

23 June 2020

FIH group plc

(“FIH” or “Group” or “Company”)

Final results for the year ended 31 March 2020

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 2020. A copy of the Group's results is also available on the Company's website.

FY2020 Group Financial Highlights

- Group revenue increased by 4.9% to £44.6 million (2019: £42.5 million)
- Underlying pre-tax profits were £3.7 million (2019: £3.9 million) reduced by £0.25 million due to COVID-19
- £7.5 million non-cash write down of goodwill led to a loss before tax of £3.7 million (2019: £3.9 million)
- Underlying diluted earnings per share was 21.7 pence (2019: 24.1 pence)
- Diluted earnings per share was a loss of 37.8 pence (2019: 24.1 pence)
- As at 31 March 2020, cash balances of £9.1 million (2019: £6.2 million)

Operating Highlights

Falkland Islands Company (“FIC”)

- A good performance with revenues up by 23% benefiting from increased housebuilding and rental income and remaining largely unaffected by COVID-19
- Pre-tax profits up 37% to £2.1 million (2019: £1.5 million)

Momart

- Following on from a successful prior year, FY2020 was more challenging reflecting a weaker global commercial art market leading to reduced income from galleries, auction houses and private collectors
- Pre-tax profits were £1.0 million (2019: £1.6 million)

Portsmouth Harbour Ferry Company (“PHFC”)

- A small decline in passenger numbers over the year was significantly increased in March 2020 which offset the benefits of annual fare rises in June 2019
- Pre-tax profits were £0.6 million (2019: £0.8 million)

Outlook & COVID-19 Update

- While FIC has not been significantly impacted, trading at both Momart and PHFC has fallen to below 10% of normal levels as a result the Group incurred losses for the first three months of FY2021
- In response, the Group has suspended dividend payments in the short term, placed 78% of employees at Momart and in Gosport on furlough, reduced employee and Board pay and curtailed all capital expenditure
- Critically, the Group remains well placed financially with sufficient liquidity to meet all current and expected needs, as at 31 March 2020 the Group had cash balances of £9.1 million and has added an interest free £5 million debt facility under the Government business interruption scheme for use if required
- Management focus now is on returning the Group to its pre-COVID-19 position as quickly as practical whilst minimising the fallout from this unprecedented event

John Foster, Chief Executive said:

“We were on track to announce another strong trading performance for the year and while COVID-19 prevented us from doing so, we still recorded a good overall result. Like most businesses our focus is now on ensuring a smooth return to profitability whilst avoiding unnecessary damage to the long-term prospects of the business. Fortunately, FIH is well placed to do so backed by a strong balance sheet with good additional liquidity should it be required.

We believe we took the necessary cost reducing actions sufficiently early and that we have the resources to support the return to normal trading levels. This is of course subject to a reasonable time period for the recovery in passenger numbers in Portsmouth and a return in confidence and activity levels in the global commercial art market.

Given the environment, FIH is reasonably well positioned and I believe the fundamentals of the Group remain strong. We are therefore confident with regard to the medium to long term prospects for the business whilst also being mindful that the current crisis might bring M&A opportunities that would not normally arise.”

Enquiries:

| | |
|---|--------------------|
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Chairman's Statement

Dear Shareholder,

The year to 31 March 2020 was a successful one for the Group, only affected for a few weeks by the COVID-19 pandemic, but plainly since then we have been operating in an environment which has been adversely transformed.

With turnover at £44.6 million (2019: £42.5 million) and pre-tax profit, before goodwill impairments, at £3.7 million (2019: £3.9 million), the financial results of the Group were on track to improve on last year's record levels, were it not for the downturn in our UK businesses that took hold in March 2020, reducing profitability by £0.25 million. Activity, particularly at FIC in the Falklands, was ahead led by strong growth in housebuilding and construction while in fine art logistics and storage Momart's performance improved in the second half. The Portsmouth Harbour Ferry Company also produced satisfactory results, albeit passenger numbers registered a further decline of 7.5%. Basic earnings per share, before the impairment charge were 22.0p (2019: 24.4 pence). As a consequence of COVID-19, a non-cash good will write down resulted in an impairment charge of £7.5 million thereby reducing pre-tax profits to a loss of £3.8 million (2019: £3.9 million profit).

The Chief Executive's statement reviews the year and the new environment. Shareholders should know that in both fine art, logistics and ferry passenger journeys, the shutdown in business levels since mid-March has been nearly complete. Aside from art storage income, these two businesses have been trading at less than 10% of normal levels. We are fortunate that the Falklands Islands has so far avoided severe lockdowns which might have also brought trading there down too, but FIC has felt some effect and this will become more pronounced when, as expected, the regular cruise ship and other tourism business does not emerge in the Southern hemisphere summer months.

Under the effects of COVID-19, the Group is therefore currently incurring substantial monthly losses, which are only partially offset by trading in FIC. This underlies our decision to cancel any short-term plans for dividends to shareholders, and also to place a substantial number of UK employees on furlough, to take advantage of the Government Job Retention Scheme. In addition, our UK businesses have been approved for a £5 million loan covered by the Government guarantee should we need to draw this down. We are grateful for central Government schemes as well as local Hampshire support initiatives for our ferry business, but we are crucially dependent on a material recovery in business levels once these programmes are withdrawn, as well as the absence of a severe lockdown in the Falklands Islands.

Salary cuts in the UK make the hardship and uncertainty all the more painful for our staff and we thank them for their excellent contribution in the past year, as well as their understanding of the measures we have had to put in place to cope with a near cessation of activity in parts of the Group's business.

The Board has led with its own salary and fee cuts and continues to keep its focus firmly on the emergence of our businesses from the crisis in the best condition possible and not taking any disproportionate short-term action that damages this objective. Our balance sheet is strong, but cash is not unlimited however, so we will also have to bear in mind the depletion of our resources and balance these two conflicting priorities.

Board and Governance

To bring an extra insight to our Board and Committee discussions, also as we do not have a Chief Financial Officer on the Board, we were delighted that Dominic Lavelle agreed to join the Board in December 2019 as an independent non-executive director, and we welcome his input generally and contribution as Chairman of the Audit Committee.

Outlook

We are unable to forecast the outturn for the year to March 2021 until the pace of recovery in the areas most affected becomes apparent, but we currently expect a significant loss. We hope to be able to see some signs of the restoration of business levels over the summer and be able to give shareholders an update at our AGM in September and more fully when we publish our half year results in November. With its strong liquidity position the Board is confident that the Group has the cash resources to weather the current crisis and to see a return to more normal profitable trading.

The senior management are working hard, often at reduced remuneration, to manage the situation and I am confident they will steer the right course through this crisis that affects each one of us.

Robin Williams
Chairman
23 June 2020

Chief Executive's Strategic Review

Introduction

I am pleased to report that even with the adverse effects of COVID-19 on the last month of trading, the Group's results for year to 31 March 2020 were satisfactory and reflect well on the underlying strength of our business model.

The Falkland Islands Company ("FIC") grew strongly producing record results and at the Group's art handling subsidiary Momart, after a weaker first half, trading recovered well in the last six months of the financial year. At the Group's passenger ferry in Portsmouth Harbour ("PHFC"), profits were on a par with the prior year until the impact of COVID-19.

The Group first began to experience the effects of the virus in March 2020 affecting profits at both Momart and PHFC and reducing overall group profits by £0.25 million. Without the virus the Group would have produced record pre-tax profits of approaching £4 million.

The Group's liquidity position was also strong with cash balances on hand at 31 March 2020 of £9.1 million (2019: £6.2 million) and this cash reserve provides an important buffer for the Group as it weathers the financial effects of the pandemic.

Overview of Group Results for the year ended 31 March 2020

In a year where activity was curtailed in the last month by the adverse effects of the commencement of COVID-19, revenues still saw healthy growth overall. Group revenue for the year ended 31 March 2020 increased by 4.9% to a record £44.6 million (2019: £42.5 million) driven by strong growth in the Group's Falklands business, FIC.

Separate from current trading, as a result of COVID-19 and the review of medium to long-term detailed forecasts, the goodwill held in respect of both Momart and PHFC has been impaired. Goodwill at Momart has been written down by £3.5 million and the goodwill held in respect of PHFC, has been reduced by £4.0 million, eliminating all the previously recorded balance in relation to the ferry company. Taken together the write down of goodwill relating to both PHFC and Momart resulted in an impairment charge of £7.5 million.

After this non-cash charge the Group recorded a loss before tax of £3.8 million (2019: Profit £3.9 million).

The Group's cash position, trading and prospects are unaffected by the impairment charge.

The FIH group plc company only distributable reserves have reduced by £2.0 million as a result and after making this adjustment stood at £12.3 million as at 31 March 2020.

The group's overall trading profits were at a similar level to the prior year with strong growth in FIC offsetting weaker trading in the Group's UK businesses. See below for further details.

Review of operations

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

| Group revenue Year ended 31 March | 2020 £m | 2019 £m | <i>Change</i> % |
|--|-------------------|------------|--------------------|
| Falkland Islands Company ("FIC") | 21.67 | 17.55 | 23.5 |
| Portsmouth Harbour Ferry ("PHFC") | 4.13 | 4.37 | -5.5 |
| Momart | 18.80 | 20.61 | -8.7 |
| Total Revenue | 44.60 | 42.53 | 4.9 |
| <hr/> | | | |
| Group Underlying Pre-Tax profit* * | | | |
| Falkland Islands Company*** | 2.06 | 1.51 | 36.7 |
| Portsmouth Harbour Ferry*** | 0.64 | 0.78 | -19.0 |
| Momart*** | 1.01 | 1.57 | -35.2 |
| Total Underlying Pre-Tax Profit * | 3.71 | 3.86 | -3.9 |
| Non-trading items (see notes below)** | (7.48) | - | - |
| Reported Profit Before Tax | (3.77) | 3.86 | -197.0 |
| <hr/> | | | |
| Underlying Diluted Earnings per share in pence | 21.7p | 24.1p | -10.1 |
| Diluted Earnings per share in pence | -37.8p | 24.1p | -255.2 |

* Underlying Pre-Tax Profit is defined as, profit before tax, before non-trading items,

** In the current year the only non-trading items were the £4.0 million impairment of the Group's investment in PHFC, and the £3.5 million impairment of the Group's investment in Momart. In the prior year there were no non-trading or exceptional items.

*** 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.

Before the non-trading impairment charge and despite the initial impact of COVID-19, the Group's underlying Pre-Tax Profits held up well at £3.7 million (2019: £3.9 million).

With a reversal in the government's planned reduction in corporation tax rates and a consequent increase in deferred tax, the overall group tax rate increased sharply from 21.4% to 25.8% leading to a reduction in underlying post tax earnings of 9.2%

Reflecting this increased tax charge fully diluted EPS on underlying profits (before the impairment) were 10% lower at 21.7 pence (2019: 24.1 pence).

Earnings per share were a loss of 37.8 pence, reflecting the loss before tax after the £7.48 million impairment charge. (2019: 24.1p).

The group paid an interim dividend to shareholders in January 2020 of 1.80 pence (2019: 1.65 pence) but with the adverse impact of COVID-19 no final dividend will be payable for the year ended 31 March 2020.

Group Operating Company Performance

Falkland Islands Company

In the year to 31 March 2020 trading at FIC was largely unaffected by the impact of COVID-19.

FIC revenue increased by 23.5% to a record £21.7 million, an increase of £4.1 million on the prior year of which £3.5 million was due to an increase in sales at FIC's housebuilding arm Falkland Building Services ("FBS") and £0.2 million was due to increased rental income from FIC's portfolio of residential properties in Stanley.

As a result, of the increased activity of FBS and the growth in FIC's rental portfolio, the company's Operating Profit grew by an encouraging 36% to £2.1 million (2019: £1.6 million).

With net interest costs (linked to liabilities under an historic pension scheme) unchanged from the prior year, FIC's Profit Before Tax grew by 36.7% to £2.1 million (2019: £1.5 million).

See details below:

FIC Operating results

| Year ended 31 March | 2020 £m | 2019 £m | Change % |
|---|---------------|------------|-------------|
| Revenues | | | |
| Retail | 10.02 | 9.72 | 3.1 |
| Falklands 4x4 | 3.18 | 3.05 | 4.3 |
| FBS (property and construction) | 5.01 | 1.53 | 224.8 |
| Freight & Port Services | 0.75 | 0.78 | -4.2 |
| Support services | 2.04 | 2.00 | 1.9 |
| Property rental | 0.67 | 0.47 | 43.3 |
| Total FIC revenue | 21.67 | 17.55 | 23.5 |
| FIC underlying operating profit | 2.12 | 1.57 | 35.5 |
| Net interest expense | (0.06) | (0.06) | 6.7 |
| FIC underlying Profit Before Tax | 2.06 | 1.51 | 36.7 |
| FIC underlying operating profit margin | 9.8% | 8.9% | 9.9 |

FIC Divisional Activity

Retail sales increased by 3.1% in overall terms with growth evenly spread across FIC's 5 main retail outlets. After absorbing higher staff costs linked to an uplift in the minimum wage, the overall contribution from the West Store increased on the previous year broadly in line with sales but pressure on gross margins at both Home Builder and Home Living saw their contributions slip back offsetting the increase at the West Store. In overall terms the contribution from FIC's retail activities was essentially unchanged year on year.

At **Falklands 4x4** revenues increased by 4.3% and helped by healthy growth in income from FIC's car rental fleet of 46 vehicles as long- term corporate rentals increased, 4x4's contribution also saw a modest increase.

FBS which saw sales grow to more than three times the level of the prior year to £5.0 million (2019: £1.5 million), benefited from the renewed availability of government housing plots for first time buyers at Sappers Hill. As a result, FBS was able to complete and sell 24 kit homes in the year compared to only six units in 2019. In addition, the house building team commenced its first significant housing contract for government for the construction of 18 houses on FIG land. By 31 March 2020 this contract was estimated as being 63% complete and in accordance with the Group's policy on Revenue Recognition under IFRS 15 £1.9 million of revenue and an appropriate level of attributable profits was generated in the year. This increase in FBS activity and related improvement in contribution was the biggest factor driving the increased profitability of FIC during the period.

Rental Properties. During the year the FBS construction team also made further additions to FIC's portfolio of domestic rental properties and by year end the total number of properties available for rent had increased from 54 to 65 with a further 10 under construction. With strong demand for rental properties and a shortage of supply, FIC enjoyed effective occupancy of 100% throughout the year. As a result, rental income from FIC's property rental portfolio (which includes 10 mobile homes rented to staff), increased by 43% to £0.7 million (2019: £0.5 million).

At 31 March 2020 the total net book value of the portfolio was £5.7 million (2019: £4.5 million). The estimated market value of FIC's rental portfolio at 31 March 2020 was £7.3 million (2019: £5.8 million) an uplift of £2.2 million on book value giving an average value per property of £112,000 (2019: £107,000)

Income from **third party freight and port services** was relatively unchanged at £0.8 million (2019: £0.8 million)

Support Services income increased by 1.9% to £2.04 million (2019: £2.00 million) helped by continued growth in financial services, travel and insurance and Health & Safety consultancy services. This growth was achieved despite a weaker illex squid catch in April and May 2019 which saw a decrease in Fishing Agency revenues and by a slow down at Penguin Travel particularly towards the end of the year.

FIC Key Performance Indicators and Operational Drivers

| Year ended 31 March | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-------|------|------|-------|--------------|
| Staff Numbers (FTE 31 March) | 172 | 151 | 146 | 169 | 187 |
| Capital Expenditure £'000 | 1,229 | 578 | 389 | 2,348 | 2,685 |
| Retail Sales growth % | 1.3 | -5.4 | +0.6 | +5.7 | 3.1 |
| Number of FIC rental properties | 50* | 51* | 49* | 54* | 65* |
| Average occupancy during the year % | 93 | 81 | 89 | 84 | 89 |
| Number of vehicles sold | 110 | 77 | 77 | 76 | 71 |
| Number of 3 rd party houses sold | 12 | 17 | 22 | 6 | 22* |
| illex squid catch in tonnes (000's) | 235.2 | 30.1 | 75.5 | 57.4 | 57.6 |
| Cruise ship passengers (000's) | 56.5 | 55.6 | 59.3 | 62.5 | 72.1 |

*Includes ten mobile homes rented to staff.

**The 22 houses sold in the year ended 31 March 2020 exclude the 18 house contract with the government.

FIC ended the year with a headcount of 208 staff, 39 higher than the 169 in March 2019. Of the 208 headcount Retail accounted for 74 (2019: 67), Falklands 4x4 accounted for 17 (2019: 14) and FBS 49 (2019: 42), with 68 (2019: 46) in Support Services and administration.

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

Portsmouth Harbour Ferry Company

In the year to 31 March 2020 PHFC saw total revenues fall by 5.5% to £4.1 million (2019: £4.4 million) with an increased rate of decline in passenger numbers due to the impact of COVID-19 which more than offset the effect of annual fare rises in June 2019. As a result, underlying Profit Before Tax at PHFC fell by £0.14 million to £0.64 million (2019: £0.78 million).

PHFC Operating results

| Year ended 31 March | 2020 £m | 2019 £m | Change % |
|---|--------------|--------------|--------------|
| <i>Revenues</i> | | | |
| Ferry fares | 3.93 | 4.15 | -5.1 |
| Cruising and Other revenue | 0.20 | 0.22 | -13.0 |
| Total PHFC revenue | 4.13 | 4.37 | -5.5 |
| PHFC underlying operating profit | 0.98 | 1.08 | -9.9 |
| Pontoon lease liability & Boat loan finance expense | (0.34) | (0.30) | 14.1 |
| PHFC underlying Profit Before Tax | 0.64 | 0.78 | -19.0 |
| <i>Passengers carried (000s)</i> | <i>2,365</i> | <i>2,556</i> | <i>-7.5</i> |

The further decline in passenger numbers in the year ended 31 March 2020 and the increased uncertainty following the impact of COVID-19, has resulted in an impairment to the carrying value of the PHFC business and a £4.0 million impairment charge has been recorded in the period to reflect the write off of remaining goodwill. This is a non-cash accounting charge and will not recur. For more details on the background to the impairment see note 11.

During the year, passenger volumes held up relatively well in the first half with a 3.2% rate of decline noted in the Group's half year results issued in November 2019. As winter arrived, wetter weather particularly after Christmas saw a further fall in passenger volumes which increased the year to date decline by mid-March to -4.8%. In the last 2 weeks of March containment measures for COVID-19 hit hard and volumes fell sharply moving the company into loss making and taking passenger volumes down to -7.5% for the year as a whole. In the year to 31 March 2020 the total number of passengers carried fell from 2.56 to 2.37 million, an average of 6½ thousand passenger journeys per day.

Ferry fares were increased by an average of 3% in June 2019 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 £3.70, and the price of a return journey using an Adult 10 Trip ticket to £3.30 (2019: £3.20).

Underlying operating costs were tightly controlled and this shielded the business from the full effects of the £0.3 million decline in overall revenues (£4.4 million down to £4.1 million). As a result, the reduction in profit before tax was limited to £0.14 million falling from £0.78 million down to £0.64 million.

Significant marketing effort continued in the year using mainstream and digital/social media to remind local people of the benefits of travel by ferry including the bike friendly, positive health aspects and the "green" credentials of the service.

The company also continued to promote its unlimited monthly ferry and car parking joint "Park & Float" ticket and we are engaging with local councils to seek promotional and practical support for this "green" transport service.

In overall terms, at under £1.65 per crossing for regular adult travellers (using the 10 Trip ticket) and 95p 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.

Key Operating Metrics

Average fare yield per passenger journey (including cycle fares) increased by 4.3% to £1.69 (2019: £1.62).

Ferry reliability was again outstanding with on-time departures running at 99.8% (2019: 99.8%).

PHFC Key Performance Indicators and Operational Drivers

| Year ended 31 March | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-------|-------|-------|-------|-------|
| Staff Numbers (FTE at 31 March) | 38 | 38 | 38 | 37 | 36 |
| Capital Expenditure £'000's | 223 | 241 | 186 | 50 | 65 |
| Ferry Reliability (on time departures) | 99.8 | 99.9 | 99.8 | 99.8 | 99.8 |
| Number of weekday passengers '000 | 2,046 | 1,967 | 1,878 | 1,834 | 1,706 |
| % change on prior year | -3.6 | -3.9 | -4.5 | -2.3 | -7.0 |
| Number of weekend passengers '000 | 780 | 744 | 734 | 722 | 659 |
| % change on prior year | -2.5 | -4.6 | -1.3 | -1.6 | -8.7 |
| Total number of passengers '000's | 2,826 | 2,710 | 2,612 | 2,556 | 2,365 |
| % change on prior year | -3.3 | -4.1 | -3.6 | -2.1 | -7.5 |
| Revenue growth % | -1.3 | 1.0 | 1.5 | 0.4 | -5.5 |
| Average yield per passenger journey* | £1.45 | £1.52 | £1.58 | £1.62 | £1.69 |

*Total ferry fares divided by the total number of passengers

Momart

After a very successful 2018-19, Momart, the Group's art handling and logistics business had a more challenging year with declining confidence in the global commercial art market leading to a sharp decline in revenues from galleries, auction houses and private collectors.

Despite a welcome increase in storage revenues of 5.8%, in the year to 31 March 2020 Momart's overall revenues fell by 8.7% from £20.6 million to £18.8 million and operating profits declined by 15.1% to £1.5 million.

Momart Operating results

| Year ended 31 March | 2020 £m | 2019 £m | Change % |
|--|--------------|------------|-------------|
| <i>Revenues</i> | | | |
| Museum Exhibitions | 10.77 | 11.00 | -2.1 |
| Galleries & Private Clients | 5.85 | 7.54 | -22.4 |
| Storage | 2.18 | 2.07 | 5.8 |
| Total Momart revenue | 18.80 | 20.61 | -8.7% |
| Momart underlying operating profit | 1.47 | 1.73 | -15.1 |
| Net Interest expense | (0.46) | (0.16) | 180.7 |
| Momart underlying Profit Before Tax | 1.01 | 1.57 | -35.2 |
| Momart underlying operating profit margin | 7.8% | 8.4% | -29.0 |

In the year, net finance costs increased by £0.3 million to £0.46 million, following the draw-down of the £13.9 million long-term mortgage to finance the purchase of the Leyton warehouse. The interest rate on the mortgage was

effectively fixed for 10 years at 2.9% with an interest rate swap. Bank interest on bank loans including the mortgage amounted to £394,000 (2019: £164,000 million) together with £53,000 of interest expense in the current year (2019: £nil) which related to finance charges under IFRS 16 linked to warehouse and office leases. The hire purchase lease interest charge for the year for the Momart trucks was £9,000 (2019: £9,000).

Profit Before Tax after net interest expense and an allocation of central costs reduced to £1.01 million, down £0.56 million on the prior year.

Reflecting the more uncertain trading outlook post COVID-19 the carrying value of goodwill held in respect of Momart has been written down by £3.5 million. This non-cash impairment charge reduces Momart's reported profit before tax by £3.5 million creating a pre-tax loss of £2.5 million (2019: £1.6 million profit). For more details on the background to the impairment see note 11.

Momart Key Performance Indicators and Operational Drivers

| Year ended 31 March | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------------------|-------------|--------------|--------------|--------------|--------------|
| Staff Numbers (FTE 31 March) | 130 | 131 | 136 | 140 | 133 |
| Capital Expenditure £'000's | 402 | 971 | 228 | 20,034 | 638 |
| Warehouse % fill vs capacity | 90.6% | 90.4% | 72.8% | 81.1% | 86.9% |
| Exhibition Order Book 31 March | £4.5m | £4.8m | £4.2m | £4.6m | Note* |
| Momart services charged out | £9.2m | £9.8m | £10.9m | £11.5m | £10.8m |
| Revenues from overseas clients | £5.8m | £6.1m | £7.1m | £7.5m | £6.2m |
| Exhibitions sales growth | -3.4% | 19.9% | 17.0% | -6.5% | -2.1% |
| Gallery Services sales growth | 11.8% | 8.1% | 15.2% | 4.0% | -22.4% |
| Storage sales growth | 10.1% | -0.8% | 8.5% | -6.3% | 5.8% |
| Total Sales growth | 3.2% | 13.0% | 15.5% | -2.9% | -8.7% |

Note: Current year figures are suspended owing to the impact of COVID-19. Until re-opening dates for the related institutions are established, no meaningful metric is available. Prior to the arrival of COVID-19 in January 2020 Momart's 12-month order book, had been significantly ahead of the prior year.*

Museum Exhibitions

Following the 6.5% reduction in Exhibitions revenue seen in the first half (£0.3 million down on the previous year), overall Exhibition revenues in the second half held up well delivering a small increase on the prior year, reducing the overall decline in museum revenues over the year to £0.23 million (-2.1%).

With £10.77 million of revenue in the year, Momart maintained its market share with the UK's leading museums. Notable museum exhibitions in the period included: "Mary Quant", "Cars" and "Kimono" at the V&A; "Anthony Gormley" and "Lucian Freud" at the Royal Academy; "Ashurbanipal" and "Inspired by the East" at the British Museum; "Olafur Eliasson" at Tate Modern; "Van Gogh" at Tate Britain; "Gauguin" at the National Gallery; "David Hockney Drawings" at the National Portrait Gallery and "Into the night" at the Barbican.

Galleries & Private Client Services

Gallery Services ("GS") faced challenging conditions as the commercial art market contracted sharply in the face of investor concerns over the global economic outlook. After a 26.5% decline in GS revenues in the first half, market confidence recovered somewhat in the normally busier second half and by the end of February 2020, GS revenues were moving much nearer to prior year levels. However, in February and March 2020 COVID-19 effects were already becoming evident in overseas markets.

Overall GS revenues for the full year fell by £1.7 million (-22.4%) to £5.9 million reflecting a weak but slowly recovering commercial art market which was then hit hard by the first effects of COVID-19.

Storage

On a more positive note Momart's storage revenues continued to grow building on the 3% improvement seen at the half year of +£0.04 million of revenue. By year end the company had made further progress in securing new storage clients and occupancy had improved from 81% to 87% with revenues increased by £0.11 million (+5.8%) to £2.18 million (2019: £2.07 million). By the end of the year in March 2020 unsold spare capacity had reduced from

19% to 13%.

Selling its remaining spare storage capacity represents a continuing opportunity for Momart in the next few years once the markets return to normal and renting out all the remaining space would add £0.4 million (+18%) to storage revenues without any significant increase in fixed storage costs.

Impact of Brexit

In general, the Board believes that the Group is not highly exposed to any potential adverse outcomes arising from the UK leaving the European Union.

Momart the Group's specialist art handling business is potentially the most exposed and to avoid disruption to the continued smooth flow of fine art between the UK and EU practical arrangements will need to be put in place at the borders to ensure future dislocation is minimised.

In the Falklands, FIC has almost no direct trading links with the EU. However, 60% of Falklands GDP is dependent on income from squid and offshore fisheries, and a significant proportion of the squid catch is exported to Spain. In the event of increased tariffs and friction at newly erected external borders, some short-term impact on the pattern of this trade could arise, albeit the majority of squid related income is linked to the illex catch which is sold into markets in the Far East and which 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.

For Momart, the movement of art to and from the EU represents a relatively small proportion (c. 20%) of its overall activity with most movements relating to domestic transfers within UK and to and from the United States. The Far East is also growing in importance as a source of both buyers and sellers of art. Nonetheless, of the Group's companies, Momart has the greatest exposure to any failure to secure continued seamless access to the EU by the end of the agreed transition period which ends on 31 December 2020 but which can be extended by mutual agreement by up to 2 years. Contingency plans using alternative routes onto the continent have been investigated to mitigate any adverse potential impact of a failure to reach a practical solution.

The other area of potential disruption lies with VAT and import duty payable on art works as they enter and leave the UK and EU. If the VAT regime between the UK and EU is changed in a mutually competitive manner then the status of the UK as a convenient entry point for European art purchases and sales may be constrained. However, as with logistical arrangements at the border, provided sensible regulations are put in place that mirror the status quo, little disruption is anticipated and London's place as a leading global centre should remain largely unaffected.

Trading outlook

Prior to the onset of COVID-19, the outlook for the Group was quite positive with a recovery in the global art market and growing storage revenues assisting progress at Momart and the strong demand for housing in the Falklands supporting continued growth at FIC. Substantial medium-term upside was in prospect in the Falklands from increased government investment in infrastructure, support services, tourism and potentially from offshore oil development.

In principle these opportunities are still open but with the global effects of the virus impacting the Group such progress may be delayed for many months and potentially longer.

In addition, to husband the Group's cash resources, all significant capital expenditure programmes across the Group have been halted and the Board has taken the decision to suspend dividends until we have greater visibility over future trading.

FIC

The Falklands are currently virus free, and effectively quarantined from the outside world. Apart from some modest disruption in April when construction activity was suspended by precautionary social distancing rules which have since been relaxed, FIC remains profitable and has been substantially unaffected by COVID-19. With practical quarantine measures now in place and a robust supply chain from the UK underpinned by British government and Ministry of Defence support, FIC's domestic economy looks reasonably well protected. However, the significant seasonal growth in economic activity from tourist visitors in the austral summer seems likely to be significantly diluted in the coming year. Looking beyond this year any extended global recession and potential cut backs in government spending programmes would hamper growth.

UK businesses

In the UK the position is of greater concern. In the very near term, in the Group's two UK based service businesses, which have both seen demand for their services fall by over 90% in April and May, we expect to see continued losses. This is despite extensive use of the UK Government's very welcome Job Retention Scheme where furlough grants covering 80% of the wage costs of those earning less than £37,500 per annum have been received since 1 April. In addition, all UK staff have accepted a 20% cut in pay and the Group Board has agreed to a 30% reduction in salaries and fees together with the suspension of all bonus schemes for the current year.

With heavy fixed costs in both UK businesses, the Board will be monitoring the situation closely as the furlough scheme begins to wind down from 1 August.

PHFC

At PHFC, marking its status as a provider of a critical transport link for essential workers, exceptional grants of £90,000 have been agreed by local councils to help mitigate the worst effects of the dramatic loss of passengers caused by the UK lock-down.

Over the next few months, the gradual re-opening of businesses, schools and retail outlets should see a significant recovery in passenger volumes but it appears likely that passenger volumes are likely to be subdued until a complete recovery in business and public health confidence is achieved.

Momart

At Momart, the business benefits from having a regular monthly income from storage clients which accounted for £2.2 million in the year ended 31 March 2020. In addition, the purchase of the freehold of the art storage warehouse at Leyton in December 2018 removed external annual rental costs of £0.8 million which has further improved core cash flow.

However almost 90% of the company's revenue is linked to movements in privately and institutionally owned art works and in April 2020 this came to a complete halt while Momart's costs for providing these services (people, property and vehicle costs) remained largely unchanged.

The timing and scale of the recovery in the markets served by Momart is hard to judge and the picture is made more complex by the inter-connections in the global market where the pattern and timing of recovery will vary greatly between countries. For museums and commercially funded galleries which depend on ticket sales for their income, it seems that significant activity will not resume until the requirements for social distancing are lifted. As things stand in June 2020 it seems likely that full recovery will be delayed until at least well into 2021.

Summary

It is understandably hard to forecast trading activity for the current year. The Group's UK businesses have been severely affected in the first three months and it will take time for them to recover to previous trading levels. While the outlook for FIC is reasonable, it is likely that the Group as a whole will be loss making, with the extent of such losses depending on the duration and rate of recovery in the end markets served.

Like many businesses, beyond the current financial year, the outlook looks significantly more promising and there is good reason to hope that the Group can begin to move back to the much more positive longer-term growth prospects in evidence prior to the onset of the virus.

Group Strategy

The Group, with its diverse spread of niche service businesses remains fundamentally strong, with prospects for sustainable growth evident at Momart, a strong and steady cash flow anticipated from PHFC and real upside achievable at FIC.

However, all of this has been put on hold by COVID-19. The Board's priority now is ensure that the three operating businesses survive intact sustaining as few losses as possible while minimising any damage and loss of capacity so that they can emerge from this crisis in the best possible shape to deliver on the promise of long term and sustainable growth that has been our vision for many years.

To support this approach the Group's liquidity position is sound with cash balances of £9.1 million at 31 March 2020

and this provides significant reserves with which to cope with short term losses and gives us the ability to weather the storm with some security.

To augment group liquidity the Group has applied for and been granted £5.0 million of loan facilities under the government's Business Interruption Loan Scheme. This loan which is expected to be drawn down in the next few weeks represents a prudent insurance policy in the face of global uncertainty but it is not anticipated that it will be retained beyond 12 months when the initial interest free period expires.

With healthy cash reserves augmented by new loans, the Group will also be in a position to take advantage of strategic opportunities that may emerge as the crisis in each of the Group's markets unfolds.

Although serious near-term challenges remain, the Group's fundamental position remains strong and the Board looks to the future with confidence.

John Foster

Chief Executive
23 June 2020

Chief Executive's Strategic Review (continued)

Financial Review

Revenue

Group revenue increased by 4.9% to £44.6 million, as the 23.5% increase in the Falklands due to the increase in house building activity was offset by falls in revenue at PHFC and Momart.

Underlying Operating Profit and IFRS 16

Before impairment charges and net finance costs, underlying operating profit increased 4.3% to £4.6 million (2019: £4.4 million).

The adoption of IFRS 16 for Leases saw the removal from overheads of £0.4 million of rental costs that were previously categorised as an operating expense and their replacement by increased depreciation charges of £0.33 million which are also included in overheads and an additional interest expense of £0.11 million. In accordance with the rules that govern the adoption of the new standard, the prior year comparatives have not been restated. The overall effect of adopting IFRS 16 on the Group's profit and loss account was to reduce reported Profit Before Tax by £0.04 million.

Net financing costs

The Group's net financing costs increased by £0.3 million to £0.9 million due to the loan drawn down in December 2018 to fund the Leyton property purchase; interest was payable for the full 12 months in the year ended 31 March 2020 compared to three and a half months in the prior year. In addition, the adoption of IFRS 16 at the start of the year increased reported interest expense by £0.11 million (2019: £nil).

Reported pre-tax profit

The reported pre-tax result for the year ended 31 March 2020 has fallen to a loss of £3.8 million (2019: £3.9 million profit) after the £7.5 million impairment charge to write down goodwill which arose on the acquisition of the PHFC and Momart. There were no other non-trading items in the current year and none in the prior year. The Group's "Underlying Profit Before Tax" before these non-trading, non-cash charges was £3.7 million (£3.9 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 2019-20, the effective blended tax rate for the Group on underlying profits was 25.8% and in the prior year, the effective blended rate was 21.4%. The increase in rate from the prior year, is largely due to the 19% UK corporation rate, to be effective from 1 April 2020 (and which was substantively enacted on 17 March 2020) which will increase the company's future current tax charge, and therefore has increased the UK deferred tax rate at 31 March 2020 from 17% to 19%.

Earnings per share

| Year ended 31 March | 2020 £m | 2019 £m | Change % |
|---|-------------|-------------|-------------|
| Reported (loss) / profit before tax | (3.77) | 3.86 | - |
| Impairment charge | 7.48 | - | - |
| Underlying profit before tax | 3.71 | 3.86 | -3.9 |
| Taxation on underlying profit | (0.96) | (0.83) | 15.8 |
| Underlying profit after tax | 2.75 | 3.03 | -9.2 |
| Diluted average number of shares in issue (thousands) | 12,684 | 12,560 | 1.0 |
| Effective underlying tax rate | 25.8% | 21.4% | 20.5 |
| Basic EPS on underlying profit | 22.0p | 24.4p | -9.7 |
| Diluted EPS on underlying profit | 21.7p | 24.1p | -10.1 |
| Basic EPS on reported loss / profit | -37.8p | 24.4p | -255.2 |
| Diluted EPS on reported loss / profit | -37.8p | 24.1p | -256.7 |

Fully diluted Earnings per Share ("EPS") derived from reported profits, fell to a loss of 37.8 pence (2019: 24.1 pence), due to the £7.5 million impairment of goodwill noted above. Fully diluted Earnings per Share ("EPS") derived from underlying profits fell slightly to 21.7 pence (2019: 24.1 pence).

Balance sheet

The Group's balance sheet remains strong, however during the year, total net assets decreased £5.8 million to £38.8 million from £44.6 million in the prior year, due to the £7.5 million impairment charge to reduce goodwill in respect of Momart and PHFC. Retained earnings fell by £4.8 million to £19.8 million (2019: £24.6 million) after payment of a final dividend in respect of the previous financial year paid in September 2019 and the interim dividend paid in January 2020 totalling £0.6 million. The hedging reserve has increased to a loss of £0.5 million due to the fixed interest rate swap taken out to effectively fix the interest rate payable on the ten-year £13.875 million loan.

Opening reserves were restated and decreased by £0.2 million under the new accounting standard, IFRS 16: Leases, which requires operating leases to be brought onto the balance as a right-to-use asset and a corresponding lease liability of all future lease payments. There was no material impact on current year profits as a result of this change in policy.

Bank borrowings increased to £15.7 million (2019: £12.8 million), as a result of the £13.875 million loan drawn down in June 2019 to repay the £10.0 million short term loan, and the Group's cash balances increased to £9.1 million (2019: £6.2 million).

As a result of the adoption of IFRS 16, the Group's rights under normal rental and finance contracts which extend for more than 12 months are now shown as "Right-to-Use Assets", which include the £4.1 million (2019: £4.1 million) net book value for the Gosport pontoon and £0.8 million (2019: £0.4 million) of leased trucks at Momart, which were all previously classified as long leasehold property or plant and equipment respectively.

At 31 March 2020 the total net book value of leased assets amounted to £7.6 million, which are held as "Right-to-Use Assets" in fixed assets, these include the pontoon, and trucks together with a balance of £2.74 million of newly categorised assets which relate to shorter term rental contracts and which had not been previously shown in the Balance Sheet. The net effect of the adoption of IFRS 16 on 1 April 2019 was the addition of £2.3 million to the Fixed Assets in the Balance Sheet, matched by the recognition of £2.5 million of additional lease liabilities and a reduction in the Group's reserves of £0.2 million.

The carrying value of intangible assets has been reduced by £7.5 million from £11.8 million to £4.3 million to reflect the impairment of the goodwill at Momart and PHFC.

The net book value of property, plant and equipment increased by £3.0 million to £41.7 million (2019: £38.7 million) after the £2.3 million of rental leases have been included under IFRS 16, together with a £0.8 million renewed lease

signed during the year for a warehouse rented by Momart, along with capital investment of £2.0 million including £1.4 million incurred by FIC due to increased activity and £0.6 million spent on the purchase of two new trucks and two sprinters by Momart, with these trucks funded by hire purchase leases.

At 31 March 2020, the Group had 65 (2019: 54) completed investment properties, comprising commercial and residential properties in the Falkland Islands, which are held for rental. The 65 investment properties available for rental include 55 investment properties, which are mainly houses or flats in Stanley and ten mobile homes, which are rented to staff. Ten properties were under construction at 31 March 2020, including a block of eight flats and two houses.

In addition, FIC holds 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 net book value of the investment properties and undeveloped land of £6.5 million (2019: £5.2 million) has been reviewed by the directors resident in the Falkland Islands and at 31 March 2020 the fair value of this property portfolio, including undeveloped land, was estimated at £10.0 million (2019: £8.7 million), an uplift of £3.5 million on net book value.

FIC's 65 houses and flats had an estimated fair value of £7.3 million (2019: £5.8 million), the ten houses under construction were valued at cost of £0.6 million (2019: £0.7 million) and the value of FIC's 700 acres of undeveloped land was estimated at £2.1 million (2019: £2.2 million).

Deferred tax assets relating to future pension liabilities stood at £0.7 million (2019: £0.7 million). These balances relate to the 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 at FIC and Momart decreased by £0.4 million to £5.4 million at 31 March 2020 (2019: £5.8 million), due a £0.3 million fall in Momart work-in-progress as a result of reduced activity due to COVID-19.

Trade and Other Receivables increased to £8.7 million from £7.8 million at 31 March 2019 reflecting increased sales activity at FIC from housebuilding.

In the year the Group refinanced its short-term loans used to assist in the acquisition of the Leyton warehouse for Momart in December 2018. With the repayment of this £10.0 million loan and the £13.875 million draw down of a long-term mortgage, bank borrowings increased to £15.7 million from £12.8 million. The Group's cash balances on hand at year end increased to £9.1 million (2019: £6.2 million).

Outstanding lease liabilities totalled £8.4 million (2019: £5.0 million), £4.7 million (2019: £4.7 million) of the balance is in respect of the 50-year lease from Gosport Borough Council for the Gosport Pontoon, which runs until June 2061. £3.0 million of the increase in the total is because the Group adopted IFRS 16 from 1 April 2019. IFRS 16 replaces IAS 17 Leases. Under IFRS 16 there is no longer a distinction between the accounting for finance and operating leases and therefore in addition to those leases previously categorised as finance leases, the liability for other leases previously recognised as operating leases has been recognised as from 1 April 2019 together with a related right-to-use asset. These new lease liabilities from former operating leases include leases for the head offices of Momart and Bishops Stortford, two third party warehouse leases at Momart and for the lease of the Gosport pontoon. In accordance with the standard the Group elected to apply IFRS 16 retrospectively with the cumulative effect of initial application being recognised at 1 April 2019, and comparatives have therefore not been restated. Lease liabilities have also increased in the year by £0.5 million due to the two new large trucks and two new sprinters purchased by Momart, which have all been funded by hire purchase agreements.

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 £0.2 million (2019: £0.4 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 2020.

Trade and other payables decreased by £1.0 million to £8.6 million at 31 March 2020 (2019: £9.6 million).

At 31 March 2020, the liability due in respect of the Group's only defined benefit pension scheme, in FIC, was £2.6 million (2019: £2.8 million). This pension scheme, 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 2020 and there are three deferred members.

The Group's deferred tax liabilities, excluding the pension asset at 31 March 2020, were £2.8 million and increased by £0.3 million from the prior year (2019: £2.5 million); £2.7 million (2019: £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 FIC, 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 increased to £4.7 million (2019: £3.0 million) due to a reduced increase in working capital balances in the current year.

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

| Year ended 31 March | 2020 £m | 2019 £m | Change £m |
|---|--------------|---------------|--------------|
| Underlying profit before tax | 3.7 | 3.9 | (0.2) |
| Depreciation & Amortisation | 2.1 | 1.4 | 0.7 |
| Net Interest payable | 0.8 | 0.5 | 0.3 |
| Underlying EBITDA | 6.6 | 5.8 | 0.8 |
| Decrease in hire purchase debtors | 0.1 | 0.2 | (0.1) |
| Increase in working capital | (1.4) | (2.5) | 1.1 |
| Tax paid and other | (0.6) | (0.5) | (0.1) |
| Net cash inflow from operating activities | 4.7 | 3.0 | 1.7 |
| Financing and Investing Activities | | | |
| Capital expenditure | (3.4) | (22.4) | 19.0 |
| Net bank and lease liabilities interest paid | (0.8) | (0.4) | (0.4) |
| Bank and lease liability repayments | (11.4) | (0.6) | (10.8) |
| Dividends paid | (0.6) | (0.6) | - |
| Bank and lease liabilities draw down | 14.4 | 10.2 | 4.2 |
| Net cash outflow from financing and investing activities | (1.8) | (13.8) | 12.0 |
| Net cash inflow / (outflow) | 2.9 | (10.8) | 13.7 |
| Cash balance b/fwd. | 6.2 | 17.0 | (10.8) |
| Cash balance c/fwd. | 9.1 | 6.2 | 2.9 |

Financing outflows

During the year, the Group incurred £3.4 million of capital expenditure, including £1.3 million spent on investment property, £0.2 million on the purchase of one new rental property, and £1.1 million on the construction of additional properties for rent including eight flats and five houses at Fitzroy Road and John Street in FIC. At Momart, the £0.6 million of capital expenditure included the purchase of two large Mercedes Actros trucks with refrigerated holds and two sprinter vans. The balance of £1.5 million of capital expenditure was almost exclusively incurred in further investment in plant and equipment for FIC.

The £11.4 million (2019: £0.6 million) bank loan and lease liabilities principal repayments made during the year, included the £10.0 million repayment of the short-term facility drawn down in December 2018 to fund the acquisition of the warehouses in Leyton. This facility has been replaced with a £13.875 million facility to be repaid over ten years from June 2019. In addition, £0.3 million was paid on property rental leases, which have been treated as finance leases since 1 April 2019, £0.1 million was paid for on truck hire purchase leases at Momart and £1.0 million of further repayments were paid on the five bank loans. The £0.3 million repaid to Gosport Council on the 50-year pontoon lease is included within the lease liability interest paid due to the remaining 41-year length of the lease.

Chief Executive's Strategic Review (continued)

Risk Management and Principal risks and impact

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:

| <i>COVID-19</i> | | |
|--|---|---|
| Potential Impact | Comment | Impact/ Risk Level |
| <i>The lock down measures introduced by the UK government to suppress COVID-19 have had an unprecedented impact on the fundamental conditions of supply and demand in the Group's UK businesses.</i> | <i>The impact was immediate and severe but with the gradual relaxation of the lock down activity is reviving. The economic costs were mitigated in both businesses by the use of the UK Government's furlough grant scheme.</i> | <i>Very high but reducing as the lock- down is relaxed.</i> |
| <i>At Momart, demand from the company's museum and gallery clients fell away as the prohibition on public gatherings effectively closed client operations completely, with the consequent cessation of Momart's art handling activities in late March.</i> | <i>Activity in the commercial sector is reviving as lock down measures are relaxed although there are expected to be restrictions on open public access to art fairs until a vaccine has been developed.</i> <i>Museums are planning new exhibition regimes with restrictions on the numbers of visitors in order to meet ongoing social distancing requirements. Some smaller commercial galleries may find it uneconomic to re-open until all social distancing restrictions are lifted.</i> | <i>Very high – The commercial sector is reviving as the lock down is eased but the adverse impact on art fairs and the museum sector is expected to continue until an effective vaccine is developed.</i> |
| <i>Momart's storage activities which account for 12% of its revenues were largely unaffected.</i> | <i>Some limited impact was felt from those clients unable to meet their regular monthly / quarterly storage bills</i> | <i>Low</i> |
| <i>Revised staff safety protocols and the need to use PPE for staff will slow down installations and increase the cost of operations.</i> | <i>Safe working practices have been reviewed and updated in great detail with reference to government guidance and in consultation with staff.</i> <i>The additional costs of operating will where-ever possible be passed on to clients. (All competitors face a similar challenge).</i> | <i>Low</i> |
| <i>At PHFC, the lock down saw ferry customers cease their normal daily travel to work and leisure activities, causing a 90% fall in ferry traffic.</i> | <i>The impact was immediate and severe but with the gradual relaxation of the lock down activity at PHFC is slowly reviving.</i> | <i>Very high but reducing in intensity as the lock down is eased.</i> <i>Moderate – reducing over time.</i> |

| <i>COVID-19 continued</i> | | |
|---|--|---|
| Potential Impact | Comment | Impact/ Risk Level |
| <i>Social distancing requirements set limits on the full utilisation of ferry capacity.</i> | <i>PHFC is better placed than many public transport businesses and can maintain 40% capacity while enforcing social distancing. As passenger volumes recover the use of the second vessel to cover peak demand at rush hour will help limit any effective constraints on effective carrying capacity.</i> | <i>Low</i> |
| <i>Social distancing requirements set limits on the full utilisation of ferry capacity.</i> | <i>PHFC is better placed than many public transport businesses and can maintain 40% capacity while enforcing social distancing. As passenger volumes recover the use of the second vessel to cover peak demand at rush hour will help limit any effective constraints on effective carrying capacity.</i> | <i>Low</i> |
| <i>PHFC's programme of Solent leisure cruises has been cancelled due to lock down restrictions and concerns over social distancing on cruises where passenger volumes need to be higher to generate a return</i> | <i>PHFC's programme of summer cruises for 2020 has been cancelled</i> | <i>Moderate but only affecting current year.</i> |
| <i>Longer term changes in customer behaviour may result from the pandemic: an increased reluctance to use public transport.</i> | <i>This could be significant until a vaccine is developed and confidence is restored.</i> | <i>Moderate – but expected to diminish with the development of a vaccine.</i> |
| <i>Increased local and central government action to encourage the use of healthier greener modes of transport eg cycling via ferry.</i> | <i>New pop up cycle lanes and increased public awareness of the adverse health consequences of obesity may encourage longer term changes in behaviour mitigating some of the impact of a reluctance to use public transport.</i> | <i>Positive but difficult to quantify</i> |
| <i>There may be longer term changes to customer behaviour at both PHFC and at Momart resulting from the COVID-19 pandemic which could have an adverse effect on the demand for the services offered by both companies</i> | <i>The extent of these potential effects is uncertain and difficult to judge</i> | <i>The potential for more long-lasting effects has been recognised in the impairment of goodwill at both Momart and PHFC.</i> |
| <i>In the Falkland Islands the limited medical facilities left them initially vulnerable to the pandemic.</i> | <i>With assistance from the UK the government has strengthened local medical facilities and created local testing capacity.</i> | <i>Low as a result of government action.</i> |
| <i>Initial social distancing protocols led to the temporary cessation of certain of FIC's activities in April including housebuilding and café opening but government grants largely offset operating costs</i> | <i>The small tightly knit community means any necessary lock down measures are more effectively implemented and enforced.</i> <i>The isolated geographical location has enabled effective quarantining of all visitors. The timing of the outbreak, coming at the end of the tourist season was fortuitous.</i> | <i>Low</i> |
| <i>Vulnerability remains from virus transmission from inbound visitors particularly cruise ship passengers and land-based tourists arriving by air.</i> | <i>Until a vaccine is developed the negative impact on tourism could continue in future years.</i> | <i>Moderate</i> |

| <i>POLITICAL RISKS</i> | | |
|---|--|-----------------------------------|
| Potential impact | Comment | Risk/ Impact Level |
| <i>Historically, Argentina has maintained a claim to the Falkland Islands, and this dispute has never been officially resolved.</i> | <p><i>With the arrival of the new Fernandez regime in November 2019 relations with Argentina have cooled. However, in early November, a new weekly flight to the Falkland Islands from Brazil which passes through Argentinian airspace was established and permission for that service to continue operating has not been withdrawn by Buenos Aires.</i></p> <p><i>With relations now more strained than in recent years the security afforded by the UK Government's commitment to the Islands provides a guarantee of the freedom and livelihood of the people of the Falklands and thereby to FIC.</i></p> <p><i>Provided UK Government support is maintained the security of the people of the Falklands is not in doubt.</i></p> | <i>Low – Unchanged</i> |
| <i>Uncertainty caused by the UK's decision to leave the European Union.</i> | <i>The final terms for the UK's departure from the EU are yet to be determined. Of the Group's companies, Momart faces the biggest potential threat and failure to negotiate pragmatic border arrangements could affect the flow of art works in and out of Europe to the UK. Also, any attempts to undertake competitive changes in VAT between EU governments and the UK could also destabilise the current position 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. The decision whether or not to extend the transition period beyond 31 December 2020 will affect the timing of any of these effects, however when it does arrive it seems likely that some short-term dislocation of Momart's business should be expected.</i> | <i>Low / Moderate – Increased</i> |

| | | |
|--|--|---|
| ECONOMIC CONDITIONS | | |
| Potential impact | Comment | Risk/ Impact Level |
| <i>There is a link between demand for the Group's services and general economic activity.</i> | | |
| <i>The impact of COVID-19 is unprecedented and is likely to result in sustained damage to the UK and global economy, with higher levels of unemployment suppressing consumer demand and the need for governments to repay borrowings accumulated as a result of the pandemic, limiting wider spending plans in the future.</i> | <i>In the near term the trading performance of both the Group's UK companies has been severely affected by the effects of the lock down introduced to suppress the virus. Revenues have fallen by up to 90% and both businesses have made heavy losses despite taking full advantage of the UK government's furlough grant scheme.</i> | <i>High impact on UK operations</i> |
| <i>International air transport and travel are likely to be particularly badly affected. With the failure of many carriers likely and restrictions in the numbers of passengers that can be carried, the economics of air transport are likely to change dramatically. The costs of air freight and travel can be expected to rise significantly increasing operating costs particularly at Momart and reducing tourist visitors to the Falkland Islands.</i> | <i>The Falklands to date have been less badly disrupted. FIC has seen its revenue largely maintained and has avoided slipping into loss making but faces reduced tourist revenues later in the financial year</i> | <i>Moderate impact in second half</i> |
| <i>Prospects for the development of oil in Falklands waters have been dampened and delayed by the recent collapse in oil prices below \$40 barrel. Economic activity in the Falkland Islands is subject to fluctuation, dependent upon Oil sector activity.</i> | <i>The substantial delays already experienced in the development of Sea Lion have reduced expectations and the negative impact on the economy as businesses have largely discounted the possibility of any imminent boost to the economy and adjusted their spending plans accordingly.</i> | <i>Low impact but reduced upside</i> |
| <i>Budgets available to museums for exhibitions can fluctuate with Government spending and the commercial art market exhibits cyclical; both have a direct impact on Momart. Both these effects have been exacerbated by COVID-19.</i> | <i>Reduced museum budgets are likely to result from the pandemic and force a reduction in the number and technical complexity (and expense) of exhibitions with a consequent reduction in demand for Momart's services until government finances and confidence recovers</i> | <i>Moderate to High depending on government policy towards levels of public subsidy</i> |
| Mitigation | | |
| <i>Prudent management through the different phases of the economic cycle. Flexibility in the business model. Significant cash reserves and the potential to take on additional borrowing. Management carefully monitors developments around the oil sector in the Falklands and adjusts investment levels accordingly.</i> | | |
| CREDIT RISK | | |
| Potential impact | Comment | Risk Level |
| <i>Credit risk is the risk of financial loss if a customer fails to meet its contractual obligations.</i> | <i>Effective processes are in place to monitor and recover amounts due from customers</i> | <i>Moderate – This risk has increased particularly for Momart as a result of COVID-19</i> |
| Mitigation | | |
| <i>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.</i> | | |

| | | |
|--|---|-----------------------------|
| COMPETITION | | |
| Potential impact | Comment | Risk Level |
| <i>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.</i> | <i>Local competition is healthy for FIC and stimulates continuing business improvement in FIC</i> | <i>Low - Unchanged</i> |
| <i>Momart sits in a highly competitive market with both UK and International competitors investing for growth.</i> | <i>Largely unchanged.</i> | <i>Moderate - Unchanged</i> |
| Mitigation | | |
| <i>Being responsive to the needs of our customers and focussing on the quality of service delivery.</i> <i>Understanding changing market conditions and our competitors.</i> <i>Driving down costs and improving margins</i> <i>Continuing investment to maintain and enhance the quality of service offered to customers</i> | | |
| FOREIGN CURRENCY AND INTEREST RATE RISK | | |
| Potential Impact | Comment | Risk Level |
| <i>Momart is exposed to foreign currency risk arising from trading and other payables denominated in foreign currencies.</i> <i>The Group is exposed to interest rate risks on large loans.</i> <i>FIC retail outlets accept foreign currency and are exposed to fluctuations in the value of the dollar and euro.</i> | <i>Largely unchanged.</i> | <i>Low - Unchanged</i> |
| Mitigation | | |
| <i>Forward exchange contracts are used to mitigate this risk, with the exchange rate fixed for all significant contracts.</i> <i>Interest rate risk on large loans is mitigated by the use of interest rate swaps.</i> | | |
| INVENTORY | | |
| Potential Impact | Comment | Risk Level |
| <i>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.</i> <i>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.</i> | <i>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.</i> | <i>Moderate- Unchanged</i> |
| Mitigation | | |
| <i>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.</i> | | |

| | | |
|--|--|----------------------|
| 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. Incentivising staff through performance related bonuses. Staff are supported with immigration applications and to acquire relevant employment related qualifications. | | |
| 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. | 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 customs practices. | | |
| GENERAL HEALTH AND SAFETY 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. | Health & Safety matters are considered a key priority for the Board of FIH and all its operating companies. Particular attention has been paid to updating risk assessments and safe working practices in the light of COVID-19. All 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 | Low |
| | | |

John Foster
 Chief Executive
 23 June 2020

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 Keystone Law Group 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. His financial background provides the experience required as Chairman of the Group to review and challenge decisions and opportunities. 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 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 the Chief Executive role at FIH group plc.

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 and has worked in UK private equity for over 19 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. Jeremy is a member of the Nominations, Audit and Remuneration Committees.

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 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. 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 28.8% of the Company's issued share capital.

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.

Dominic Lavelle, Non-executive Director

Dominic joined the Board on 1 December 2019; Dominic brings to FIH a wide breadth of corporate experience. Most recently, Dominic was Chief Financial Officer of SDL plc from 2013 to 2018. He has over 15 years' experience as a UK plc Main Board Director and has been Finance Director/Chief Financial Officer of seven UK publicly traded companies including Mothercare plc, Alfred McAlpine plc, Allders plc and Oasis plc. His experience in both permanent roles and turnaround and restructuring projects across several business sectors: technology and services, retail, building, construction, support services, property (agency, management, valuation, investment, development), leisure, care home and insurance is a great benefit to the Group, particularly with the various business streams operated by FIC.

After graduating in Civil and Structural Engineering from the University of Sheffield in 1984, Dominic trained with Arthur Andersen and qualified as a chartered accountant in 1989. He is currently on the board of McColls Retail Group plc, as a non-executive director and Chair of the Audit & Risk Committee, and a director of Steenbok Newco 10 SARL, a wholly owned subsidiary of the Steinhoff Group. Dominic is a member of the Nominations and Remuneration Committees and is Chairman of the Audit Committee.

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.

Corporate Governance Statement

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, and 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 to continue to develop the potential of its existing companies: to fill storage capacity and make further progress at Momart, to maintain the strong cash flow from PHFC and to invest in FIC to take full advantage of the longer-term growth opportunities in the Falklands. While doing this management are also alert to the benefits of a well-judged complimentary acquisition that would give increased scale to the Group and enhance the liquidity of FIH shares. As set out in the Chief Executive's Strategic Report, this established strategy has been affected by the impact of COVID-19 which has necessitated a temporary focus on cost saving, husbanding cash resources and restricting investment whilst the damaging short term effects of the virus are dealt with in a way which ensures maximisation of the long term value of the Group's businesses

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 in the Chief Executive's Strategic Report.

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.

A Directors' and Officers' Liability Insurance policy is maintained for all directors and each director has the benefit of a Deed of Indemnity.

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, Mr Johnston and Mr Lavelle 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 acknowledges 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 relatively recently joined the Board of FIH and does not have long established relations with any of the Group's management, external advisers or businesses.

Jeremy Brade's tenure, at over the suggested nine years for PLC directors, is not the determining factor in his independence, which the Board judges in relation to his contribution and depth of knowledge of the Group's operations and history. The Board has asked Jeremy to stand for re-election at the AGM and will consider his position again before the AGM next year with the Company's and shareholders' interests as the priority consideration. All directors retire by rotation and are subject to election by shareholders at least once every three years. Any non-executive directors who have served on the Board for over least nine years will be subject to annual re-election.

Time commitment of directors

John Foster, Chief Executive of the company, is the only full-time executive director. Robin Williams, Jeremy Brade Robert Johnston and Dominic Lavelle 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 on the Group's business after the initial induction, which includes a trip to the Group's subsidiary in the Falkland Islands. However, the non-executive directors and the Chairman in particular spend significantly more time than this on the business of the group.

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 significant investment opportunities, responding to market changes, such as the COVID-19 pandemic, consideration of any business acquisitions, and any significant recruitment or corporate governance changes.

Skills and qualities of each director

The Board recognised the importance of having directors with a diverse range of skills, experience and attributes, which we have across our current Board. Each Board member contributes a different skill set based on their own experience, which is discussed in detail in the "Board of Directors and Secretary".

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 11 June 2019 there have been seventeen Board meetings, Robin Williams, John Foster and Robert Johnston have attended all meetings. Jeremy Brade attended sixteen of the seventeen, and Dominic Lavelle has attended all meetings since his appointment to the Board.

There have been two Remuneration Committee meetings in the past 12 months since 11 June 2019 and two Audit Committee meetings, which were attended by all members of each committee. The appointment of the additional non-executive director was handled by the Board and the Nominations Committee meets on an ad hoc basis to consider Board composition and succession.

Board directors

The Board comprises Robin Williams, the non-executive Chairman, John Foster, the full time Chief Executive and three other non-executive directors, Jeremy Brade, Robert Johnston and Dominic Lavelle.

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, KPMG provided advice on the new accounting standards and the control environments at the subsidiaries. RSM Tenon, the Group's tax advisors ensure compliance with taxation law and transfer pricing and the Company's lawyers advised on a number of areas.

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

In 2019, the Chairman conducted an effectiveness review by means of a questionnaire, with comment on the Chairman passed to Jeremy Brade as the Senior Independent Director at that time. 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 non-executive directors interact with only one executive on the Board, the development of strategy and the presentation of recommendations to the Board.

In a small but highly diversified and geographically dispersed group such as FIH, the Board recognise that creating an effective leadership team is of vital importance. In 2020, the Board widened its review to include the thoughts of the senior management team of the FIH group, with focus on the only executive director, the Chief Executive, to seek their perspectives on the organisation and their suggestions for improvement.

Robin Williams
Chairman
23 June 2020

Audit Committee Report

The Audit Committee comprises the four non-executive directors: Jeremy Brade, Robin Williams, Robert Johnston and Dominic Lavelle, and is chaired by Dominic Lavelle. 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.

Effectiveness of the external audit process

The Audit Committee is committed to ensuring that the external audit process remains effective on a continuing basis as set out below:

- Reviewing the independence of the incumbent auditor;
- Considering if the audit engagement planning, including the team quality and numbers is sufficient and appropriate;
- Ensuring that the quality and transparency of communications with the external auditors are timely, clear, concise and relevant and that any suggestions for improvements or changes are constructive;
- Exercising professional scepticism, including but not limited to, looking at contrary evidence, the reliability of evidence, the appropriateness and accuracy of management responses to queries, considering potential fraud and the need for additional procedures and the willingness of the auditor to challenge management assumptions; and
- Feedback is provided to the external auditor twice a year to the Audit Committee, after the full year audit and half year review, with one-to-one discussions held beforehand between the Chair of the Audit Committee and the audit firm partner.

Non-audit services provided by the external auditor

The Audit Committee keeps the appointment of external auditors to perform non-audit services for the Group under continual review, receiving a report at each Audit Committee meeting. In the year ended 31 March 2020, there were no non-audit fees paid to the external auditors, in the year ended 31 March 2019, £12,000 was payable for non-audit services, less than 10% of the audit service fee.

Emerging Risks

The risk management approach is subject to continuous review and updates in order to reflect new and developing issues which might impact business strategy. Emerging or topical risks are examined to understand their significance to the business. Risks are identified and monitored through risk registers at the Group level and discussed at each Board meeting to consider new threats.

Risks faced in relation to investments in material joint ventures

The Group has one joint venture, which has been dormant in the current and prior year. The balance sheet consists mainly of debtors due from each of the parent companies and the Group is responsible for maintaining the accounting records of the joint venture, therefore there are currently no significant risks which have been identified.

Areas of judgement

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 judgements:

Going concern

The Group's balance sheet and liquidity position at 31 March 2020 was strong with cash balances of £9.1 million (2019: £6.2 million).

However, COVID-19 and the lockdown measures introduced in the UK on 23 March 2020 have significantly affected the Group's businesses, particularly in the UK, resulting in significant losses in the short term. The Group is currently incurring losses at both Momart and PHFC, which are only partially offset by continued profitable trading at FIC.

At PHFC, where passenger numbers fell initially by 90%, a modest recovery in passenger volumes is being seen as lock-down is gradually eased; further improvement is expected as business and retail activity around Portsmouth Harbour slowly returns to normal.

At Momart, commercial gallery clients, auction houses and museums across the globe had closed their doors by the end of March 2020 leading to a cessation in art handling throughout the lock down period, leaving income from art storage as the company's only source of revenue. However, commercial galleries have been steadily re-opening from early June and further openings are expected from UK and international museums and galleries during the summer.

As a result of the lock-down and curtailment in demand for services at PHFC and at Momart, the Group has utilised the UK Government's Job Retention Scheme and a substantial number of the Group's UK employees have been placed on furlough.

In the Falkland Islands the limited number of infections have been successfully contained leaving the Islands quarantined and effectively virus free with domestic business activity at close to normal levels. However, for the October 2020 - March 2021 tourist and cruise season, visitor numbers are highly uncertain and the significant uplift in commercial activity normally seen at FIC is likely to be markedly reduced in the second half of the current financial year.

Since the emergence of the pandemic the Board has met regularly to review the financial implications for the Group. Detailed monthly financial projections, including a twenty-four month cash-flow forecast, have been prepared in discussion with the local management teams of each business. These forecast cash flows have been carefully reviewed after consideration of the impact of the pandemic on revenue, cost saving measures, agreed salary cuts, the curtailment of capital expenditure programmes, cessation of dividends, bank loan repayment holidays and the various central and local government support measures. These forecasts have been updated regularly and reviewed on fortnightly Board calls.

All loan facility terms have been reviewed with particular attention paid to covenants, none of which will be breached by any currently foreseeable events.

After careful consideration of current cash balances, the cash flow forecasts, existing loan facilities plus an additional interest free loan of £5.0 million under the UK Government's CBILS loan guarantee scheme, the directors are satisfied that the Group's existing resources (including committed banking facilities) are sufficient to meet its medium-term needs, and the Group is well placed to manage the impact of COVID-19 on its businesses and they have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future.

As a result, the directors have continued to adopt the going concern basis in preparing the financial statements.

Large housing construction contract

In 2019, FIC started construction of 18 houses for the Falklands Islands Government. This is the largest residential construction contract for FIC. In accordance with IFRS 15: Revenue from Contracts with Customers, the revenue is being recognised under the "input method" permitted under the standard, and therefore at each reporting period, the "inputs" are assessed, including the materials consumed, the labour hours expended, and all other costs incurred. These costs are then compared to the total expected costs to assess the revenue recognised. In order to use this method, a reliable system of forecasting the outcome of the contract is required, and if these forecasts are found to be inaccurate this would result in an over or understatement of revenue for that reporting period.

Impairment testing

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. Impairment is necessary when the recoverable amount is less than the carrying value.

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 the carrying values.

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 2020, include goodwill and the brand name. 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.

At PHFC, the key assumptions made in the estimation of future cash flows are: passenger numbers and the average fare yield per passenger. In late March 2020, the impact of the lock-down initially resulted in falls in passenger numbers of 90% and volumes have remained low throughout the three-month lock down period. A slow recovery is expected in the medium-term as children return to school and non-essential retail shops re-open. But there is a clear risk that the impact of COVID-19 may continue in the medium-term, with increased numbers of employees working from home and/or some choosing to avoid public transport and to travel by car, reducing the number of commuters using the ferry. In past years, the small annual decline in passenger numbers, due to changing demographic and travel patterns, has been offset by increases in ticket prices. Given the negative factors noted above, PHFC's ability to maintain its profitability and cash flow by offsetting volume declines by fare increases has been brought into question and this directly affects the recoverable value of the Group's investment in this company resulting in an impairment of historic goodwill of £4.0 million.

A more cautious view of Momart's long-term growth prospects has been taken, driven by the weakness seen in the international commercial art market in 2019 (pre COVID-19) and by the long-term implications of the virus on the global economy. A widespread recession and market dislocation are likely to further dilute demand from ultra-high-net-worth collectors and commercial buyers for some time. In the public sector, museum budgets are likely to be squeezed by anticipated cuts in government spending and in addition visitor numbers are likely to be restricted by the need for social distancing, resulting in less frequent, less complex exhibitions and a reduced demand for Momart's services from museum clients. These effects are likely to restrict the speed and extent of Momart's expected recovery and have resulted in an impairment of historic goodwill of £3.5 million.

Parent Company Investment in subsidiaries

The reviews of the recoverable amounts of Momart and PHFC were compared to the cost of investments held in the Parent Company's balance sheet, and during the year ended 31 March 2020, the Company's investment in the Momart was impaired by £3,713,000. No impairment was required to the PHFC cost of investment. Further detail has been provided in note 11 with regards to the sensitivities of the assumptions.

New accounting standards

In the year commencing 1 April 2019, the Group adopted IFRS 16: Leases for the first time. This requires operating leases to be brought onto the balance as a right-to-use asset with a corresponding lease liability of all future lease payments. From 1 April 2019 there is no longer a distinction between finance and operating leases. There was no material impact on current year profits as a result of this change in policy: profit before interest increased by £0.1 million and the interest charge increased by £0.1 million due to the discounting of these liabilities. Our significant leases include the 50-year ground rent at Gosport, which is payable at £60,000 a year until June 2061, two warehouses leased from third parties by Momart for a remaining eight and nine years, and two head office leases for Momart and the FIC UK head office.

The impact on the Group's balance sheet at 31 March 2020, was to increase fixed assets by £2.3 million and increase liabilities by £2.5 million. The £0.2 million difference was taken to reserves at 1 April 2019, as the Group has elected to apply the modified retrospective approach.

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 benefit payments to pensioners in the FIC 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.

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 note 6. Total non-audit fees paid to KPMG were £12,000 in the prior year and no non audit fees were payable in the year ended 31 March 2020. 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 Company Secretary. The Audit Committee is responsible for ensuring that the Group's risks are understood, managed and mitigated as far as practicable.

Dominic Lavelle
Independent Non-executive Director
23 June 2020

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 2020.

Results and dividend

The Group's result for the year is set out in the Group Income Statement. After the £7.5 million impairment of goodwill, the Group loss for the year after taxation amounted to £4,728,000 (2019: Profit £3,031,000). Basic earnings per share on underlying profits were 22.0 pence (2019: 24.4 pence).

Prior to the onset of COVID-19, an interim dividend of 1.80 pence per share was paid in January 2020. Given the adverse impact of COVID-19 on the financial position of the Group the directors have decided not to recommend the payment of a final dividend.

With the interim dividend of 1.80 pence paid in January 2020 the total dividend for the year to 31 March 2020 was 1.80 pence per share (2019: 5.0 pence per share). The total paid out in dividends during the year was £644,000 (2019: £579,000). The suspension of dividends will be kept under close review and dividend payments will be resumed as soon as the directors consider it prudent to do so.

Principal activities

The business of the Group during the year ended 31 March 2020 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

On 1 December 2019, an additional non-executive director, Dominic Lavelle, was appointed to the Board.

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 their 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 2020 or 31 March 2019.

Share capital and substantial interests in shares

During the year, 2,382 shares were issued following the exercise of options by the Chief Executive. Further information about the Company's share capital is given in note 25. Details of the Company's executive share option scheme 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 23 June 2020:

| | 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 | 28.76 |
| Quaero Capital Funds (Lux) – Argonaut | 1,057,158 | 8.45 |
| Martin Janser | 897,324 | 7.18 |
| 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 £19,312 (2019: £19,268), these were largely paid to local community charities in Gosport and the Falkland Islands. There were no political donations in the year (2019: 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.

Greenhouse gas emissions

The 2018 Regulations introduced requirements under Part 15 of the Companies Act 2006 for large unquoted companies to disclose their annual energy use and greenhouse gas emissions, and related information. However, the Group has applied the option permitted to exclude any energy and carbon information relating to its subsidiary which the subsidiary would not itself be obliged to include if reporting on its own account, this applies to all subsidiaries within the group. FIH group plc, itself consumes less than 40MWh and therefore as a low energy user, it is not required to make the detailed disclosures of energy and carbon information but is required to state, in its relevant report, that its energy and carbon information is not disclosed for that reason. FIH group plc's annual energy use and greenhouse gas emissions, and related information has not been disclosed in this annual report as it is a low energy user.

As an experienced Board, our intention is to behave responsibly and we consider that we, both as individuals and as a collective Board, as representatives of FIH group plc and the Group as a whole, during the year ended 31 March 2020, have acted in good faith, to promote the success of the Company for the benefit of its members as a whole, having regard to the wider stakeholders as set out in s172 of the Companies Act. In the Falkland Islands and in Gosport, the subsidiaries of the group work closely with local government and local communities and Momart, is an active and founding member of several art communities and its employees give talks at conferences, sharing their experiences on the import and export of art work. The details of the Group's interaction with its wider stakeholders is as follows:

Customers:

PHFC's commitment to provide a service between 5.30 and midnight 364 days a year means at certain times the service is run at a loss but we recognize the social importance of the service to the local community. For special events, such as the Great South Run, the ferry provides a two vessel rush hour service all day, for the convenience of customers.

PHFC tweets and posts information on Facebook about local pantomimes, football matches, special events offered by local restaurants and other events of interest to the local community and visiting tourists. The crews and customers are encouraged to post their own photos of the ferries, and sightings of any HMS warships in the harbour.

The Environmental and Sustainability workgroup at Momart is planning to work with clients to share environmentally conscious ideas.

Colleagues:

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

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

Suppliers:

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

Communities:

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

We engage with the local community at Gosport and in the Falkland Islands through our community donations, and providing employment and work experience opportunities. Apprentices have been taken on at both Momart and PHFC, in areas including Customs and Excise and Engineering.

PHFC donates cruise tickets to charities and makes various donations and gifts to local charities as well as public organisations such as the Fire Service. PHFC staff conduct organized collections on the pontoons, for example for the Poppy Appeal, and permits local school children to collect charitable donations on board the vessels.

The business is actively lobbying local government for a bike hub at Gosport.

Environment:

At Momart, an Environmental and Sustainability workgroup has been set up to investigate current practices which include areas such as, (i) transport, (ii) buildings and facilities, (iii) materials purchased for packaging, (iv) office practice. The group is looking into steps which can be taken to make the current practices more environmentally favourable.

Steps already taken at Momart include:

- Use of LED lighting across all warehouse units
- Use of light sensors in the head office and Leyton site, so lights are triggered by movement.
- Use of renewable energy from solar panels installed on unit 14 of the warehouse.
- Introduction of a rolling vehicle replacement program ensuring that the lowest emissions are achieved based not only on current emissions regulations (currently EU6), but on emissions over the lifecycle of the vehicle including manufacture and decommissioning.
- Introduction of high-quality fleet maintenance procedures and selection of most effective parts such as low-rolling resistance tyres, brake pads, filters, catalytic converters.
- Purchase of electrical vehicles is being considered.
- Training and monitoring drivers in environmental conscious driving techniques.
- Route and load planning to reduce driving time and empty load journeys including collaboration with overseas partners or customers to assist with this.
- An investigation of the life cycle of the packing materials is underway. Wood is purchased from sustainable sources and where possible the crates are re-used, and the wood is fully recycled at the end of the life cycle.
- Waste segregation bins available in office areas to separate recyclable materials, organic waste and general waste.

At PHFC, tickets are from sustainable resources and coffee cup recycling is provided on the ferries and the pontoon.

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

No disposable cups are used in any of the Group's offices.

Governments and regulatory authorities

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

PHFC staff attend meetings with the local government members and Gosport Borough Council.

The Momart Business Process and Compliance Manager attends quarterly industry forums, such as those Freight Transport Association, discussing difficulties faced by the industry with the forum and any attending HMRC officers.

Media

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

Non-governmental organizations:

PHFC is a Heritage committee member

Momart representatives attend the UK Registrars' Group conference and the European Registrars' Group conference and speak on issues such as customs procedures, Brexit, or specialized Export licences, such as the "Convention on International Trade in Endangered Species of Wild Fauna and Flora", which requires permits for the export of ivory, rosewood and mahogany.

With over 40 years of experience and expertise in handling, transportation and storage of art, since 1993, Momart has held a Royal Warrant from Her Majesty The Queen for our work with the Royal Collection.

Momart is a founding member of ARTIM, "the Art Transporter International Meeting" and attends the annual conference to discuss the best practices and the key business issues concerning the packing, transportation and movement of works of art.

Momart is also a member of the UK Registrars' Group, which is a non-profit association, which provides a forum for exchanging ideas and expertise between registrars, collection managers and other museum professionals in the United Kingdom, Europe and worldwide.

Shareowners and analysts:

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.

The Annual General Meeting provides a chance with investors and analysts to meet the Board face-to-face each year.

Debt providers:

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

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

Capital allocation and dividend policy:

This year's budget was approved by the Board following a comprehensive review of our strategic priorities, risks to and potential opportunities arising in, our three businesses. We considered the input from our locally based directors about expected changes in the market and anticipated customer needs.

Due to the impact of the COVIC-19 pandemic, the dividend payment will be suspended and will be kept under close review, dividend payments will be resumed as soon as the directors consider it prudent to do so.

The capital allocation priorities are to support continued investment in organic business growth, funded by a strong balance sheet, with the focus on long-term decisions to position the Group for success. In line with this policy, on 30 June 2019, the Group refinanced the short-term temporary bank facility of £10 million, which was drawn down in December 2018 to purchase the £19.6 million warehouse in Leyton, with a drawdown of a £13.9 million long-term mortgage, which increased overall bank borrowings by £3.9 million and boosted the Group's cash reserves by £3.9 million. Net borrowings were unaffected. Capital repayments are £500,000 per annum for the first five years and £600,000 per annum for the following five years, to be paid quarterly, with a bullet capital repayment of £8.375 million at the end of ten years, which the Group and HSBC expect to be refinanced. Immediately following the draw down the Group entered into an interest rate swap which fixed the cost of borrowing for the loan at 3.0% p.a. for 10 years. In late March 2020, a six-month repayment holiday was granted by HSBC on the 10-year property loans.

Annual General Meeting

The Company's Annual General Meeting will be held at 14.00 on 17 September 2020. 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 2020 and in the preceding year is as follows:

| | Salary / Fees £'000 | Health insurance £'000 | 2020 Total £'000 | 2019 Total £'000 |
|-------------------|------------------------|------------------------------|------------------------|------------------------|
| John Foster | 222 | 2 | 224 | 254 |
| Robin Williams | 60 | - | 60 | 60 |
| Jeremy Brade | 30 | - | 30 | 30 |
| Robert Johnston | 30 | - | 30 | 30 |
| Dominic Lavelle** | 10 | - | 10 | - |
| Total | 352 | 2 | 354 | 374 |

*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. However, for the year ended 31 March 2020, given the impact of COVID-19 on the Group's finances no bonus will be payable.

Full details of historic awards of deferred shares to John Foster and other options issued to senior staff, including all grants and exercises are provided in note 24 Employee Benefits: Share based payments. During the year ending 31 March 2020, 15,171 nil cost options and 44,550 other share options were exercised by the Chief Executive (2019: 17,035 nil cost options)

** From date of appointment

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 2020, the nil cost share options issued to the executive director were as follows:

| Date of grant | Number of options J L Foster | Exercisable from | Expiry date |
|---------------|------------------------------------|---------------------|-------------|
| 16 Jun 2017 | 3,217 | 16 Jun 2020 | 16 Jun 2021 |
| 15 Jun 2018 | 5,682 | 15 Jun 2020 | 15 Jun 2022 |
| 15 Jun 2018 | 5,681 | 15 Jun 2021 | 15 Jun 2022 |
| 17 Jun 2019 | 3,590 | 17 Jun 2020 | 17 Jun 2023 |
| 17 Jun 2019 | 3,591 | 17 Jun 2021 | 17 Jun 2023 |
| 17 Jun 2019 | 3,591 | 17 Jun 2022 | 17 Jun 2023 |
| Total | 25,352 | | |

The mid-market price of the Company's shares on 31 March 2020 was 194 pence and the range in the year was 194 pence to 328 pence.

The directors' options extant at 31 March 2020 totalled 25,352 nil cost options. In total these options represented 0.2% of the Company's issued share capital.

The 331,648 options, granted to 33 other employees of the Group including subsidiary directors and senior management, include 135,535 LTIP options granted in July 2019 and 99,199 LTIP options granted in March 2018 all at a 10 pence exercise price and 96,914 options granted under the Company's executive share option scheme between December 2010 and January 2015, with exercise prices of £2.675 to £3.535.

The 96,914 options granted under the Company's executive share option scheme, are options to acquire ordinary shares in the Company after a period of three years from the date of the grant and have been granted at an option price of not less than market value at the date of the grant. The 234,734 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 25,352 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 2020 | Ordinary shares as at 31 March 2019 |
|-----------------|--|--|
| Robin Williams | 1,935 | 1,935 |
| John Foster* | *107,009 | *96,136 |
| Jeremy Brade | 15,032 | 15,029 |
| Robert Johnston | **3,647,853 | **3,647,853 |

*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 12,504,519 total voting rights

Share Incentive Plan

In November 2012, the Company implemented an HMRC approved Share Incentive Plan 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 2020 the Company purchased £600 of matching shares for John Foster.

Approved by the Board and signed on its behalf by:

Carol Bishop
Company Secretary
23 June 2020
Kenburgh Court
133-137 South Street
Bishop's Stortford
Hertfordshire
CM23 3HX

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.

KPMG 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 2020 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 2020 and of the Group's loss 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 (2019: £150,000) 4.0% of group profit before tax before goodwill impairment (2019: 3.9% of group profit before tax) |
| | |
| Coverage | 100% (2019: 100%) of group profit before tax |
| | |
| Key audit matters | vs 2019 |
| New risk | Going concern ▲ |
| Recurring risks | Recoverability of Art Logistics and Storage Brand Name and Goodwill and Ferry Services Goodwill and Property, Plant and Equipment ▲ |
| | 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:

KPMG Independent Auditor's Report to the members of FIH group plc (continued)

| | |
|--|---|
| Going concern | <i>Refer to page 56 (accounting policy).</i> |
| The risk | Our response |
| <p>Disclosure quality</p> <p>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the group and parent company.</p> <p>That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.</p> <p>The risks most likely to adversely affect the Group's and Company's available financial resources over this period were:</p> <ul style="list-style-type: none"> • Continued reduction in passenger numbers in the Ferry Services CGU as a result of COVID-19; • Continued closure of museums and galleries in the Art Logistics CGU as a result of COVID-19; • Restrictions on imports and exports in the Art Logistics CGU as a result of COVID-19. <p>There are also less predictable but realistic second order impacts, such as future availability of funding and the erosion of customer or supplier confidence as a result of COVID-19, which could result in a rapid reduction of available financial resources.</p> <p>The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</p> | <p>Our procedures included:</p> <ul style="list-style-type: none"> • Funding assessment: we performed an inspection of bank correspondence to corroborate the committed level of financing and related covenant requirements; • Our sector experience: we evaluated and challenged assumptions used in the forecasts, in particular those relating to revenue trends and profit margins, through enquiries with divisional managers and those responsible for preparing and delivering the forecasts; • Historical comparison: we evaluated the adequacy of the budgets and forecasts used by assessing the historical accuracy of the Group's previous budgets; • Sensitivity analysis: We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively, in particularly around the impact of COVID -19 on the operations; • Assessing transparency: Assessed the completeness and accuracy of the matters covered in the going concern disclosure including that sufficient details were provided concerning the impact of COVID -19 on the directors' assessment and the additional banking facilities that the Group has put in place. |

| | |
|---|---|
| Recoverability of Art Logistics and Storage Brand Name and Goodwill and Recoverability of Ferry Services Goodwill and Property, Plant and Equipment | (£4.1 million; 2019: £11.6 million) Refer to page 29 (Audit Committee Report), page 59 (accounting policy) and page 76 (financial disclosures). |
| The risk | Our response |
| <p>Forecast Based Valuation:</p> <p>The carrying amount of the Art Logistics and Storage CGU is significant and the recoverable amount of that CGU is at risk of fluctuation due primarily to fluctuating future demand in the art logistics and storage markets along with the inherent uncertainty involved in forecasting and discounting future cash flows. The Group has recognised an impairment loss of £3,500,000 on the goodwill on the Art Logistics CGU as a result of changes in the market resulting in significant changes in forecast cash flows. The remaining carrying amount of goodwill and intangible assets associated with the Art Logistics CGU is particularly sensitive to changes in key assumptions.</p> <p>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.</p> <p>The carrying amount of the Ferry Services CGU is significant and the recoverable amount is at risk due primarily to reductions in passenger numbers which has been exacerbated by the COVID-19 pandemic. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The Group has recognised an impairment loss of £3,979,000 on the goodwill on the Ferry Services CGU as a result of changes in the market resulting in significant changes in forecast cash flows. As a result, the carrying amount of goodwill and property, plant and equipment associated with the Ferry Services CGU is particularly sensitive to changes in key assumptions.</p> <p>The effect of these matters is that, as part of our re-assessment of audit risk, we determined that the value in use of the Ferry Services 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.</p> | <p>Our procedures included:</p> <ul style="list-style-type: none"> • Our sector experience: we evaluated and challenged assumptions used in the forecasts, in particular those relating to revenue trends and profit margins, through enquiries with the divisional managers and those responsible for preparing and delivering the forecasts; • Benchmarking assumptions: we compared the group's assumptions in relation to key inputs such as, projected economic growth and, with the assistance of specialist valuation tools, the discount rate to historical information and externally derived data; • Historical comparison: we evaluated the adequacy of the budgets and forecasts used in the value in use calculations by assessing the historical accuracy of the Group's previous budgets; • Sensitivity analysis: we performed a sensitivity analysis on the key assumptions noted above; • Comparing valuations: we compared the net asset value of the Group with the market capitalisation of the Group and assessed whether any difference was an indicator of impairment with reference to why that difference has arisen; • Assessing transparency: we assessed 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 recoverable amounts of the Art Logistics and Storage CGU and Ferry Services CGU. |

| | |
|---|--|
| <p>Parent: Recoverability of Parent Company's investment in, and debt due from, subsidiaries</p> | <p>(£23.9 million investment in, and £10.2 million debt due from, subsidiaries; 2019: £27.6 million investment in and £8.7 million debt due from subsidiaries)</p> <p>Refer to page 57 (accounting policy) and page 83 (financial disclosures).</p> |
| <p>The risk</p> | <p>Our response</p> |
| <p>Forecast-based valuation</p> <p>The carrying amount of the parent company's investment in subsidiaries and intra-group debtor balance represents 60.1% (2019: 46.7%) of the parent company's total assets.</p> <p>They are significant and at risk of irrecoverability due to weak demand in the Art Logistics and Ferry Services businesses as a result of the COVID-19 pandemic. The Group has recognised an impairment loss of £3,130,000 on the investment in the Art Logistics subsidiary as a result of changes in the market resulting in significant changes in forecast cash flows. The estimated recoverable amount of the remaining balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the cost of investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p> | <p>Our procedures included:</p> <ul style="list-style-type: none"> • Our sector experience: we evaluated assumptions used in the relevant cash flow forecasts, 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: we compared the group's assumptions in relation to key inputs such as, projected economic growth and, with the assistance of specialist valuation tools, compared the discount rate to historical information and externally derived data; • Historical comparison: we evaluated 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: we performed a sensitivity analysis on the key assumptions noted above; • Comparing valuations: we compared the carrying value of the parent Company's investments in subsidiaries and receivables due from group entities to value in use calculations for the relevant CGUs and to the market capitalisation of the Group; • Assessing transparency: we assessed the adequacy of the parent Company's disclosures in respect of investments in subsidiaries and group debtor balances. |

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 (2019: £150,000), determined with reference to a benchmark of Group profit before tax before goodwill impairment of which it represents 4.0% (2019: 3.9% of group profit before tax).

Materiality for the parent company financial statements as a whole, as communicated by the group audit team, was set at £80,000 (2019: £100,000). This is lower than the materiality we would otherwise have determined with reference to a benchmark of the Company's net assets, of which it represents 0.36% (2019: 0.24%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £7,500 (2019: £7,500), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's four (2019: four) components, we subjected all (2019: all) to full scope audits for group 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 | 2020 | 2019 |
|---|--------------------|--------------|
| Group revenue | 100% | 100% |
| Group profit before tax | 100% | 100% |
| Group total assets | 100% | 100% |
| Group profit before tax before goodwill impairment 2019 "Group profit before tax" | £3.7 million | £3.9 million |
| Group materiality | £150,000 | £150,000 |
| Whole financial statements materiality | £150,000 | £150,000 |
| Range of materiality at 4 components | £80,000 - £100,000 | £100,000 |
| Threshold for misstatements reported to the audit committee | £7,500 | £7,500 |

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.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter 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.

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 40, 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

23 June 2020

Consolidated Income Statement
FOR THE YEAR ENDED 31 MARCH 2020

Notes

| | Before non- trading items 2020 £'000 | Non- trading items 2020 £'000 | Total 2020 £'000 | Before non- trading items 2019 £'000 | Non- trading items 2019 £'000 | Total 2019 £'000 |
|---|---|---|------------------------|---|---|------------------------|
| 4 Revenue | 44,600 | - | 44,600 | 42,528 | - | 42,528 |
| Cost of sales | (26,521) | - | (26,521) | (24,777) | - | (24,777) |
| Gross profit | 18,079 | - | 18,079 | 17,751 | - | 17,751 |
| Other administrative expenses | (13,745) | - | (13,745) | (13,546) | - | (13,546) |
| Consumer Finance interest income | 231 | - | 231 | 172 | - | 172 |
| 5 Goodwill impairment | - | (7,479) | (7,479) | - | - | - |
| 6 Operating expenses | (13,514) | (7,479) | (20,993) | (13,374) | - | (13,374) |
| Operating profit / (loss) | 4,565 | (7,479) | (2,914) | 4,377 | - | 4,377 |
| Finance income | 13 | - | 13 | 36 | - | 36 |
| Finance expense | (869) | - | (869) | (555) | - | (555) |
| 8 Net financing costs | (856) | - | (856) | (519) | - | (519) |
| Profit before tax | 3,709 | (7,479) | (3,770) | 3,858 | - | 3,858 |
| 9 Taxation | (958) | - | (958) | (827) | - | (827) |
| Profit / (loss) for the year attributable to equity holders of the company | 2,751 | (7,479) | (4,728) | 3,031 | - | 3,031 |
| 10 Earnings per share | | | | | | |
| Basic | 22.0p | | -37.8p | 24.4p | | 24.4p |
| Diluted | 21.7p | | -37.8p | 24.1p | | 24.1p |

* The Group's results are being reported under IFRS 16 for the first time in the year to 31 March 2020 following the mandatory adoption of the standard from 1 April 2019. In accordance with the transitional provisions, the group has elected not to restate the comparatives. See Note 1.

The accompanying notes form part of these Financial Statements.

**Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 31 MARCH 2020**

| | | 2020 £'000 | 2019 £'000 |
|----|--|-----------------------|-----------------------|
| | Cash flow hedges: effective portion of changes in fair value | (521) | 4 |
| 17 | Deferred tax on effective portion of changes in fair value | 102 | - |
| | Items that are or may be reclassified subsequently to profit or loss | (419) | 4 |
| 23 | Re-measurement of the FIC defined benefit pension scheme | 136 | 36 |
| 17 | Movement on deferred tax asset relating to the pension scheme | (35) | (9) |
| | Items which will not ultimately be recycled to the income statement | 101 | 27 |
| | Other comprehensive (loss) / income | (318) | 31 |
| | (Loss) / profit for the year | (4,728) | 3,031 |
| | Total comprehensive (loss) / income | (5,046) | 3,062 |

The accompanying notes form part of these Financial Statements.

Consolidated Balance Sheet
AT 31 MARCH 2020

| | | 2020 | 2019 |
|--------------|---------------------------------------|-----------------|----------|
| <i>Notes</i> | | £'000 | £'000 |
| | Non-current assets | | |
| 11 | Intangible assets | 4,246 | 11,766 |
| 12 | Property, plant and equipment | 41,712 | 38,664 |
| 13 | Investment properties | 6,458 | 5,239 |
| 15 | Investment in Joint venture | 259 | 259 |
| | Debtors due in more than one year | 88 | 88 |
| 16 | Hire purchase lease receivables | 519 | 584 |
| 17 | Deferred tax assets | 677 | 721 |
| | Total non-current assets | 53,959 | 57,321 |
| | Current assets | | |
| 18 | Inventories | 5,374 | 5,756 |
| 19 | Trade and other receivables | 8,696 | 7,761 |
| 16 | Hire purchase lease receivables | 596 | 659 |
| 20 | Cash and cash equivalents | 9,108 | 6,184 |
| | Total current assets | 23,774 | 20,360 |
| | TOTAL ASSETS | 77,733 | 77,681 |
| | Current liabilities | | |
| 22 | Trade and other payables | (8,611) | (9,605) |
| 21 | Interest-bearing loans and borrowings | (1,165) | (10,645) |
| | Derivative financial instruments | (537) | (16) |
| | Corporation tax payable | (233) | (399) |
| | Total current liabilities | (10,546) | (20,665) |
| | Non-current liabilities | | |
| 21 | Interest-bearing loans and borrowings | (22,942) | (7,148) |
| | Derivative financial instruments | - | - |
| 23 | Employee benefits | (2,604) | (2,772) |
| 17 | Deferred tax liabilities | (2,849) | (2,529) |
| | Total non-current liabilities | (28,395) | (12,449) |
| | TOTAL LIABILITIES | (38,941) | (33,114) |
| | Net assets | 38,792 | 44,567 |
| 25 | Capital and reserves | | |
| | Equity share capital | 1,250 | 1,250 |
| | Share premium account | 17,590 | 17,590 |
| | Other reserves | 703 | 1,162 |
| | Retained earnings | 19,784 | 24,579 |
| | Hedging reserve | (535) | (14) |
| | Total equity | 38,792 | 44,567 |

These financial statements, of which the accompanying notes form part, were approved by the Board of directors on 23 June 2020 and were signed on its behalf by:

J L Foster
Director

Company Balance Sheet
AT 31 MARCH 2020

| Notes | | 2020 £'000 | 2019 £'000 |
|-------|---------------------------------------|-----------------|-----------------|
| | Non-current assets | | |
| 13 | Investment properties | 19,373 | 19,582 |
| 14 | Investment in subsidiaries | 23,989 | 27,653 |
| 19 | Loans to subsidiaries | 10,207 | 8,717 |
| 17 | Deferred tax | 121 | 4 |
| | Total non-current assets | 53,690 | 55,956 |
| | Current assets | | |
| 19 | Trade and other receivables | 30 | 30 |
| | Corporation tax receivable | - | 24 |
| 20 | Cash and cash equivalents | 5,766 | 1,768 |
| | Total current assets | 5,796 | 1,822 |
| | TOTAL ASSETS | 59,486 | 57,778 |
| | Current liabilities | | |
| 22 | Trade and other payables | (7,019) | (5,716) |
| 21 | Interest-bearing loans and borrowings | (243) | (10,000) |
| | Derivative financial instruments | (537) | (16) |
| | Corporation tax payable | (21) | - |
| | Total current liabilities | (7,820) | (15,732) |
| | Non-current liabilities | | |
| 21 | Interest-bearing loans and borrowings | (13,207) | - |
| | TOTAL LIABILITIES | (21,027) | (15,732) |
| | Net assets | 38,459 | 42,046 |
| 25 | Capital and reserves | | |
| | Equity share capital | 1,250 | 1,250 |
| | Share premium account | 17,590 | 17,590 |
| | Other reserves | 5,389 | 6,910 |
| | Retained earnings | 14,765 | 16,310 |
| | Hedging reserve | (535) | (14) |
| | Total equity | 38,459 | 42,046 |

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 loss for the financial year is £2,592,000 (2019: Profit of £1,716,000).

These financial statements, of which the accompanying notes form part, were approved by the Board of directors on 23 June 2020 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 2020**

| | 2020 | 2019 |
|---|-----------------|--------------|
| | £'000 | £'000 |
| Note | | |
| Cash flows from operating activities | | |
| (Loss)/profit for the year after taxation | (4,728) | 3,031 |
| <i>Adjusted for:</i> | | |
| <i>(i) Non-cash items:</i> | | |
| 11 Amortisation | 68 | 66 |
| 12 Depreciation: Property, plant and equipment | 1,863 | 1,272 |
| 13 Depreciation: Investment properties | 132 | 99 |
| 11 Goodwill impairment | 7,479 | - |
| Loss on disposal of fixed assets | 78 | 20 |
| 23 Interest cost on pension scheme liabilities | 65 | 72 |
| 24 Equity-settled share-based payment expenses | 97 | 69 |
| <i>Non-cash items adjustment</i> | 9,782 | 1,598 |
| <i>(ii) Other items:</i> | | |
| Exchange gains | (54) | - |
| Bank interest receivable | (13) | (36) |
| Bank interest payable | 464 | 248 |
| Lease liability finance expense | 340 | 235 |
| Decrease in hire purchase leases receivable | 128 | 191 |
| Corporation and deferred tax expense | 958 | 827 |
| <i>Other adjustments</i> | 1,823 | 1,465 |
| Operating cash flow before changes in working capital | 6,877 | 6,094 |
| Increase in trade and other receivables | (935) | (418) |
| Decrease/(increase) in inventories | 471 | (1,128) |
| Decrease in trade and other payables | (980) | (924) |
| Changes in working capital | (1,444) | (2,470) |
| Cash generated from operations | 5,433 | 3,624 |
| Payments to pensioners | (97) | (103) |
| Corporation taxes paid | (659) | (560) |
| Net cash flow from operating activities | 4,677 | 2,961 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (3,361) | (22,432) |
| Purchase of software | (27) | - |
| Interest received | 13 | 36 |
| Net cash flow from investing activities | (3,375) | (22,396) |
| Cash flow from financing activities | | |
| Bank loan drawn down | 13,875 | 10,000 |
| Repayment of bank loans | (10,955) | (514) |
| Bank interest paid | (478) | (234) |
| Hire purchase loan drawn down | 534 | 172 |
| Repayment of lease liabilities principal | (395) | (131) |
| Lease liabilities interest paid | (340) | (235) |
| Cash inflow on option exercises | - | 150 |
| Cash outflow on nil cost option exercise | (29) | (28) |
| Dividends paid | (644) | (579) |
| Net cash flow from financing activities | 1,568 | 8,601 |
| Net increase / (decrease) in cash and cash equivalents | 2,870 | (10,834) |
| Cash and cash equivalents at start of year | 6,184 | 17,018 |
| Exchange gains on cash balances | 54 | - |
| Cash and cash equivalents at end of year | 9,108 | 6,184 |

The accompanying notes form part of these Financial Statements.

**Company Cash Flow Statement
FOR THE YEAR ENDED 31 MARCH 2020**

| | 2020 £'000 | 2019 £'000 |
|---|-----------------------|-----------------------|
| <i>Notes</i> | | |
| Cash flows from operating activities | | |
| Holding Company (loss) / profit for the year | (2,592) | 1,716 |
| <i>Adjusted for:</i> | | |
| Bank interest receivable | (13) | (36) |
| Bank interest payable | 372 | 139 |
| Equity-settled share-based payment expenses | 48 | 46 |
| 14 Impairment of subsidiary | 3,713 | - |
| 13 Depreciation | 209 | 60 |
| Corporation and deferred tax expense | 72 | 25 |
| <i>Non-cash and other items adjustment</i> | 4,401 | 234 |
| Operating cash flow before changes in working capital | 1,809 | 1,950 |
| Decrease in trade and other receivables | - | (18) |
| Increase in trade and other payables | 9 | 128 |
| Changes in working capital and provisions | 9 | 110 |
| Cash generated from operations | 1,818 | 2,060 |
| Corporation taxes paid | (17) | (17) |
| Net cash flow from operating activities | 1,801 | 2,043 |
| Cash generated from investing activities | | |
| Interest received | 13 | 36 |
| Purchase of property, plant and equipment | - | (19,642) |
| Net cash flow from investing activities | 13 | (19,606) |
| Cash flow from financing activities | | |
| Bank loan drawn down | 13,875 | 10,000 |
| Bank loan repaid | (10,425) | - |
| Interest paid | (358) | (125) |
| Cash outflows in inter-company borrowing | (1,515) | (2,693) |
| Cash inflows in inter-company borrowing | 1,280 | - |
| Cash inflow on option exercise | - | 150 |
| Cash inflow outflow on nil cost option exercise | (29) | (28) |
| Dividends paid | (644) | (579) |
| Net cash flow from financing activities | 2,184 | 6,725 |
| Net increase / (decrease) in cash and cash equivalents | 3,998 | (10,838) |
| Cash and cash equivalents at start of year | 1,768 | 12,606 |
| Cash and cash equivalents at end of year | 5,766 | 1,768 |

The accompanying notes form part of these Financial Statements.

**Consolidated Statement of Changes in Shareholders' Equity
FOR THE YEAR ENDED 31 MARCH 2020**

| | Equity share capital £'000 | Share premium account £'000 | Other reserves £'000 | Retained earnings £'000 | Hedge reserve £'000 | Total equity £'000 |
|--|-------------------------------------|--------------------------------------|----------------------------|-------------------------------|---------------------------|-----------------------------------|
| Balance 1 April 2018 | 1,243 | 17,447 | 1,162 | 22,059 | (18) | 41,893 |
| Profit for the year | - | - | - | 3,031 | - | 3,031 |
| 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 |
| Total comprehensive income | - | - | - | 3,058 | 4 | 3,062 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Share option exercise | 7 | 143 | - | (28) | - | 122 |
| Share based payments | - | - | - | 69 | - | 69 |
| Dividends paid | - | - | - | (579) | - | (579) |
| Total transactions with owners | 7 | 143 | - | (538) | - | (388) |
| Balance at 31 March 2019 | 1,250 | 17,590 | 1,162 | 24,579 | (14) | 44,567 |
| Restatement related to the application of IFRS 16 | - | - | - | (153) | - | (153) |
| Restated balance 31 March 2019 | 1,250 | 17,590 | 1,162 | 24,426 | (14) | 44,414 |
| Loss for the year | - | - | - | (4,728) | - | (4,728) |
| Reserves transfer | - | - | (459) | 459 | - | - |
| Cash flow hedges: effective portion of changes in fair value | - | - | - | 102 | (521) | (419) |
| Re-measurement of the defined benefit pension liability, net of tax | - | - | - | 101 | - | 101 |
| Total comprehensive loss | - | - | (459) | (4,066) | (521) | (5,046) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Share option exercise: | - | - | - | (29) | - | (29) |
| Share based payments | - | - | - | 97 | - | 97 |
| Dividends paid | - | - | - | (644) | - | (644) |
| Total transactions with owners | - | - | - | (576) | - | (576) |
| Balance at 31 March 2020 | 1,250 | 17,590 | 703 | 19,784 | (535) | 38,792 |

The accompanying notes form part of these Financial Statements.

**Company Statement of Changes in Shareholders' Equity
FOR THE YEAR ENDED 31 MARCH 2020**

| | Equity share capital £'000 | Share premium account £'000 | Other reserves £'000 | Retained earnings £'000 | Hedge Reserve £'000 | Total equity £'000 |
|---|-------------------------------------|--------------------------------------|----------------------------|-------------------------------|---------------------------|--------------------------|
| Balance at 1 April 2018 | 1,243 | 17,447 | 6,910 | 15,132 | (18) | 40,714 |
| Profit for the year | - | - | - | 1,716 | - | 1,716 |
| Cash flow hedges: effective portion of changes in fair value | - | - | - | - | 4 | 4 |
| Total comprehensive income | - | - | - | 1,716 | 4 | 1,720 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Share option exercise | 7 | 143 | - | (28) | - | 122 |
| Share based payments | - | - | - | 69 | - | 69 |
| Dividends paid | - | - | - | (579) | - | (579) |
| Total transactions with owners | 7 | 143 | - | (538) | - | (388) |
| Balance at 31 March 2019 | 1,250 | 17,590 | 6,910 | 16,310 | (14) | 42,046 |
| Loss for the year | - | - | - | (2,592) | - | (2,592) |
| Reserves transfer | - | - | (1,521) | 1,521 | - | - |
| Cash flow hedges: effective portion of changes in fair value | - | - | - | 102 | (521) | (419) |
| Total comprehensive loss | - | - | (1,521) | (969) | (521) | (3,011) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Share option exercise | - | - | - | (29) | - | (29) |
| Share based payments | - | - | - | 97 | - | 97 |
| Dividends paid | - | - | - | (644) | - | (644) |
| Total transactions with owners | - | - | - | (576) | - | (576) |
| Balance at 31 March 2020 | 1,250 | 17,590 | 5,389 | 14,765 | (535) | 38,459 |

The £2,592,000 loss for the year includes a £3,713,000 impairment of the Company's investment in Momart Limited.

The accompanying notes form part of these Financial Statements.

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

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

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in more detail 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.

1. Accounting policies (*continued*)

The areas considered by the Board in relation to its review of the Group's status as a "going concern" are highlighted in the report of the Audit Committee on page 29.

After a detailed review, the directors consider that it remains appropriate to continue to adopt the going concern basis in preparing the financial statements.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in more detail 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.

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. In the year ended 31 March 2020, there were two non-trading items, the impairment of the £3,979,000 goodwill which arose on the 2005 PHFC acquisition and the £3,500,000 impairment of the goodwill, which arose on the 2008 acquisition of Momart. There were no non-trading items in the year ended 31 March 2019.

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.

1. Accounting policies (*continued*)

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:

| | |
|-----------------------------------|---------------|
| Right to use assets | 5 – 50 years |
| 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.

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 Falkland Islands 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. 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, 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 is 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.

1. Accounting policies (*continued*)

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. At 31 March 2020, all goodwill arising on acquisitions prior to 1 April 2006 has either been offset against other reserves on acquisition, or written off through the income statement as an impairment.

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.

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.

1. Accounting policies (*continued*)

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.

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. 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 including staff.

Pensions

Defined contribution pension schemes

The Group operates defined contribution schemes at PHFC and Momart, and FIC employees are enrolled in the FIPS, "Falkland Islands Pension Scheme". The assets of all these 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. 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.

1. Accounting policies (*continued*)

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.

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.

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 loss.

1. Accounting policies (*continued*)

Revenue recognition

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. Under IFRS 15, revenue recognition must reflect the standard's five-step approach which requires the following:

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

In accordance with the 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 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.

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

1. Accounting policies (*continued*)

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.

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

Transportation and storage of art

In the UK, Momart earns revenue from moving or installations or de-installations of artwork. 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. 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.

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.

Long term construction contracts

The housing contract for the Falkland Islands Government is a long-term contract, with an outcome that can be reliably estimated and as it is considered probable that the contract will be profitable. Revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, with revenue recognised over time by reference to the stage of completion, using the input method, based on regular assessments of the costs incurred to date, which includes using the resources consumed, labour hours expended, and any other costs incurred.

The Group receives payments from the Falkland Islands Government based on an activity schedule, which is a contractual schedule of value that reflects the timing and performance of service delivery. Revenue is therefore recognised over time. Un-invoiced amounts are presented as contract assets. Revenue is recognised under IFRS 15 by the application of the input method using the direct measurement of the goods or services provided to date, including materials and labour.

Where a modification is required, the Group assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied by the Group or whether it is a modification to the existing performance obligation. No margin is recognised until the outcome of the contract can be estimated with reasonable certainty. Revenue in respect of variations to contracts and incentive payments is recognised when there is an enforceable right to payment and it is highly probable it will be agreed by the customer. Variation orders, claims and liquidated damages, are re-assessed at each reporting period using the expected outcome approach. If it were considered probable that total contract costs would exceed total contract revenue, the expected loss would be recognised as an expense immediately.

Other revenues

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.

1. Accounting policies (*continued*)

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.

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 Falkland Islands 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.

IFRS 9 Financial instruments

Impairment

Loans and receivables, which include trade debtors and hire purchase receivables, are held initially at cost. IFRS 9 mandates the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model, and therefore it is not necessary for a credit event to have occurred before credit losses are recognised. The 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 FIC, and the hire purchase debtors in FIC, 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 two open hedging relationships at 31 March 2020, one interest swap taken out in July 2019 to hedge the £13,875,000 mortgage. This swap had an initial notional value of £13,875,000, with interest payable at the difference between 1.1766% and the LIBOR rate. This interest rate swap notional value decreases at £125,000 per quarter over ten years until June 2029 when it will expire. The notional value of the swap at 31 March 2020 is £13,500,000. The accrual held in respect of this swap at the year-end was £526,000. The second swap was taken out in October 2015 to hedge the bank loans drawn down to fund the Harbour Spirit 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 2020 is £1,703,750 (2019: £2,138,750). The accrual held in respect of this swap at the year-end was £11,000 (2019: £16,000).

1. Accounting policies (*continued*)

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 LIBOR and base rates increase, the interest payable on the loans will increase, and the interest payable on the swaps 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.

Standards and revisions adopted in the year to 31 March 2020

Impact of initial application of IFRS 16: Leases

The date of initial application of IFRS 16 for the Group is 1 April 2019. The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and is presented under IAS 17.

The adoption of IFRS 16, and the resulting change in the accounting treatment of operating leases, has had a significant impact on the Group's financial statements resulting from the revised treatment of the ground rent payable on the 50-year lease for the Gosport pontoon, and the lease payments incurred on the two external storage facilities and the head office facilities at Momart. The Group recognised £2,307,000 of right-of-use assets and £2,494,000 of lease liabilities upon transition to IFRS 16. The difference of £187,000 has been recognised in retained earnings, net of £34,000 of associated deferred tax.

The acquisition of the Momart warehouse facilities by the Group in December 2018, combined with the age of some of those leases, which extend back nearly 20 years, was the key driver in the decision to adopt the modified retrospective approach.

Leased assets treatment for the year ended 31 March 2019 only

IAS 17 has been applied to the results for the year ended 31 March 2019, though IFRS 16 has been applied from 1 April 2019. Prior to 31 March 2019, leases in which the Group assumes substantially all the risks and rewards of ownership were classified as finance leases. All other leases were classified as operating leases, and rental operating leases were charged to the income statement on a straight-line basis over the lease term, with lease incentives, such as rent -free periods, recognised as an integral part of the total rental income.

Following the transition to IFRS 16, equity as at 31 March 2019 has been restated as follows:

| | Group £'000 |
|--|----------------|
| Equity at 1 April 2019 | 44,567 |
| Right-of-use assets recognised | 2,307 |
| Lease liabilities recognised | (2,494) |
| Associated deferred tax asset recognised | 34 |
| Equity at 1 April 2019, after IFRS 16 transitional adjustments | 44,414 |

1. Accounting policies (*continued*)

The Group has applied IFRS 16 using the modified retrospective approach which:

- Requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application;
- Does not permit restatement of comparatives, which continue to be presented under IAS 17;

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases before 1 April 2019.

IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for this first-time application of IFRS 16, the Group has carried out an implementation project, which has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Group:

- a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

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

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

The Group has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases applying IAS 17:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics, this portfolio of assets are the two warehouses and head office rental agreements within Momart;
- elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term when the contract contains options to extend or terminate the lease;
- concluded that there is no residual value included in any of the rental leases.

1. Accounting policies (*continued*)

(ii) Former finance leases

For leases that were previously classified as finance leases, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments from 1 April 2019.

(c) *The Group as a lessor*

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

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

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

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

Other than IFRS 16, 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 not yet adopted in the year to 31 March 2020

No 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.

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)

| | General Trading (Falklands) £'000 | Ferry Services (Portsmouth) £'000 | 2020 Art Logistics and Storage (UK) £'000 | Unallocated £'000 | Total £'000 |
|--|--|--|---|----------------------|----------------|
| Revenue | 21,671 | 4,125 | 18,804 | - | 44,600 |
| Segment operating profit before tax & non-trading items | 2,121 | 975 | 1,469 | - | 4,565 |
| Impairment of goodwill | - | (3,979) | (3,500) | - | (7,479) |
| Profit / (loss) before net financing costs | 2,121 | (3,004) | (2,031) | - | (2,914) |
| Finance income | 5 | 4 | 4 | - | 13 |
| Finance expense | (69) | (344) | (456) | - | (869) |
| Net finance expense | (64) | (340) | (452) | - | (856) |
| Segment profit / (loss) before tax | 2,057 | (3,344) | (2,483) | - | (3,770) |
| Assets and liabilities | | | | | |
| Segment assets | 28,492 | 10,983 | 32,462 | 5,796 | 77,733 |
| Segment liabilities | (9,208) | (8,834) | (20,331) | (568) | (38,941) |
| Segment net assets | 19,284 | 2,149 | 12,131 | 5,228 | 38,792 |
| Other segment information | | | | | |
| <i>Capital expenditure:</i> | | | | | |
| Property, plant and equipment | 1,343 | 65 | 1,363 | - | 2,771 |
| Investment properties | 1,351 | - | - | - | 1,351 |
| Computer software | - | - | 27 | - | 27 |
| Total Capital expenditure | 2,694 | 65 | 1,390 | - | 4,149 |
| Capital expenditure: cash | 2,685 | 65 | 638 | - | 3,388 |
| Capital expenditure: non-cash | 9 | - | 752 | - | 761 |
| Total Capital expenditure | 2,694 | 65 | 1,390 | - | 4,149 |
| <i>Depreciation and amortisation:</i> | | | | | |
| Property, plant and equipment | 564 | 459 | 840 | - | 1,863 |
| Investment properties | 132 | - | - | - | 132 |
| Computer software | - | - | 68 | - | 68 |
| Total Depreciation and Amortisation | 696 | 459 | 908 | - | 2,063 |
| Impairment of goodwill | - | 3,979 | 3,500 | - | 7,479 |
| Total Depreciation & impairment | 696 | 4,438 | 4,408 | - | 9,542 |
| Underlying profit before net financing costs | 2,121 | 975 | 1,469 | - | 4,565 |
| Interest income | 5 | 4 | 4 | - | 13 |
| Interest expense | (69) | (344) | (456) | - | (869) |
| Underlying profit before tax | 2,057 | 635 | 1,017 | - | 3,709 |

2. Segmental Information Analysis (continued)

| | General Trading (Falklands) £'000 | Ferry Services (Portsmouth) £'000 | 2019 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 | | | | | |
| <i>Capital expenditure:</i> | | | | | |
| 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 |
| <i>Depreciation and amortisation</i> | | | | | |
| Property, plant and equipment | 395 | 437 | 440 | - | 1,272 |
| Investment properties | 99 | - | - | - | 99 |
| Computer software | - | - | 66 | - | 66 |
| Total Depreciation and Amortisation | 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*)

The £5,796,000 (2019: £1,798,000) unallocated assets above include £5,766,000 (2019: £1,768,000) of cash and £30,000 (2019: £30,000) of prepayments held in FIH group plc.

The £568,000 (2019: £648,000) 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:

| | United Kingdom £'000 | 2020 Falkland Islands £'000 | Total £'000 |
|--|----------------------------|---|----------------|
| Revenue (by source) | 22,929 | 21,671 | 44,600 |
| <i>Assets and Liabilities:</i> | | | |
| Non-current segment assets, excluding deferred tax | 37,826 | 15,456 | 53,282 |
| Capital expenditure: cash | 703 | 2,685 | 3,388 |

| | United Kingdom £'000 | 2019 Falkland Islands £'000 | Total £'000 |
|--|----------------------------|---|----------------|
| Revenue (by source) | 24,974 | 17,554 | 42,528 |
| <i>Assets and Liabilities:</i> | | | |
| Non-current segment assets, excluding deferred tax | 43,110 | 13,490 | 56,600 |
| Capital expenditure: cash | 20,084 | 2,348 | 22,432 |

4. Revenue

2020

| | Sale of goods, recognised immediately on sale £'000 | Rendering of services: recognised immediately £'000 | Rendering of services, provided over a period of time £'000 | Total Revenue £'000 |
|---------------------------|---|---|---|---------------------------|
| Falkland Islands | | | | |
| Retail sales | 10,014 | - | - | 10,014 |
| Automotive sales | 2,187 | 631 | 369 | 3,187 |
| Construction | 3,141 | - | 1,874 | 5,015 |
| Freight & Port Services | - | 745 | - | 745 |
| Support Services | - | 2,010 | 31 | 2,041 |
| Rental property income | - | - | 669 | 669 |
| FIC (Falklands) | 15,342 | 3,386 | 2,943 | 21,671 |
| PHFC (Portsmouth) | - | 4,125 | - | 4,125 |
| Art logistics and storage | - | - | 18,804 | 18,804 |
| Total Revenue | 15,342 | 7,511 | 21,747 | 44,600 |

At 31 March 2020, a contract asset of £73,000 has been included in Trade and other receivables (note 19) in respect of the long-term housing contract with the Falkland Islands Government. There were no associated contract liabilities at this date.

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 |
| FIC (Falklands) | 13,338 | 3,314 | 902 | 17,554 |
| PHFC (Portsmouth) | - | 4,367 | - | 4,367 |
| Art logistics and storage | - | - | 20,607 | 20,607 |
| Total Revenue | 13,338 | 7,681 | 21,509 | 42,528 |

5. Non-trading items

| | 2020 £'000 | 2019 £'000 |
|---|----------------|---------------|
| (Loss) / profit before tax as reported | (3,770) | 3,858 |
| <i>Non-trading items:</i> | | |
| Impairment of goodwill | 7,479 | - |
| Underlying profit before tax | 3,709 | 3,858 |

Tax on non-trading items

There has not been any tax impact from the impairment of goodwill. There were no non-trading items in the prior year.

6. Expenses and auditor's remuneration

| The following expenses have been included in the profit and loss | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Direct operating expenses of rental properties | 380 | 316 | - | - |
| Depreciation | 1,995 | 1,371 | 204 | 60 |
| Amortisation of computer software | 68 | 66 | - | - |
| Foreign currency (gain) / loss | (5) | 69 | - | - |
| Impairment of goodwill | 7,479 | - | - | - |
| Impairment loss on trade and other receivables | 31 | 17 | - | - |
| Cost of inventories recognised as an expense | 12,608 | 8,735 | - | - |
| Operating lease payments | - | 895 | - | - |

| Auditor's remuneration | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Audit of these financial statements | 40 | 39 |
| Audit of subsidiaries' financial statements pursuant to legislation | 110 | 86 |
| Tax advisory services | - | 2 |
| Other assurance services | - | 10 |
| Total auditor's remuneration | 150 | 137 |

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 | |
|------------------------------------|------------------------------|------------|--------------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| PHFC | 35 | 37 | - | - |
| Falkland Islands: in Stanley | 180 | 158 | - | - |
| in UK | 7 | 5 | - | - |
| Art logistics & storage | 140 | 140 | - | - |
| Head office | 6 | 6 | 6 | 6 |
| Total average staff numbers | 368 | 346 | 6 | 6 |

The aggregate payroll cost of these persons was as follows:

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Wages and salaries | 12,771 | 12,002 | 571 | 582 |
| Share-based payments (see note 24) | 97 | 69 | 48 | 46 |
| Social security costs | 939 | 966 | 76 | 85 |
| Contributions to defined contribution plans (see note 23) | 527 | 436 | 19 | 19 |
| Total employment costs | 14,334 | 13,473 | 714 | 732 |

Details of audited directors' remuneration are provided in the Directors' Report, which forms part of these audited financial statements, under the heading 'Details of Directors' Remuneration and Emoluments'.

8. Finance income and expense

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Bank interest receivable | 13 | 36 |
| Total financial income | 13 | 36 |
| | | |
| | 2020 £'000 | 2019 £'000 |
| Interest payable on bank loans | (464) | (248) |
| Net interest cost on the FIC defined benefit pension scheme liability | (65) | (72) |
| Lease liabilities finance charge | (340) | (235) |
| Total finance expense | (869) | (555) |

9. Taxation

Recognised in the income statement

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| <i>Current tax expense</i> | | |
| Current year | 480 | 635 |
| Adjustments for prior years | 13 | (22) |
| Current tax expense | 493 | 613 |
| <i>Deferred tax expense</i> | | |
| Origination and reversal of temporary differences | 376 | 183 |
| Change in UK tax rate to 19% | 144 | - |
| Adjustments for prior years | (55) | 31 |
| Deferred tax expense (see note 17) | 465 | 214 |
| Total tax expense | 958 | 827 |

Reconciliation of the effective tax rate

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| (Loss) / Profit on ordinary activities before tax | (3,770) | 3,858 |
| Tax using the UK corporation tax rate of 19% (2019: 19%) | (716) | 733 |
| Expenses not deductible for tax purposes | 85 | 14 |
| Impairment of goodwill not deductible for tax purposes | 1,421 | - |
| Effect of increase in rate of deferred tax | 199 | 6 |
| Effect of higher tax rate overseas | 11 | 65 |
| Adjustments to tax charge in respect of previous periods | (42) | 9 |
| Total tax expense | 958 | 827 |

Tax recognised directly in equity and other comprehensive income

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Deferred tax on effective portion of changes in fair value | 102 | - |
| Movement on deferred tax asset relating to the pension scheme | (35) | (9) |
| Deferred tax expense recognised directly in other comprehensive income | 67 | (9) |
| Deferred tax on IFRS 16 transitional adjustment | 34 | - |
| Deferred tax expense recognised directly in equity | 101 | (9) |

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 March 2020 has been calculated at 19% (2019: 17%).

The deferred tax assets and liabilities in FIC have been calculated at the Falklands Islands' 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.

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| (Loss) / Profit on ordinary activities after taxation | (4,728) | 3,031 |

| | 2020 Number | 2019 Number |
|--|-------------------|-------------------|
| Weighted average number of shares in issue | 12,504,000 | 12,451,125 |
| Less: shares held under the ESOP | (1,633) | (9,964) |
| Average number of shares in issue excluding the ESOP | 12,502,367 | 12,441,161 |
| Maximum dilution with regards to share options | 181,663 | 119,277 |
| Diluted weighted average number of shares | 12,684,030 | 12,560,438 |

| | 2020 | 2019 |
|----------------------------|--------|-------|
| Basic earnings per share | -37.8p | 24.4p |
| Diluted earnings per share | -37.8p | 24.1p |

The diluted earnings per share for the year ended 31 March 2020 are the same as the basic earnings, as IAS 33 states that potential shares shall only be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

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.

| | | |
|--|---------------|---------------|
| <i>Earnings per share on underlying profit</i> | 2020 £'000 | 2019 £'000 |
| Underlying profit before tax (see note 5) | 3,709 | 3,858 |
| Underlying taxation | (958) | (827) |
| Underlying profit after tax | 2,751 | 3,031 |
| <i>Effective tax rate</i> | 25.8% | 21.4% |
| Weighted average number of shares in issue excluding the ESOP (from above) | 12,502,367 | 12,441,161 |
| Diluted weighted average number of shares (from above) | 12,684,030 | 12,560,438 |
| Basic earnings per share on underlying profit | 22.0p | 24.4p |
| Diluted earnings per share on underlying profit | 21.7p | 24.1p |

11. Intangible assets

| | Computer Software £'000 | Brand name £'000 | Goodwill £'000 | Total £'000 |
|----------------------------------|-------------------------------|------------------------|-------------------|----------------|
| Cost: | | | | |
| At 1 Apr 2018 and 31 March 2019 | 537 | 2,823 | 11,576 | 14,936 |
| Additions | 27 | - | - | 27 |
| At 31 March 2020 | 564 | 2,823 | 11,576 | 14,963 |
| Accumulated amortisation: | | | | |
| At 1 Apr 2018 | 336 | 785 | 1,983 | 3,104 |
| Amortisation | 66 | - | - | 66 |
| At 31 March 2019 | 402 | 785 | 1,983 | 3,170 |
| Amortisation | 68 | - | - | 68 |
| Impairment | - | - | 7,479 | 7,479 |
| At 31 March 2020 | 470 | 785 | 9,462 | 10,717 |
| Net book value: | | | | |
| At 1 April 2018 | 201 | 2,038 | 9,593 | 11,832 |
| At 31 March 2019 | 135 | 2,038 | 9,593 | 11,766 |
| At 31 March 2020 | 94 | 2,038 | 2,114 | 4,246 |

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.

During the year ended 31 March 2020, following the review for impairment, the goodwill of PHFC has been deemed to be fully impaired as passenger numbers have fallen significantly due to COVID-19 and working practices, and therefore commuter transport services, are likely to be affected beyond the short term. The Art logistics and storage business has also impaired its goodwill by £3.5 million as revenue has fallen significantly due to COVID-19 and art logistics services are likely to be affected beyond the short term.

Goodwill

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

| | Art Logistics and Storage £'000 | Ferry Services £'000 | Falkland Islands £'000 | Total £'000 |
|---|---|----------------------------|------------------------------|----------------|
| Goodwill at 1 April 2018 and 1 April 2019 | 5,577 | 3,979 | 37 | 9,593 |
| Goodwill at 31 March 2020 | 2,077 | - | 37 | 2,114 |

11. Intangible assets (continued)

Recoverable amounts

A segment level summary of the recoverable amounts for the Art Logistics and Storage, and Ferry Services cash-generating unit is shown below:

| | Art Logistics and Storage £'000 | Ferry Services £'000 |
|--------------------------------------|---|----------------------------|
| Recoverable amounts at 31 March 2019 | 34,414 | 24,206 |
| Recoverable amounts at 31 March 2020 | 25,361 | 9,764 |

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. Goodwill is impaired when the recoverable amount is less than the carrying value. During the year the goodwill and indefinite life intangibles for each CGU was separately assessed and tested for impairment, and the goodwill allocated to the Ferry Services CGU was deemed to be fully impaired, and that related to the Art Logistics and Storage CGU was deemed to be impaired by £3.5 million. There were no impairment charges in the year ended 31 March 2019. As part of testing goodwill and indefinite life intangibles for impairment, forecast operating cash flows for the next five years ended 31 March 2021-2025 and then to perpetuity have been used to assess the value-in-use of Momart and a forty year model has been used to assess the value-in-use of PHFC. 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. A forty-year model has been considered to be appropriate for PHFC, as this is the expected remaining useful economic life of the boats currently in operation. Detailed forecasts have been prepared for five years, with high level assumptions applied after the fifth year.

These forecasts show heavy initial impacts of COVID-19 in year 1 followed by a gradual recovery over the following years and are discussed in more detail in the assumption sections for each CGU.

A number of key assumptions are used for 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 12.9% (2019: 9.8%), and the cash flows of the Ferry Services CGU have been discounted using a pre-tax discount rate of 8.5% (2019: 8.5%). Management have determined that each rate is appropriate as the risk adjustment applied within the discount rate reflects the risks 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% (2019: 2%) have been used for the Art Logistics and Storage CGU as part of the impairment testing model. For the Ferry Services CGU, long term growth rates assume no growth.

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.

11. Intangible assets (*continued*)

Assumptions specific to Ferry Services CGU

As a result of the expected impact on commuter services arising from the current COVID-19 pandemic, in the medium to long term, management have forecast a slight decrease in cash flows year on year, in line with expected declines in passenger numbers. The carrying value was determined to exceed the value-in-use and an impairment of £3,979,000 to fully write down the goodwill held on this CGU has been recognised (2019: £nil). The key assumptions made in the estimation of future cash flows are the passenger numbers and the average revenue per passenger. The pandemic initially resulted in falls in passenger traffic of 90% in late March 2020, which has remained low throughout the three-month lock down period. A slow recovery is expected in the medium term as children return to school and non-essential retail shops re-open, but the impact of COVID-19 is likely to continue in the long-term, with increased numbers of employees working from home, reducing the number of commuters using the ferry which is the most significant factor affecting future cash flows.

While the directors believe in the assumptions used in this impairment test, there remains some uncertainty around the timescale of recovery from the current COVID-19 pandemic, and accordingly a scenario was performed which assessed a 10% reduction in business cashflows in years 3 to 5 and there is a clear risk that the impact of COVID-19 may continue in the medium to long-term, with higher than expected numbers of employees working from home, reducing the number of commuters using the ferry, and should this materialise, a further impairment of £1.0 million would be required. An additional scenario was performed which increased the pre-tax discount rate by 1.0% and should this materialise, a further impairment of £0.9 million would be required.

At PHFC, the key assumptions made in the estimation of future cash flows are: passenger numbers and the average fare yield per passenger.

Assumptions specific to Arts Logistics and Storage CGU

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 was determined exceed its value-in-use and an impairment of £3,500,000 to write down the goodwill held on this CGU has been recognised (2019: £nil). The key assumptions made in the estimation of future cashflows are in relation to Momart's future revenue, and the extent to which the company's income will recover from the effects of the pandemic.

While the directors believe in the assumptions used in this impairment test, there remains some uncertainty around the timescale of recovery from the current COVID-19 pandemic, and accordingly a scenario was performed which assessed a 10% reduction in profits in years 3 to 5 as it is possible that an even more cautious view of Momart's long-term prospects could be impacted into the medium-term by higher than anticipated cuts in government spending, resulting in significantly less frequent, less complex exhibitions. Should this materialise, a further impairment of £1.8 million would be required, An additional scenario was performed which increased the pre-tax discount rate by 0.5% and should this materialise, a further impairment of £1.9 million would be required.

12. Property, plant and equipment

| | Group | | | | | |
|--------------------------------------|------------------------------------|--|---|----------------|--|----------------|
| | Right to use assets £'000 | Freehold Land & buildings £'000 | Long leasehold Land and buildings £'000 | Ships £'000 | Vehicles, plant and equipment £'000 | Total £'000 |
| Cost: | | | | | | |
| At 1 April 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 |
| IFRS 16 transition | 3,537 | - | - | - | - | 3,537 |
| Additions in year | 1,217 | 124 | 81 | 18 | 1,331 | 2,771 |
| Transfer to stock | - | - | - | - | (196) | (196) |
| Reclassification of leased assets | 5,661 | - | (5,089) | - | (572) | - |
| Disposals | - | - | (112) | - | (106) | (218) |
| At 31 March 2020 | 10,415 | 27,698 | 2,711 | 6,877 | 10,111 | 57,812 |
| Accumulated depreciation: | | | | | | |
| At 1 April 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 |
| IFRS 16 transition | 1,230 | - | - | - | - | 1,230 |
| Charge for the year | 527 | 506 | 71 | 244 | 515 | 1,863 |
| Transfer to stock | - | - | - | - | (107) | (107) |
| Reclassification of leased assets | 1,075 | - | (906) | - | (169) | - |
| Disposals | - | - | (51) | - | (89) | (140) |
| At 31 March 2020 | 2,832 | 3,332 | 817 | 2,548 | 6,571 | 16,100 |
| Net book value: | | | | | | |
| At 1 April 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 2020 | 7,583 | 24,366 | 1,894 | 4,329 | 3,540 | 41,712 |

12. Property, plant and equipment (*continued*)

Right to use assets

| | Group | | | | |
|--|--------------------------------------|--|---------------------------|------------------------------|----------------|
| | Short leasehold lease £'000 | Long leasehold Pontoon lease £'000 | Momart Trucks £'000 | Office Equipment £'000 | Total £'000 |
| Cost: | | | | | |
| At 31 March 2019 | - | - | - | - | - |
| IFRS 16 transition | 2,384 | 1,144 | - | 9 | 3,537 |
| Additions in year | 752 | - | 456 | 9 | 1,217 |
| Reclassification from property, plant and equipment | - | 5,089 | 572 | - | 5,661 |
| At 31 March 2020 | 3,136 | 6,233 | 1,028 | 18 | 10,415 |
| At 31 March 2019 | - | - | - | - | - |
| IFRS 16 transition | 1,067 | 161 | - | 2 | 1,230 |
| Charge for the year | 299 | 124 | 100 | 4 | 527 |
| Reclassification from property, plant and equipment | - | 906 | 169 | - | 1,075 |
| At 31 March 2020 | 1,366 | 1,191 | 269 | 6 | 2,832 |
| Net book value: | | | | | |
| At 31 March 2019 | - | - | - | - | - |
| At 31 March 2020 | 1,770 | 5,042 | 759 | 12 | 7,583 |

During the year to 31 March 2020, Momart acquired three trucks financed by a three hire purchase loans totalling £534,000, and renewed a Momart warehouse lease for £752,000.

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.

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

| | Residential and commercial property £'000 | Group Freehold land £'000 | Total £'000 |
|---------------------------|--|---------------------------------|----------------|
| Cost: | | | |
| At 1 April 2018 | 4,052 | 761 | 4,813 |
| Additions in year | 1,293 | - | 1,293 |
| At 31 March 2019 | 5,345 | 761 | 6,106 |
| Additions in year | 1,330 | 21 | 1,351 |
| At 31 March 2020 | 6,675 | 782 | 7,457 |
| Accumulated depreciation: | | | |
| At 1 April 2018 | 768 | - | 768 |
| Charge for the year | 99 | - | 99 |
| At 31 March 2019 | 867 | - | 867 |
| Charge for the year | 132 | - | 132 |
| At 31 March 2020 | 999 | - | 999 |
| Net book value: | | | |
| At 1 April 2018 | 3,284 | 761 | 4,045 |
| At 31 March 2019 | 4,478 | 761 | 5,239 |
| At 31 March 2020 | 5,676 | 782 | 6,458 |

The investment properties comprise residential and commercial property held for rental in the Falkland Islands. Investment properties include 65 properties held for rental and 400 acres of land, including 70 acres in Stanley, 58 acres of which have planning permission. In addition, the 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 £0.78 million (2019: £0.76 million).

Estimated Fair Value

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

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

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

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

Rental income.

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

13. Investment properties (continued)

| | Group 2020 £'000 | 2019 £'000 |
|-----------------------------------|------------------------|---------------|
| Estimated fair value: | | |
| Freehold land | 2,128 | 2,229 |
| Properties available for rent | 7,251 | 5,788 |
| Properties under construction | 624 | 718 |
| At 31 March | 10,003 | 8,735 |
| Uplift on net book value: | | |
| Freehold land | 1,346 | 1,447 |
| Properties available for rent | 2,199 | 2,028 |
| Properties under construction | - | - |
| At 31 March | 3,545 | 3,475 |
| Number of rental properties | | |
| Available for rent | 65 | 54 |
| Under construction | 10 | 10 |
| Undeveloped freehold land (acres) | 700 | 700 |

Assets under construction

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

| Company | Commercial property £'000 |
|---|---------------------------------|
| Cost: | |
| At 1 April 2018 | - |
| Additions in year | 19,642 |
| At 31 March 2019 and 31 March 2020 | 19,642 |
| Accumulated depreciation: | |
| At 1 April 2018 | - |
| Charge for the year | 60 |
| At 31 March 2019 | 60 |
| Charge for the year | 209 |
| At 31 March 2020 | 269 |
| Net book value: | |
| At 1 April 2018 | - |
| At 31 March 2019 | 19,582 |
| At 31 March 2020 | 19,373 |

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. In the year ending 31 March 2019, the buildings were depreciated from the 20 December 2018 date of purchase.

The directors have reviewed the market value of the Leyton warehouses and are satisfied that there is no indication of impairment.

14. Investment in subsidiaries

| | Country of incorporation | Class of shares held | Ownership at 31 March 2020 | Ownership at 31 March 2019 |
|--|-----------------------------|--|-------------------------------------|-------------------------------------|
| The Falkland Islands Company Limited ⁽¹⁾ | UK | Ordinary shares of £1 Preference shares of £10 | 100% 100% | 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 Preference shares of £1 | 100% 100% | 100% 100% |
| South Atlantic Support Services Limited ^{(3) (6)} ⁽⁷⁾ | 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.

14. Investment in subsidiaries (continued)

| | Company 2020 £'000 | 2019 £'000 |
|---|--------------------------|---------------|
| At 1 April 2019 | 27,653 | 27,630 |
| Impairment | (3,713) | - |
| Share based payments charge capitalised into subsidiaries | 49 | 23 |
| At 31 March 2020 | 23,989 | 27,653 |

During the year ended 31 March 2020, the Company's investment in the Art Logistics business, Momart, was impaired by £3,713,000 due to lower future expected levels of profitability following the COVID-19 pandemic, as the expected widespread recession and market dislocation are likely to further dilute demand from ultra-high-net-worth collectors and commercial buyers for some time. In the public sector, museum budgets are likely to be squeezed by anticipated cuts in government spending and visitor numbers are likely to be restricted by the need for social distancing. Further detail has been provided in note 11 with regards to the sensitivities of the assumptions.

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 FIC contributed £50,000 of ordinary share capital. SAtCO is registered and operates in the Falkland Islands. The net assets of SAtCO are shown below:

| | | |
|---------------------------------------|---------------|---------------|
| <i>Joint Venture's balance sheet</i> | 2020 £'000 | 2019 £'000 |
| Current assets | 519 | 519 |
| Liabilities due in less than one year | (1) | (1) |
| Net assets of SAtCO | 518 | 518 |
| Group share of net assets | 259 | 259 |

There were no recognised gains or losses for the years ended 31 March 2020 (2019: none).

The current assets balances above include £17,000 of cash (2019: £66,000), £4,000 of other debtors (2019: £4,000) and £498,000 (2019: £449,000) of loans due from SAtCO's parent companies.

SAtCO had no contingent liabilities or capital commitments as at 31 March 2020 or 31 March 2019 and the Group had no contingent liabilities or commitments in respect of its joint venture at 31 March 2020 or 31 March 2019.

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

16. Leases receivable

As lessor, FIC has sold assets to customers as hire purchase leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable, net of allowances for expected bad debt losses.

The difference between the gross receivable and the present value of future lease payments, is recognised as unearned lease income. Lease income is recognised in interest income over the term of the lease using the sum of digits method so as to give a constant rate of return on the net investment in the leases. Lease receivables are reviewed regularly to identify any impairment.

Lease receivables arise on the sale of vehicles and customer goods, such as furniture and electrical items, by FIC. No contingent rents have been recognised as income in the period. No residual values accrue to the benefit of the lessor.

| | | Group | |
|----------------------------|--|--------------|--------------|
| | | 2020 | 2019 |
| | | £'000 | £'000 |
| Non-Current: | Lease debtors due after more than one year | 519 | 584 |
| Current: | Lease debtors due within one year | 596 | 659 |
| Total lease debtors | | 1,115 | 1,243 |

The difference between the gross investment in the hire purchase leases and the present value of future lease payments due represents unearned lease income of £176,000 (2019: £211,000). The cost of assets acquired for the purpose of renting out under hire purchase agreements by the Group during the year amounted to £786,000 (2019: £883,000).

The total cash received during the year in respect of hire purchase agreements was £1,115,000 (2019: £1,116,000).

| | | Group | |
|--|--|--------------|--------------|
| | | 2020 | 2019 |
| | | £'000 | £'000 |
| Gross investment in hire purchase leases | | 1,318 | 1,484 |
| Unearned lease income | | (176) | (211) |
| Bad debt provision against hire purchase leases | | (27) | (30) |
| Present value of future lease receipts | | 1,115 | 1,243 |
| <i>Present value of future lease payments due:</i> | | | |
| Within one year | | 596 | 659 |
| Within two to five years | | 519 | 584 |
| Present value of future lease receipts | | 1,115 | 1,243 |

17. Deferred tax assets and liabilities

| <i>Recognised deferred tax assets and (liabilities)</i> | | Group | |
|---|--|----------------|----------------|
| | | 2020 | 2019 |
| | | £'000 | £'000 |
| Property, plant & equipment | | (2,713) | (2,396) |
| Intangible assets | | (387) | (346) |
| Inventories (unrealised intragroup profits) | | 32 | 43 |
| Other financial liabilities | | 48 | 26 |
| Derivative financial liabilities | | 102 | - |
| Share-based payments | | 41 | 26 |
| Tax losses | | 28 | 118 |
| Total net deferred tax liabilities | | (2,849) | (2,529) |
| Deferred tax asset arising on the defined benefit pension liabilities | | 677 | 721 |
| Net tax liabilities | | (2,172) | (1,808) |

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 2020 £'000 | 2019 £'000 |
|-----------------------------|--------------------------|---------------|
| Other temporary differences | 121 | 4 |
| Net tax asset | 121 | 4 |

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

| | 1 April 2019 £'000 | Group Recognised in income £'000 | Recognised in equity £'000 | 31 March 2020 £'000 |
|---|-----------------------|---|----------------------------------|---------------------------|
| Property, plant & equipment | (2,396) | (351) | 34 | (2,713) |
| Intangible assets | (346) | (41) | - | (387) |
| Inventories (unrealised intragroup profits) | 43 | (11) | - | 32 |
| Other financial liabilities | 26 | 22 | - | 48 |
| Derivative financial liabilities | - | - | 102 | 102 |
| Share-based payments | 26 | 15 | - | 41 |
| Tax losses | 118 | (90) | - | 28 |
| Pension | 721 | (9) | (35) | 677 |
| Deferred tax movements | (1,808) | (465) | 101 | (2,172) |

The £34,000 recognised in equity for Property, plant & equipment relates to the transition to IFRS 16 and therefore is shown net of the £187,000 gross movement in the Statement of Changes to Shareholders' equity.

Unrecognised deferred tax assets

Deferred tax assets of £113,000 (2019: £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:

| | 1 April 2019 £'000 | Company Recognised in income £'000 | Recognised in equity £'000 | 31 March 2020 £'000 |
|-------------------------------------|-----------------------|---|----------------------------------|---------------------------|
| Other temporary difference | 4 | 15 | 102 | 121 |
| Deferred tax asset movements | 4 | 15 | 102 | 121 |

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

| | 1 April 2018 £'000 | Group Recognised in income £'000 | Recognised in equity £'000 | 31 March 2019 £'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) |

17. Deferred tax assets and liabilities (continued)

Movement in deferred tax asset in the prior year:

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

18. Inventories

| | Group 2020 £'000 | 2019 £'000 |
|--------------------------|------------------------|---------------|
| Work in progress | 697 | 1,253 |
| Goods in transit | 1,228 | 692 |
| Goods for resale | 3,449 | 3,811 |
| Total Inventories | 5,374 | 5,756 |

Goods in transit are retail goods in transit to the Falkland Islands. During the year £307,000 (2019: £249,000) of stock write downs was included in the cost of inventories as disclosed in note 6.

The Company has no inventories.

19. Trade and other receivables

| | Group 2020 £'000 | 2019 £'000 | Company 2020 £'000 | 2019 £'000 |
|--|------------------------|---------------|--------------------------|---------------|
| <i>Non-Current</i> | | | | |
| Rental deposits | 88 | 88 | - | - |
| Amount owed by subsidiary undertakings | - | - | 10,207 | 8,717 |
| Total trade and other receivables | 88 | 88 | 10,207 | 8,717 |

| | Group 2020 £'000 | 2019 £'000 | Company 2020 £'000 | 2019 £'000 |
|---|------------------------|---------------|--------------------------|---------------|
| <i>Current</i> | | | | |
| Trade and other receivables | 6,284 | 6,310 | 3 | - |
| Contract asset, long term housing project | 73 | - | - | - |
| Prepayments | 1,123 | 918 | 27 | 30 |
| Accrued income | 1,216 | 533 | - | - |
| Total trade and other receivables | 8,696 | 7,761 | 30 | 30 |

20. Cash and cash equivalents

| | Group | | Company | |
|--|--------------|-------|--------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Cash and other cash equivalents in the balance sheet | 9,108 | 6,184 | 5,766 | 1,768 |

| | Group | | Company | |
|---|-----------------|----------|-----------------|----------|
| Year ended 31 March | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Net increase / (decrease) in cash and cash equivalents | 2,870 | (10,834) | 3,998 | (10,838) |
| Exchange gains | 54 | - | - | - |
| Net increase / (decrease) in cash and cash equivalents after exchange gains | 2,924 | (10,834) | 3,998 | (10,838) |
| Bank loan draw downs | (13,875) | (10,000) | (13,875) | (10,000) |
| Bank loan repayments | 10,955 | 514 | 10,425 | - |
| 1 April 2019: lease liabilities on IFRS16 application | (2,494) | - | - | - |
| Lease liabilities drawdown: non-cash | (761) | - | - | - |
| Lease liabilities drawdown: cash | (534) | (172) | - | - |
| Lease liabilities repayments | 395 | 131 | - | - |
| Increase in interest bearing loans and borrowings | (6,314) | (9,527) | (3,450) | (10,000) |
| Net (decrease) / increase in debt | (3,390) | (20,361) | 548 | (20,838) |
| Net debt brought forward | (11,609) | 8,752 | (8,232) | 12,606 |
| Net debt at 31 March | (14,999) | (11,609) | (7,684) | (8,232) |

Net debt

| | Group | | Company | |
|---|-----------------|-----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Cash balances | 9,108 | 6,184 | 5,766 | 1,768 |
| less: Total interest-bearing loans and borrowings | (24,107) | (17,793) | (13,450) | (10,000) |
| Net debt | (14,999) | (11,609) | (7,684) | (8,232) |

The bank loan and lease liability 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 £478,000 is £14,000 more than the bank interest expense of £464,000 due to an accrual of £14,000 at 31 March 2019, which was paid in the year ended 31 March 2020.

21. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the 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's and the Company's exposure to interest rate and foreign currency risk, see note 26.

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| <i>Non-current liabilities</i> | | | | |
| Secured bank loans | 15,127 | 2,284 | 13,207 | - |
| Lease liabilities | 7,815 | 4,864 | - | - |
| Total non-current interest-bearing loans and lease liabilities | 22,942 | 7,148 | 13,207 | - |
| <i>Current liabilities</i> | | | | |
| Secured bank loans | 607 | 10,530 | 243 | 10,000 |
| Lease liabilities | 558 | 115 | - | - |
| Total current interest-bearing loans and lease liabilities | 1,165 | 10,645 | 243 | 10,000 |
| <i>Total liabilities</i> | | | | |
| Secured bank loans | 15,734 | 12,814 | 13,450 | 10,000 |
| Lease liabilities | 8,373 | 4,979 | - | - |
| Total interest-bearing loans and lease liabilities | 24,107 | 17,793 | 13,450 | 10,000 |

Lease liabilities

| | Future minimum lease payments | | Interest | | Present value of minimum lease payments | |
|----------------------------|-------------------------------|---------------|--------------|--------------|---|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Less than one year | 902 | 347 | 344 | 232 | 558 | 115 |
| Between one and two years | 871 | 336 | 329 | 226 | 542 | 110 |
| Between two and five years | 2,057 | 882 | 854 | 660 | 1,203 | 222 |
| More than five years | 12,246 | 9,685 | 6,176 | 5,153 | 6,070 | 4,532 |
| Total | 16,076 | 11,250 | 7,703 | 6,271 | 8,373 | 4,979 |

The Group adopted IFRS 16: Leases from 1 April 2019. IFRS 16 replaces IAS 17 Leases and there is no longer a distinction between the accounting for finance and operating leases. The liabilities shown above at 31 March 2020 now include the liabilities for rental lease payments committed for the head offices of Momart and Bishops Stortford, two third party warehouse leases at Momart and for the ground rent of the Gosport pontoon, with a rental agreement running for a remaining 41 years until June 2061.

The Group elected to apply the standard retrospectively with the cumulative effect of initial application being recognised at 1 April 2019, and comparatives have therefore not been restated. In the year ended 31 March 2019, these lease commitments were shown as operating leases, and no liability was recognised at the year end.

22. Trade and other payables

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| <i>Current</i> | | | | |
| Trade payables | 4,304 | 4,646 | - | - |
| Amounts owed to subsidiary undertakings | - | - | 6,310 | 5,030 |
| Loan from joint venture | 249 | 200 | - | - |
| Other creditors, including taxation and social security | 1,364 | 2,162 | 184 | 168 |
| Accruals | 2,544 | 2,567 | 525 | 518 |
| Deferred income | 150 | 30 | - | - |
| Total trade and other payables | 8,611 | 9,605 | 7,019 | 5,716 |

23. Employee benefits: pension plans

The Group operates defined contribution schemes at PHFC and Momart and current FIC employees are enrolled in the FIPS, "Falkland Islands Pension Scheme". The assets of all these schemes are held separately from those of the Group in independently administered funds. The Group also has one unfunded defined benefit pension scheme in the Falkland Islands.

Defined contribution schemes

The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £527,000 (2019: £436,000). The Group anticipates paying contributions amounting to £513,000 during the year ending 31 March 2021. There were outstanding contributions of £34,000 (2019: £31,000) due to pension schemes at 31 March 2020.

The Falkland Islands Company Limited Scheme

FIC 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 2021 are £102,000. During the year ended 31 March 2020, 11 pensioners (2019: 13) received benefits from this scheme, and there are three deferred members at 31 March 2020 (2019: 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 15 years (2019: 16 years).

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

| | 2020 | 2019 |
|---|------|------|
| Rate of increase in pensions in payment and deferred pensions | 2.2% | 2.5% |
| Discount rate applied to scheme liabilities | 2.5% | 2.4% |
| Inflation assumption | 2.8% | 3.5% |
| Average longevity at age 65 for male current and deferred pensioners (years) at accounting date | 21.7 | 22.2 |
| Average longevity at age 65 for male current and deferred pensioners (years) 20 years after accounting date | 23.6 | 23.9 |

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 2020 would have increased / (decreased) as a result of a change in the respective assumptions by 0.1%

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

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:

| | 2016 | 2017 | Value at 2018 | 2019 | 2020 |
|-------------------------------------|----------------|----------------|------------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present value of scheme liabilities | (2,644) | (2,985) | (2,839) | (2,772) | (2,604) |
| Related deferred tax assets | 687 | 776 | 738 | 721 | 677 |
| Net pension liability | (1,957) | (2,209) | (2,101) | (2,051) | (1,927) |

| <i>Movement in deficit during the year:</i> | 2020 | 2019 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Deficit in scheme at beginning of the year | (2,772) | (2,839) |
| Pensions paid | 97 | 103 |
| Other finance cost | (65) | (72) |
| Re-measurement of the defined benefit pension liability | 136 | 36 |
| Deficit in scheme at the end of the year | (2,604) | (2,772) |

| <i>Analysis of amounts included in other finance costs:</i> | 2020 | 2019 |
|---|-----------|-----------|
| | £'000 | £'000 |
| Interest on pension scheme liabilities | 65 | 72 |

23. Employee benefits: pension plans (continued)

| <i>Analysis of amounts recognised in statement of comprehensive income:</i> | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Experience gains arising on scheme liabilities | (23) | 100 |
| Changes in assumptions underlying the present value of scheme liabilities | 159 | (64) |
| Re-measurement of the defined benefit pension liability | 136 | 36 |

24. Employee benefits: share based payments

The total number of options outstanding at 31 March 2020 is 357,000 including (i) 25,352 nil cost options (2019: 29,751), (ii) 234,734 options (2019: 104,689) granted under the Long Term Incentive Plan and (iii) 96,914 (2019: 163,254) Share options granted with an exercise price equal to the market price on the date of grant.

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

| Date of Issue | Number | Share price at grant date pence | Fair value per share pence | Total fair value £ | Earliest Exercise Date | Latest Exercise date |
|---------------|---------------|------------------------------------|-------------------------------|-----------------------|------------------------|----------------------|
| 16 Jun 17 | 3,217 | 285.0 | 268.5 | 8,638 | 16 Jun 20 | 16 Jun 21 |
| 15 Jun 18 | 5,681 | 352.0 | 343.0 | 19,486 | 15 Jun 20 | 15 Jun 22 |
| 15 Jun 18 | 5,682 | 352.0 | 338.5 | 19,234 | 15 Jun 21 | 15 Jun 22 |
| 17 Jun 19 | 3,590 | 316.0 | 311.0 | 11,165 | 17 Jun 20 | 17 Jun 23 |
| 17 Jun 19 | 3,591 | 316.0 | 306.0 | 10,988 | 17 Jun 21 | 17 Jun 23 |
| 17 Jun 19 | 3,591 | 316.0 | 301.0 | 10,809 | 17 Jun 22 | 17 Jun 23 |
| Total | 25,352 | | | 80,320 | | |

| Reconciliation of nil cost options: | Number of options 2020 | Number of options 2019 |
|--|---------------------------|---------------------------|
| Outstanding at the beginning of the year | 29,751 | 29,741 |
| Options exercised during the year | (15,171) | (17,035) |
| Options granted during the year | 10,772 | 17,045 |
| Outstanding at the year end | 25,352 | 29,751 |
| Vested options exercisable at the year end | - | - |
| Weighted average life of outstanding options (years) | 2.5 | 2.6 |

24. Employee benefits: share based payments (continued)

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

135,535 Long term Incentive Plan grants were issued on 4 July 2019 at an exercise price of ten pence to local directors and executives, and expire in five years on 4 July 2024. There are various performance conditions attached to these grants. None of these grants are exercisable at 31 March 2020.

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, which expire in five years on 19 March 2023. There are various performance conditions attached to these grants. During the year 5,490 of these options were forfeited and 99,199 options remain outstanding at 31 March 2020. None of these options are exercisable at 31 March 2020.

| 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 |
|---------------|----------------|----------------------|---------------------------------|----------------------------|--------------------|------------------------|----------------------|
| 18 Mar 18 | 99,199 | 10.0 | 305.0 | 70.7 | 70,134 | 18 Mar 21 | 17 Mar 22 |
| 4 Jul 19 | 135,535 | 10.0 | 314.0 | 96.8 | 131,198 | 4 Jul 22 | 3 Jul 23 |
| Total | 234,734 | | | | 201,332 | | |

| | | |
|--|------------------------|------------------------|
| Reconciliation of LTIPs: | Number of options 2020 | Number of options 2019 |
| Outstanding at the beginning of the year | 104,689 | 104,689 |
| Options granted during the year | 135,535 | - |
| Options forfeited during the year | (5,490) | - |
| Outstanding at the year end | 234,734 | 104,689 |
| Vested options exercisable at the year end | - | - |
| Weighted average life of outstanding options (years) | 3.7 | 3.0 |

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 |
|---------------|---------------|----------------------|---------------------------------|----------------------------|--------------------|------------------------|----------------------|
| 21 Dec 10 | 7,742 | 342.5 | 337.5 | 124.0 | 9,600 | 21 Dec 13 | 20 Dec 20 |
| 16 Dec 11 | 71,018 | 267.5 | 261.5 | 68.0 | 48,292 | 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 | 96,914 | | | | 74,196 | | |

The range of exercise prices of outstanding options at 31 March 2020 is from £2.675 (2019: £2.675) to £3.535 (2019: £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 (£) 2020 | Number of options 2020 | Weighted average exercise price (£) 2019 | Number of options 2019 |
|--|--|------------------------|--|------------------------|
| Outstanding at the beginning of the year | 2.94 | 163,254 | 2.74 | 236,490 |
| Options exercised during the year | 2.90 | (44,550) | 2.22 | (67,719) |
| Forfeited during the year | 2.84 | (10,790) | 2.68 | (2,000) |
| Lapsed during the year | 3.90 | (11,000) | 3.65 | (3,517) |
| Outstanding at the year end | 2.85 | 96,914 | 2.94 | 163,254 |
| Vested options exercisable at the year end | 2.85 | 96,914 | 2.94 | 163,254 |
| Weighted average life of outstanding options (years) | 2.2 | | 2.2 | |

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.

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 2020, 15,171 nil cost options were exercised over ordinary shares and 44,550 other share options were exercised by the Chief Executive (2019: 17,035 nil cost options were exercised by the Chief Executive and 67,719 other share options were exercised by employees around the Group).

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Total share-based payment expense recognised in the year | 97 | 69 |

25. Capital and reserves

| Share capital | Ordinary Shares | |
|---|-------------------|-------------------|
| | 2020 | 2019 |
| In issue at the start of the year | 12,502,137 | 12,434,418 |
| Share capital issued during the year | 2,382 | 67,719 |
| In issue at the end of the year | 12,504,519 | 12,502,137 |
| | 2020 | 2019 |
| | £'000 | £'000 |
| Allotted, called up and fully paid Ordinary shares of 10p each | 1,250 | 1,250 |

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 9 August 2019, the Employee Share Ownership Plan was terminated. At 31 March 2019 the plan held 7,664 ordinary shares at a cost of £15,047. In June 2019, the ESOP issued these 7,664 shares in respect of the exercise of the nil cost options which vested in June 2019. The market value of the shares at 31 March 2019 was £21,076.

During the year 2,382 shares were issued following the exercise of share options. On 17 June 2019, the Chief Executive exercised 15,171 nil cost options, 7,131 options were cancelled to settle the employee tax liabilities and 7,664 shares were transferred from the Employee Share Ownership Plan, the remaining 376 options were issued as new share capital. On 19 June 2019, the Chief Executive exercised 44,550 ordinary shares of £0.10 each in the Company under the terms of the Company's 2009 Executive Share Option Scheme, after sufficient options had been cancelled to meet the exercise price and employee tax obligations, 2,006 options were issued as new share capital. A total cash outflow of £29,000 was paid on the exercise of these options to settle the tax obligations arising.

For more information on share options see note 24.

Other reserves

The other reserves in the Group of £703,000 at 31 March 2020 comprise £5,389,000 of merger relief which arose on the 1998 Scheme of Arrangement, when the Company issued 1 share for every 300 shares that shareholders had previously held in Anglo United plc. Immediately following this Scheme of Arrangement, the Company acquired the Falklands' businesses for £8.0 million and the £4,686,000 of goodwill on this acquisition was written off against this merger relief in other reserves.

Dividends

The following dividends were recognised and paid in the period:

| | 2020 | 2019 |
|--|------------|------------|
| | £'000 | £'000 |
| Final: 3.35 pence (2019: 3.0 pence) per qualifying ordinary share | 419 | 373 |
| Interim: 1.80 pence (2019: 1.65 pence) per qualifying ordinary share | 225 | 206 |
| Total dividends recognised in the period | 644 | 579 |

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.

Financial Instruments 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 | |
|---|---------------|---------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 9,108 | 6,184 | 5,766 | 1,768 |
| Hire purchase debtors | 1,115 | 1,243 | - | - |
| Trade and other receivables | 6,284 | 6,310 | 3 | - |
| Total assets exposed to credit risk | 16,507 | 13,737 | 5,769 | 1,768 |
| Interest rate swap liability | (537) | (16) | (537) | (16) |
| Total trade and other payables | (8,611) | (9,605) | (7,019) | (5,716) |
| Interest-bearing borrowings at amortised cost | (24,107) | (17,793) | (13,450) | (10,000) |

The interest rate swaps have 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 counterparties 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 £16,507,000 (2019: £13,737,000) 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 | |
|--------------------------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 |
| Falkland Islands | 1,824 | 1,021 |
| Europe | 786 | 622 |
| North America | 952 | 706 |
| United Kingdom | 2,472 | 3,302 |
| Other | 250 | 659 |
| Total trade receivables | 6,284 | 6,310 |

The Company has no trade debtors

Credit quality of financial assets and impairment losses

| Group | Gross 2020 £'000 | Impairment 2020 £'000 | Net 2020 £'000 | Gross 2019 £'000 | Impairment 2019 £'000 | Net 2019 £'000 |
|----------------------|------------------------|-----------------------------|----------------------|------------------------|-----------------------------|----------------------|
| Not past due | 4,946 | - | 4,946 | 4,710 | - | 4,710 |
| Past due 0-30 days | 922 | - | 922 | 1,210 | (48) | 1,162 |
| Past due 31-120 days | 406 | (58) | 348 | 366 | (57) | 309 |
| More than 120 days | 166 | (98) | 68 | 190 | (61) | 129 |
| | 6,440 | (156) | 6,284 | 6,476 | (166) | 6,310 |

26. Financial instruments (continued)

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

| | Group 2020 £'000 | 2019 £'000 |
|--|------------------------|---------------|
| Balance at 1 April 2019 | 196 | 285 |
| Impairment loss recognised | 31 | 17 |
| Cash received | - | 5 |
| Utilisation of provision (debts written off) | (44) | (111) |
| Balance at 31 March | 183 | 196 |
| Provided against hire purchase debtors | 27 | 30 |
| Provided against trade and other receivables | 156 | 166 |
| Balance at 31 March | 183 | 196 |

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 £12.8 million. All payments due during the year with respect to these agreements were met as they fell due.

At the start of the year, the Company had 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, and repaid in June 2019, when the £13,875,000 ten-year mortgage was drawn down, net of £56,000 of arrangement and legal fees.

The Group manages its cash balances centrally 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:

| 2020 | 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 |
| <i>Financial liabilities</i> | | | | | | |
| Secured bank loans | 15,734 | 18,363 | 1,021 | 1,322 | 3,913 | 12,107 |
| Leases liabilities | 8,373 | 16,076 | 902 | 871 | 2,057 | 12,246 |
| Trade payables | 4,304 | 4,304 | 4,304 | - | - | - |
| Interest rate swap liability | 537 | 612 | 89 | 76 | 207 | 240 |
| Other creditors, including taxation | 1,364 | 1,364 | 1,364 | - | - | - |
| Accruals | 2,544 | 2,544 | 2,544 | - | - | - |
| Total financial liabilities | 32,856 | 43,263 | 10,224 | 2,269 | 6,177 | 24,593 |

26. Financial instruments (continued)

| 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 |
| <i>Financial liabilities</i> | | | | | | |
| Secured bank loans | 12,814 | 13,057 | 10,594 | 449 | 1,347 | 667 |
| Lease liabilities | 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 | 2,567 | 2,567 | 2,567 | - | - | - |
| Total financial liabilities | 27,184 | 33,698 | 20,327 | 790 | 2,229 | 10,352 |

Liquidity risk – Company

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

| 2020 | 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 |
| <i>Financial liabilities</i> | | | | | | |
| Secured bank loans | 13,450 | 15,901 | 595 | 869 | 2,552 | 11,885 |
| Interest rate swap liability | 537 | 612 | 89 | 76 | 207 | 240 |
| Other creditors, including taxation | 184 | 184 | 184 | - | - | - |
| Accruals and deferred income | 525 | 525 | 525 | - | - | - |
| Total financial liabilities | 14,696 | 17,222 | 1,393 | 945 | 2,759 | 12,125 |

| 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 |
| <i>Financial liabilities</i> | | | | | | |
| 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 financial liabilities | 10,702 | 10,702 | 10,697 | 5 | - | - |

(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

| 2020 | EUR £'000 | USD £'000 | Other £'000 | Total Balance sheet exposure £'000 | GBP £'000 | Total £'000 |
|-----------------------------------|--------------|--------------|----------------|--|--------------|----------------|
| Cash and cash equivalents | 142 | 197 | 38 | 377 | 8,731 | 9,108 |
| Trade payables and other payables | (316) | (205) | (78) | (599) | (8,012) | (8,611) |
| Balance sheet exposure | (174) | (8) | (40) | (222) | 719 | 497 |

| 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) | (9,177) | (9,605) |
| Balance sheet exposure | (6) | 84 | (131) | (53) | (3,368) | (3,421) |

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 2019.

| | Equity | | Profit or Loss | |
|-----|---------------|---------------|----------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| EUR | 17 | 1 | 17 | 1 |
| USD | 1 | (8) | 1 | (8) |

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 | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| <i>Fixed rate financial instruments</i> | | | | |
| Leases receivable | 1,115 | 1,243 | - | - |
| Bank loans | (702) | (794) | - | - |
| Lease liabilities | (8,373) | (4,979) | - | - |
| Total Fixed rate financial instruments | (7,960) | (4,530) | - | - |
| <i>Variable rate financial instruments</i> | | | | |
| Effect of Interest rate swap liability | (537) | (16) | (537) | (16) |
| Bank loans | (15,032) | (12,020) | (13,450) | (10,000) |
| Total Variable rate financial instruments | (15,569) | (12,036) | (13,987) | (10,016) |

26. Financial instruments (*continued*)

At 31 March 2020, the Group had four bank loans:

- (i) £13.4 million ten-year loan, which was drawn down on 28 June 2019, with interest charged at LIBOR plus 1.75%;
- (ii) £1.3 million (2019: £1.5 million) repayable over ten years until May 2025, secured against the newest vessel in PHFC, with interest charged at 2.6% above the bank of England base rate;
- (iii) £0.3 million (2019: £0.3 million) repayable over ten years until May 2025, secured against freehold property held in PHFC, with interest charged at 1.75% above the Bank of England base rate;
- (iv) £0.7 million (2019: £0.8 million) drawn down by Momart, interest has been fixed on this loan at 2.73% for the full ten years until December 2026.

The interest payable on the £13.4 million ten-year loan has been hedged by one interest swap, taken out on 4 July 2019 with an initial notional value of £13.875 million, with interest payable at the difference between 1.1766% and the three-month LIBOR rate. This interest rate swap notional value decreases at £125,000 per quarter over five years until June 2024, and then at £150,000 per quarter for a further five years until June 2029 when the outstanding bullet payment of £8,525,000 is likely to be refinanced. The notional value of the swap at 31 March 2020 is £13,500,000.

The interest payable on the loans regarding the vessel and the freehold property in PHFC 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 2020 is £1,703,750 (2019: £2,138,750). Including the two swaps, the blended average interest rates on the Group's bank borrowings is 3.0% (2019: 2.7%) per annum.

Lease liabilities

At 31 March 2020, the Group had the following lease liabilities:

- (i) £5.8 million lease liabilities payable to Gosport Borough Council; £4.7 million for the Gosport pontoon and £1.1 million for the ground rent on the pontoon. Both of these leases run until June 2061 and finance charges accrue on these liabilities at a fixed 4.75%.
- (ii) £1.9 million of property rental leases, including two warehouses rented by Momart, and the Momart and Bishops Stortford head offices, which run for between six to nine years from 1 March 2020. The weighted average interest rate of these rental liabilities is 3.25%.
- (iii) £0.7 million of lease liabilities taken out to finance trucks by hire purchase leases at Momart, £0.5 million of this balance arises on three leases drawn down towards the end of the year ended 31 March 2020. The weighted average interest rate of these truck liabilities is 3.0%.

The total blended average interest rate on the Group's lease liabilities is 4.3% 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 2019.

26. Financial instruments (*continued*)

| Interest rate sensitivity analysis | Group | | Company | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Equity | | | | |
| Interest rate swap liability | 152 | 21 | 152 | 21 |
| Variable rate financial liabilities | (150) | (120) | (135) | (100) |
| Profit or Loss | | | | |
| Interest rate swap liability | 152 | 21 | 152 | 21 |
| Variable rate financial liabilities | (150) | (120) | (135) | (100) |

Market risk – equity price risk

(v) Capital Management

The Group's objectives when managing capital, which comprises equity and reserves at 31 March 2020 of £38,792,000 (2019: £44,567,000) 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

The Group leases three office premises and two storage warehouses at Momart. 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. From 1 April 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

Non-cancellable operating lease rental commitments are payable as follows:

| | Group | |
|----------------------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 |
| Less than one year | 3 | 365 |
| Between one and five years | - | 1,075 |
| More than five years | - | 2,549 |
| | 3 | 3,989 |

During the year ended 31 March 2020, IFRS 16 has been adopted and therefore from 1 April 2019 all significant rental leases have been recognised as a right-of-use asset within fixed assets, with a corresponding liability also recognised within lease liabilities. The Gosport office rental of £7,000 per year is being extended on a rolling six-month basis and the group has applied the short life exemption permitted by IFRS 16.

During the year ended 31 March 2019, £895,000 was recognised as an expense in the income statement in respect of operating leases.

| | Group £'000 |
|---|----------------|
| Operating lease commitments 31 March 2019 | 3,989 |
| Effect of discounting at 31 March 2019 | (1,495) |
| Lease liabilities recognised on transition to IFRS 16 | 2,494 |

£1,466,000 of the unaccrued interest above at 31 March 2019 arises on the Gosport pontoon ground rent, which runs for a further 41 years until June 2061. The remaining unaccrued interest arises on the property leases at Momart for the head office lease at Canary Wharf with three years left to run, and two warehouses rented from third parties, with eight or nine years remaining.

Leases as lessor

The Group leases out its investment properties, which consist of 55 houses and flats and ten mobile homes in the Falkland Islands, 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 | |
|----------------------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 |
| Less than one year | 918 | 763 |
| Between one and five years | 3,672 | 3,157 |
| More than five years | 17,672 | 4,748 |
| | 22,262 | 8,668 |

28. Capital commitments

At 31 March 2020, the Group had entered into contractual commitments of £389,000 for one 18 tonne truck and one 26 tonne truck at Momart.

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.

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 30.2% (2019: 30.0%) of the voting shares of the Company at 31 March 2020.

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

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Key management emoluments including social security costs | 1,325 | 1,597 | 401 | 431 |
| Company contributions to defined contribution pension plans | 74 | 69 | - | - |
| Share-related awards | 85 | 65 | 41 | 44 |
| Total key management personnel compensation | 1,484 | 1,731 | 442 | 475 |

At 31 March 2020, the Group's joint venture, SAtCO, has debtors of £224,500 due from each of its parent companies.

30. Accounting estimates

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.

Defined benefit pension liabilities

At 31 March 2020, 11 pensioners were receiving payments from the FIC defined benefit pension scheme, and there are three deferred members. A significant degree of estimation is involved in predicting the ultimate benefits payment to these pensioners using actuarial assumptions to value the defined benefit pension liability (see note 23). Management have selected these assumptions from a range of possible options following consultations with independent actuarial advisers. There is a range of assumptions that may be appropriate, particularly when considering the projection of life expectancy post-retirement, which is a key demographic assumption, and has been based on UK mortality data, if the life expectancy assumption was one more year than the assumptions used, this would result in an increase of £120,000 in the liability. Selecting a different assumption could significantly increase or decrease the IAS19 value of the Scheme's liabilities. The projections of life expectancy make no explicit allowance for specific individual risks, such as the possible impact of climate change or a major medical breakthrough, the projections used reflect the aggregate impact of the many possible factors driving changes in future mortality rates.

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

Impairment testing

Impairment tests have been undertaken with respect to intangible assets (see note 11 for further details), with detailed reviews of probable medium to long-term detailed forecasts of each of the businesses in the Group, and following these, the goodwill held in respect of both Momart and PHFC has been reduced during the year. Goodwill at Momart has been written down by £3.5 million to £2.1 million and the goodwill held in respect of PHFC, has been reduced by £4.0 million, eliminating all the previously recorded balance in relation to the ferry company.

Investment in subsidiaries

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date. The estimates of the costs of investment in subsidiaries have been assessed for impairment, with detailed reviews of probable medium to long-term detailed forecasts of each of the businesses. During the year ended 31 March 2020, the Company's investment in the Art Logistics business, Momart was impaired by £3,713,000 due to lower future expected levels of profitability following COVID-19, as the expected widespread recession and market dislocation are likely to further dilute demand from ultra-high-net-worth collectors and commercial buyers for some time. In the public sector, museum budgets are likely to be squeezed by anticipated cuts in government spending and visitor numbers are likely to be restricted by the need for social distancing. Further detail has been provided in note 11 with regards to the sensitivities of the assumptions.

Revenue recognition on Falkland Islands Government Housing contract

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

Warranties on private builds

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

Company Information

Directors

| | |
|-----------------|-------------------------------|
| John Foster | <i>Chief Executive</i> |
| Robin Williams | <i>Non-executive Chairman</i> |
| Jeremy Brade | <i>Non-executive Director</i> |
| Robert Johnston | <i>Non-executive Director</i> |
| Dominic Lavelle | <i>Non-executive Director</i> |

Company Secretary

Carol Bishop

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