FALKLAND ISLANDS HOLDINGS PLC

ANNUAL REPORT 2014

Contents

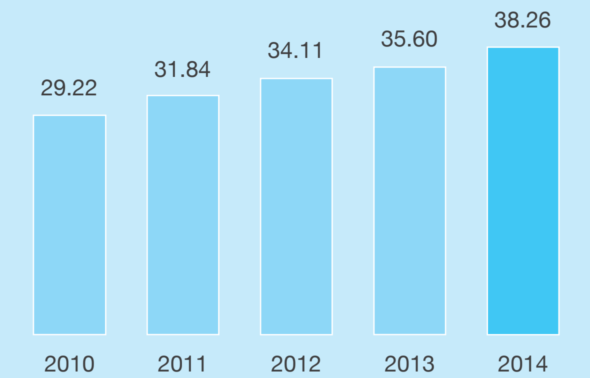
Financial Highlights

FOR THE YEAR ENDED 31 MARCH 2014

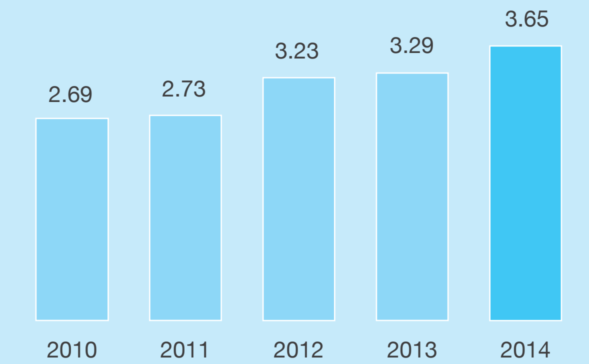
	2014 £m	2013 £m	Change %
Turnover from continuing operations	**38.26**	35.60	7.5
Profit before tax	**3.40**	2.80	21.7
Underlying profit before tax*	**3.65**	3.29	10.8
Diluted earnings per share before goodwill amortisation and non-trading items	**22.0p**	21.3p	3.3
Dividend per share	**11.5p**	11.5p	0.0
Cash flow from operations	**2.80**	3.47	-19.3
Net asset value per share	**285p**	276p	3.3

*Defined as profit before tax, amortisation and non-trading items.

Turnover (£m) from continuing operations

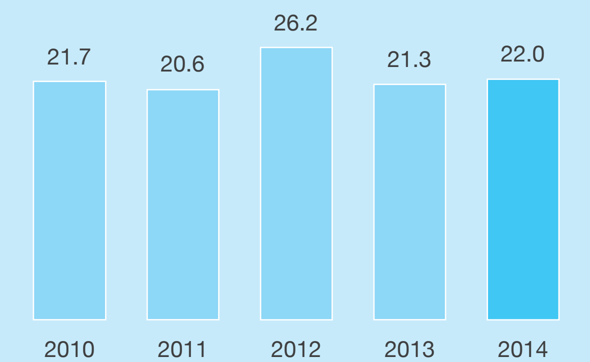


Underlying profit tax* (£m)

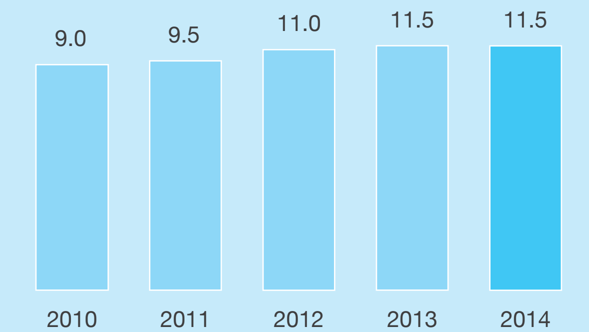


Diluted earnings per share (pence)

before amortisation and non-trading items



Dividends per share (pence)



Chairman's Statement 2014

David Hudd
Chairman

We are pleased to report another good year of progress for the Group, with encouraging revenue and profit growth.

The Group achieved a pleasing trading result for the year with underlying pre-tax profits (before amortisation and non-trading items, but including the £0.04 million Group's share of the joint venture results) up 10.8% to a record £3.65 million (2013: £3.29 million). Diluted earnings per share based upon underlying profits increased by 3.3% to 22.0p from 21.3p. Reported earnings per share were 21.1p (2013: 13.7p).

The Directors are pleased to recommend a maintained final dividend of 7.5p, which makes the total dividend for the year 11.5p (2013 11.5p).

The Group's financial position remains strong and after £5 million of capital expenditure of which £2.7million was invested in the Falklands, cash balances at the end of the year were £5.7 million, with residual bank debt which will be repaid this year reduced to £1 million. The excellent track record and cash generative nature of the Group's three trading businesses mean that the Group has significant untapped borrowing potential sufficient to fund likely investment requirements in the medium term.

Operations

Thanks to a substantial increase in profits at Momart, Group underlying operating profits before tax (as defined above) increased by 10.0% to £3.85 million from £3.50 million.

Momart enjoyed an excellent year with a 53% increase in contribution to £1.8 million as the business benefited from the continued strength of the international art market. A strong roster of exhibitions and a high level of capacity utilisation for gallery services and storage resulted in a record year.

The Portsmouth Harbour Ferry Company maintained its profit at just over £1.0 million. Passenger numbers saw a significant improvement on the historic trend, experiencing a much smaller decline of 1.6% compared to the 8.9% decline in the prior year, the impact of which was offset by increased fares.

For the first time for three years there was no offshore drilling in Falkland waters. The presence of a drilling rig and associated personnel have provided a substantial stimulus to the economy and generated significant business for the Falkland Islands Company (FIC) in prior years. The absence of drilling particularly impacted wholesale food sales and property rental income but support services maintained its contribution and construction and Falkland 4x4 performed well. There were significant inflationary increases in labour and freight costs which also had an impact. As a result profits decreased to £1.0 million from £1.3 million last year.

Falkland Oil and Gas (FOGL)

The most significant development for FOGL was the acquisition of Desire Petroleum in December 2013 and the subsequent farm out of two of Desire's licences to Premier Oil and Rockhopper Exploration. We were supportive of the Desire transaction, which gave FOGL exposure to the North Falklands Basin and the Sea Lion field. Following these developments FOGL is now the largest licence holder in the Falkland Islands and has a net interest of 40,000 sq km.

During the year three separate 3D surveys totalling over 12,000 sq km was carried out to the South and East of the Falklands and the interpretation of these results together with existing seismic and drilling data will inform the choice of targets for the next drilling campaign. This is expected to start in the first half of 2015 and will include five wells in which FOGL will have an interest; three in the Sea Lion area and two in the original acreage to the South and East of the Falklands.

The market valuation of the Group's shareholding of 12.83 million shares was virtually unchanged over the year at £3.3 million with the shares at 25.5p at 31 March 2014 (2013: 26.5p). The shareholding now represents 2.4% of the enlarged share capital of FOGL (2013: 4.0%).

Over the last decade FOGL, in which we were founding shareholders, has drilled three exploration wells in the Southern and Eastern basins. Although confirming the presence of hydrocarbons, these wells did not reveal their presence in commercial quantities. The 2015 drilling campaign for which FOGL is already funded is FOGL's most extensive to date and has the potential to transform the value of our holding. In these circumstances your Board currently believes that it is appropriate to retain a significant shareholding until the outcome of the programme is known.

Outlook

We anticipate an increase in economic activity in the Falklands as the next round of drilling approaches, but it will be the funding of the Sea Lion development which will trigger a step change in activity. Meanwhile we will continue to invest in modernising FIC in readiness for future growth. For the current year, the fishing season started well and we expect further progress from our construction business.

At Momart, the pipeline of exhibition work remains strong but we are unlikely to repeat the exceptional result experienced this year. A number of opportunities are being explored to increase the capacity of the business to meet customer demand.

For PHFC, there are encouraging signs of an improving trend in demand and the changes agreed with the Ministry of Defence for the reimbursement of travel expenses on the ferry augur well for the future. Good progress is being made with the construction of our new ferry, Harbour Spirit, which we expect to introduce into service early in 2015.

In the year to date, the Group's trading performance is in line with our expectations and we anticipate a satisfactory year. Looking further ahead we continue to believe that we have an outstanding business opportunity in the Falkland Islands.

David Hudd
Chairman
9 June 2014

Managing Director's Strategic Report

BUSINESS REVIEW

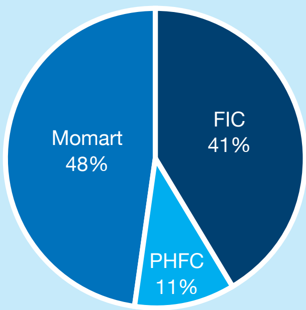
John Foster
Managing Director

Group Overview

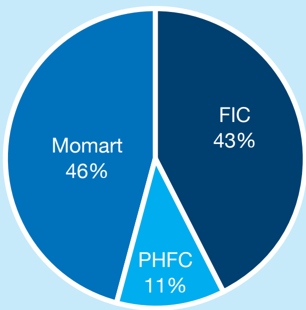
I am pleased to report another year of progress for the Group, with an encouraging 7.5% increase in revenues to £38.3 million (2013: £35.6 million) and a 10.8% increase in underlying pre-tax profits to £3.65 million (2013: £3.29 million).

The strong trading performance at Momart more than offset a reduced contribution from the Falklands so that underlying operating profits for the Group (before amortisation and financing costs but including the Group's £0.04m share of the SAtCO joint venture results) increased by 10% to £3.85 million (2013: £3.50 million).

Group Revenue 2014



Group Revenue 2013



Review of Operations

Group revenue and operating profits are analysed below:

Group revenue

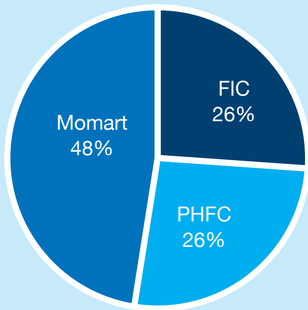
Year ended 31 March	2014 £m	2013 £m	Change %
Falkland Islands Company	15.88	15.22	4.3
Portsmouth Harbour Ferry	4.12	4.08	1.2
Momart	18.26	16.30	12.0
Total	38.26	35.60	7.5

Group underlying operating profit*

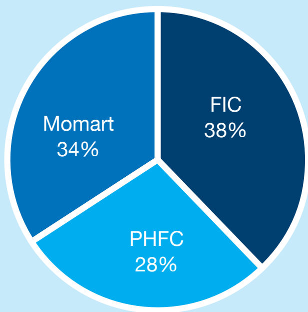
Year ended 31 March	2014 £m	2013 £m	Change %
Falkland Islands Company	1.01	1.33	-23.5
Portsmouth Harbour Ferry	1.01	0.98	2.9
Momart	1.83	1.19	53.1
Total	3.85	3.50	10.0

* operating profit is stated before amortisation of intangibles and non–trading items, and includes the Group's £0.04m share of the SAtCO joint venture profit.

Underlying Operating Profit 2014



Underlying Operating Profit 2013



Managing Director's Strategic Report

BUSINESS REVIEW - CONTINUED

Ramform Titan Seismic Vessel, Image @ Copyright PGS

Falkland Islands Company ("FIC")

As expected the Falklands had a quieter year with the absence of offshore drilling resulting in a temporary hiatus in the economic growth experienced in recent years. Lower oil exploration demand for rental housing, provisioning, food supplies and agency services led to a downturn in revenues and profits for those activities, whilst in the wider economy, general retail demand softened as linked private sector work contracted. As a consequence, although the Group's Falklands business retains outstanding growth potential over the medium to long term, in the year just ended FIC profits had decreased to £1.01 million from £1.33 million in the prior year.

Oil Developments

During the year, Noble Energy and Premier Oil continued to progress their plans for a new round of exploration drilling planned for 2015 in the Northern and Southern basins and in March 2014 a new temporary floating dock arrived in Stanley Harbour to support the offshore programme. In the North Falklands basin, Premier Oil, ("Premier"), the licence holder for the 300mbbl Sea Lion field refined its plans and confirmed the engineering approach for the ultimate commercial production of oil.

In February 2014, Premier announced that it was seeking a farm-in partner for Sea Lion and it is now clear that the Sea Lion development will not go ahead without the introduction of a third party who can help with funding, which is estimated at $5.2billion. Meanwhile, Premier has indicated that it is progressing the preparatory work and that contracts to develop the detailed engineering design work necessary for phase 1 of Sea Lion will be placed by mid-2014. This will ensure that once funding is in place, field development can proceed with minimum delay. Significant onshore construction activity and oil related expenditure would then be expected within 2 years with "First Oil" flowing approximately 4 years after final project sanction.

The planned drilling programme in both the Northern and Southern basins during 2015 opens up the prospect of further discoveries. This together with the impact of the Sea Lion discovery on the Falklands economy, mean that FIC has good prospects for growth over the medium term.

Trading Review

FIC has a long established position as a leading local business and the wide range of retail and support services it can offer to Islanders, government and oil companies makes it uniquely placed to benefit from the anticipated growth in the Falklands economy.

In the year, further steps were taken in modernising FIC and strengthening local management. In addition the benefits of earlier investment were seen with good growth in both the Company's automotive business "Falklands 4x4" and in Falklands Building Services ("FBS"). As a result, despite the downturn in retail demand and freight income, overall revenue in FIC increased by £0.66 million (+4.3%) to £15.88 million (2013: £15.22 million).

However, increased freight costs and wage inflation of some 5% saw continued pressure on profits. Helped by FBS and strong demand for new 4x4 vehicles, profitability in the second half recovered to be on a par with the prior year, but the slow start to the year meant that overall underlying operating profits were £0.32 million lower at £1.01 million (2013: £1.33 million).

FIC Operating Results

Year ended 31 March	2014 £m	2013 £m	Change %
Revenues			
Retail	**9.26**	9.73	-4.8
Falklands 4x4	**2.66**	1.87	42.3
Freight & Port Services	**1.26**	1.65	-23.5
Support services	**1.30**	1.21	6.7
FBS (property and construction)	**1.40**	0.76	85.6
Total FIC revenue	**15.88**	15.22	4.3
FIC underlying operating profit	**1.01**	1.33	-23.5
Underlying operating profit margin	**6.4%**	8.7%	-26.7

Total retail sales fell by 4.8% to £9.26 million (2013: £9.73 million) which was accounted for by reduced warehouse sales following the departure of the Leiv Eiriksson drilling rig late last year. After a weaker first half, the Company's core West Store supermarket finished the year with sales only 1.1% lower helped by increased spending from cruise ship passengers, where visitor numbers rose by 34%, and a strengthened BHS clothing offer. In other areas, sales at the waterfront Capstan gift shop were 6% ahead on the prior year, and further progress was seen at the satellite "West Store" at the Mount Pleasant military base. Driven by a more aggressive pricing policy, sales in construction and building materials increased by 18%, although the focus on growing market share did result in some margin erosion. This together with increased freight costs and overheads saw contribution from retailing as a whole decline and was the major factor in the decrease in FIC's contribution in the year.

Falklands 4x4, made good progress benefiting from an increased use of HP financing to stimulate sales. Total vehicle sales increased from 48 to 79 units (+65%) helped by sales to the Falklands Government. At £2.66 million total automotive revenues were at a record level despite the absence of military orders which remain subject to central procurement from UK.

Revenues from third party freight and port services fell by 23.5% to £1.26 million (2013: £1.65 million) without the benefit of oil related cargoes, which increased revenues last year.

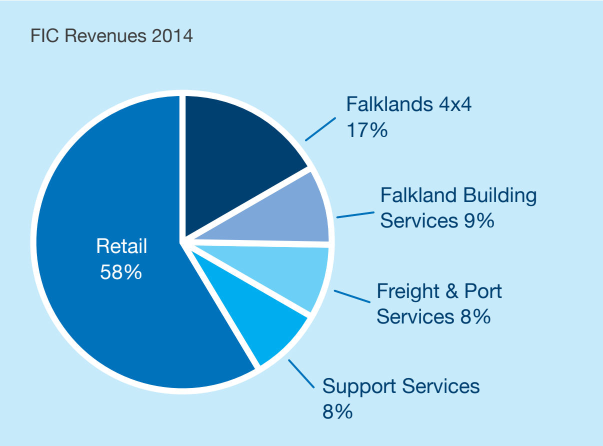
On a positive note Support Services revenues recovered to increase by 6.7% helped by a strong illex squid catch which boosted revenues at FIC's Fishing Agency, an improved performance from Penguin Travel as cruise ship numbers increased and further progress at FIC's insurance agency.

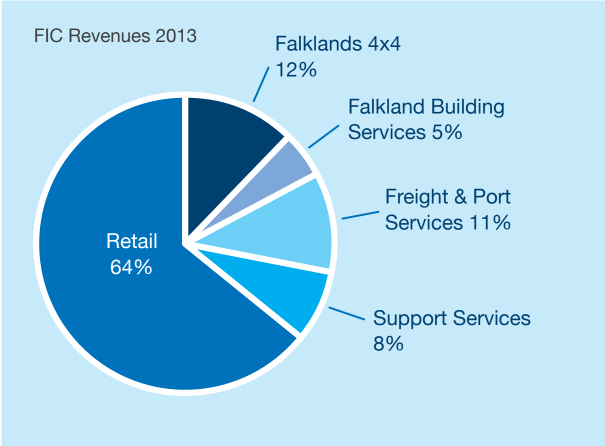
FBS has been able to establish a unique client offer that finances work in progress for first time buyers during the 3-4 month construction period. In this way FBS has delivered 8 new houses for local buyers and at 31 March 2014 had a record order book for 20 further houses. In addition to house building, FBS also undertook small general construction contracts for the Falkland Islands Government as well as progressing internal construction projects within FIC (which are not included in revenue). At the end of the year FBS had 54 employees compared to 22 in March 2013. Despite a £0.1 million decline in rental income, overall revenues from property and construction increased by 85.6% to £1.4 million.

To prepare FIC for the expected future growth in the economy, capital expenditure of £2.7 million was incurred, including £0.7 million spent on investment properties, and FBS:

- Completed the construction of four new houses in Hebe Street central Stanley which are all now occupied.
- Progressed the expansion and modernisation of office facilities at FIC's office at Crozier Place including space for external tenants which will be available in late 2014.
- Commenced the expansion of DIY/Building Materials retail outlet Homebuilder to the rear of Crozier Place for completion in Autumn 2014.
- Commenced the construction of new warehouse/freezer facilities at Airport Road East Stanley which will replace FIC's aging facilities and make available a prime 2 acre site on the waterfront in central Stanley.

FIC's property rental portfolio now comprises 36 properties in central Stanley which are available for letting. In the absence of any drilling activity, rental income declined by 25% to £0.2 million in the year to 31 March 2014, rental yields reduced and overall occupancy averaged 82% during the year.





Managing Director's Strategic Report

BUSINESS REVIEW - CONTINUED

During the year the Falkland Islands Government completed its own site surveys and commissioned PWC to advise on the feasibility of financing a new deep water port at the government's designated site at Port William in Stanley's outer harbour. However further progress awaits the agreement of commercial terms with port users and FIG support.

We have deferred, pending further progress on the Sea Lion development, the construction of 26 apartments on Fitzroy Road and a workers' camp at Dairy Paddock.

In the year, FIC's construction joint venture, the South Atlantic Construction Company, ("SAtCO") won its first contracts undertaking infrastructure work for FIG and winning the contract to install a new floating dock in Stanley Harbour that will support Noble Energy's exploration drilling programme in 2015. Work on the dock commenced in March 2014 and is expected to be ready by mid-2014. Connected with this contract, SAtCO invested £1 million in crane and forklift facilities which are being leased to Noble Energy. In the year to March 2014 SAtCO earned revenues of £1.0 million and produced a profit before tax of £0.1 million. The Group's share of post-tax results from SAtCO was £0.04 million. All staff were seconded as required from parent companies FIC and Trant Construction and at 31 March 2014 SAtCO had no permanent employees.

FIC Key Performance Indicators and Operational Drivers

Year ended 31 March	2014	2013	2012
Staff Numbers (FTE 31 March)	165	129	119
Capital Expenditure £'000's	2,715	1,594	632
Retail Sales growth %	-4.8%	3.0%	-2.8%
Number of FIC rental properties	36	32	33
Average occupancy during the year	82%	88%	83%
Number of vehicles sold	79	48	50
Number of 3rd party houses sold	8	3	0
Illex squid catch in tonnes (000's)	188.0	58.2	67.3
Cruise ship passengers (000's)	39.5	29.6	35.2

Spirit of Gosport with HMS Warrior and the Historic Dockyard in the background

Portsmouth Harbour Ferry Company ("PHFC")

During the period, there was a significant improvement in the underlying trend as passenger numbers fell by 1.6%, compared to the 8.9% decline seen in the prior year. Overall total ferry revenues increased by 1.2% and operating profits, (before pontoon lease finance costs of £0.23 million) increased marginally to £1.01 million (2013: £0.98 million).

PHFC Operating Results

Year ended 31 March	2014 £m	2013 £m	Change %
Revenues			
Ferry fares	3.95	3.89	1.5
Cruising and Other revenue	0.17	0.19	-5.4
Total PHFC revenue	4.12	4.08	1.2
Underlying PHFC operating profit	1.01*	0.98*	2.9
Underlying operating profit margin	24.6%	24.0%	2.2
Passengers carried (000s)	2,986	3,033	-1.6

*Operating profit is shown before charging finance lease interest of £0.23 million (2013: £0.24 million) relating to the new Pontoon.

Over the course of the year weekday passenger numbers declined by 2.7% whereas in contrast weekend volumes increased by 1.8%. The further decline in weekday commuter traffic reflected the ongoing economic challenges in the local economy and the impact of changes to the Ministry of Defence's policy of "Home to Duty" expenses reimbursement which saw a shift from ferry to car travel. However after persistent lobbying, support from the local MP in Gosport and the Secretary of State for Transport, the Ministry of Defence agreed to reverse its decision and from 1 May 2014 will once more reimburse travel to work on the ferry. We anticipate that this will have a positive impact on passenger numbers in 2014-15 which should go some way to offsetting the impact of 1,000 dockyard job losses announced by BAE Systems in 2014. Looking ahead the outlook for passenger growth is positive as the Naval Base expands to support the new Queen Elizabeth class carriers.

Ferry fares were increased by an average of 3.3% in June 2013, bringing the total cost of an adult return to £2.90. Discounted fares for regular customers (£1.35 per ferry journey), and lower tariffs for seniors and children (£1.90 return) reinforce the value for money offered by the ferry service compared to bus and car travel.

Average fares per passenger journey increased by 3.1% to £1.32 (2013: £1.28).

Ferry reliability was again outstanding with on time departures running at 99.7% (2013: 99.5%).

Construction is now well advanced on a third modern ferry vessel, "Harbour Spirit", which is due to enter service early in 2015. Expenditure incurred in the year on the vessel amounts to £1.8 million and the total cost will be approximately £3.3 million, this will be substantially financed by a 10 year bank loan. With three ferry vessels built since 2001 and an estimated service life of over 30 years, no further significant vessel expenditure is anticipated in the next decade.

PHFC Key Performance Indicators and Operational Drivers

Year ended 31 March	2014	2013	2012
Staff Numbers (FTE at 31 March)	37	35	35
Capital Expenditure £ '000's	1,958	223	5,080
Ferry Reliability (on time departures)	99.7%	99.5%	99.9%
Number of weekday passengers '000	2,169	2,230	2,497
% change on prior year	-2.7%	-10.7%	-1.6%
Number of weekend passengers '000	817	803	831
% change on prior year	1.8%	-3.4%	-4.1%
Total number of passengers '000's	2,986	3,033	3,328
% change on prior year	-1.6%	-8.9%	-2.1%
Revenue growth %	1.2%	-1.9%	11.5%
Average yield per passenger journey	£1.32	£1.28	£1.19

Managing Director's Strategic Report

BUSINESS REVIEW - CONTINUED

Houghton Revisited Exhibition at Houghton Hall, Copyright: Georgia Oetker, 2013

Momart

Momart, the Group's art handling and logistics business, again produced a strong trading performance. The growth seen in the first half of the year continued into the second half and total revenue for the year increased by 12.0% to £18.3 million (2013: £16.3 million) while underlying operating profit increased by 53.1% to £1.83 million (2013: £1.19 million).

Momart Operating Results

Year ended 31 March	2014 £m	2013 £m	Change %
Revenues			
Museums and public exhibitions	10.86	9.01	20.4
Commercial gallery services	5.57	5.50	1.3
Storage	1.83	1.79	2.6
Total Momart revenue	18.26	16.30	12.0
Underlying Momart operating profit	1.83	1.19	53.1
Underlying operating profit margin	10.0%	7.3%	36.6

Exhibitions

Museum exhibitions enjoyed an exceptional year both in the UK and internationally with overall revenues increasing by 20.4% to a record level of £10.86 million. Momart installed a wide variety of high quality, technically complex exhibitions, drawing on its reputation for client service, problem solving and attention to detail. This record level of activity in exhibitions includes a number of large international projects which are not expected to re-occur in the near term and some touring exhibitions which travelled to multiple locations. In the UK, Momart was involved in the installation of a number of prestigious and popular exhibitions including: Manet: Portraying Life at the Royal Academy, Ellen Gallagher: AxMe at Tate Modern, David Bowie: Is and Masterpieces of Chinese Painting at the V & A, the Portrait of Vienna at the National Gallery, Vikings: Life and Legend at the British Museum and the Houghton Revisited Exhibition at Houghton Hall, which showcased Sir Robert Walpole's personal art collection, on loan from the Hermitage Museum.

Gallery Services

Gallery Services revenues were 1.3% ahead of 2013 at £5.57 million. Gross margins improved, helped by the appointment of a new Finance and Commercial Director and as the first benefits were realised from Momart's recent investment in improved management information systems. The final roll out of this ERP system was completed in March 2014 and further benefits are expected to be generated in the current year.

Storage

Storage revenues increased by 2.6% and were generated from a broader client base as new commercial relationships were established. With Momart's existing storage facilities fully utilised plans are being progressed for a significant extension to existing warehouse facilities.

General

The year saw Momart generate record levels of revenue and contribution reflecting the strength of its global reputation and its commercial and institutional relationships which have been developed over decades. With the continued strength of the global art market and the increasing importance of London as an international centre, prospects for sustained growth and underlying profits are excellent, although in the short term we do not expect to see a repetition of the exceptional results of 2013-14.

Momart Key Performance Indicators and Operational Drivers

Year ended 31 March	2014	2013	2012
Staff Numbers (FTE 31 March)	124.6	119.0	115.9
Capital Expenditure £ '000's	260	598	524
Warehouse % fill vs capacity	92.9%	94.2%	95.1%
Exhibition Order Book 31 March	£3.89m	£3.83m	£4.16m
Internal labour & services charged out	£11.67m	£9.02m	£8.58m
Revenues from overseas clients	£8.3m	£4.6m	£5.7m
Exhibitions sales growth	20.4%	27.8%	5.7%
Gallery Services sales growth	1.3%	(12.7)%	26%
Storage sales growth	2.6%	10.5%	6.6%
Total Sales growth %	12.0%	8.9%	13.5%

FOGL Investment

Details of the Group's shareholding in FOGL are set out below:

31 March	2014
Number of shares held	12,825,000
FOGL share price (bid price)	25.5p
Market value of holding	£3.27m
Cost	£2.6m
Book cost per share	20.0p

The market value of the Group's 2.4% shareholding on 6 June 2014 was £3.30 million.

Trading Outlook

The Group's prospects for growth in the medium term remain outstanding.

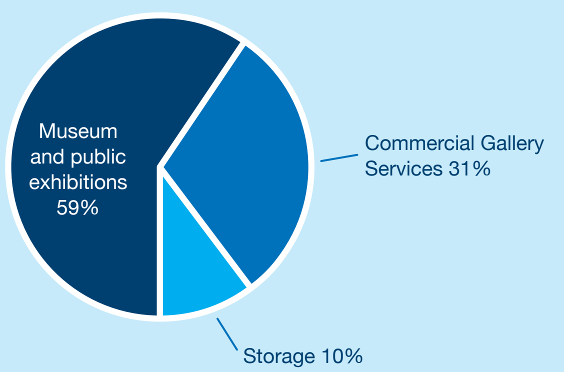
In the Falklands, delays in the development of the Sea Lion oil field have slowed progress but the size of the discovery is such that its future development seems assured. With the added potential of positive results from the 2015 drilling campaign, the prospects for dramatic growth for the Falkland Islands economy over the medium term remain.

At PHFC the stabilisation in passenger numbers is encouraging and this should be helped by the recent change in travel policy by the Ministry of Defence and the longer term outlook for growth at the Portsmouth Dockyard.

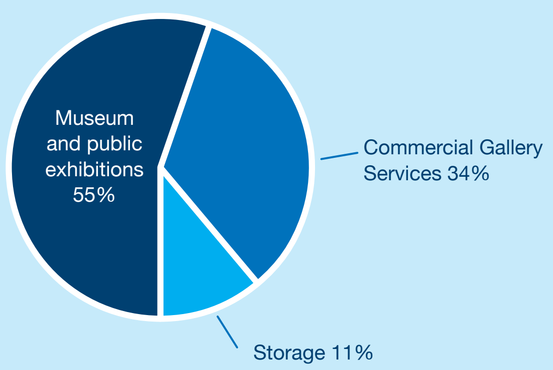
At Momart, although we do not anticipate an immediate repetition of the exceptional performance seen in the year ended 31 March 2014, underlying growth prospects in this high quality business remain good.

With bank borrowings reduced to £1.0 million (2013: £2.0 million) and cash on hand of £5.7 million, together with significant further borrowing capacity, the Group has significant capacity to exploit opportunities over the medium term.

Momart Revenues 2014



Momart Revenues 2013



Managing Director's Strategic Report

FINANCIAL REVIEW

Summary Income Statement

Year ended 31 March	2014 £m	2013 £m	Change %
Group revenue	**38.26**	35.60	7.5
Underlying operating profit*	**3.85**	3.50	10.0
Net financing costs	**(0.20)**	(0.21)	(2.8)
Underlying profit before tax	**3.65**	3.29	10.8
Less:			
Fund raising costs	**-**	(0.68)	–
Gain on sale of FOGL shares	**-**	0.77	–
Gain / (loss) on disposal of the PHFC pension scheme	**0.06**	(0.18)	(135.2)
Amortisation of intangibles	**(0.31)**	(0.40)	(22.9)
Profit before tax as reported	**3.40**	2.80	21.7

*Underlying operating profit excludes amortisation and non-trading items but includes £0.04 million of the Group's share of the results of the SAtCO joint venture.

Revenue and Underlying Operating Profit

Group revenue rose 7.5% to £38.26 million and Group and underlying operating profit increased 10.0% to £3.85 million in the year ended 31 March 2014. These are discussed in more detail above in the Review of Operations.

Non-Trading Items

Non-trading items comprise a gain of £0.06 million on the final transfer of the PHFC defined benefit scheme (2013: loss £0.18 million), and a fall in the amortisation charge to £0.31 million on the intangible assets (2013: £0.40 million) due to a review of the useful life of the Momart brand name, which is now expected to have an indefinite useful life, so amortisation ceased on 30 September 2013. The prior year included a further profit of £0.77 million on the sale of FOGL shares and £0.68 million relating to the costs of the £10.0 million fund raising in July 2012.

Net Financing Costs

The Group's net financing costs remain little changed with the prior year at £0.20 million, with the fall in interest income on bank deposits following the expenditure in the year, being offset by a decrease in bank interest payable reflecting the £1.0 million reduction in bank loans.

Underlying Pre-Tax Profit

The Group's underlying pre-tax profits ("PBT") grew by £0.36 million (10.8%) to £3.65 million (2013: £3.29 million).

Reported Pre-Tax Profit

After charging £0.3 million for the amortisation of intangible assets (2013: £0.4 million), and the other non-trading items noted above, reported profit before tax for the Group increased by 21.7% to £3.40 million (2013: £2.8 million).

Taxation

The Group pays corporation tax on its UK earnings at 23% and on earnings in the Falkland Islands at 26%. The Falklands Islands Company Limited has been granted a foreign branch exemption, and as a result no longer pays UK corporation tax and will gain the full benefit of the tax allowability in the Falkland Islands of expenditure on commercial and industrial buildings. The effective tax rate on underlying profits is 24.7% (2013: 24.2%).

Earnings Per Share

Year ended 31 March %	2014 £m	2013 £m	Change
Underlying profit before tax	3.65	3.29	10.8
Taxation on underlying profit	(0.90)	(0.80)	13.2
Underlying profit after tax	2.75	2.49	10.1
Diluted average number of shares in issue (thousands)	12,461	11,704	6.5
Effective underlying tax rate	24.7%	24.2%	2.1
Diluted EPS on underlying profit	22.0p	21.3p	3.3

Fully diluted Earnings per Share ("EPS") derived from underlying profits, increased by 3.3% to 22.0p (2013: 21.3p), this was after a 6.5% increase in the diluted average number of shares, following the 33% increase in the share capital of the Company in July 2012.

Balance Sheet

The Group's Balance Sheet remains strong. Total net assets increased to £35.4 million from £34.3 million in the prior year, despite a £0.1 million fall in the market value of the Group's investment in FOGL as the share price fell slightly from 26.5 pence to 25.5 pence.

Retained earnings after the payment of tax and dividends increased by £0.2 million to £14.8 million (2013: £13.6 million). Bank borrowings were reduced to £1.0 million (2013: £2.0 million) and the Group had cash balances of £5.7 million (2013: £11.4 million).

The carrying value of intangible assets was reduced by £0.1 million to £12.2 million (2013: £12.3 million) due to the annual amortisation charge of £0.3 million on the intangible assets arising on the 2008 acquisition of Momart, and a £0.1 million amortisation charge for computer software, offset by a £0.3 million transfer from plant and machinery.

The net book value of property, plant and equipment increased by £2.9 million to £16.6 million (2013: £13.7 million) after capital investment of £4.3 million, including £2.1 million in the Falkland Islands.

The Group owns investment properties comprising commercial and residential properties in the Falkland Islands held for rental, together with approximately 400 acres in and around Stanley. This includes 18 acres for industrial development, 25 acres of prime mixed-use land and 300 acres which is adjacent to the site proposed for a new port.

During the year, the net book value of investment property increased £0.6 million to £3.4 million (2013: £2.8 million) after £0.1 million of depreciation. These properties are all situated in the Falkland Islands, and the £0.7 million additions include £0.2 million for the purchase of a property on Ross Road, Stanley and further development of residential properties to increase the Group's portfolio.

The Group owns 36 investment properties (mainly houses) in Stanley which are held at depreciated cost. The net book value of these properties of £3.4 million has been reviewed by the Directors resident in the Falkland Islands and at 31 March 2014 the fair value of this property portfolio was estimated at £6.3 million (2013: £5.7 million). If oil development proceeds, the value of all these properties is expected to increase significantly.

The Group's 2.4% shareholding in FOGL is described above in the Business Review.

Deferred tax assets relating to future pension liabilities decreased to £0.6 million (2013: £0.7 million). These assets now only include the deferred tax on the FIC unfunded scheme calculated by applying the 26% Falklands tax rate.

Inventories, which largely represents stock held for resale in the Falkland Islands increased by £1.6 million to £6.7 million at 31 March 2014. The increase largely relates to Falklands Building Services which is experiencing significant growth.

Trade and Other Receivables were increased by £0.9 million to £7.0 million as at 31 March 2014 due to the increased activity at Momart. Average debtor days outstanding were 47.0 (2013: 57.1).

Outstanding finance lease liabilities totalled £5.2 million (2013: £5.3 million). £4.9 million of the finance leases balance is in respect of the 50 year lease from Gosport Borough Council for the Gosport Pontoon.

Corporation tax due for payment within the next 12 months is £0.4 million (2013: £0.4 million). This is lower than the £0.9 million taxation charge on underlying profit, as £0.3 million of the 2014 tax charge has been paid in instalments.

Trade and other payables increased from £10.0 million to £11.0 million at 31 March 2014 reflecting increased trading activity.

At 31 March 2014 the liability due in respect of the Group's defined benefit pension schemes was £2.5 million (2013: £2.6 million). The pension scheme in the Falkland Islands, which was closed to new entrants in 1988 and to further accrual in 2007, is unfunded and liabilities are met from operating cash flow.

The net deferred tax liabilities, excluding the pension asset at 31 March 2014 at £1.6 million remained in line with the prior year (2013: £1.7 million). £1.4 million of this balance arises on property, plant and equipment, and is principally due to properties in the Falklands, where capital allowances of 10% are available on the majority of the FIC properties. With such assets depreciated over 20-50 years a timing difference arises on which deferred tax is provided.

Net assets per share were 285p at 31 March 2014 (2013: 276p).

Managing Director's Strategic Report

FINANCIAL REVIEW - CONTINUED

Cash Flows

Operating Cash Flow

Net cash flow from operating activities decreased from £3.5 million last year to £2.8 million, primarily due to a further increase in working capital as the Falkland Islands prepare for future growth.

The Group's Cash Flow can be summarised as follows:

Year ended 31 March	2014 £m	2013 £m
Underlying profit before tax	**3.6**	3.3
Depreciation	**1.1**	1.2
Amortisation of computer software	**0.1**	-
Net Interest payable	**0.2**	0.2
EBITDA	**5.0**	4.7
Share based payments	**-**	0.2
Increase in working capital	**(1.7)**	(0.5)
Tax paid	**(0.8)**	(0.7)
Other	**0.3**	(0.2)
Net cash inflow from operating activities	**2.8**	3.5
Net proceeds of shares issued	**-**	9.2
Sale of 1.2 million FOGL shares	**-**	1.0
Less:		
Dividends paid	**(1.4)**	(1.4)
Capital expenditure	**(5.0)**	(2.4)
Net bank interest received	**0.1**	0.1
Disposal of PHFC pension scheme	**-**	(0.3)
Loan to joint venture	**(0.5)**	-
Net cash outflow on sale & purchase of treasury shares	**(0.1)**	-
Loan repayments	**(1.4)**	(1.1)
Increase in hire purchase debtors	**(0.2)**	(0.1)
Financing draw down loans	**-**	0.1
Net (outflow) / inflow from financing and investing activities	**(8.5)**	5.1
Net cash (outflow) / inflow	**(5.7)**	8.6
Cash balance b/fwd	**11.4**	2.8
Cash balance c/fwd	**5.7**	11.4

Financing Outflows

During the year the Group paid dividends of £1.4 million (2013: £1.4million) and made fixed asset investment of £5.0 million of expenditure to strengthen the Group's operating base, including instalment payments of £1.6 million on the new vessel for Gosport ferry (2013 total expenditure: £2.4 million); £2.7 million was invested in Stanley with £0.7 million of expenditure on investment land and buildings, £0.6 million on plant and machinery, £0.3 million spend refurbishing the Stanley head office and £0.5 million building a new retail warehouse at Airport Road.

Scheduled loan repayments of £1.4 million were made, including £0.3 million of payments to Gosport Council on the 50 year pontoon finance lease, £0.1m of repayments on hire purchase leases for trucks at Momart and £1.0 million of bank loan repayments reducing the Group's bank debt to £1.0 million.

Business Drivers

All the Group's businesses are consumer oriented operations and their success is linked to general economic conditions in their markets. Inflation, employment levels, interest rates and government spending programmes all have an effect on disposable incomes and consumer confidence.

The Group's businesses in the Falkland Islands and Gosport are linked to local demand for their goods and services. In addition, demand is boosted by tourist activity which in the Falklands is affected by Argentinian pressure on cruise ship operators. In the Falkland Islands the strength of the economy has been closely linked to the fortunes of the fishing industry which accounts for over 60% of GDP. The variable factors have been the level of squid catches, in particular Illex, which has experienced very large variations, whereas Loligo, which has a substantial Falkland ownership, has had fewer fluctuations. Since the start of drilling in the north Falkland basin in 2010, offshore oil exploration activity has had a significant impact on the economy but will be at lower levels in the current year following the departure of the Leiv Eiriksson exploration rig in December 2012. Drilling activity is expected to resume in 2015. If oil exploration were to stop, this stimulus would cease and economic activity would revert to pre 2010 levels, conversely if hydrocarbon exploitation progresses as expected the positive impact on the Falkland Islands economy will be very significant.

For Momart, activity in the art market is correlated to the performance of the wider global economy with increasing influence attributable to emerging economies in the Middle East, China, India and South America. The global art market remains buoyant with the emergence of new buyers, patrons and artists. In the commercial art market, ultra high net worth individuals are a key driver, whereas in the museums sector government funding remains key in addition to corporate sponsorship and revenue raised from public admissions. Pressures on museum budgets in the UK, US and Europe have increased as Government subsidies have been cut and no increase in subsidies is anticipated in the near term.

Income generated from cultural exports through touring international exhibitions is an important source of revenue for UK museums and galleries and is likely to continue to grow as new countries seek to display art works.

Risk Factors

The PHFC and FIC businesses are sensitive to changes in local economic conditions and employment levels in local government and key local businesses. The level of local competition also affects their performance. In the Falkland Islands, FIC faces competition in almost every area of its operations but due to the company's long history and accumulated expertise, in most sectors in which it operates FIC has a leading market position. Maintaining leadership depends on continued innovation, investment and a commitment to customer service.

Argentina continues to claim sovereignty of the Falkland Islands. However, the people of the Falkland Islands and their Government have no doubt that the Falkland Islands are British. The British Government has re-affirmed its sovereignty in unequivocal terms and this was reinforced in March 2013 by an overwhelming vote in favour of the Falklands status as a British Overseas Territory by the people of the Falkland Islands. Despite this Argentina has continued to protest its spurious claims and this has made the development of commercial links with other South American countries difficult although the Islands' key trade and logistic links with the UK are unaffected. Argentina's military capacity has diminished since the conflict of 1982, whereas the Islands defences are much stronger. Argentina has expressly ruled out military action against the Falklands and the risk of such action is considered to be negligible. Diplomatic efforts by Argentina are likely to continue, but are not expected to have any impact on the status of the Falkland Islands for the foreseeable future.

Although there is no other directly competing service to the Portsmouth Harbour Ferry between Gosport and Portsmouth, customers are able to travel by car or public transport round the harbour. Maintaining and promoting the relative attractions of using the ferry whether for commuting to work, shopping or for tourism is a key strategic focus. PHFC will continue to work closely with local authorities and other public transport providers to reinforce its advantages as the faster, more cost effective, and environmentally friendly alternative to travelling by car.

For Momart the physical security of artworks is of paramount importance and the company goes to great lengths to guard against the risk of theft or damage to the works in its care. The other risks faced by Momart are those factors which might impact the global art market. For instance a reduction in the personal wealth of collectors and investors could result in a contraction of personal or institutional budgets which would lead to a reduction in the movement and display of art. The emergence of new competitors could also impact the business adversely. In addition, because much of Momart's business involves working with overseas partners, volatility in the Sterling/Dollar and Sterling/Euro exchange rates has a direct effect on its cost base and profitability.

Key Performance Indicators

At Group level management attention is focussed on revenue, costs and the contribution generated by each sub group of businesses.

In the Falkland Islands businesses like-for-like revenue growth is a key measure of performance, especially for the retail outlets which account for two thirds of revenues. In addition to sales trends, gross margins by product costs are also kept under close review.

At PHFC, passenger numbers and the average fare yield are monitored on a weekly basis. Other key concerns are ferry reliability and passenger safety as well as a focus on costs and net profitability.

At Momart, forward sales projections are monitored and these are an important predictive indicator which facilitates forward planning. In addition, order intake and the conversion rate in bidding for contracts are reviewed on a regular basis. Direct costs and the gross contribution of individual contracts are monitored closely as are the level of indirect costs and the overall amount of overtime being worked.

John Foster
Managing Director
9 June 2014

Board of Directors and Secretary

David Hudd Chairman

David joined the Board as Chairman in 2002 and is also Chairman of the Nominations Committee. He is a Chartered Accountant and was a partner in Price Waterhouse until 1982. Since then, he has been Chairman or Chief Executive and a non-executive director of a number of listed and unlisted companies. He was a founder director of Falkland Oil and Gas Limited and remains a non-executive director of that company.

John Foster Managing Director

John joined the Board in 2005. He is a Chartered Accountant and previously served as Finance Director for software company Macro 4 plc and toy retailer, Hamleys plc. Prior to joining Hamleys, he spent three years in charge of acquisitions and disposals at FTSE 250 company Ascot plc and before that worked for nine years as a venture capitalist with a leading investment bank in the City.

Mike Killingley Non-executive Director

Mike joined the Board in 2005, having previously been appointed non-executive Chairman of the Portsmouth Harbour Ferry Company Limited, following the Company's successful bid. He is also a non-executive director of an investment trust, Amati VCT 2 plc, and Treasurer of the University of Southampton. He is a Chartered Accountant and was a partner of KPMG (and predecessor firms) until 1998. Since then he has been non-executive Chairman of several quoted and unquoted companies. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

Jeremy Brade Non-executive Director

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

Edmund Rowland Non-executive Director

Edmund was appointed to the Board on 16 April 2013. He currently serves as a Director of Blackfish Capital Management, a specialist asset manager based in London and as an employee of Banque Havilland S.A (London Branch), previously having gained experience in London and Hong Kong, as an analyst and investment manager with BNP Paribas and Blackfish. He has broad experience of principal investing in both equity and credit capital markets, with a focus on special situations. Edmund is a member of the Remuneration 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 six years at the Peninsular and Oriental Steam Navigation Company.

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 2014.

Results and Dividend

The Group's result for the year is set out in the Group Income Statement on page 20. The Group profit for the year after taxation amounted to £2,633,000 (2013: £1,604,000). Basic earnings per share on underlying profits were 22.2p (2013: 21.6p). The Directors recommend a dividend of 7.5p per share (2013: 7.5p) which, if approved by shareholders at the forthcoming Annual General Meeting will be paid on 19 September 2014 to shareholders on the register at close of business on 29 August 2014. With the interim dividend of 4.0p paid in January 2014 (2013: 4.0p) this will take the total dividend for the year to 11.5p per share (2013: 11.5p). The proposed final dividend has not been included in creditors as it was not approved before the year end. Dividends paid during the year comprise a dividend of 7.5p per share in respect of the previous year ended 31 March 2013 and an interim dividend of 4.0p per share in respect of the current year.

Principal Activities

The business of the Group during the year ended 31 March 2014 was general trading in the Falkland Islands, the operation of a 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 Managing Director's Strategic Report on pages 3 to 13 and should be considered as part of the Directors' Report for the purposes of the requirements of the enhanced Directors' Report guidance.

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

Directors

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

Directors' Interests

The interests of the Directors in the issued shares and share options over the shares of the Company are set out below under the heading 'Directors' interests in shares' on page 17. During the year no Director had an interest in any significant contract relating to the business of the Company or its subsidiaries other than his own service contract.

Health and Safety

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

Employees

The Board is aware of the importance of good relationships and communication with employees. Where appropriate, employees are consulted about matters which affect the progress of the Group and which are of interest and concern to them as employees. Within this framework, emphasis is placed on developing greater awareness of the financial and economic factors which affect the performance of the Group. Employment policy and practices in the Group are based on non-discrimination and equal opportunity irrespective of age, race, religion, sex, colour and marital status. In particular, the Group recognises its responsibilities towards disabled persons and does not discriminate against them in terms of job offers, training or career development and prospects. If an existing employee were to become disabled during the course of employment, every practical effort would be made to retain the employee's services with whatever retraining is appropriate. The Group's pension arrangements for employees are summarised in note 24 on pages 53 to 57.

Share Capital and Substantial Interests In Shares

During the year no share capital was issued (2013: 3,119,837 Shares were issued by means of a placing and Open Offer to raise £10.0 million, and 14,219 share options were exercised).

Further information about the Company's share capital is given in note 26 on page 59. Details of the Company's executive share option scheme and employee ownership plan can be found on page 17 and in note 25 on pages 58 and 59.

The Company has been notified of the following interests in 3% or more of the issued ordinary shares of the Company as at 31 March 2014.

	Number of shares	Percentage of shares in issue net of shares held in Treasury
Blackfish Capital Management	2,500,000	20.1
Fidelity investments	892,114	7.2
L S Licht	610,000	4.9

Directors' Report
CONTINUED

Capital Reorganisation
Following the shareholder approval, received at the Company's Annual General Meeting on 20 August 2013, the Company's share capital underwent a reorganisation, as a result of which the number of shareholders was reduced from 6,324 to 2,294.

The existing ordinary shares were consolidated into ordinary shares of £10 each ("Consolidated Shares"), and the Company purchased the fractional entitlements of Small Shareholders (being those with less than 1 Consolidated Share) created by this consolidation, which amounted to 883.81 Consolidated Shares in aggregate. The price paid by the Company for these fractional entitlements was £372.75 per Consolidated Share (equivalent to 372.75p per existing share). Following this purchase by the Company, the Consolidated Shares (including those purchased by the Company) were sub-divided into new ordinary shares of 10p each which were admitted to trading on 21 August 2013. The new ordinary shares representing the fractional entitlements purchased by the Company were taken into Treasury.

On 27 August 2013, 70,000 of the shares held in Treasury were sold for 372.5 pence each. Following this sale, the Company holds 18,381 shares in Treasury. There have been no further movements in the Treasury shares since this date.

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 2014 or 31 March 2013.

Charitable and Political Donations
Charitable donations made by the Group during the year amounted to £23,709 (2013: £19,443), largely to local community charities in Gosport and the Falkland Islands. There were no political donations in the year (2013: nil).

Disclosure of Information to Auditors
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.

Auditors
KPMG Audit plc resigned as auditor on 2 August 2013. On 14 November 2013 the Directors appointed KPMG LLP as auditor of the company to fill the vacancy. A resolution proposing the re-appointment of KPMG LLP will be put to shareholders at the Annual General Meeting.

Annual General Meeting
The Company's Annual General Meeting will be held at the London offices of FTI Consulting, 200 Aldersgate, London, EC1A 4HD at 2.00 p.m. on 4 September 2014. 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 which accompanies this document.

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 2014 and in the preceding year follows:

	Salary £'000	Bonuses £'000	**2014 Total £'000**	2013 Total £'000
David Hudd	125	52	**177**	215
John Foster	196	84	**280**	278
Mike Killingley	35	-	**35**	35
Jeremy Brade	30	-	**30**	30
Edmund Rowland	23	-	**23**	-
Total	409	136	**545**	558

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

Directors' Report

CONTINUED

The Executive Directors participate in annual performance related bonus arrangements. The Chairman had the potential during the year of earning up to 80% of his salary and the Managing Director up to 65%. The bonuses are subject to the achievements of specified corporate and personal objectives.

Directors' Interests in Shares

As at 31 March 2014 and 31 March 2013, the share options of executive Directors may be summarised as follows:

Date of grant	Number of options D L Hudd	Number of options J L Foster	Exercise price	Exercisable from	Expiry date
10 Feb 2005	-	57,692	£5.20	10 Feb 2008	9 Feb 2015
14 Jun 2005	49,411	14,117	£4.25	14 Jun 2008	13 Jun 2015
7 Aug 2007	-	27,517	£3.30	7 Aug 2010	6 Aug 2017
15 Jul 2009	43,674	44,550	£2.90	15 Jul 2012	14 Jul 2019
13 Aug 2012	61,881	76,700	£4.04	13 Aug 2015	13 Aug 2022
Total	154,966	220,576			

The mid-market price of the Company's shares on 31 March 2014 was 314.0 pence and the range in the year was 312.5 pence to 385.0 pence.

The Remuneration Committee has not yet reached a decision on whether, and if so to what extent, the 20,000 options granted to David Hudd and 20,000 options granted to John Foster on 21 December 2010, should vest. For accounting purposes they have been treated as lapsed in the year to 31 March 2014 and disclosed accordingly in this Annual Report. If the options do vest, wholly or partially, an accounting adjustment, which is not expected to be material, will be made in a future accounting period.

The Directors' options extant at 31 March 2014 totalled 375,542 and represented 3.0% of the Company's issued share capital. The 399,354 remaining options are held by 51 other employees of the Group including subsidiary directors and senior management. Under the Company's executive share option scheme, executive Directors and senior executives have been granted options to acquire ordinary shares in the Company after a period of three years from the date of the grant. All outstanding options have been granted at an option price of not less than market value at the date of the grant. The exercise of options is subject to various performance conditions, which have been determined by the remuneration committee after discussion with the Company's advisors.

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 2014	Ordinary shares as at 31 March 2013
David Hudd*	**116,199**	110,630
John Foster*	**61,153**	25,584
Mike Killingley	**30,000**	16,000
Jeremy Brade	**15,000**	10,000
Edmund Rowland	****2,500,000**	**2,500,000

* The shareholdings above include all Shares held in the Company's share incentive plan in which the Directors have a beneficial interest.

** Edmund Rowland is a Director of Blackfish Capital Management Limited, the fund manager of Blackfish Capital Alpha Fund SPC – Blackfish Talisman Fund which holds 2,500,000 shares. He does not hold any shares directly in the Company.

Share Incentive Plan

In November 2012, the Company implemented an HMRC approved Share Incentive Plan (SIP) available to employees of the Group, which enables UK and Falklands staff to acquire shares in the Company through monthly purchases of up to £125 per month or 10% of salary, whichever is lower. For each 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 years ended 31 March 2014 and 2013 the Company purchased £500 of matching shares for Mr D Hudd and Mr J Foster.

Directors' Report

CONTINUED

Statement of Directors' Responsibilities in Respect of The Directors' Report and Financial Statements

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. As required by the AIM rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the European Union and applicable laws 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 Company and of their profit or loss for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have a 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 Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply 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.

The Directors confirm, to the best of their knowledge that:

- these financial statements, prepared in accordance with IFRS, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole; and
- the management report, which comprises the Chairman's Statement and the Managing Director's Strategic Report, includes a fair review of the development and performance of the business and of the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Board and signed on its behalf by:

Carol Bishop
Company Secretary
9 June 2014

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

Independent Auditor's Report

TO THE MEMBERS OF FALKLAND ISLANDS HOLDINGS PLC

We have audited the financial statements of Falkland Islands Holdings plc for the year ended 31 March 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Shareholders' Equity and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006.

Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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.

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

Wayne Cox
Senior Statutory Auditor

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ
9 June 2014

Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2014

Notes		Before amortisation of intangibles 2014 £'000	Amortisation of intangibles & non-trading items (Note 5) 2014 £'000	Total 2014 £'000	Before amortisation of intangibles items 2013 £'000	Amortisation of intangibles & non-trading items (Note 5) 2013 £'000	Total 2013 £'000
4	**Revenue**	**38,263**	**-**	**38,263**	35,596	-	35,596
	Cost of sales	(22,212)	-	(22,212)	(21,178)	-	(21,178)
	Gross profit	**16,051**	**-**	**16,051**	14,418	-	14,418
	Other administrative expenses	(12,235)	-	(12,235)	(10,916)	-	(10,916)
	Fund raising expenses	-	-	-	-	(682)	(682)
	Gain on sale of FOGL shares	-	-	-	-	768	768
24	Net settlement gain /(loss) on the PHFC pension scheme transfer	-	64	64	-	(182)	(182)
11	Amortisation of intangible assets	-	(307)	(307)	-	(398)	(398)
	Operating expenses	**(12,235)**	**(243)**	**(12,478)**	(10,916)	(494)	(11,410)
	Operating profit	**3,816**	**(243)**	**3,573**	3,502	(494)	3,008
	Share of results of Joint Venture	36	-	36	-	-	-
	Profit before net financing costs	**3,852**	**(243)**	**3,609**	3,502	(494)	3,008
	Finance income	220	-	220	257	-	257
	Finance expense	(425)	-	(425)	(468)	-	(468)
8	Net financing costs	(205)	-	(205)	(211)	-	(211)
	Profit / (loss) before tax from continuing operations	**3,647**	**(243)**	**3,404**	3,291	(494)	2,797
9	Taxation	(901)	130	(771)	(796)	(397)	(1,193)
	Profit / (loss) for the year attributable to equity holders of the company	**2,746**	**(113)**	**2,633**	2,495	(891)	1,604
10	Earnings per share						
	Basic	22.2p		21.3p	21.6p		13.9p
	Diluted	22.0p		21.1p	21.3p		13.7p

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2014

		2014 £'000	2013 £'000
15	Unrealised loss on revaluation of shares held in Falkland Oil and Gas Limited	**(129)**	(4,873)
	Transfer to the income statement on sale of shares in Falkland Oil and Gas	**-**	(521)
	Items which will ultimately be recycled to the income statement	**(129)**	**(5,394)**
24	PHFC remeasurement of the defined benefit liability	**-**	(77)
24	FIC remeasurement of the defined benefit liability	**135**	(173)
	Movement on deferred tax asset relating to pension schemes	**(35)**	61
	Effect of tax rate changes on deferred tax asset relating to pension schemes	**-**	47
	Items which will not ultimately be recycled to the income statement	**100**	**(142)**
	Other comprehensive expense	**(29)**	(5,536)
	Profit for the year	**2,633**	1,604
	Total comprehensive income/ (expense)	**2,604**	(3,932)

Consolidated Balance Sheet

AT 31 MARCH 2014

Notes		2014 £'000	2013 £'000
	Non-current assets		
11	Intangible assets	**12,238**	12,315
12	Property, plant and equipment	**16,609**	13,725
13	Investment properties	**3,396**	2,786
15	Shares held in Falkland Oil and Gas Limited	**3,270**	3,399
16	Investment in Joint Venture	**86**	50
	Loan to Joint Venture	**529**	-
	Non-current assets held-for-sale	**-**	20
17	Hire purchase debtors due in more than one year	**342**	121
18	Deferred tax assets	**645**	671
	Total non-current assets	**37,115**	33,087
	Current assets		
19	Inventories	**6,692**	5,099
20	Trade and other receivables	**7,041**	6,133
17	Hire purchase debtors due in less than one year	**503**	486
21	Cash and cash equivalents	**5,715**	11,416
	Total current assets	**19,951**	23,134
	TOTAL ASSETS	**57,066**	56,221
	Current liabilities		
22	Interest-bearing loans and borrowings	**(1,109)**	(1,149)
	Corporation tax payable	**(419)**	(364)
23	Trade and other payables	**(10,981)**	(10,012)
	Total current liabilities	**(12,509)**	(11,525)
	Non-current liabilities		
22	Interest-bearing loans and borrowings	**(5,061)**	(6,139)
24	Employee benefits	**(2,480)**	(2,584)
18	Deferred tax liabilities	**(1,639)**	(1,694)
	Total non-current liabilities	**(9,180)**	(10,417)
	TOTAL LIABILITIES	**(21,689)**	(21,942)
	Net assets	**35,377**	34,279
26	Capital and reserves		
	Equity share capital	**1,243**	1,243
	Share premium account	**17,447**	17,447
	Other reserves	**1,162**	1,162
	Retained earnings	**14,839**	13,612
	Financial assets fair value reserve	**686**	815
	Total equity	**35,377**	34,279

These financial statements were approved by the Board of Directors on 9 June 2014 and were signed on its behalf by:

J L Foster

Director

Company Balance Sheet

AT 31 MARCH 2014

Notes		2014 £'000	2013 £'000
	Non-current assets		
14	Financial assets - investments in subsidiaries	29,004	29,097
20	Other receivables	1,952	1,709
18	Deferred tax	4	4
	Total non-current assets	30,960	30,810
	Current assets		
20	Trade and other receivables	19	21
21	Cash and cash equivalents	9,280	10,554
	Total current assets	9,299	10,575
	TOTAL ASSETS	40,259	41,385
	Current liabilities		
22	Interest-bearing loans and borrowings	(785)	(800)
	Corporation tax payable	(48)	(51)
23	Trade and other payables	(578)	(461)
	Total current liabilities	(1,411)	(1,312)
	Non-current liabilities		
22	Interest-bearing loans and borrowings	-	(769)
23	Other payables	-	(582)
	Total non-current liabilities	-	(1,351)
	TOTAL LIABILITIES	(1,411)	(2,663)
	Net assets	38,848	38,722
26	Capital and reserves		
	Called up share capital	1,243	1,243
	Share premium account	17,447	17,447
	Other reserves	6,910	6,910
	Retained earnings	13,248	13,122
	Total equity	38,848	38,722

These financial statements were approved by the Board of Directors on 9 June 2014 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 2014

Notes		2014 £'000	2013 £'000
	Cash flows from operating activities		
	Profit for the year	2,633	1,604
	Adjusted for:		
	(i) Non-cash items:		
	Depreciation	1,116	1,204
	Depreciation of computer software	117	-
	Amortisation	307	398
	(Profit) / loss on disposal of fixed assets	(4)	56
	Share of Joint Venture profit	(36)	
	Amortisation of loan fees	16	16
	Past service cost of pension scheme	45	-
	Expected return on pension scheme assets	-	(2)
	Interest cost on pension scheme liabilities	108	111
	Equity-settled share-based payment expenses	43	134
	Non-cash items adjustment	1,712	1,917
	(ii) Other items:		
	Bank interest receivable	(99)	(164)
	Bank interest payable	39	85
	Finance lease interest	262	-
	Gain on disposal of FOGL shares	-	(768)
	Fund raising expenses	-	682
	Net settlement (gain)/loss on the transfer of the PHFC pension scheme	(64)	182
	Corporation and deferred tax expense	771	1,193
	Other adjustments	909	1,210
	Operating cash flow before changes in working capital and provisions	5,254	4,731
	Increase in trade and other receivables	(888)	(513)
	Increase in inventories	(1,593)	(1,108)
	Increase in trade and other payables	927	1,221
	Decrease in provisions and employee benefits	(122)	(129)
	Changes in working capital and provisions	(1,676)	(529)
	Cash generated from operations	3,578	4,202
	Corporation taxes paid	(780)	(735)
	Net cash flow from operating activities	2,798	3,467
	Purchase of property, plant and equipment	(4,933)	(2,415)
	Purchase of computer software	(41)	-
	Proceeds from the disposal of property, plant and equipment	21	17
	Proceeds received from the sale of FOGL shares	-	1,005
	Cash received / (paid) on transfer of pension scheme	46	(260)
	Investment in Joint Venture	-	(50)
	Loans to Joint Venture	(529)	-
	Interest received	99	164
	Net cash flow from investing activities	(5,337)	(1,539)
	Cash flow from financing activities		
	Increase in other financial assets	(238)	(72)
	Repayment of secured loan	(1,396)	(1,135)
	Financing loan draw downs	-	122
	Interest paid	(39)	(85)
	Proceeds from the issue of ordinary share capital	-	9,889
	Net cashflows from sale and purchase of Treasury shares	(66)	-
	Fund raising expenses paid	-	(620)
	Dividends paid	(1,423)	(1,362)
	Net cash flow from financing activities	(3,162)	6,737
	Net increase in cash and cash equivalents	(5,701)	8,665
	Cash and cash equivalents at start of year	11,416	2,751
21	**Cash and cash equivalents at end of year**	5,715	11,416

Company Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2014

Notes		2014 £'000	2013 £'000
	Cash flows from operating activities		
	Profit / (Loss) for the year	1,632	(1,597)
	Adjusted for:		
	Net financing costs	26	64
	Amortisation of loan fees	16	16
	Equity-settled share-based payment expenses	7	52
	Impairment in Erebus	129	3,766
	Fund raising expenses	-	682
	Corporation and deferred tax expense	72	57
	Operating profit before changes in working capital	1,882	3,040
	Decrease in trade and other receivables	2	4
	Increase (Decrease) in trade and other payables	57	(50)
	Cash generated from operations	1,941	2,994
	Corporation taxes paid	(75)	(23)
	Net cash flow from operating activities	1,866	2,971
	Cash flow from financing activities		
	Repayment of inter-company borrowing	(825)	1,949
	Repayment of secured loan	(800)	(800)
	Interest paid	(26)	(64)
	Proceeds from the issue of ordinary share capital	-	9,889
	Net cashflows from sale and purchase of Treasury shares	(66)	-
	Fund raising expenses paid	-	(620)
	Dividends paid	(1,423)	(1,362)
	Net cash flow from financing activities	(3,140)	8,992
	Net increase in cash and cash equivalents	(1,274)	11,963
	Cash and cash equivalents at start of year	10,554	(1,409)
21	**Cash and cash equivalents at end of year**	9,280	10,554

Consolidated Statement of Changes in Shareholders' Equity

FOR THE YEAR ENDED 31 MARCH 2014

Notes	Reconciliation of movement in capital and reserves - Group	Called up share capital £'000	Financial assets fair value revaluation reserve £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	**Total equity £'000**
	Balance at 1 April 2012	930	6,209	7,871	1,162	13,316	**29,488**
	Profit for the year	-	-	-	-	1,604	**1,604**
	Share-based payments granted to employees	-	-	-	-	134	**134**
26	Share based payments on warrants granted to Banque Havilland SA on Fund raising	-	-	-	-	62	**62**
	Dividends	-	-	-	-	(1,362)	**(1,362)**
	Issue of shares	313	-	9,576	-	-	**9,889**
	Change in fair value of shares in Falkland Oil and Gas Limited	-	(4,873)	-	-	-	**(4,873)**
	Transfer to the income statement on sale of shares in FOGL	-	(521)	-	-	-	**(521)**
	Remeasurement of the defined benefit liability, net of tax	-	-	-	-	(189)	**(189)**
	Effect of tax rate changes on deferred tax asset relating to pension schemes	-	-	-	-	47	**47**
	Balance at 31 March 2013	1,243	815	17,447	1,162	13,612	**34,279**
	Profit for the year	-	-	-	-	2,633	**2,633**
	Share based payments granted to employees	-	-	-	-	43	**43**
	Net Treasury share movements	-	-	-	-	(126)	**(126)**
	Dividends	-	-	-	-	(1,423)	**(1,423)**
	Change in fair value of shares in Falkland Oil and Gas Limited	-	(129)	-	-	-	**(129)**
	Remeasurement of the defined benefit liability, net of tax	-	-	-	-	100	**100**
	Balance at 31 March 2014	1,243	686	17,447	1,162	14,839	**35,377**

Company Statement of Changes in Shareholders' Equity

FOR THE YEAR ENDED 31 MARCH 2014

Reconciliation of movement in capital and reserves - Company	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	**Total equity £'000**
Balance at 1 April 2012	930	7,871	6,910	15,885	**31,596**
Profit for the year	-	-	-	(1,597)	**(1,597)**
Share based payments granted to employees	-	-	-	134	**134**
Share based payments on warrants granted to Banque Havilland SA on Fund raising	-	-	-	62	**62**
Dividends	-	-	-	(1,362)	**(1,362)**
Issue of shares	313	9,576	-	-	**9,889**
Balance at 31 March 2013	1,243	17,447	6,910	13,122	**38,722**
Profit for the year	-	-	-	1,632	**1,632**
Share based payments granted to employees	-	-	-	43	**43**
Net Treasury share movement	-	-	-	(126)	**(126)**
Dividends	-	-	-	(1,423)	**(1,423)**
Balance at 31 March 2014	1,243	17,447	6,910	13,248	**38,848**

A profit of £1,632,000 (2013 loss: £1,597,000) has been dealt with in the accounts of the Parent Company. As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

Notes to the financial statements

1 Accounting Policies

General information

Falkland Islands Holdings plc (the "Company") is a company 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.

The management and development of the Group's property portfolio in the Falkland Islands is a significant part of the Group's trading activity. Associated gains and losses on the disposal of rental properties and property developments are accordingly recognised within gross profit.

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 31.

The financial statements are presented in pounds sterling, rounded to the nearest thousand. They are prepared on the historical cost basis except that available-for-sale financial instruments and derivative financial instruments are stated at their fair value.

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

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Managing Director's Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Managing Director's Strategic Report. In addition note 27 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. After making enquiries the Directors have a reasonable expectation that the Company and Group have adequate facilities to continue in operational existence for the foreseeable future, and have continued to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Falkland Islands Holdings plc and its subsidiaries (the "Group").

A subsidiary is any entity Falkland Islands Holdings plc has the power to control the financial and operating policies of so as to obtain benefits from its activities. 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 not classified as held-for-sale within the Company balance sheet are stated at cost.

Joint Ventures

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. 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

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 amortisation of intangible assets on acquisition. Such items arise because of their size or nature, and in 2014, comprise:

- The net settlement gain on the disposal of the liabilities in the PHFC pension scheme; and
- The amortisation of intangible assets.

In 2013, these comprised the following:
- Expenses incurred on the fund raising;
- The gain on the sale of 1,175,000 FOGL shares;
- The net settlement loss on the disposal of the liabilities in the PHFC pension scheme; and
- The amortisation of intangible assets.

In 2013, the total fund raising costs incurred were £807,000, of which £125,000 was accounted for as a deduction from equity (share premium), as these costs were considered to be incremental and directly attributable to the fund raising.

The remaining £682,000 of costs were considered by the Directors to be to incurred in generally researching potential sources of finance and being advised on the generic terms on which such a fund raising might be achieved, and were thus not directly attributable and incremental to the equity fund raising. This was on the basis that the Company considered that all or substantially all of the costs would have been incurred had the fundraising not proceeded to completion. It was also considered that this treatment was more open and gave greater prominence to material costs incurred during the year to all readers of the accounts.

Foreign currencies

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

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises purchase price and directly attributable expenses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Freehold buildings	20 - 50 years
Long leasehold land and buildings	50 years
Vehicles, plant and equipment	4 - 10 years
Ships	15 - 30 years

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

Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less any accumulated depreciation (calculated on useful economic lives in line with accounting policy, property, plant and equipment above) and any impairment losses.

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries.

Notes to the financial statements

CONTINUED

1 Accounting Policies CONTINUED

Acquisitions prior to 1 April 2006

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

Acquisitions on or after 1 April 2006

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use.
The estimated useful lives are as follows:

Trade name	indefinite
Customer relationships	6 - 10 years
Non-compete agreements	5 years

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 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, interest receivable, and foreign exchange gains and losses that 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.

Financial instruments

Certain financial instruments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised in other comprehensive income and presented in the fair value reserve in equity, except for impairment losses. When these items are derecognised, the cumulative gain or loss previously recognised directly in equity is recycled to profit and loss. Financial instruments classified as available-for-sale are initially recognised at fair value less directly attributable transaction costs.

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 non-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, as follows:

The cost of raw materials, consumables and goods for resale comprises purchase cost, on a weighted average basis and where applicable includes expenditure incurred in transportation to the Falkland Islands.

Work-in-progress and finished goods cost includes direct materials and labour plus attributable overheads based on a normal level of activity.

Construction-in-progress and properties-held-for sale relating to the Group’s property trading portfolio in the Falkland Islands are stated at the lower of cost and net realisable value.

Net realisable value is estimated at selling price in the ordinary course of business less costs of disposal.

Revenue
Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable by the Group for goods supplied and services rendered in the normal course of business, net of discounts and excluding VAT. Revenue principally arises from retail sales, the provision of ferry services and the provision of storage and transportation services for fine art works. In the Falkland Islands revenue also includes proceeds from property sales, property rental income, insurance commissions, revenues billed for shipping and agency activities and port services. Revenue from sale of goods is recognised at the point of sale or dispatch, which approximates to the point when significant risks and rewards are transferred to the buyer, whilst that of the ferry, fine art logistics and other services is recognised when the service is provided. Revenue from property sales is recognised on completion.

For fine art exhibition logistical work undertaken, where the costs incurred and the costs to complete the transaction can be measured reliably, the amount of profit attributable to the stage of completion of a contract is recognised on the basis of the incurred percentage of anticipated cost, which in the opinion of the Directors, is the most appropriate proxy for the stage of completion. Provision is made for losses as soon as they are foreseeable.

Pensions

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

Defined benefit pension schemes
During the year to 31 March 2013, the Group also operated two pension schemes providing benefits based on final pensionable pay. The scheme in Portsmouth Harbour Ferry Company Limited was transferred to Legal and General in March 2013. Therefore at 31 March 2014 and 31 March 2013, the Group has one remaining pension scheme providing benefits based on final pensionable pay, which is unfunded and closed to future accrual.

The Group’s net obligation in respect of each defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to its present value; and any unrecognised past service costs and the fair value of the plan assets (at bid price) are deducted.

The liability discount rate is the yield at the balance sheet date on AA credit-rated bonds that have maturity dates approximating the terms of the Group’s obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the asset recognised is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan. 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.

Notes to the financial statements

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1 Accounting Policies CONTINUED

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 as a result of contributions and benefit payments.
Remeasurements of the defined benefit liability are recognised in full in the period in which they arise in the statement of comprehensive income.

Trade and other receivables

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

Trade and other payables

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

Dividends

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

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Interest-bearing borrowings

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

Income tax

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
Deferred tax is recognised at the tax rates that are expected to be applied to the temporary differences when they reverse, based on rates that have been enacted or substantially enacted by the reporting date.

Leased assets

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

As lessee

Rentals in respect of all operating leases are charged to the income statement on a straight-line basis over the lease term.

As lessor

Assets under hire purchase agreements are shown in the balance sheet under current assets to the extent they are due within one year, and under non-current assets to the extent that they are due after more than one year, and are stated at the value of the net investment in the agreements. The income from such agreements is credited to the income statement each year so as to give a constant rate of return on the funds invested.

Assets held for leasing out under operating leases are included in investment property (where they constitute land and buildings) or in property, plant and equipment (where they do not constitute land and buildings) at cost less accumulated depreciation and impairment losses. Rental income is recognised on a straight-line basis. Lease incentives granted are recognised as an integral part of the total rental income.

1 Accounting Policies CONTINUED

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

Non-current assets held for sale and discontinued operations
Non-current assets and discontinued operations are classified as held for sale when their carrying values will be recovered principally through sale. They are generally measured at the lower of carrying amount and fair value less costs to sell.

New, amended and revised IFRSs and International Financial Reporting Interpretations Committee pronouncements ("IFRICs")
In the current year, the Group has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time. The amendments to IAS 19 Employee Benefits, have resulted in a change in presentation in these financial statements, as the expected return on plan assets and the interest cost on the FIC and PHFC defined benefit obligation are replaced with a "net interest" amount under IAS 19 (as revised in 2011).

Other than the minor amendments required by IAS 19 Employee Benefits, there were no amendments or revisions to IFRSs effective for the first time in the year ended 31 March 2014 which had an impact on the consolidated financial statements.
The following amendments and revisions to IFRSs which were effective for the first time in the year ended 31 March 2014 did not have any material impact on the consolidated financial statements:

Amendments and revisions to IFRSs
IFRS 7 Financial Instruments: Disclosures
IFRS 13 Fair Value Measurement
IAS 19 Employee Benefits (revised)

The following IFRSs and amendments and revisions to IFRSs, have been adopted by the EU, and were available for early adoption but have not yet been applied in the preparation of the consolidated financial statements:

New IFRSs	Effective date (accounting periods commencing on or after):
IFRS 10 Consolidated Financial Statements	1 January 2014
IFRS 11 Joint Arrangements	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities	1 January 2014
IAS 27 Separate Financial Statements	1 January 2014
IAS 28 Investments in Associates and Joint Ventures	1 January 2014
Amendments and revisions to IFRSs	
IAS 32 Financial Instruments: Presentation	1 January 2014
Various Improvements to IFRSs – minor amendments	various

The Directors do not anticipate that the adoption of these new IFRSs and amendments and revisions to IFRSs will have a material impact on the consolidated financial statements in the period of initial application.

Notes to the financial statements

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2 Segmental Information Analysis

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

The CODM has been identified as the Board of Directors.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

2 Segmental Information Analysis CONTINUED

2014	Goods and essential services (Falklands) £'000	Ferry Services (Portsmouth) £'000	Art logistics & storage (UK) £'000	Unallocated £'000	Total £'000
Revenue	15,881	4,124	18,258	-	38,263
Segment operating profit before tax & amortisation	977	1,013	1,826	-	3,816
Net settlement gain on the PHFC pension scheme	-	-	-	64	64
Amortisation	-	-	(307)	-	(307)
Segment operating profit	977	1,013	1,519	64	3,573
Share of results of Joint Venture	36	-	-	-	36
Profit before net financing costs	1,013	1,013	1,519	64	3,609
Interest income	121	-	-	99	220
Interest expense	(108)	(246)	(29)	(42)	(425)
Segment profit before tax	1,026	767	1,490	121	3,404
Assets and liabilities					
Segment assets	20,129	14,437	13,492	9,008	57,066
Segment liabilities	(8,950)	(6,541)	(4,818)	(1,380)	(21,689)
Segment net assets	11,179	7,896	8,674	7,628	35,377
Other segmental information					
Capital expenditure:					
Property, plant, equipment	2,057	1,958	260	-	4,275
Investment properties	658	-	-		658
Computer software	-	-	41	-	41
Depreciation - property, plant and equipment	429	332	307	-	1,068
Depreciation - investment properties	48	-	-	-	48
Depreciation of computer software	-	-	117	-	117
Amortisation of intangible assets on acquisition of Momart	-	-	307	-	307
Underlying profit before tax					
Segment operating profit	977	1,013	1,826	-	3,816
Share of results of Joint Venture	36	-	-	-	36
Profit before net financing costs	1,013	1,013	1,826	-	3,852
Interest income	121	-	-	99	220
Interest expense	(108)	(246)	(29)	(42)	(425)
Underlying profit before tax	1,026	767	1,797	57	3,647

The £9,008,000 (2013: £14,838,000) unallocated assets above include the Group cash balance of £5,715,000 (2013: £11,416,000), and the Group's investment in Falkland Oil and Gas of £3,270,000 (2013: £3,399,000) together with £23,000 (2013: £23,000) of prepayments held in Falkland Islands Holdings plc. The £1,380,000 (2013: £2,031,000) unallocated liabilities above include the Group's bank loan of £785,000 (2013: £1,569,000), together with the accruals and tax balances held within Falkland Islands Holdings plc.

Notes to the financial statements

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2 Segmental Information Analysis CONTINUED

2013	Goods and essential services (Falklands) £'000	Ferry Services (Portsmouth) £'000	Art logistics & storage (UK) £'000	Unallocated £'000	Total £'000
Revenue	15,222	4,076	16,298	-	**35,596**
Segment operating profit before tax & amortisation	1,325	984	1,193	-	**3,502**
Fund raising costs	-	-	-	(682)	**(682)**
Gain on sale of 1.175 million FOGL shares	-	-	-	768	**768**
Net settlement loss on the PHFC pension scheme	-	-	-	(182)	**(182)**
Amortisation	-	-	(398)	-	**(398)**
Segment operating profit	1,325	984	795	(96)	**3,008**
Share of results of Joint Venture	-	-	-	-	**-**
Profit before net financing costs	1,325	984	795	(96)	**3,008**
Interest income	91	2	-	164	**257**
Interest expense	(118)	(263)	(29)	(58)	**(468)**
Segment profit before tax	1,298	723	766	10	**2,797**
Assets and liabilities					
Segment assets	15,059	12,792	13,532	14,838	**56,221**
Segment liabilities	(8,664)	(6,650)	(4,597)	(2,031)	**(21,942)**
Segment net assets	6,395	6,142	8,935	12,807	**34,279**
Other segmental information					
Capital expenditure:					
Property, plant, equipment	1,332	223	598	-	**2,153**
Investment properties	262	-	-	-	**262**
Depreciation - property, plant & equipment	466	301	414	-	**1,181**
Depreciation - investment properties	23	-	-	-	**23**
Amortisation	-	-	398	-	**398**

Underlying profit before tax					
Segment operating profit	**1,325**	**984**	**1,193**	**-**	3,502
Share of results of Joint Venture	**-**	**-**	**-**	**-**	-
Profit before net financing costs	**1,325**	**984**	**1,193**	**-**	3,502
Interest income	91	2	-	164	**257**
Interest expense	(118)	(263)	(29)	(58)	**(468)**
Underlying profit before tax	**1,298**	**723**	**1,164**	**106**	3,291

3 Geographical analysis

The tables below analyse revenue and other information by geography:

2014	United Kingdom £'000	Falkland Islands £'000	Total £'000
Revenue (by source)	22,382	15,881	**38,263**
Non-current segment assets, excluding deferred tax and financial instruments	23,377	9,823	**33,200**
Capital expenditure	2,259	2,715	**4,974**

2013	United Kingdom £'000	Falkland Islands £'000	Total £'000
Revenue (by source)	20,374	15,222	**35,596**
Non-current segment assets, excluding deferred tax and financial instruments	22,199	6,818	**29,017**
Capital expenditure	821	1,594	**2,415**

4 Revenue

	2014 £'000	2013 £'000
Sale of goods	**12,392**	12,345
Rendering of services	**25,871**	23,251
Total revenue	**38,263**	35,596

5 Amortisation of intangible assets and non-trading items

	2014 £'000	2013 £'000
Amortisation charge on Momart intangible assets acquired	**(307)**	(398)
Amortisation charge	**(307)**	(398)
Profit before tax as reported	**3,404**	2,797
adjusted for		
Amortisation	**307**	398
Fund raising expenses	**-**	682
Gain on sale of FOGL shares	**-**	(768)
Net settlement (gain)/ loss on the PHFC pension scheme	**(64)**	182
Total amortisation and non-trading items	**243**	494
Underlying profit before tax	**3,647**	3,291

Note 9 includes an analysis of the tax charged on the amortisation and non-trading items in the year ended 31 March 2013.

Notes to the financial statements
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6 Expenses and auditor's remuneration

Included in profit/loss are the following expenses / (income):	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Direct operating expenses arising from investment properties which generated rental income in the period	131	102	-	-
Depreciation	1,116	1,204	-	-
Depreciation of computer software	117	-	-	-
Amortisation of intangible assets	307	398	-	-
Foreign currency differences	(50)	(153)	-	-
Impairment loss on trade and other receivables	(44)	61	-	-
Cost of inventories recognised as an expense	9,025	8,368	-	-
Operating lease payments	822	773	-	-

Auditor's remuneration	2014 £'000	2013 £'000
Audit of these financial statements and amounts receivable by auditors and their associates in respect of:	29	28
Audit of subsidiaries' financial statements pursuant to legislation	61	61
Other services relating to taxation	-	37
Total auditor's remuneration	90	126

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.

The 2014 auditor's remuneration for statutory audit services and non-audit services relates solely to amounts paid to KPMG LLP. The 2013 amounts relate solely to amounts paid to KPMG Audit plc.

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	
	2014	2013	2014	2013
Ferry services	38	38	-	-
Falkland Islands: in Stanley	142	123	-	-
in UK	5	5	-	-
Art logistics & storage	121	116	-	-
Head office	5	5	5	5
Total average staff numbers	311	287	5	5

7 Staff numbers and cost CONTINUED

The aggregate payroll cost of these persons was as follows:

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Wages and salaries	10,490	8,747	638	583
Share-based payments (see note 25)	43	134	7	52
Social security costs	910	802	80	76
Contributions to defined contribution plans	243	222	8	8
Total employment costs	11,686	9,905	733	719

8 Finance income and expense

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

	2014 £'000	2013 £'000
Bank interest receivable	99	164
Finance lease interest receivable	121	91
Net interest income on the PHFC net defined benefit liabilities	-	2
Total financial income	220	257
Interest payable on bank loans	(39)	(85)
Net interest cost on the FIC defined benefit pension scheme liabilities	(108)	(111)
Amortisation of loan fees	(16)	(16)
Finance lease interest payable	(262)	(256)
Total financial expense	(425)	(468)
Net financing cost	(205)	(211)

Notes to the financial statements

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9 Taxation

Recognised in the income statement

Current tax expense	2014 £'000	2013 £'000
Current year	801	665
Adjustments for prior years	34	(74)
Current tax expense	835	591
Deferred tax expense		
Origination and reversal of temporary differences	47	620
Reduction in tax rate	(136)	(60)
Adjustments for prior years	25	42
Deferred tax (credit) / expense	(64)	602
Total tax expense	771	1,193

Reconciliation of effective tax rate

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	3,404	2,797
Tax using the UK corporation tax rate of 23% (2013:24%)	783	671
Expenses not deductible for tax purposes	78	53
Deduction in respect of exercised stock options	-	(6)
Marginal relief	-	(1)
Effect of higher tax rate overseas	(5)	4
Reduction in deferred tax rate	(136)	(60)
Income from joint ventures	(8)	-
Deferred tax arising on change in tax regime	-	564
Adjustments to tax charge in respect of previous periods	59	(32)
Total tax expense	771	1,193

Tax recognised directly in other comprehensive income

	2014 £'000	2013 £'000
Deferred tax recognised directly in other comprehensive income	35	(108)
Total tax credit recognised directly in other comprehensive income	35	(108)

Factors affecting the future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax liabilities and assets at 31 March 2014 have been calculated based on the rate of 20% substantively enacted at the balance sheet date, with the Falklands tax rate of 26% applied to all Falkland Islands assets and liabilities. It has not yet been possible to quantify the full anticipated effect of the announced reductions, although this will further reduce the Group and Company deferred tax assets and liabilities accordingly.

The tax charge in the year to 31 March 2013 on the amortisation and non-trading items of the Group was £397,000. This included the £167,000 deferred tax credit on the amortisation of intangibles and the net settlement loss of the pension scheme, offset against a £564,000 deferred tax charge arising in the year to 31 March 2013 from the temporary differences on commercial industrial buildings in the Falklands. This needed to be provided for following a change in the Group's tax situation that arose from HMRC's acceptance of a foreign branch exemption, which in practice meant that it became necessary to account for deferred tax from this date in accordance with Falklands tax law rather than UK tax law. Unlike under UK tax law, Falklands tax law allows capital allowances to be claimed on commercial buildings at 10% on a straight line basis. With such assets depreciated over 20-50 years for accounting purposes, a temporary difference arises, on which deferred tax had to be provided.

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 in Treasury and under the Employee Share Ownership Plan ('ESOP') (see note 26). 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.

	2014 £'000	2013 £'000
Profit on ordinary activities after taxation	2,633	1,604

	2014 Number	2013 Number
Weighted average number of shares in issue	12,431,623	11,612,626
Less: shares held in Treasury	(12,764)	-
Less: shares held under the ESOP	(37,785)	(38,364)
Average number of shares in issue excluding the ESOP	12,381,074	11,574,262
Maximum dilution with regards to share options	79,911	129,600
Diluted weighted average number of shares	12,460,985	11,703,862

	2014	2013
Basic earnings per share	21.3p	13.9p
Diluted earnings per share	21.1p	13.7p

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

Earnings per share on underlying profit	2014 £'000	2013 £'000
Underlying profit before tax (see note 5)	3,647	3,291
Taxation	(901)	(796)
Underlying profit after tax	2,746	2,495
Effective tax rate	24.7%	24.2%
Weighted average number of shares in issue excluding Treasury share and the ESOP (from above)	12,381,074	11,574,262
Diluted weighted average number of shares	12,460,985	11,703,862
Basic earnings per share on underlying profit	22.2p	21.6p
Diluted earnings per share on underlying profit	22.0p	21.3p

Notes to the financial statements

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11 Intangible assets

	Group					
	Computer Software £'000	Customer relationships £'000	Brand names £'000	Non-compete Agreements £'000	Goodwill £'000	**Total £'000**
Cost:						
At 1 April 2012 at 31 March 2013	-	1,882	2,823	72	11,539	**16,316**
Additions	41	-	-	-	-	**41**
Transfer from plant and machinery	306	-	-	-	-	**306**
At 31 March 2014	347	1,882	2,823	72	11,539	**16,663**
Accumulated amortisation:						
At 1 April 2012	-	989	574	57	1,983	**3,603**
Amortisation for the year	-	243	141	14	-	**398**
At 31 March 2013	-	1,232	715	71	1,983	**4,001**
Depreciation of computer software	117	-	-	-	-	**117**
Amortisation of other intangibles for the year	-	236	70	1	-	**307**
At 31 March 2014	117	1,468	785	72	1,983	**4,425**
Net book value:						
At 31 March 2012	-	893	2,249	15	9,556	**12,713**
At 31 March 2013	-	650	2,108	1	9,556	**12,315**
At 31 March 2014	230	414	2,038	-	9,556	**12,238**

Amortisation and impairment charges are recognised in operating expenses in the income statement.

Customer relationships - are ongoing relationships, both contractual and otherwise, with customers considered to be of future econimic benefit to the Group with estimated econimic lives of 6-10 years.

Non-compete agreements - are contractual binding agreements with senior Momart personel not to compete with the Group for five years in the event of their leaving the Group service.

Prior to 1 October 2013, the brand name was amortised over 20 years. If the brand name had continued to be amortised over 20 years, the additional amortisation charged in these accounts would have been £71,000.

Goodwill

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

	Arts logistics and storage (UK) £'000	Ferry Services (Portsmouth) £'000	**Total £'000**
Balance at 1 April 2012	5,577	3,979	**9,556**
Balance at 31 March 2013	5,577	3,979	**9,556**
Balance at 31 March 2014	5,577	3,979	**9,556**

11 Intangible assets CONTINUED

Impairment

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill and /or indefinite life assets might be impaired. An impairment test is a comparison of the carrying value of the assets of a CGU, based on a value-in-use calculation, to their recoverable amounts. Where the recoverable amount is less than the carrying value an impairment results. During the year the goodwill and indefinite life intangibles for each CGU was separately assessed and tested for impairment, with no impairment charges resulting (2013: nil).

As part of testing goodwill and indefinite life intangibles for impairment, forecasts of operating cash flows for the next five years are used, which are based on approved budgets and plans by the Board of Falkland Islands Holdings plc. 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 number of key assumptions are used as part of impairment testing. These key assumptions are made by management reflecting past experience combined with their knowledge of as to future performance and relevant external sources of information. Sensitivity analysis as at 31 March 2014 has indicated that no reasonably foreseeable change in the key assumptions used in the impairment model would result in a significant impairment charge being recorded in the financial statements.

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 13.7% (2013: 14.1%), and the cash flows of the Ferry Services have been discounted using a pre-tax discount rate of 12.5% (2013: 12.9%). Management have determined that each rate is appropriate as the risk adjustment applied within the discount rate reflects the risks and rewards inherent to each CGU, based on the industry and geographical location it is based within.

Long term growth rates

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

Other assumptions

Other assumptions used within impairment testing models include an estimation of long term effective tax rate for the CGUs.
The long-term effective rate of tax assumption is consistent with the current UK tax rate.
The terminal value is calculated based on the Gordon Growth model.

Sensitivity to changes in assumptions

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

Assumptions specific to ferry services (Portsmouth)

Value in use was determined by discounting future cash flows in line with the other assumptions discussed above. Management have forecast consistent growth in cash flows of 2% in both the short and long term. The value in use was determined to exceed the carrying amount and no impairment has been recognised (2013: £nil). It is not considered that a reasonably possible change in any of these assumptions would generate a different impairment test outcome to the one included in this annual report. The key assumptions made in the estimation of future cash flows are the passenger numbers and the average revenue per passenger.

Assumptions specific to arts logistics and storage (UK)

Value in use was determined by discounting future cash flows in line with the other assumptions as discussed above. Cash flows were projected based on approved budgets and plans which foresee growth rates in excess of 10% over the forecast period. The long term growth rate is projected to be 2% thereafter. The carrying value of the unit was determined to not be higher than its recoverable amount and no impairment was recognised (2013: nil). It is not considered that a reasonably possible change in any of these assumptions would generate a different impairment test outcome to the one included in this annual report. The key assumptions made in the estimation of future cash flows are in relation to revenue.

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12 Property, plant and equipment

	Group				
	Freehold land & buildings £'000	Long leasehold land & buildings £'000	Ships £'000	Vehicles, plant & equipment £'000	Total £'000
Cost:					
At 1 April 2012	4,180	6,452	3,332	6,623	**20,587**
Additions in year	382	146	201	1,424	**2,153**
Transfer to investment properties	(218)	-	-	-	**(218)**
Disposals	-	(149)	-	(373)	**(522)**
At 31 March 2013	4,344	6,449	3,533	7,674	**22,000**
Additions in year	1,336	166	1,825	948	**4,275**
Transfer to computer software	-	-	-	(306)	**(306)**
Disposals	(140)	-	-	(155)	**(295)**
At 31 March 2014	5,540	6,615	5,358	8,161	**25,674**
Accumulated depreciation:					
At 1 April 2012	1,779	531	954	4,412	**7,676**
Charge for the year	116	232	138	695	**1,181**
Transfer to investment properties	(133)	-	-	-	**(133)**
Disposals	-	(94)	-	(355)	**(449)**
At 31 March 2013	1,762	669	1,092	4,752	**8,275**
Charge for the year	95	196	140	637	**1,068**
Disposals	(138)	-	-	(140)	**(278)**
At 31 March 2014	1,719	865	1,232	5,249	**9,065**
Net book value:					
At 1 April 2012	2,401	5,921	2,378	2,211	**12,911**
At 31 March 2013	2,582	5,780	2,441	2,922	**13,725**
At 31 March 2014	3,821	5,750	4,126	2,912	**16,609**

The Company has no tangible fixed assets.

At 31 March 2014 the net carrying amount of leased long leasehold land and buildings and vehicles, plant and equipment was £4,683,000 and £302,000 respectively (2013: £4,783,000 and £397,000). During the year to 31 March 2014 the Group acquired no further leased assets. (In the year ended March 2013, £122,000 of leased assets were purchased).

At 31 March 2014, the group had entered into contractual commitments for the acquisition of the new vessel for Portsmouth amounting to a further £837,000 (2013: £nil). £1,873,000 has been included in the cost of ships in respect of this vessel which is under construction. £623,000 is included within Freehold properties above in respect of the new warehouse and other developments under construction in the Falklands.

13 Investment properties

	Group		
	Residential and commercial property £'000	Freehold land £'000	**Total £'000**
At 1 April 2012	809	718	**1,527**
Transfer from Freehold land and buildings	163	55	**218**
Transfer from properties held as stock	1,010	-	**1,010**
Additions	262	-	**262**
At 31 March 2013	2,244	773	**3,017**
Additions	658	-	**658**
At 31 March 2014	2,902	773	**3,675**
Accumulated depreciation:			
At 1 April 2012	75	-	**75**
Charge for the year	23	-	**23**
Transfer from Freehold land and buildings	133	-	**133**
At 31 March 2013	231	-	**231**
Charge for the year	48	-	**48**
At 31 March 2014	279	-	**279**
Net book value			
At 1 April 2012	734	718	**1,452**
At 31 March 2013	2,013	773	**2,786**
At 31 March 2014	2,623	773	**3,396**

The investment properties comprise residential and commercial property held for rental in the Falkland Islands including 36 residential properties available for rent in and around Central Stanley, and one property, under construction at 31 March 2014. These together with the land have a net book value of £3,396,000 (2013: £2,786,000). Investment properties include 400 acres, including 70 acres of land in Stanley, 58 acres of which have planning permission, and 300 acres of land at Fairy Cove, adjacent to the site of the proposed deep water port at Port William. These investment properties held by FIC have been reviewed by a Director of FIC who is resident in the Falkland Islands and is considered to have the relevant knowledger and experience to undertake the valuation.

At 31 March 2014 the fair value of this property portfolio was estimated at £6.3 million (31 March 2013: £5.7 million) including development land valued at £2.2 million (2013: £2.3 million) As oil development proceeds, the value of these properties is expected to increase significantly. The fair value estimate of £6.3 million is a level 3 valuation under IFRS 13 amd equates to the highest and best use as defined by that standard.

During the year to 31 March 2014, the Group received rental income of £221,000 (2013: £296,000) on these properties.
£199,000 is included within investment properties above in respect of properties under construction in the Falklands.

The Company does not own any investment properties.

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14 Investments in subsidiaries

The Group and Company have the following direct and indirect investments in subsidiaries:

	Country of incorporation	Class of shares held	Ownership %	
			2014	2013
The Falkland Islands Company Limited	UK	Ordinary shares of £1	100%	100%
		Preference shares of £10	100%	100%
The Falkland Islands Trading Company Limited	UK	Ordinary shares of £1	100%	100%
Falkland Islands Shipping Limited*	Falkland Islands	Ordinary shares of £1	100%	100%
Erebus Limited*	Falkland Islands	Ordinary shares of £1	100%	100%
		Preference shares of £1	100%	100%
Paget Limited*	Falkland Islands	Ordinary shares of £1	100%	100%
The Portsmouth Harbour Ferry Company Limited	UK	Ordinary shares of £1	100%	100%
Portsea Harbour Company Limited*	UK	Ordinary shares of £1	100%	100%
Clarence Marine Engineering Limited*	UK	Ordinary shares of £1	100%	100%
Gosport Ferry Limited*	UK	Ordinary shares of £1	100%	100%
Momart International Limited	UK	Ordinary shares of £1	100%	100%
Momart Limited*	UK	Ordinary shares of £1	100%	100%
Dadart Limited*	UK	Ordinary shares of £1	100%	100%

* These investments are not held by the Company but are indirect investments held through a subsidiary of the Company.

Company investments in Group undertakings

	Company	
	2014 £'000	2013 £'000
Balance brought forward	**29,097**	31,488
Impairment of investment in Erebus Limited	**(129)**	(2,457)
Decrease in cost of investment in Momart	**-**	(16)
Cost of share-based payments recognised in subsidiaries	**36**	82
Total investment in group undertakings	**29,004**	29,097

The Company's investment in Erebus Limited comprises the Group's shareholding in Falkland Oil and Gas Limited (see Note 15).

15 Shares held in Falkland Oil and Gas Limited - available-for-sale equity securities

	2014	2013
Fair value of shares held in Falkland Oil and Gas Limited £'000	**3,270**	3,399
Falkland Oil and Gas Limited share price at 31 March	**25.5p**	26.5p
Shareholding at 31 March	**12,825,000**	12,825,000
Group interest in Falkland Oil and Gas Limited	**2.4%**	4.0%
Historic cost of shareholding to the Group	**2,586**	2,586
Historic cost per share to the Group	**20p**	20p

16 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 are expected to be generated by oil activity. Both Trant Construction and the Falkland Islands Company contributed £50,000 of share capital.

	2014 £'000	2013 £'000
Share in Joint Venture's balance sheet		
Fixed assets	**528**	-
Current assets	**293**	50
Liabilities due in less than one year	**(192)**	-
Liabilities due in greater than one year	**(543)**	-
Group share of net assets	**86**	50

Share in Joint Venture's results	2014 £'000	2013 £'000
Revenue	**559**	-
Cost of sales	**(505)**	-
Administrative expenses	**(4)**	-
Operating profit for the year	**50**	-
Taxation	**(14)**	
Group share of results for the year	**36**	-

SAtCO had no contingent liabilities or capital commitments as at 31 March 2014 or 31 March 2013.

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17 Other financial assets

Finance lease receivables relate to finance leases on the sale of vehicles and customer goods. No allowances for uncollectable minimum lease payments have been deemed necessary. No contingent rents have been recognised as income in the period. No residual values accrue to the benefit of the lessor.

	Group	
	2014 £'000	2013 £'000
Non-current: Finance lease debtors due after more than one year	342	121
Current: Finance lease debtors due within one year	503	486
Total other financial assets	845	607

The difference between the gross investment in the hire purchase leases and the present value of future lease payments due represents unearned finance income of £84,000 (2013: £59,000).

The cost of assets acquired for the purpose of letting under hire purchase agreements by the Group during the year amounted to £868,000 (2013: £635,000).

The aggregate rentals receivable during the year in respect of hire purchase agreements were £700,000 (2013: £599,000).

	Group	
	2014 £'000	2013 £'000
Gross investment in hire purchase leases	930	666
Present value of future lease payments due:		
within 1 year	503	486
after more than 1 year within 5 years	342	121
	845	607

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Group			
	Assets		Liabilities	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Property, plant & equipment	-	-	1,373	1,254
Intangible assets	-	-	490	635
Inventories	62	96	-	-
Other financial liabilities	75	54	-	-
Share-based payments	27	45	-	-
Tax losses	60	-	-	-
Tax assets / liabilities excluding the pension liability	224	195	1,863	1,889
Tax assets			(224)	(195)
Net deferred tax liability excluding the deffered tax asset on pensions			1,639	1,694
Pension			(645)	(671)
Total net deffered tax liability			994	1,023

The deferred tax asset shown as a non-current asset in the balance sheet relates to the Group's pension scheme liabilities (see note 24). All other deferred tax assets are shown net against the non-current deferred tax liability shown in the balance sheet.

	Company			
	Assets		Liabilities	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Other temporary differences	4	4	-	-
Net tax asset	4	4	-	-

Movement in deferred tax in the year

	Group			
	1 April 2013 £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2014 £'000
Property, plant & equipment	1,254	119	-	1,373
Intangible assets	635	(145)	-	490
Inventories	(96)	34	-	(62)
Other financial liabilities	(54)	(21)	-	(75)
Share-based payments	(45)	18	-	(27)
Tax losses	-	(60)		(60)
Pension	(671)	(9)	35	(645)
Deferred tax movements	1,023	(64)	35	994

Notes to the financial statements
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18 Deferred tax assets and liabilities CONTINUED

Unrecognised deferred tax assets
Deferred tax assets of £113,000 (2013: £132,000) in respect of capital losses have not been recognised as it is not considered probable that there will be suitable taxable profits in the foreseeable future from which the underlying capital losses will reverse.

	Company			
	1 April 2013 £'000	Recognised in income £'000	Recognised in equity £'000	**31 March 2014 £'000**
Other temporary differences	4	-	-	**4**
Deferred tax movements	4	-	-	**4**

Movement in deferred tax in the prior year	Group			
	1 April 2012 £'000	Recognised in income £'000	Recognised in equity £'000	**31 March 2013 £'000**
Property, plant & equipment	588	666		**1,254**
Intangible assets	758	(123)		**635**
Inventories	(75)	(21)		**(96)**
Other financial liabilities	(83)	29		**(54)**
Share-based payments	(66)	21		**(45)**
Pension	(593)	30	(108)	**(671)**
Deferred tax movements	529	602	(108)	**1,023**

	Company			
	1 April 2012	Recognised in income	Recognised in equity	**31 March 2013**
Other financial liabilities	5	(1)	-	**4**
Deferred tax movements	5	(1)	-	**4**

19 Inventories

	Group	
	2014 £'000	2013 £'000
Work-in-progress	852	202
Goods-in-transit	1,492	609
Goods for resale	4,348	4,288
Total inventories	6,692	5,099

Goods-in-transit are retail goods in transit to the Falkland Islands. The Company has no inventories.

20 Trade and other receivables

	Company	
	2014 £'000	2013 £'000
Non-current: Amount owed by subsidiary undertakings	1,952	1,709

	Group		Company	
Current:	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade and other receivables	5,601	4,960	-	-
Prepayments and accrued income	1,440	1,173	19	21
Total trade and other receivables	7,041	6,133	19	21

21 Cash and cash equivalents / bank overdrafts

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash and cash equivalents in the balance sheet and cash flow statement	5,715	11,416	9,280	10,554

Notes to the financial statements

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22 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are stated at amortised cost. For more information regarding the maturity of the Group and Company's interest-bearing loans and borrowings and about the Group and Company's exposure to interest rate and foreign currency risk, see note 27.

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Non-current liabilities:				
Secured bank loans	34	1,003	-	769
Finance lease liabilities	5,027	5,136	-	-
Total non-current interest-bearing loans and borrowings	5,061	6,139	-	769
Current liabilities:				
Current portion of secured bank loans	985	1,000	785	800
Finance lease liabilities	124	149	-	-
Total current interest-bearing loans and borrowings	1,109	1,149	785	800
Total interest-bearing loans and borrowings	6.170	7.288	785	1.569

Finance leases liabilties	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Less than one year	366	396	242	247	124	149
Between one and five years	1,216	1,322	919	950	297	372
More than five years	10,985	11,245	6,255	6,481	4,730	4,764
Total	12,567	12,963	7,416	7,678	5,151	5,285

Net debt

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Total interest-bearing loans and borrowings	6,170	7,288	785	1,569
less: cash balances (see note 21)	(5,715)	(11,416)	(9,280)	(10,554)
Net (cash) / debt	455	(4,128)	(8,495)	(8,985)

23 Trade and other payables

	Company	
Non-current:	**2014 £'000**	2013 £'000
Amount owed to subsidiary undertakings	**-**	582

	Group		Company	
Current:	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Trade payables	**6,817**	6,031	**-**	-
Other creditors, including taxation and social security	**756**	825	**172**	58
Accruals and deferred income	**3,408**	3,156	**406**	403
Total trade and other payables	**10,981**	10,012	**578**	461

24 Employee benefits: pension plans

The Group operates three defined contribution pension schemes. In addition it also operated two defined benefit pension schemes, both of which have been closed to new members and to future accrual. In March 2013 the Group transferred all liabilities in respect of the Portsmouth Harbour defined benefit scheme to Legal and General.

Defined contribution schemes

The Group operates three defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £243,000 (2013: £222,000). The Group anticipates paying contributions amounting to £315,000 during the year ending 31 March 2015. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Defined benefit pension schemes

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

Pension scheme deficit:	**2014 £'000**	2013 £'000
The Falkland Islands Company Limited Scheme	**(2,480)**	(2,584)
Deferred tax	**645**	671
Net pension scheme deficit	**(1,835)**	(1,913)

Notes to the financial statements

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24 Employee benefits: pension plans CONTINUED

The Falkland Islands Company Limited Scheme

The Falkland Islands Company Limited operates a defined benefit pension scheme for certain employees which is unfunded and was closed to new members in 1988. This scheme was closed to further accrual on 31 March 2007. Benefits are payable on retirement at the normal retirement age.

Actuarial reports for IAS 19 purposes as at 31 March 2014, 2013, 2012, 2011 and 2010 were prepared by a qualified independent actuary, Lane Clark & Peacock LLP. The major assumptions used in this valuation were:

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

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.

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

Sensitivity analysis

The calcalation of the defined benefit liability is sensitive to the assumptions set out above. The following table summarises how the impact of the impact of the defined benefit liability at 31 March 2014 would have increased / (decreased) as a result of a change in the respective assumptions by 0.1%,

	2014 Effect on obligation £'000
Discount rate +/- 0.1%	38
Increases in deferment (LPI 3%) +/- 0.1%	(8)
Life expectancy +/- One year	(100)

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

Scheme liabilities

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

	Value at 2014 £'000	Value at 2013 £'000	Value at 2012 £'000	Value at 2011 £'000	Value at 2010 £'000
Present value of scheme liabilities	**(2,480)**	(2,584)	(2,411)	(2,107)	(2,013)
Related deferred tax asset	**645**	671	579	548	558
Net pension liability	**(1,835)**	(1,913)	(1,832)	(1,559)	(1,455)

24 Employee benefits: pension plans CONTINUED

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

Analysis of amounts included in other finance costs:	2014 £'000	2013 £'000
Interest on pension scheme liabilities	(108)	(111)

Analysis of amount recognised in statement of comprehensive income :	2014 £'000	2013 £'000
Experience gains and (losses) arising on scheme liabilities	20	(34)
Changes in assumptions underlying the present value of scheme liabilities	115	(139)
Remeasurement of the defined benefit liability	135	(173)

History of experience gains and losses:	2014	2013	2012	2011	2010
Experience (losses)/gains arising on scheme liabilities:					
Amount (£'000)	20	(34)	(30)	(7)	89
Percentage of year end present value of scheme liabilities	(0.8%)	1.3%	1.2%	0.3%	(4.4%)
Total amount recognised in statement of comprehensive income:	135	(173)	(289)	(82)	(195)
Amount (£'000)					
Percentage of year end present value of scheme liabilities	(5.4%)	6.7%	12.0%	3.9%	9.7%
Payments to pensioners	122	111	98	98	98

Notes to the financial statements
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24 Employee benefits: pension plans CONTINUED

Portsmouth Harbour Ferry Company Plc (1975) Retirement Fund
This Company operated a defined benefit scheme. The scheme has been closed for many years and none of the current employees are earning benefits under the scheme. This scheme was transferred to Legal and General at 7 March 2013. Actuarial reports for IAS 19 purposes for the 7 March date of transfer were prepared by a qualified independent actuary, JLT Benefit Solutions.

The major assumptions used in this valuation were:

	2014	2013
Rate of increase in pensions in payment and deferred pensions	-	3.4%
Discount rate applied to scheme liabilities	-	4.3%
Inflation assumption	-	3.4%

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets
The fair value of the scheme's assets, which for the years ending 31 March 2010 to 31 March 2012 were not intended to be realised in the short term and therefore may have been subject to significant change should they have been realised, and the present value of the scheme's liabilities, which, for the years ended 31 March 2010 to 31 March 2012 were derived from cash flow projections over long periods and thus inherently uncertain, were:

Movement in deficit during the year:	2014 £'000	2013 £'000
Projected benefit obligations		
Opening projected benefit obligations	-	(519)
Interest thereon	-	(23)
Distributions	-	56
Remeasurement of the defined benefit liability	-	(44)
Liabilities discharged on settlement	-	530
Projected benefit obligations at 31 March	-	-

Plan assets	2014 £'000	2013 £'000
Opening plan assets	-	460
Distributions	-	(56)
Contributions	-	316
Return on assets	-	25
Remeasurement of the defined benefit asset	-	(33)
Assets discharged on settlement	-	(712)
Plan assets at 31 March	-	-
Deficit in scheme at 31 March	-	-

24 Employee benefits: pension plans CONTINUED

	Value at 2014 £'000	Value at 2013 £'000	Value at 2012 £'000	Value at 2011 £'000	Value at 2010 £'000
Equities	-	-	286	301	328
Fixed interest	-	-	145	101	64
Other	-	-	29	30	18
Total market value of assets	-	-	460	432	410
Present value of scheme liabilities	-	-	(519)	(455)	(634)
Deficit in scheme	-	-	(59)	(23)	(224)
Related deferred tax asset	-	-	14	6	63
Net pension liability	-	-	(45)	(17)	(161)

Analysis of amounts included in other finance costs:	2014 £'000	2013 £'000
Expected return on pension scheme assets	-	25
Interest on pension scheme liabilities	-	(23)
Included in other finance costs	-	2

Analysis of amounts included in operating expenses:	2014 £'000	2013 £'000
Net settlement gain /(loss) on the transfer of the PHFC pension scheme	64	(182)
Included in other operating expenses	64	(182)

Analysis of amount recognised in statement of other comprehensive income:	2014 £'000	2013 £'000
Actual return less expected return on scheme assets	-	(33)
Changes in assumptions underlying the present value of scheme liabilities	-	(44)
Remeasurement of the defined benefit liability	-	(77)

History of experience gains and losses:	2014	2013	2012	2011	2010
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	-	(33)	(23)	(8)	86
Percentage of year end scheme assets	-	-	(5.0%)	(1.9%)	21.0%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	-	-	-	-	(1)
Percentage of year end present value of scheme liabilities	-	-	-	-	0.2%
Total amount recognised in statement of comprehensive income:					
Amount (£'000)	-	(77)	(75)	(10)	(55)
Percentage of year end present value of scheme liabilities	-	-	14.5%	2.2%	8.7%

Notes to the financial statements

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25 Employee benefits: share-based payments

The following options were outstanding at 31 March 2014:

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
10 Feb 05	57,692	520.0	520.0	247.0	142,499	10 Feb 08	9 Feb 15
14 Jun 05	42,500	425.0	425.0	166.0	70,550	14 Jun 08	13 Jun 15
14 Jun 05	63,528	425.0	425.0	214.0	135,950	14 Jun 08	13 Jun 15
7 Aug 07	27,517	330.0	332.5	73.0	20,087	7 Aug 10	6 Aug 17
4 Dec 07	12,500	319.0	340.0	119.0	14,875	4 Dec 10	3 Dec 17
3 Apr 08	3,781	365.0	375.0	131.0	4,953	3 Apr 11	2 Apr 18
8 Apr 09	57,719	207.5	207.5	56.0	32,323	8 Apr 12	7 Apr 19
15 Jul 09	98,224	290.0	290.0	72.0	70,721	15 Jul 12	14 Jul 19
9 Dec 09	24,000	390.0	397.5	145.0	34,800	9 Dec 12	8 Dec 19
21 Dec 10*	44,160	342.5	337.5	124.0	54,758	21 Dec 13	20 Dec 20
28 Apr 11	6,390	313.0	313.0	106.0	6,773	28 Apr 14	28 Apr 21
27 Jun 11	18,281	302.5	303.5	94.0	17,184	27 Jun 14	27 Jun 21
16 Dec 11	140,690	267.5	261.5	68.0	95,669	16 Dec 14	16 Dec 21
13 Aug 12	138,581	404.0	404.0	92.0	127,495	13 Aug 15	12 Aug 22
27 Nov 13	29,810	369.0	369.0	109.0	32,493	27 Nov 16	26 Nov 23
02 Dec 13	9,523	367.5	367.5	109.0	10,380	02 Dec 16	02 Dec 23
	774,896				**871,510**		

The total number of options outstanding at 31 March 2014 was 774,896 (2013: 861,344). A reconciliation of the movement in options is shown below. The fair values of the options are estimated at the date of grant using appropriate option pricing models and are charged to the profit and loss account over the expected life of the options. The following table gives the assumptions made in determining the fair value of the unvested options. Expected volatility is determined by reference to past performance of the Company's share price.

* The Remuneration Committee has not yet reached a decision on whether, and if so to what extent, the 20,000 options granted to David Hudd and 20,000 options granted to John Foster on 21 December 2010, should vest. For accounting purposes they have been treated as lapsed in the year to 31 March 2014 and disclosed accordingly in this Annual Report. If the options do vest, wholly or partially, an accounting adjustment, which is not expected to be material, will be made in a future accounting period.

	28 Apr 11	27 Jun 11	16 Dec 11	13 Aug 12	27 Nov 13	02 Dec 13
Expected volatility (%)	40	40	39	39	39	39
Risk-free interest rate (%)	2.94	2.53	1.42	0.97	2.09	2.19
Expected life of options (years)	6.5	6.5	6.5	6.5	6.5	6.5
Dividend yield (%)	2.60	3.10	3.60	2.70	3.12	3.13
Share price at grant date (pence)	313.0	303.5	261.5	404.0	369.0	367.5

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.

25 Employee benefits: share-based payments CONTINUED

During the year ended 31 March 2014 28,915 options (2013: 14,219) were exercised over ordinary shares.
The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price (£) 2014	Number of options 2014	Weighted average exercise price (£) 2013	Number of options 2013
Outstanding at the beginning of the year	3.43	861,344	3.28	730,510
Forfeited during the year	3.45	(96,866)	3.40	(19,657)
Exercised during the year	2.08	(28,915)	2.08	(14,219)
Granted during the year	3.69	39,333	3.99	164,710
Outstanding at the year end	3.49	774,896	3.43	861,344
Vested options exercisable at the year end	3.59	431,621	3.50	417,376

26 Capital and reserves

	Ordinary shares of 10p each	
Share capital	2014	2013
Issued at 1 April	12,431,623	9,297,567
Shares issued in fund raising	-	3,119,837
Share options exercised during the year	-	14,219
Issued at 31 March - fully paid	12,431,623	12,431,623

	2014 £'000	2013 £'000
Allotted, called up and fully paid		
Ordinary shares of 10p each	1,243	1,243

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

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

During the year ended 31 March 2013 the Group issued 3,119,837 shares by means of a placing and open offer at 320 pence per share to raise £10.0 million before expenses to provide funds to invest in the Group's businesses in the Falkland Islands.
In addition 14,219 share options were also exercised in the year ended 31 March 2013.

On 31 March 2000, an Employee Share Ownership Plan was established. At 31 March 2014 the plan held 28,016 (2013:39,021) ordinary shares at a cost of £55,005 (2013: £76,612). The market value of the shares at 31 March 2014 was £87,970 (2013: £129,745). Shares held in the ESOP receive a nominal 0.01p per share in each dividend payment, as in prior years.

For more information on share options please see note 25.

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

Notes to the financial statements

CONTINUED

26 Capital and reserves CONTINUED

Warrants issued to Banque Havilland SA

In July 2012, 100,000 warrants to subscribe for one ordinary share were granted to Banque Havilland SA, which can be exercised at a price of £5 per share at any date from the date of grant until 31 December 2014. The share based payment charge of £62,000 was calculated using the Black Scholes model with an assumed volatility of 45% and a dividend yield of 2.86%.

Dividends

The following dividends were recognised in the period:

	2014 £'000	2013 £'000
Final: 7.5p (2013 Final: 7.0p) per qualifying ordinary share	928	866
Interim: 4.0p (2013 Interim: 4.0p) per qualifying ordinary share	495	496
	1,423	1,362

After the balance sheet date a final dividend of 7.5p (£929,000) per qualifying ordinary share (2013: 7.5p, £929,000) were proposed by the directors. The dividend has not been provided for.

27 Financial instruments

(i) Fair values of financial instruments

Investments in equity securities

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the balance sheet date.

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

Fair value, 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.

Derivative financial instruments

The fair value of derivative financial instruments is determined by their market value at the reporting date.

IAS 39 categories and fair values

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

27 Financial instruments CONTINUED

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

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Available-for-sale financial assets at fair value	3,270	3,399	-	-
Financial liabilities at amortised cost	(10,981)	(10,012)	(578)	(461)
Cash and cash equivalents	5,715	11,416	9,280	10,554
Hire purchase debtors	845	607	-	-
Interest-bearing borrowings at amortised cost	(6,170)	(7,288)	(785)	(1,569)
Trade and other receivables	5,601	4,960	19	21

Available for sale financial assets are valued using a level 1 methodology. All other financial instruments are based on a level 3 methodology.

(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 and investment securities.

Group
The Group's credit risk is primarily attributable to its trade receivables. The maximum credit risk 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 ongoing basis. These include the use of customer specific credit limits.

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

Exposure to credit risk
The carrying amount of financial assets, other than available for sale financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £12,161,000 (2013: £16,983,000) being the total trade receivables, other financial assets and cash and cash equivalents in the balance sheet.

The credit risk on cash balances is limited because the couterparties 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	2014 £'000	2013 £'000
Falkland Islands	1,540	1,133
Europe	1,254	663
North America	383	562
United Kingdom	1,966	2,321
Other	458	281
Trade receivables	5,601	4,960

The Company has no trade debtors.

Notes to the financial statements

CONTINUED

27 Financial instruments CONTINUED

Credit quality of financial assets and impairment losses

Group	Gross 2014 £'000	Impairment 2014 £'000	Net 2014 £'000	Gross 2013 £'000	Impairment 2013 £'000	Net 2013 £'000
Not past due	3,751	-	3,751	2,745	-	2,745
Past due 0 - 30 days	1,237	-	1,237	1,689	-	1,689
Past due 31 - 120 days	385	-	385	272	-	272
More than 120 days	485	(257)	228	656	(402)	254
	5,858	(257)	5,601	5,362	(402)	4,960

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

Group	2014 £'000	2013 £'000
Balance at 1 April 2013	402	341
Impairment loss recognised	85	61
Impairment loss reverse	(100)	-
Utilisation of provision	(130)	-
Balance at 31 March 2014	257	402

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.

Group and company

At the beginning of the period the Group had outstanding bank loans of £2 million. All payments due during the year with respect to these agreements were met as they fell due.

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

27 Financial instruments CONTINUED

Liquidity risk - Group

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

2014	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial instruments						
Secured bank loans	1,019	1,045	1,010	35	-	-
Finance leases	5,151	12,567	366	366	850	10,985
Trade and other payables	10,981	10,981	10,981	-	-	-
	17,151	24,593	12,357	401	850	10,985

The contractual cash flows for finance leases in the years ended 31 March 2014 and 31 March 2013 are significantly higher than the liability at the year end, as the finance lease for the Gosport pontoon with Gosport Borough Council is a 50 year finance lease with quarterly payments of £65,000 until June 2061.

2013	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial instruments						
Secured bank loans	2,003	2,071	1,026	1,010	35	-
Finance leases	5,285	12,963	396	366	956	11,245
Trade and other payables	10,012	10,012	10,012	-	-	
	17,300	25,046	11,434	1,376	991	11,245

Notes to the financial statements

CONTINUED

27 Financial instruments CONTINUED

Liquidity risk - Company

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

2014	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial instruments						
Secured bank loans	785	810	810	-	-	-
Trade and other payables	578	578	578	-	-	-
	1,363	1,388	1,388	-	-	-

2013	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial instruments						
Secured bank loans	1,569	1,636	826	810	-	-
Trade and other payables	461	461	461	-	-	-
	2,030	2,097	1,287	810	-	-

(iv) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange, 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.

	Group			
2014	EUR £'000	USD £'000	Other £'000	**Total £'000**
Cash and cash equivalents	15	211	1	**227**
Trade payables and other payables	(414)	(344)	(193)	**(951)**
Balance sheet exposure	(399)	(133)	(192)	**(724)**

27 Financial instruments CONTINUED

2013	Group EUR £'000	USD £'000	Other £'000	Total £'000
Cash and cash equivalents	32	204	7	**243**
Debtors	-	38	-	**38**
Trade payables and other payables	(321)	(261)	(97)	**(679)**
Balance sheet exposure	(289)	(19)	(90)	**(398)**

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 the year ended 31 March 2013.

	Equity		Profit or loss	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
EUR	**40**	29	**40**	29
USD	**13**	2	**13**	2

A 10% strengthening of the above currencies against pound sterling at 31 March would have had 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

Profile

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

	Group		Company	
Fixed rate financial instruments:	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Finance leases receivable	**845**	607	**-**	-
Finance leases payable	**(5,151)**	(5,285)	**-**	-
	(4,306)	(4,678)	**-**	-
Variable rate financial instruments:				
Financial liabilities	**(1,019)**	(2,003)	**(785)**	(1,569)
	(1,019)	(2,003)	**(785)**	(1,569)

Notes to the financial statements
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27 Financial instruments CONTINUED

The Group has a loan of £0.2 million (2013: £0.4 million) in respect of the ferry delivered in 2005. The loan is repayable over a 10 year period from June 2005 and bears interest at 1.1% above the Bank of England base rate, with a minimum base rate of 2.75% The Group has a further loan of £0.8 million (2013: £1.6 million) in respect of the acquisition of Momart International Limited. The loan is repayable over five years from June 2010 and bears interest at 1.5% above the Bank of England base rate.

Sensitivity analysis
A 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 had 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 2013.

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Equity:				
Decrease	**(10)**	(20)	**(8)**	(16)
Profit or loss:				
Decrease	**(10)**	(20)	**(8)**	(16)

Market risk - equity price risk
The Group's and Company's exposure to equity price risk arises from its investments in equity securities which are classified in the balance sheet as shares held in Falkland Oil and Gas Limited (see note 15)

Sensitivity analysis
The Group's available-for-sale financial assets comprise its investment in FOGL. During the year ended 31 March 2014 FOGL shares traded on the AIM market of the London Stock Exchange at an average price of 27.14p with a high of 31.25p and a low of 23.75p. Based upon this share price history the value of available-for-sale financial assets held at the balance sheet date could have varied between a low of £3,046,000 (2013: £3,399,000) and a high of £4,008,000 (2013: £12,665,000).

(v) Capital Management

The Group's objectives when managing capital, which comprises equity and reserves at 31 March 2014 of £35,377,000 (2013: £34,279,000) are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders.

28 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2014 £'000	2013 £'000
Less than one year	**720**	611
Between one and five years	**3,107**	2,975
More than five years	**7,984**	8,759
	11,811	12,345

28 Operating leases CONTINUED

The Group leases three office premises and a number of storage warehouses under operating leases. Office leases typically run for a period of 3-10 years, with an option to renew the lease after that date. Warehouse leases typically run for a period of 25 years, with an option to renew the lease after that date.

Group

During the year £822,000 was recognised as an expense in the income statement in respect of operating leases (2013: £773,000). The Company had no operating lease commitments.

29 Capital commitments

At the end of the year the Group had capital commitments of £837,000 due to the Boat yard for the new vessel for Gosport Ferry, and a commitment to purchase a new truck for £130,000 at Momart, which have not been provided for in these financial statements. There were no capital commitments at 31 March 2013.

30 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 control 21.9% per cent of the voting shares of the Company. The compensation of key management personnel (including Directors) is as follows:

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Key management emoluments including social security costs	**1,627**	1,536	**575**	560
Company contributions to defined contribution pension plans	**82**	83	**-**	-
Share-related awards	**35**	155	**-**	127
Total key management personnel compensation	**1,744**	1,774	**575**	687

31 Accounting estimates and judgements

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements as to asset and liability carrying values which are not readily apparent from other sources. Actual results may vary from these estimates, and are taken into account in periodic reviews of the application of such estimates and assumptions.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Actuarial assumptions have been used to value the defined benefit pension liabilities. Management have selected these assumptions from a range of possible options following consultations with independent actuarial advisors.

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

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John Foster *Managing Director*

Mike Killingley*
Jeremy Brade*
Edmund Rowland*

*Non-executive Directors

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