
At 31 March 2018 and 2019	**537**	**2,823**	**11,576**	**14,936**
Accumulated amortisation:				
At 1 Apr 2017	264	785	1,983	3,032
Depreciation of computer software	72	-	-	72
At 31 March 2018	336	785	1,983	3,104
Depreciation of computer software	66	-	-	66
At 31 March 2019	**402**	**785**	**1,983**	**3,170**
Net book value:				
At 1 April 2017	215	2,038	9,593	11,846
At 31 March 2018	201	2,038	9,593	11,832
At 31 March 2019	**135**	**2,038**	**9,593**	**11,766**

Amortisation and impairment charges are recognised in operating expenses in the income statement. The Momart brand name has a carrying value of £2,038,000 and is considered to be of future economic value to the Group with an estimated indefinite useful economic life. It is reviewed annually for impairment as part of the art logistics and storage review.

Goodwill

Goodwill is allocated to the Group's Cash Generating Units (CGUs) which principally comprise its business segments. A segment level summary of goodwill is shown below:

	Art logistics and storage £'000	Ferry Services (Ports-mouth) £'000	Falkland Islands £'000	Total £'000
At 1 April 2017, 1 April 2018 and 31 March 2019	5,577	3,979	37	9,593

Impairment

The Group tests material goodwill annually for impairment or more frequently if there are indications that goodwill and / or indefinite life assets might be impaired. An impairment test is a comparison of the carrying value of the assets of a CGU, based on a value-in-use calculation, to their recoverable amounts. Where the recoverable amount is less than the carrying value an impairment results. During the year the goodwill and indefinite life intangibles for each CGU was separately assessed and tested for impairment, with no impairment charges resulting (2018: nil). As part of testing goodwill and indefinite life intangibles for impairment, forecast operating cash flows for 2020 have been used, which are based on approved budgets and plans by the Board of FIH group plc, together with growth rates of 2% thereafter. These forecasts represent the best estimate of future performance of the CGUs based on past performance and expectations for the market development of the CGU.

11. Intangible assets *(continued)*

A number of key assumptions are used as part of impairment testing. These key assumptions are made by management reflecting past experience combined with their knowledge as to future performance and relevant external sources of information.

Discount rates

Within impairment testing models, the cash flows of the Art Logistics and Storage CGU have been discounted using a pre-tax discount rate of 9.8% (2018: 12.9%), and the cash flows of the Ferry Services have been discounted using a pre-tax discount rate of 8.5% (2018: 12.3%). Management have determined that each rate is appropriate as the risk adjustment applied within the discount rate reflects the risks and rewards inherent to each CGU, based on the industry and geographical location it is based within.

Long term growth rates

Long term growth rates of 2% have been used for all CGUs as part of the impairment testing models. This growth rate does not exceed the long term average growth rate for the UK, in which the CGUs operate. For both Ferry Services and Art Logistics and Storage, the future cash flows are based on the latest budgets and business plans, which take account of known business conditions, and are therefore consistent with past experience.

Other assumptions

Other assumptions used within impairment testing models include an estimation of long term effective tax rate for the CGUs. The long-term effective rate of tax assumption is consistent with current tax rates.

Sensitivity to changes in assumptions

Using a discounted cash flow methodology necessarily involves making numerous estimates and assumptions regarding growth, operating margins, tax rates, appropriate discount rates, capital expenditure levels and working capital requirements. These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied by the Directors in determining the level of cash generating units and the criteria used to determine which assets should be aggregated. A difference in testing levels could further affect whether an impairment is recorded and the extent of impairment loss.

Assumptions specific to ferry services (Portsmouth)

Value in use was determined by discounting future cash flows in line with the other assumptions discussed above. Management have forecast consistent growth in cash flows of 2% in both the short and long term. The value in use was determined to exceed the carrying amount and no impairment has been recognised (2018: £nil). It is not considered that a reasonably possible change in any of these assumptions would generate a different impairment test outcome to the one included in this annual report. The key assumptions made in the estimation of future cash flows are the passenger numbers and the average revenue per passenger.

Assumptions specific to arts logistics and storage (UK)

Value in use was determined by discounting future cash flows in line with the other assumptions as discussed above. Cash flows were projected based on approved budgets and plans over the forecast period, with a long term growth rate of 2%. The carrying value of the unit was determined to not be higher than its recoverable amount and no impairment was recognised (2018: nil). It is not considered that a reasonably possible change in any of these assumptions would generate a different impairment test outcome to the one included in this annual report. The key assumptions made in the estimation of future cash flows are in relation to revenue.

12. Property, plant and equipment

	Group				
	Freehold Land & buildings £'000	Long leasehold Land and buildings £'000	Ships £'000	Vehicles, plant and equipment £'000	Total £'000
Cost:					
At 1 April 2017	7,794	8,055	6,830	8,261	30,940
Additions in year	64	80	40	439	623
Transfer to stock	-	-	-	(178)	(178)
Transfer to investment properties	-	(367)	-	-	(367)
Disposals	-	-	(44)	(15)	(59)
At 31 March 2018	7,858	7,768	6,826	8,507	30,959
Additions in year	19,716	80	33	1,310	21,139
Transfer to stock	-	-	-	(86)	(86)
Disposals	-	(17)	-	(77)	(94)
At 31 March 2019	**27,574**	**7,831**	**6,859**	**9,654**	**51,918**
Accumulated depreciation:					
At 1 April 2017	2,204	1,424	1,854	5,311	10,793
Charge for the year	278	167	251	830	1,526
Transfer to stock	-	-	-	(105)	(105)
Transfer to investment properties	-	(43)	-	-	(43)
Disposals	-	-	(44)	(13)	(57)
At 31 March 2018	2,482	1,548	2,061	6,023	12,114
Charge for the year	344	167	243	518	1,272
Transfer to stock	-	-	-	(58)	(58)
Disposals	-	(12)	-	(62)	(74)
At 31 March 2019	**2,826**	**1,703**	**2,304**	**6,421**	**13,254**
Net book value:					
At 1 April 2017	5,590	6,631	4,976	2,950	20,147
At 31 March 2018	5,376	6,220	4,765	2,484	18,845
At 31 March 2019	**24,748**	**6,128**	**4,555**	**3,233**	**38,664**

At 31 March 2019 the net carrying amount of leased long leasehold land and buildings and vehicles, plant and equipment was £4,183,000 and £379,000 for the Gosport Pontoon and trucks at Momart respectively, (2018: £4,283,000 and £273,000). During the year to 31 March 2019, Momart acquired one truck financed by a £137,000 hire purchase loan and one sprinter van financed by a hire purchase loan of £35,000.

The Company has no tangible fixed assets, other than the investment property purchased in December 2018, which is included within Investment Property (note 13).

13. Investment properties

	Group		
	Residential and commercial property £'000	Freehold land £'000	Total £'000
Cost:			
At 1 April 2017	3,599	761	4,360
Transfer from leasehold properties	367	-	367
Additions in year	122	-	122
Disposals	(36)	-	(36)
At 31 March 2018	4,052	761	4,813
Additions in year	1,293	-	1,293
At 31 March 2019	**5,345**	**761**	**6,106**
Accumulated depreciation:			
At 1 April 2017	637	-	637
Transfer from leasehold properties	43	-	43
Disposals	(6)	-	(6)
Charge for the year	94	-	94
At 31 March 2018	768	-	768
Charge for the year	99	-	99
At 31 March 2019	**867**	**-**	**867**
Net book value:			
At 1 April 2017	2,962	761	3,723
At 31 March 2018	3,284	761	4,045
At 31 March 2019	**4,478**	**761**	**5,239**

The investment properties comprise residential and commercial property held for rental in the Falkland Islands. Investment properties include 54 properties held for rental and 400 acres of land, including 70 acres in Stanley, 58 acres of which have planning permission. In addition, the Group 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 £0.76 million (2018: £0.76 million).

Estimated Fair Value

The expected market value of these investment properties has been reviewed 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. At 31 March 2019 the fair value of this property portfolio, including £2.2 million of land, £5.8 million of properties available for rent and £0.7 million of properties under construction, was estimated at £8.7 million (31 March 2018: £7.4 million). The 54 rental properties are estimated to have a current market value of £5.8 million (2018: £5.1 million); the increase from the prior year is due to the addition of five further properties into the investment property portfolio. Of the overall uplift on net book value of £3.5 million, £1.4 million of this uplift arose on the development land, where the £2.2 million valuation exceeds the £0.8 million book value.

Rental income

During the year to 31 March 2019, the Group received rental income of £467,000 (2018: £479,000) from its investment properties and from the ten mobile homes rented to staff, which were transferred to investment properties from long leasehold property during the year ended 31 March 2018.

Assets under construction

At 31 March 2019, 10 investment properties were under construction, with a total cost of £718,000. At 31 March 2018, two investment properties were under construction, with a total cost of £94,000.

Transfers

During the prior year, the ten mobile homes rented to staff were transferred out from leasehold properties in Property, plant and equipment into Investment properties as they are held to earn rental income.

13. Investment properties *(continued)*

Company

	Commercial property £'000
At 31 March 2018	**-**
Additions in year	19,642
At 31 March 2019	**19,642**
Accumulated depreciation:	
At 31 March 2018	-
Charge for the year	60
At 31 March 2019	**60**
Net book value:	
At 31 March 2018	-
At 31 March 2019	**19,582**

The investment property in the Company consists of the five warehouses leased by Momart, the Group's art handling subsidiary which were purchased in December 2018. The buildings have been depreciated from the 20 December 2018 date of purchase.

14. Investment in subsidiaries

	Country of incorporation	Class of shares held	Ownership at 31 March 2019	Ownership at 31 March 2018
The Falkland Islands Company Limited [1]	UK	Ordinary shares of £1	100%	100%
		Preference shares of £10	100%	100%
The Falkland Islands Trading Company Limited [1]	UK	Ordinary shares of £1	100%	100%
Falkland Islands Shipping Limited [2] [6]	Falkland Islands	Ordinary shares of £1	100%	100%
Erebus Limited[2][6][7]	Falkland Islands	Ordinary shares of £1	100%	100%
		Preference shares of £1	100%	100%
South Atlantic Support Services Limited[3] [6]	Falkland Islands	Ordinary shares of £1	100%	100%
Paget Limited[2] [6] [7]	Falkland Islands	Ordinary shares of £1	100%	100%
The Portsmouth Harbour Ferry Company Limited[4]	UK	Ordinary shares of £1	100%	100%
Portsea Harbour Company Limited[4] [6]	UK	Ordinary shares of £1	100%	100%
Clarence Marine Engineering Limited[4] [6]	UK	Ordinary shares of £1	100%	100%
Gosport Ferry Limited[4] [6]	UK	Ordinary shares of £1	100%	100%
Momart International Limited[5]	UK	Ordinary shares of £1	100%	100%
Momart Limited[5] [6]	UK	Ordinary shares of £1	100%	100%
Dadart Limited[5] [6] [7]	UK	Ordinary shares of £1	100%	100%

[1] The registered office for these companies is Kenburgh Court, 133-137 South Street, Bishop's Stortford, Hertfordshire CM23 3HX.
[2] The registered office for these companies is 5 Crozier Place, Stanley, Falkland Islands FIQQ 1ZZ.
[3] South Atlantic Support Services Limited's registered office is 56 John Street, Stanley, Falkland Islands FIQQ 1ZZ
[4] The registered office for these companies is South Street, Gosport, Hampshire, PO12 1EP.
[5] The registered office for these companies is Exchange Tower, 6th Floor, 2 Harbour Exchange Square, London E14 9GE.
[6] These investments are not held by the Company but are indirect investments held through a subsidiary of the Company.
[7] These investments have all been dormant for the current and prior year.

	Company 2019 £'000	2018 £'000
At 1 April 2018	27,630	27,629
Share based payments charge capitalised into subsidiaries	23	1
At 31 March 2019	**27,653**	**27,630**

15. Investment in Joint Ventures

The Group has one joint venture (South Atlantic Construction Company Limited, "SAtCO"), which was set up in June 2012, with Trant Construction to bid for the larger infrastructure contracts which were expected to be generated by oil activity. Both Trant Construction and the Falkland Islands Company contributed £50,000 of ordinary share capital. SAtCO is registered and operates in the Falkland Islands. The net assets of SAtCO are shown below:

Joint Venture's balance sheet	2019 £'000	2018 £'000
Current assets	519	522
Liabilities due in less than one year	(1)	(4)
Net assets of SAtCO	518	518
Group share of net assets	**259**	**259**

Joint Venture's results	2019 £'000	2018 £'000
Revenue	-	49
Cost of sales	-	-
Administrative expenses	-	(4)
Operating profit for the year	-	45
Impairment reversal	-	-
Profit before taxation	-	45
Taxation	-	(9)
Joint Venture retained profit for the year	-	36
Group share of retained profit for the year	-	**18**

There were no recognised gains or losses, other than the profits disclosed above for the year ended 31 March 2019 (2018: none).

The current assets balances above include £66,000 of cash (2018: £71,000), £4,000 of other debtors and £449,000 (2018: £449,000) of loans due from SAtCO's parent companies. The liabilities due in less than one year are all trade payables and corporation tax payable.

SAtCO had no contingent liabilities or capital commitments as at 31 March 2019 or 31 March 2018 and the Group had no contingent liabilities or commitments in respect of its joint venture at 31 March 2019 or 31 March 2018.

SATCO's registered office is 56 John Street, Stanley, Falkland Islands FIQQ 1ZZ

16. Finance leases receivable

Finance lease receivables relate to finance leases on the sale of vehicles and customer goods in the Falkland Islands. No contingent rents have been recognised as income in the period. No residual values accrue to the benefit of the lessor.

	Group	
	2019	2018
	£'000	£'000
Non-Current: Finance Lease debtors due after more than one year	584	611
Current: Finance lease debtors due within one year	659	823
Total Finance Lease debtors	**1,243**	**1,434**

The difference between the gross investment in the hire purchase leases and the present value of future lease payments due represents unearned finance income of £211,000 (2018: £237,000).

The cost of assets acquired for the purpose of renting out under hire purchase agreements by the Group during the year amounted to £883,000 (2018: £993,000).

The aggregate rentals receivable during the year in respect of hire purchase agreements were £1,116,000 (2018: £1,334,000).

	Group	
	2019	2018
	£'000	£'000
Gross investment in hire purchase leases	1,454	1,671
Present value of future lease payments due:		
Within one year	659	823
Within two to five years	584	611
Total present value of future lease payments	**1,243**	**1,434**

17. Deferred tax assets and liabilities

Recognised deferred tax assets and (liabilities)	Group	
	2019	2018
	£'000	£'000
Property, plant & equipment	(2,396)	(2,133)
Intangible assets	(346)	(346)
Inventories	43	9
Other financial liabilities	26	35
Share-based payments	26	27
Tax losses	118	85
Total net deferred tax liabilities	(2,529)	(2,323)
Deferred tax asset arising on the defined benefit pension liabilities	721	738
Net tax liabilities	**(1,808)**	**(1,585)**

17. Deferred tax assets and liabilities *(continued)*

The deferred tax asset on the defined benefit pension scheme (see note 23) arises under the Falkland Islands tax regime and has been presented on the face of the consolidated balance sheet as a non-current asset as it is expected to be realised over a relatively long period of time. All other deferred tax assets are shown net against the non-current deferred tax liability shown in the balance sheet.

	Company	
	2019	2018
	£'000	£'000
Other temporary differences	4	16
Net tax asset	**4**	**16**

Movement in deferred tax assets / (liabilities) in the year:

	Group			
	1 April 2018	Recognised in income	Recognised in equity	31 March 2019
	£'000	£'000	£'000	£'000
Property, plant & equipment	(2,133)	(263)	-	(2,396)
Intangible assets	(346)	-	-	(346)
Inventories	9	34	-	43
Other financial liabilities	35	(9)	-	26
Share-based payments	27	(1)	-	26
Tax losses	85	33		118
Pension	738	(8)	(9)	721
Deferred tax movements	**(1,585)**	**(214)**	**(9)**	**(1,808)**

Unrecognised deferred tax assets
Deferred tax assets of £113,000 (2018: £113,000) in respect of capital losses have not been recognised as it is not considered probable that there will be suitable chargeable gains in the foreseeable future from which the underlying capital losses will reverse.

Movement in deferred tax asset in the year:

	Company			
	1 April 2018	Recognised in income	Recognised in equity	31 March 2019
	£'000	£'000	£'000	£'000
Other temporary difference	16	(12)	-	4
Deferred tax asset movements	**16**	**(12)**	**-**	**4**

Movement in deferred tax assets / (liabilities) in the prior year:

	Group			
	1 April 2017	Recognised in income	Recognised in equity	31 March 2018
	£'000	£'000	£'000	£'000
Property, plant & equipment	(2,032)	(101)	-	(2,133)
Intangible assets	(346)	-	-	(346)
Inventories	9	-	-	9
Other financial liabilities	32	3	-	35
Share-based payments	26	1	-	27
Tax losses	120	(35)	-	85
Pension	776	(8)	(30)	738
Deferred tax movements	**(1,415)**	**(140)**	**(30)**	**(1,585)**

17. Deferred tax assets and liabilities *(continued)*

Movement in deferred tax asset in the prior year:	Company			
	1 April 2017 £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2018 £'000
Other temporary difference	17	(1)	-	16
Deferred tax asset movements	**17**	**(1)**	**-**	**16**

18. Inventories

	Group	
	2019 £'000	2018 £'000
Work in progress	1,253	729
Goods in transit	692	865
Goods for resale	3,811	3,006
Total Inventories	**5,756**	**4,600**

Goods in transit are retail goods in transit to the Falkland Islands.

The Company has no inventories.

19. Trade and other receivables

	Company	
	2019 £'000	2018 £'000
Non-Current		
Amount owed by subsidiary undertakings	8,717	6,987

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current				
Trade and other receivables	6,310	6,134	-	-
Prepayments and accrued income	1,451	1,297	30	12
Total trade and other receivables	**7,761**	**7,431**	**30**	**12**

Included within prepayments and accrued income is £533,000 relating to accrued income (2018: £354,000).

20. Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash and other cash equivalents in the balance sheet	6,184	17,018	1,768	12,606

	Group		Company	
Year ended 31 March	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Net (decrease) / increase in cash and cash equivalents	(10,834)	1,939	(10,838)	3,826
Bank loan draw downs	(10,000)	-	(10,000)	-
Bank loan repayments	514	499	-	-
Finance lease draw downs	(172)	(35)	-	-
Finance lease repayments	131	109	-	-
Net (increase) / decrease in interesting bearing loans and borrowings	(9,527)	573	(10,000)	-
Net (decrease) / increase in debt	(20,361)	2,512	(20,838)	3,826
Net debt brought forward	8,752	6,240	12,606	8,780
Net debt at 31 March	**(11,609)**	**8,752**	**(8,232)**	**12,606**

Net debt

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash balances (see note 20)	6,184	17,018	1,768	12,606
less: Total interest-bearing loans and borrowings	(17,793)	(8,266)	(10,000)	-
Net (debt) / cash	**(11,609)**	**8,752**	**(8,232)**	**12,606**

There are no non-cash changes in the movements in debt presented above. The bank loan and finance lease repayments noted above exclude any interest payments as any interest paid or received has been included within the movement in cash and cash equivalents balance. The bank interest paid in the year of £234,000 is £14,000 less than the bank interest expense of £248,000 due to an accrual of £14,000 at 31 March 2019.

21. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings owed by the Group, which are stated at amortised cost. For more information regarding the maturity of the interest-bearing loans and lease liabilities and about the Group and Company's exposure to interest rate and foreign currency risk, see note 26.

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Non-current liabilities				
Secured bank loans	2,284	2,807	-	-
Lease liabilities	4,864	4,828	-	-
Total non-current interest bearing loans and lease liabilities	**7,148**	**7,635**	**-**	**-**
Current liabilities				
Secured bank loans	10,530	522	10,000	-
Lease liabilities	115	109	-	-
Total current interest bearing loans and lease liabilities	**10,645**	**631**	**10,000**	**-**
Total liabilities				
Secured bank loans	12,814	3,329	10,000	-
Lease liabilities	*4,979	*4,937	-	-
Total interest bearing loans and lease liabilities	**17,793**	**8,266**	**10,000**	**-**

*Included within lease liabilities is £4,731,000 (2018: £4,764,000) in respect of the long term lease liability for the Gosport pontoon, with quarterly payments of £65,000 payable to Gosport Borough Council over the next forty-two years until 2061.

Lease liabilities

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	347	340	232	231	115	109
Between one and two years	336	309	226	226	110	83
Between two and five years	882	834	660	663	222	171
More than five years	9,685	9,944	5,153	5,370	4,532	4,574
Total	**11,250**	**11,427**	**6,271**	**6,490**	**4,979**	**4,937**

22. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Current				
Trade payables	4,646	5,714	-	-
Amounts owed to subsidiary undertakings	-	-	5,030	6,150
Loan from joint venture	200	224	-	-
Other creditors, including taxation and social security	2,162	1,304	168	133
Interest rate swap liability	16	20	16	20
Accruals and deferred income	2,597	3,433	518	411
Total trade and other payables	**9,621**	**10,695**	**5,732**	**6,714**

Included within accruals and deferred income is £30,000 relating to deferred income (2018: £316,000).

23. Employee benefits: pension plans

The Group operates three defined contribution pension schemes. In addition, it also operates one unfunded defined benefit pension scheme in the Falkland Islands, which has been closed to new members and to future accrual since 1 April 2007. During the year ended 31 March 2019, 13 pensioners (2018: 14) received benefits from this scheme, and there are three deferred members at 31 March 2019 (2018: 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 16 years (2018: 16 years).

Defined contribution schemes

The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £436,000 (2018: £295,000). The Group anticipates paying contributions amounting to £501,000 during the year ending 31 March 2020. There were outstanding contributions of £31,000 (2018: £21,000) due to pension schemes at 31 March 2019.

Defined benefit pension schemes

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

	Group	
	2019	2018
	£'000	£'000
Pension scheme deficit:		
The Falkland Islands Company Limited Scheme	(2,772)	(2,839)
Deferred tax asset	721	738
Net pension scheme deficit	**(2,051)**	**(2,101)**

The Falkland Islands Company Limited Scheme

The Falkland Islands Company Limited 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 2020 are £97,000. Actuarial reports for IAS 19 purposes as at 31 March 2019, 2018, 2017, 2016, and 2015 were prepared by a qualified independent actuary, Lane Clark and Peacock LLP. The major assumptions used in the valuation were:

	2019	2018
Rate of increase in pensions in payment and deferred pensions	2.5%	2.5%
Discount rate applied to scheme liabilities	2.4%	2.6%
Inflation assumption	3.5%	3.0%
Average longevity at age 65 for male current and deferred pensioners (years) at accounting date	22.2	22.3
Average longevity at age 65 for male current and deferred pensioners (years) 20 years after accounting date	23.9	24.1

23. Employee benefits: pension plans *(continued)*

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.

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 2019 would have increased / (decreased) as a result of a change in the respective assumptions by 0.1%

	Effect on obligation	
	2019	2018
	£'000	£'000
Discount rate +/- 0.1%	43	44
Inflation assumption +/- 0.1%	(13)	(16)
Life expectancy +/- one year	(130)	(129)

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.

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:

	Value at				
	2015	2016	2017	2018	2019
	£'000	£'000	£'000	£'000	£'000
Present value of scheme liabilities	(2,884)	(2,644)	(2,985)	(2,839)	(2,772)
Related deferred tax assets	750	687	776	738	721
Net pension liability	**(2,134)**	**(1,957)**	**(2,209)**	**(2,101)**	**(2,051)**

Movement in deficit during the year:	2019	2018
	£'000	£'000
Deficit in scheme at beginning of the year	(2,839)	(2,985)
Pensions paid	103	102
Other finance cost	(72)	(73)
Re-measurement of the defined benefit pension liability	36	117
Deficit in scheme at the end of the year	**(2,772)**	**(2,839)**

Analysis of amounts included in other finance costs:	2019	2018
	£'000	£'000
Interest on pension scheme liabilities	**72**	**73**

23. Employee benefits: pension plans *(continued)*

Analysis of amounts recognised in statement of comprehensive income:	2019 £'000	2018 £'000
Experience gains arising on scheme liabilities	100	3
Changes in assumptions underlying the present value of scheme liabilities	(64)	114
Re-measurement of the defined benefit pension liability	**36**	**117**

24. Employee benefits: share based payments

The total number of options outstanding at 31 March 2019 is 297,694 including (i) 29,751 nil cost options (2018: 29,741), (ii) 104,689 options (2018: 104,689) granted under the Long Term Incentive Plan and (iii) 163,254 (2018: 236,490) Share options granted with an exercise price equal to the market price on the date of grant, which included the following:

(i) Nil cost options granted to the Chief Executive:

Date of Issue	Number	Exercise Price pence	Share price at grant date pence	Fair value per share pence	Total fair value £	Earliest Exercise Date	Latest Exercise date
17 Jun 16	6,273	-	186.0	186.0	11,668	17 Jun 19	17 Jun 20
16 Jun 17	3,216	-	285.0	274.0	8,812	16 Jun 19	16 Jun 21
16 Jun 17	3,217	-	285.0	268.5	8,638	16 Jun 20	16 Jun 21
15 Jun 18	5,681	-	352.0	347.5	19,741	15 Jun 19	15 Jun 22
15 Jun 18	5,682	-	352.0	343.0	19,489	15 Jun 20	15 Jun 22
15 Jun 18	5,682	-	352.0	338.5	19,234	15 Jun 21	15 Jun 22
Total	**29,751**	**-**			**87,582**		

Reconciliation of nil cost options:	Weighted average exercise price (£) 2019	Number of options 2019	Weighted average exercise price (£) 2018	Number of options 2018
Outstanding at the beginning of the year	-	29,741	-	33,911
Options exercised during the year	-	(17,035)	-	(13,819)
Options granted during the year	-	17,045	-	9,649
Outstanding at the year end	**-**	**29,751**	**-**	**29,741**
Vested options exercisable at the year end	-	-	-	-
Weighted average life of outstanding options (years)	2.6		2.7	

(ii) Long term Incentive Plan grants at an exercise price of ten pence to local directors and executives:

104,689 Long term Incentive Plan grants were issued on 18 March 2018 at an exercise price of ten pence to local directors and executives, and expire in four years on 19 March 2023. There are various performance conditions attached to these grants. None of these grants are exercisable at 31 March 2019.

24. Employee benefits: share based payments *(continued)*

(iii) Share options with an exercise price equal to the market price on the date of grant

Date of Issue	Number	Exercise Price pence	Share price at grant date Pence	Fair value per share pence	Total fair value £	Earliest Exercise Date	Latest Exercise date
15 Jul 09	44,550	290.0	290.0	72.0	32,076	15 Jul 12	14 Jul 19
9 Dec 09	12,000	390.0	397.5	145.0	17,400	9 Dec 12	8 Dec 19
21 Dec 10	8,532	342.5	337.5	124.0	10,580	21 Dec 13	20 Dec 20
16 Dec 11	80,018	267.5	261.5	68.0	54,412	16 Dec 14	15 Dec 21
03 Sep 14	13,154	353.5	353.5	100.0	13,154	03 Sep 17	02 Sep 24
19 Jan 15	5,000	272.5	272.5	63.0	3,150	19 Jan 18	18 Jan 25
Total	**163,254**				**130,772**		

The range of exercise prices of outstanding options at 31 March 2019 is from £2.675 (2018: £2.075) to £3.90 (2018: £3.90).

Reconciliation of options with an exercise price equal to the market price on the date of grant, including the number and weighted average exercise price:

	Weighted average exercise price (£) 2019	Number of options 2019	Weighted average exercise price (£) 2018	Number of options 2018
Outstanding at the beginning of the year	2.74	236,490	2.82	276,061
Options exercised during the year	2.22	(67,719)	-	-
Forfeited during the year	2.68	(2,000)	3.28	(35,017)
Lapsed during the year	3.65	(3,517)	3.28	(4,554)
Outstanding at the year end	**2.94**	**163,254**	**2.74**	**236,490**
Vested options exercisable at the year end	2.94	163,254	2.74	236,490
Weighted average life of outstanding options (years)	2.2		2.7	

The fair values of the options are estimated at the date of grant using appropriate option pricing models and are charged to the profit and loss account over the expected life of the options. All options, other than certain nil cost options granted to the Chief Executive, are granted with the condition that the employee remains in employment for three years. Certain option grants also have conditions attached in that increases in earnings per share on underlying profits over the vesting period must exceed the UK Retail price index increase, and the 44,550 options granted to the Chief Executive in July 2009 had a condition that the Group's total shareholder return increase exceeded that of the FTSE AIM All-Share Index over the three year period.

All share options are equity settled. Share options issued without share price conditions attached have been valued using the Black-Scholes model. Share price options issued with share price conditions attached have been valued using a Monte Carlo simulation model making explicit allowance for share price targets. During the year ending 31 March 2019, 17,035 nil cost options were exercised over ordinary shares and 67,719 other share options were exercised by employees around the Group (2018: 13,829 nil cost options).

	2019 £'000	2018 £'000
Total share based payment expense recognised in the year	69	37

25. Capital and reserves

Share capital	Ordinary Shares	
	2019	2018
In issue at the start of the year	12,434,418	12,434,418
Share capital issued during the year	67,719	-
In issue at the end of the year	**12,502,137**	**12,434,418**

	2019 £'000	2018 £'000
Allotted, called up and fully paid Ordinary shares of 10p each	**1,250**	**1,243**

By special resolution at an Annual General Meeting on 9 September 2010 the Company adopted new articles of association principally to take account of the various changes in company law brought in by the Companies Act 2006. As a consequence the Company no longer has an authorised share capital. 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.

On 31 March 2000, an Employee Share Ownership Plan was established. At 31 March 2019 the plan held 7,664 (2018: 16,692) ordinary shares at a cost of £15,047 (2018: £32,773). During the year ended 31 March 2019, the ESOP issued 9,028 shares in respect of the exercise of the 17,035 nil cost options which vested in June 2018, 8,007 options were cancelled to settle the employee tax and national insurance liabilities. The market value of the shares at 31 March 2019 was £21,076 (2018: £50,911). Shares held in the ESOP are entitled to receive a nominal 0.01p per share in each dividend payment.

Employees exercised 67,719 share options during the year, with a weighted average exercise price of £2.22, resulting in an increase in share capital of 67,719 shares and an increase in the nominal share capital value of £7,000. A total cash inflow of £150,000 was received on the exercise of these options.

For more information on share options please see note 24.

The other reserves in the Group comprise largely of merger relief arising in connection with the acquisition of Momart International Limited. These have been offset by a recognised impairment of Momart in the year ended 31 March 2009.

Dividends

The following dividends were recognised and paid in the period:

	2019 £'000	2018 £'000
Final: 3.00 pence (2018: 4.0 pence) per qualifying ordinary share	373	497
Interim: 1.65 pence (2018: 1.5 pence) per qualifying ordinary share	206	186
Total dividends recognised in the period	**579**	**683**

At the balance sheet date a final dividend of 3.35 pence per qualifying ordinary share was proposed by the Directors, making a final dividend payable of £419,000 (2018: £373,000). This final 3.35 pence dividend (2018: 3.0 pence) together with the 1.65 pence interim dividend paid in the year (2018: 1.5 pence) brings the total dividend to 5.0 pence for the year ended 31 March 2019 (2018: 4.5 pence).

The 2019 final dividend of 3.35 pence has not been provided for in these financial statements.

26. Financial instruments

(i) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest- bearing borrowings

The fair value of interest-bearing borrowings, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

IAS 39 categories and fair values

The fair values of financial assets and financial liabilities are not materially different to the carrying values shown in the consolidated balance sheet and Company balance sheet.

The following table shows the carrying value, which is equal to fair value for each category of financial instrument:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash and cash equivalents	6,184	17,018	1,768	12,606
Hire purchase debtors	1,243	1,434	-	-
Trade and other receivables	6,310	6,134	-	-
Total assets exposed to credit risk	**13,737**	**24,586**	**1,768**	**12,606**
Interest rate swap liability	(16)	(20)	(16)	(20)
Other Financial liabilities at amortised cost	(9,605)	(10,675)	(5,716)	(6,694)
Total trade and other payables	(9,621)	(10,695)	(5,732)	(6,714)
Interest-bearing borrowings at amortised cost	(17,793)	(8,266)	(10,000)	-

The interest rate swap has been valued using a level 2 methodology. All other financial instruments are based on level 3 methodology.

26. Financial instruments *(continued)*

(ii) Credit Risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Group

The Group's credit risk is primarily attributable to its trade receivables. The maximum credit exposure of the Group comprises the amounts presented in the balance sheet, which are stated net of provisions for doubtful debt. A provision is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of future cash flows. Management has credit policies in place to manage risk on an on-going basis. These include the use of customer specific credit limits.

Company

The majority of the Company's receivables are with subsidiaries. The Company does not consider these counter-parties to be a significant credit risk.

Exposure to credit risk

The carrying amount of financial assets, other than available for sale financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £13,737,000 (2018: £24,586,000) being the total trade receivables, hire purchase debtors and cash and cash equivalents in the balance sheet. The credit risk on cash balances and the interest rate swap is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographic region was:

	Group	
	2019 £'000	2018 £'000
Falkland Islands	1,021	932
Europe	622	723
North America	706	730
United Kingdom	3,302	3,280
Other	659	469
Total trade receivables	**6,310**	**6,134**

The Company has no trade debtors

Credit quality of financial assets and impairment losses

Group	Gross 2019 £'000	Impairment 2019 £'000	Net 2019 £'000	Gross 2018 £'000	Impairment 2018 £'000	Net 2018 £'000
Not past due	4,710	-	4,710	4,252	-	4,252
Past due 0-30 days	1,210	(48)	1,162	1,420	(22)	1,398
Past due 31-120 days	366	(57)	309	483	(53)	430
More than 120 days	190	(61)	129	202	(148)	54
	6,476	**(166)**	**6,310**	**6,357**	**(223)**	**6,134**

26. Financial instruments *(continued)*

The movement in the allowances for impairment in respect of trade receivables during the year was:

	Group 2019 £'000	2018 £'000
Balance at 1 April 2018	285	202
Impairment loss recognised	17	215
Impairment loss reversed	-	(67)
Cash received	5	-
Utilisation of provision (debts written off)	(111)	(65)
Balance at 31 March 2019	**196**	**285**
Provided against hire purchase debtors	30	62
Provided against trade and other receivables	166	223
Balance at 31 March 2019	**196**	**285**

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible: at that point the amounts considered irrecoverable are written off against the trade receivables directly.

No further analysis has been provided for cash and cash equivalents, trade receivables from Group companies, other receivables and other financial assets, as there is limited exposure to credit risk and no provisions for impairment have been recognised.

(iii) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. At the beginning of the period the Group had outstanding bank loans of £3.8 million. All payments due during the year with respect to these agreements were met as they fell due.

The Company has one bank loan of £10.0 million repayable within less than twelve months at 31 March 2019, which was drawn down by FIH group plc to fund the Leyton warehouse acquisition The Company had no bank loans at the start of the year.

The Group manages its cash balances centrally at head office and prepares rolling cash flow forecasts to ensure funds are available to meet its secured and unsecured commitments as and when they fall due.

Liquidity risk – Group

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effects of netting agreements:

		Contractual cash flows				
2019	Carrying amount £'000	Total £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial liabilities						
Secured bank loans	12,814	13,057	10,594	449	1,347	667
Finance leases	4,979	11,250	347	336	882	9,685
Trade payables	4,646	4,646	4,646	-	-	-
Interest rate swap liability	16	16	11	5	-	-
Other creditors, including taxation	2,162	2,162	2,162	-	-	-
Accruals and deferred income	2,597	2,597	2,597	-	-	-
Total Non-derivative financial liabilities	**27,214**	**33,728**	**20,357**	**790**	**2,229**	**10,352**

In the near term the Group intends to draw down a long term mortgage on its newly acquired freehold property which will add a further £4 million to the Group's cash resources.

26. Financial instruments *(continued)*

2018	Carrying amount £'000	Contractual cash flows Total £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial liabilities						
Secured bank loans	3,329	3,694	608	595	1,346	1,145
Finance leases	4,937	11,427	340	309	834	9,944
Trade payables	5,714	5,714	5,714	-	-	-
Interest rate swap liability	20	42	19	16	7	-
Other creditors, including taxation	1,304	1,304	1,304	-	-	-
Accruals and deferred income	3,433	3,433	3,433	-	-	-
Total Non-derivative financial liabilities	**18,737**	**25,614**	**11,418**	**920**	**2,187**	**11,089**

The contractual cash flows for finance leases in the years ended 31 March 2019 and 31 March 2018 are significantly higher than the liability at the year end, as the finance lease for the Gosport pontoon with Gosport Borough Council is a 50 year finance lease with quarterly payments of £65,000 until 2061.

Liquidity risk – Company

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effects of netting agreements:

2019	Carrying amount £'000	Contractual cash flows Total £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial liabilities						
Secured bank loans	10,000	10,000	10,000	-	-	-
Interest rate swap liability	16	16	11	5	-	-
Other creditors, including taxation	168	168	168	-	-	-
Accruals and deferred income	518	518	518	-	-	-
Total Non-derivative financial liabilities	**10,702**	**10,702**	**10,697**	**5**	**-**	**-**

2018	Carrying amount £'000	Contractual cash flows Total £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial liabilities						
Interest rate swap liability	20	42	19	16	7	-
Other creditors, including taxation	133	133	133	-	-	-
Accruals and deferred income	411	411	411	-	-	-
Total Non-derivative financial liabilities	**564**	**586**	**563**	**16**	**7**	**-**

(iv) Market Risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Market risk – Foreign currency risk

The Group has exposure to foreign currency risk arising from trade and other payables which are denominated in foreign currencies. The Group is not, however, exposed to any significant transactional foreign currency risk. The Group's exposure to foreign currency risk is as follows and is based on carrying amounts for monetary financial instruments.

26. Financial instruments *(continued)*

Group

31 March 2019	EUR £'000	USD £'000	Other £'000	Total Balance sheet exposure £'000	GBP £'000	Total £'000
Cash and cash equivalents	142	210	23	375	5,809	6,184
Trade payables and other payables	(148)	(126)	(154)	(428)	(9,193)	(9,621)
Balance sheet exposure	**(6)**	**84**	**(131)**	**(53)**	**(3,384)**	**(3,437)**

31 March 2018	EUR £'000	USD £'000	Other £'000	Total Balance sheet exposure £'000	GBP £'000	Total £'000
Cash and cash equivalents	207	205	26	438	16,580	17,018
Trade payables and other payables	(286)	(163)	(92)	(541)	(10,154)	(10,695)
Balance sheet exposure	**(79)**	**42**	**(66)**	**(103)**	**6,426**	**6,323**

The Company has no exposure to foreign currency risk.

Sensitivity analysis

Group

A 10% weakening of the following currencies against pound sterling at 31 March would have increased / (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates remain constant and is performed on the same basis for year ended 31 March 2018.

	Equity		Profit or Loss	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
EUR	1	8	1	8
USD	(8)	(4)	(8)	(4)

A 10% strengthening of the above currencies against pound sterling at 31 March would have the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Market risk – interest rate risk

At the balance sheet date the interest rate profile for the Group's interest-bearing financial instruments was:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fixed rate financial instruments				
Finance lease receivable	1,243	1,434	-	-
Bank loans	(794)	(883)	-	-
Lease liabilities	(4,979)	(4,937)	-	-
	(4,530)	**(4,386)**	**-**	**-**
Variable rate financial instruments				
Effect of Interest rate swap liability	(16)	(20)	(16)	(20)
Bank loans	(12,020)	(2,446)	(10,000)	-
	(12,036)	**(2,466)**	**(10,016)**	**(20)**

26. Financial instruments *(continued)*

At 31 March 2019, the Group had five bank loans:

(i) £10.0 million repayable within less than twelve months, which was drawn down by FIH group plc to fund the Leyton warehouse acquisition. This loan will be replaced with a ten year mortgage within the next year. Interest is payable on this loan at 0.75% over the Bank of England base rate.

(ii) £0.2 million (2018: £0.3 million) repayable over five years, secured against two vessels in Portsmouth. Interest is payable on this loan at 2.8% over the Bank of England base rate;

(iii) £1.5 million (2018: £1.7 million) repayable over ten years, secured against the newest vessel in Portsmouth, with interest charged at 2.6% above the bank of England base rate; and

(iv) £0.3 million (2018: £0.4 million) repayable over ten years, secured against freehold property held in Gosport, with interest charged at 1.75% above the Bank of England base rate.

(v) £0.8 million (2018: £0.9 million) drawn down by Momart Limited to fund the storage facilities at Unit 14, interest has been fixed on this loan at 2.73% for the full ten years until December 2026.

The interest payable on the three loans for vessels and the freehold property in Gosport noted above has been hedged by one interest swap, taken out in October 2015 with an initial notional value of £3.6 million, with interest payable at the difference between 1.325% and the Bank of England Base rate. This interest rate swap notional value decreases at £36,250 per month over five years until September 2020 when it will expire. The notional value of the swap at 31 March 2019 is £2,138,750 (2018: £2,573,750). Including the swap, the blended average interest rates on the Group's bank borrowings is 2.7% (2018: 3.6%) per annum.

Sensitivity analysis

An increase of 100 basis points in interest rates at the balance sheet date would have increased / (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and has been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates and financial instruments at fair value through profit or loss or available-for-sale with fixed interest rates. The analysis is performed on the same basis for 31 March 2018.

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Equity				
Interest rate swap liability	21	26	21	26
Variable rate financial liabilities	(120)	(24)	(100)	-
Profit or Loss				
Interest rate swap liability	21	26	21	26
Variable rate financial liabilities	(120)	(24)	(100)	-

Market risk – equity price risk

(v) Capital Management

The Group's objectives when managing capital, which comprises equity and reserves at 31 March 2019 of £44,567,000 (2018: £41,733,000) are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to our other stakeholders.

27. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2019 £'000	2018 £'000
Less than one year	365	1,080
Between one and five years	1,075	3,895
More than five years	2,549	7,524
	3,989	**12,499**

The Group leases three office premises and two storage warehouses at Momart under operating leases. Office leases typically run for a period of 3-10 years, with an option to renew the lease after that date. Warehouse leases typically run for a period of 25 years, with an option to renew the lease after that date. The operating lease rentals have fallen significantly from 20 December 2018, when FIH group plc purchased the Leyton site, which Momart had previously rented.

During the year £895,000 was recognised as an expense in the income statement of operating leases (2018: £1,153,000).

Leases as lessor

The Group leases out its investment properties, which consist of 44 houses and flats and ten mobile homes in the Falklands, these are leased to staff, fishing agency representatives and other short term visitors to the Islands. These lease agreements generally have an initial notice period of six months, and beyond the six months initial tenancy, one month's notice can be given by either party, therefore future minimum lease payments under non-cancellable leases receivable are not material.

The Company had no operating lease commitments; however as a result of the purchase of the five warehouses at Leyton, the Company had the following non-cancellable operating lease rentals receivable:

	Company	
	2019 £'000	2018 £'000
Less than one year	763	-
Between one and five years	3,157	-
More than five years	4,748	-
	8,668	**-**

28. Capital commitments

At 31 March 2019, the Group had entered into contractual commitments of £421,000 for two heavy goods trucks and two sprinter vans at Momart. At 31 March 2018, the Group had entered into contractual commitments of £153,000 for a truck at Momart.

29. Related parties

The Group has a related party relationship with its subsidiaries (see note 14) and with its directors and executive officers.

Directors of the Company and their immediate relatives controlled 30.0% (2018: 29.9%) of the voting shares of the Company at 31 March 2019.

The compensation of key management personnel, which includes the FIH group plc directors and the directors of the subsidiaries, is as follows:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Key management emoluments including social security costs	1,597	1,473	431	430
Company contributions to defined contribution pension plans	69	68	-	-
Share-related awards	65	36	44	34
Total key management personnel compensation	**1,731**	**1,577**	**475**	**464**

During the year ended 31 March 2017, the Group's joint venture, SAtCO, made a loan of £200,000 to each of its parent companies. This loan was increased in June 2017, and is still outstanding at 31 March 2019.

All staff involved in construction activities were contracted directly from parent companies FIC and Trant Construction and at 31 March 2019 and 2018 SAtCO had no permanent employees.

30. 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.

Fixed assets

In the year ended 31 March 2019, the Group purchased five warehouses which have been leased by its art logistics subsidiary, Momart for £19.6 million including stamp duty and acquisition costs. After detailed discussion with our advisers, and consideration of the ages, states and rebuild costs of the properties, together with the location of the premises, £11.5 million of the purchase price has been allocated to land, which is not depreciated and £8.1 million has been allocated to property, which is being depreciated over up to 39 years, which the directors consider to be the remaining useful life of the warehouses.

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 Group.

Defined benefit pension liabilities

A significant degree of estimation is involved in predicting the ultimate benefits payment to pensioners in the Falkland Islands Company defined benefit pension scheme. Actuarial assumptions have been used to value the defined benefit pension liability (see note 23). Management have selected these assumptions from a range of possible options following consultations with independent actuarial advisers. The actuarial valuation includes estimates about discount rates and mortality rates, and the long term nature of these plans make the estimates subject to significant uncertainties.

Impairment testing

Impairment tests have been undertaken with respect to intangible assets (see note 11 for further details) using commercial judgement and a number of assumptions and estimates have been made to support their carrying amounts. In determining the fair value of intangible assets recognised on the acquisition of Momart International Limited management acted after consultation with independent intangible asset valuation advisers.

Goodwill

Goodwill on acquisition is initially measured at cost at the excess of the price paid by the Group for the business combination over the fair value of the separately identifiable assets, liabilities and contingent liabilities at the date of purchase. Goodwill is not amortised, but is instead reviewed annually for impairment, Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed.

Intangible assets

Intangible assets acquired separately are capitalised at cost and those acquired as part of a business combination are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. The intangible assets acquired on the acquisition of Momart were valued by an independent third party at the date of acquisition. The only intangible asset acquired as a business combination and not yet fully amortised is the brand name, which has a carrying value of £2,038,000 and is considered to be of future economic value to the Group with an estimated indefinite useful economic life. It is reviewed annually for impairment as part of the art logistics and storage review.

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Robin Williams	*Non-executive Chairman*
Jeremy Brade	*Non-executive Director*
Rob Johnston	*Non-executive Director*

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